Risk Factors Comparison 2024-03-28 to 2023-03-29 Form: 10-K

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We operate in a rapidly changing environment that involves a number of risks that could materially and adversely affect our business, financial condition, prospects, operating results or cash flows, including those highlighted in this Risk Factors Summary. These summary risks provide an overview of many of the risks we are exposed to in the normal course of our business. As a result, the following summary risks do not contain all of the information that may be important to you, and you should read them together with the more detailed discussion of risks that affect our business disclosed in Item 1A — Risk Factors. Risks Related to Our Business We are undertaking a large number of business initiatives at the same time, **including international expansion,** and if such initiatives are not successful, they may have a negative effect on our results of operations. We have experienced significant fluctuations in the growth of our business and ~~our~~ **we may not experience** high rates of growth ~~may not be sustained~~ in future time periods. We ~~have~~ **previously** identified a material weakness in our internal control over financial reporting and **related weakness** in our disclosure controls and procedures **and there can be no assurance that our reporting infrastructure and personnel involved in financial reporting and disclosure controls and procedures have in the past complied, or will continue in the future to comply, with all of our applicable reporting obligations** . Changes in consumer spending may adversely affect our revenue and results of operations, including as a result of economic downturns. We ~~could~~ **may** be adversely affected if merchandise purchased from our vendors is defective or otherwise does not meet our product quality standards. Our business depends on the strength of our brand and continuing investments in our brand will be an important requirement for our future success. We ~~could~~ **may** be adversely affected by competition in the home furnishings sector. We are subject to risks associated with our dependence on foreign manufacturing and imports. We may be adversely affected by any disruptions in our ability to obtain quality merchandise **in sufficient quantities at competitive prices** , including products that are produced by artisans and specialty vendors ~~. Our results may be adversely affected by fluctuations in raw materials, energy and transportation costs and currency exchange rates~~ . ii | FORM 10- K SPECIAL NOTE REGARDING FORWARD- LOOKING STATEMENTS AND MARKET ~~DATAWe~~ **DATAOur results may be adversely affected by fluctuations in raw materials, energy and transportation costs and currency exchange rates. We** are subject to risks associated with occupying substantial amounts of space, including future increases in occupancy costs and other risks related to real estate development. We may be adversely affected by factors beyond our control that affect our ability to open new ~~stores~~ **Galleries** within the time frames we initially target **or optimize our store footprint** . Our results of operations may be harmed if we encounter issues with our distribution centers, furniture home delivery centers and other aspects of our supply chain and customer delivery network. We are subject to risks related to our reliance upon independent third- party transportation providers. Our operations have significant liquidity and capital requirements and depend on the availability of adequate financing and sources of capital on reasonable terms and we have elected to raise substantial amounts of capital through debt which exposes our business to risks related to obligations of indebtedness. If we lose key personnel or are unable to hire qualified personnel, our business may be harmed. Material damage to, or interruptions in, our information systems, including cybersecurity breaches or cyber fraud, could have a material adverse effect on our business or results of operations. We face product liability risks and certain of our products may be subject to recalls or other actions by regulatory authorities, which could have a material adverse effect on our business and reputation. We may be **adversely** affected by legal and regulatory proceedings in which we are involved from time to time, including litigation, claims, investigations and regulatory and other proceedings. Compliance with laws, including laws relating to our business activities outside of the U. S., may be costly or otherwise adversely affect the way we do business. Risks Related to Ownership of Our Common StockOur common stock price may be volatile or decline regardless of our operating performance. **Anti- takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a transaction involving a change in control of us, even if doing so would benefit our stockholders.** We do not expect to pay any cash dividends for the foreseeable future. We face various risks in connection with our share repurchase program ~~. We may issue additional shares of our common stock or instruments convertible into shares of our common stock and thereby materially and adversely affect the market price of our common stock~~ . The terms of our outstanding indebtedness may delay or hinder an otherwise beneficial takeover attempt of us. General RisksLabor organizing and other activities could adversely affect us. Fluctuations in our tax obligations and effective tax rate and realization of our deferred tax assets, including net operating loss carryforwards, may result in volatility of our results of operations. Our operations are subject to risks of natural or man- made disasters, acts of war, terrorism or widespread illness, any one of which could result in a business stoppage and negatively affect our results of operations. SPECIAL NOTE REGARDING FORWARD- LOOKING STATEMENTS AND MARKET DATAFORM 10- K | iii PART I ITEM 1. BUSINESS Overview RH (collectively, " we, " " us, " or the " Company ") is a leading retailer and luxury lifestyle brand operating primarily in the home furnishings market. Our curated and fully integrated assortments are presented consistently across our sales channels, including our retail locations, websites and **Sourcebooks** ~~Source Books~~ . We offer merchandise assortments across a number of categories, including furniture, lighting, textiles, bathware, décor, outdoor and garden, and baby, child and teen furnishings. Our retail business is fully integrated across our multiple channels of distribution. We position our Galleries as showrooms for our brand, while our websites and **Sourcebooks** ~~Source Books~~ act as virtual and print extensions of our physical spaces, respectively. We operate our retail locations throughout the United States, Canada, ~~and~~ the **United Kingdom** ~~U. K.,~~ and **Germany. We** have an integrated RH Hospitality experience in ~~14~~ **16** of our Design Gallery locations, which includes ~~Restaurants~~ **restaurants** and ~~Wine~~ **wine bars, and we operate both a restaurant and a Champagne & Caviar** ~~Bars~~ **Bar at**

the ~~. In addition, we opened our first~~ RH Guesthouse ~~in~~ New York ~~in September 2022, a first- of- its- kind hospitality experience for travelers seeking privacy and luxury. The property features six guest rooms, three guest suites and a private residence, as well as The Dining Room & Terrace. Macroeconomic Factors There are a number of macroeconomic factors and uncertainties affecting the overall business climate as well as our business, including increased inflation, rising interest and mortgage rates, and uncertainties in the global financial markets related to the foregoing as well as, among other things, the war in Ukraine and recent failures of several financial institutions, including Silicon Valley Bank and others. These and other macroeconomic factors may have a number of adverse effects on economic conditions and markets in which we operate, including the housing market, with the potential for an economic recession and a sustained downturn in the housing market. Factors such as a slowdown in the housing market or negative trends in stock market prices could have a negative impact on demand for our products. We believe that these macroeconomic factors have contributed to the slowdown in demand that we have experienced in our business over the last several fiscal quarters. Our decisions regarding the sources and uses of capital will continue to reflect and adapt to changes in market conditions and our business, including further developments with respect to macroeconomic factors. For more information, refer to Item 7 — Management' s Discussion and Analysis of Financial Condition and Results of Operations — Overview~~ . Key Value- Driving Strategies In order to achieve our long- term strategies of Product Elevation, Platform Expansion and Cash Generation as well as drive growth across our business, we are focused on the following key strategies and business initiatives: Product Elevation. We believe we have built the most comprehensive and compelling collection of luxury home furnishings under one brand in the world. Our products are presented across multiple collections, categories and channels that we control, and their desirability and exclusivity has enabled us to achieve **strong** ~~industry- leading~~ revenues and margins. Our customers know our brand concepts as RH Interiors, RH **Contemporary, RH** Modern ~~, RH Contemporary~~ , RH Outdoor, RH Beach House, RH Ski House, RH Baby & Child, RH TEEN and Waterworks. Our strategy is to continue to elevate the design and quality of our product. **With the recent launch of the fall RH Interiors and RH Contemporary Sourcebooks, we have begun the introduction of the most prolific collection of new products in our history, which will continue into next year. In addition,** ~~Over~~ **over** the next few years, we plan to introduce RH Couture, RH Bespoke and RH Color. Gallery Transformation. Our product is elevated and rendered more valuable by our architecturally inspiring Galleries. We believe our strategy to open new Design Galleries in every major market in North America will unlock the value of our vast assortment, generating an expected annual revenue opportunity for our business of $ 5 to $ 6 billion. We believe we can significantly increase our sales by transforming our real estate platform from our existing legacy retail footprint to a portfolio of Design Galleries sized to the potential of each market and the size of our assortment. In addition, we plan to incorporate hospitality into ~~most~~ **many** of the new Design Galleries that we open in the future, which further elevates and renders our product and brand more valuable. We believe hospitality has created a unique new retail experience that cannot be replicated online, and that the addition of hospitality drives incremental sales of home furnishings in these Galleries. ~~PART IBrand~~ - **Brand** Elevation. ~~We are evolving~~ **Our strategy is to move** the brand beyond curating and selling product to conceptualizing and selling spaces **,** by building an ecosystem of Products, Places, Services and Spaces **that** ~~designed to elevate and render our product more valuable while establishing~~ **establishes** the RH brand as a **global** thought leader, taste and place maker. We believe our seamlessly integrated ecosystem of immersive experiences inspires customers to dream, design, dine, travel and live in a world thoughtfully curated by RH, creating an impression and connection unlike any other brand in the world. Our hospitality efforts will continue to elevate the RH brand as we extend beyond the four walls of our Galleries into RH Guesthouses, where our goal is to create a new market for travelers seeking privacy and luxury in the $ 200 billion North American hotel industry. We entered this industry with the opening of ~~our~~ **the** RH Guesthouse ~~in~~ New York in September 2022, and are in the process of constructing our second RH Guesthouse in Aspen **. In June 2023, we opened RH England, The Gallery at the Historic Aynho Park, a 400- year- old landmark estate representing the most inspiring and immersive physical expression of the brand to date. RH England marked the beginning of our global expansion beyond North America** . Additionally, we are creating bespoke experiences like RH Yountville, an integration of Food, Wine, Art & Design in the Napa Valley ~~,~~ **;** RH1 & RH2, our private jets ~~,~~ **;** and RH3, our luxury yacht that is available for charter in the Caribbean and Mediterranean, where the wealthy and affluent visit and vacation. These immersive experiences expose new and existing customers to our evolving authority in architecture, interior design and landscape architecture. ~~PART~~ **.** ~~IGlobal~~ - **Global** Expansion.We believe that our luxury brand positioning and unique aesthetic have strong international appeal,and that pursuit of global expansion will provide RH ~~with~~ a substantial opportunity to build over time a projected $ 20 to $ 25 billion global brand in terms of annual revenues.Our view is that the competitive environment globally is more fragmented and primed for disruption than the North American market,and there is no direct competitor of scale that possesses the product,operational platform,and brand of RH.As such,we are actively pursuing the expansion of the RH brand globally ~~.Our plans include~~ **with the objective of** launching ~~a number of~~ international locations in ~~the United Kingdom and~~ Europe **beginning** ~~,which began~~ with the opening of RH England,The Gallery at the Historic Aynho Park, **this summer.We have secured a number of locations** in **various markets in** ~~June 2023;followed by~~ the **U.K.** ~~November 2023 openings of RH Munich,The Gallery on Sendlinger Strasse,~~ and ~~RH Düsseldorf,The~~ **continental Europe for future Design** ~~Gallery~~ **Galleries** ~~on~~ **and are currently in lease or purchase negotiations for additional locations** Digital Reimagination. Our strategy is to digitally reimagine the RH brand and business model both internally and externally. Internally, our multi- year effort began with the reimagination of our Center of Innovation & Product Leadership to incorporate digitally integrated visuals and decision data designed to amplify the creative process from product ideation to product presentation. Externally, our strategy comes to life digitally through The World of RH, an online portal where customers can explore and be inspired by the depth and dimension of our brand. Launched in the spring of 2022, The World of RH includes rich, immersive content with simplified navigation and search functionality, all designed to enhance the shopping experience and render our product and brand more valuable. We expect to continue to elevate the customer experience on The World of RH with further enhancements to content, navigation and search functionality. We believe an opportunity exists to create similar strategic separation online as we have with our Galleries offline, reconceptualizing what a website can and should be . Global Expansion. We believe that...... lease or purchase negotiations for additional locations . Products and Product DevelopmentWe have positioned RH as a lifestyle brand and design authority by offering expansive merchandise assortments. We are merchants of luxury home furnishings **,** and our products embody our design aesthetic and reflect inspiration from across the centuries and around the globe. We have developed a proprietary product development platform that is fully integrated from ideation to presentation. Key aspects of our product development platform are: Organization — We have established a collaborative, cross- functional organization leading our product development, sourcing, merchandising, inventory and creative teams. Our product teams are focused on maximizing the sales potential of each product category across all channels, which eliminates channel conflicts and functional redundancies. Process — For many of our products, we work closely with our network of artisan partners who possess specialized product development and manufacturing capabilities and who we consider an extension of our product development team. We collaborate with our global network of specialty vendors and manufacturers to produce artisanal pieces of high quality and value on a large scale, including both distinctive original designs and reinterpretations of antiques. Facility — We have built the RH Center of Innovation & Product Leadership, a facility that supports the entire product development process from product ideation to presentation across all channels. Our proprietary organization, process and facility enhance our ability to introduce more new products with each collection. In addition, our product development platform, sourcing capabilities and significant scale enable us to reduce our product costs. ~~2 | FORM 10- KPART I~~ Sales ~~Channels~~ **ChannelsWe** ~~We~~ distribute our products through a fully integrated sales platform comprising our retail locations, including RH Galleries and Waterworks Showrooms, in addition to our websites, **Sourcebooks** ~~Source Books~~ , Trade and Contract, and Outlets. We believe the level of integration among all of our channels and our approach to the market distinguish us from other retailers. We encourage our customers to shop across our channels, which complement one another, and have aligned our business and internal organization to be channel agnostic. **2 | FORM 10- KPART I** Retail Locations As of ~~January 28~~ **February 3** , ~~2023~~ **2024** , our retail locations comprise RH Galleries and Waterworks Showrooms: AVERAGE LEASED SELLING COUNT SQUARE FOOTAGE (1) RHDesign Galleries (2) ~~28~~ **31** 33, ~~800Legacy~~ **400Legacy** Galleries 35 7, 400Modern ~~Galleries~~ **Gallery** 1 12, 800Baby & Child and TEEN Galleries 3 2, 800Total Galleries ~~67Waterworks~~ - **70Waterworks** Showrooms 14 4, ~~100Total~~ **300Total** retail locations ~~81~~ **84** (1) Average leased selling square footage is calculated based on total leased selling square footage divided by total locations. Leased selling square footage is retail space at our retail locations used to sell our products, as well as space for our restaurants **and wine bars** . Leased selling square footage excludes backrooms at retail locations used for storage, office space, food preparation, kitchen space or similar purpose, as well as exterior sales space located outside a retail location, such as courtyards, gardens and rooftops. (2) We have an integrated RH Hospitality experience in ~~fourteen~~ **16** of our Design Galleries **and** ~~. We also have RH Hospitality~~ in our one RH Guesthouse. Our Galleries reinforce our luxury brand aesthetic and are highly differentiated from other home furnishings retailers. We have revolutionized the customer experience by showcasing products in a sophisticated lifestyle setting, consistent with the imagery and product presentation featured on our websites and in our **Sourcebooks** ~~Source Books~~ . Products in our Galleries are presented in fully appointed rooms, emphasizing collections over individual pieces. This presentation inspires our customers to consider purchasing a full collection of products to replicate the design aesthetic experienced in our Galleries. In addition, our ~~associates~~ **employees** use iPads and other devices to allow customers to shop our entire merchandise assortment while in a retail location. We believe situating our Galleries in desirable locations, such as iconic buildings and luxury retail shopping centers, is critical to the success of our business. New sites are identified based on a variety of store- specific factors ~~—~~ **,** including unique architecture, geographic location, demographics, and proximity to affluent consumers ~~— in addition to our ability to negotiate favorable economic terms and to procure permits and complete construction in a timely manner~~ . We pursue a market- based sales strategy ~~,~~ whereby we assess each market' s overall sales potential and how best to approach the market across all of our channels. We ~~customize~~ **maximize our gallery** square footage, as well as ~~Source~~ **Sourcebook** ~~Book~~ circulation, to ~~maximize~~ **capitalize on** each market' s sales potential and increase our return on invested capital. We believe our integrated RH hospitality experience, which includes ~~Restaurants~~ **restaurants** and ~~Wine~~ **wine** ~~Bars~~ **bars** , has created a unique ~~new~~ retail experience that cannot be replicated online, and that the addition of hospitality drives incremental sales of home furnishings in these Galleries. We plan to incorporate hospitality into ~~most~~ **many** of the new Galleries that we open in the future. We have identified key learnings from our real estate transformation that have supported the development of a multi- tier market approach described below that we believe will optimize both market share and return on invested capital. First, we have architected Design Galleries to be innovative and flexible formats that ~~will~~ enable us to more quickly place our disruptive product assortment and immersive retail experience into the market. We will continue to ~~utilize these designs and~~ innovate based on key learnings from more recent Design Gallery openings. ~~Our most~~ **Most** ~~common~~ **of our** Design Galleries have approximately 30, 000 to 40, 000 leased selling square feet, inclusive of our integrated hospitality experience, ~~and present~~ **presenting** our product assortments across our businesses **,** and ~~contain~~ **containing** interior design offices and presentation rooms where design professionals work with clients on their projects. ~~These designs are capital efficient and accelerate the development process.~~ Examples of these ~~upcoming~~ **types of** Galleries include **RH Cleveland, The Gallery at Pinecrest, which opened in March 2024, and RH** Palo Alto, ~~California and Cleveland~~ **The Gallery at Stanford** , ~~Ohio~~ **which we plan to open in 2024** . Second, we will continue to develop and open larger Bespoke Design Galleries in the top metropolitan markets, similar to those we opened in New York ~~and~~ **,** Chicago **and San Francisco** . These iconic locations are highly profitable statements for our brand, and we believe they create a long- term competitive advantage that will be difficult to duplicate. We opened our Bespoke Design Gallery, RH **England** ~~San Francisco~~ , The Gallery at the Historic **Aynho Park** ~~Bethlehem Steel Building~~ , in ~~May~~ **June** ~~2022~~ **2023** and ~~expect~~ **plan** to open additional Bespoke locations **across the U. S. and Europe** in the coming years, including RH ~~England~~ **New Jersey** , The Gallery at the Historic ~~Aynho Park,~~ **Alnwick Hall and** RH **Paris** ~~New Jersey~~ , The Gallery **on** ~~at the Historic Alnwick Hall and other~~ -- **the Champs- Élysées** ~~locations in the U. S.~~

~~and Europe~~ . Third, we will continue to open Bespoke Galleries in the best second- home markets where **our** Galleries are tailored to reflect the local culture and are sized to the potential of each market. Examples of current Bespoke Galleries include our location in Yountville, California, as well as our ~~Gallery~~ **Galleries** under development in **Montecito, California and** Aspen, Colorado ~~. Fourth, we have developed alternative Design Gallery formats with varying sizes that are suited to many smaller and mid- sized North American markets, and we are testing this approach as we open new Galleries in different new locations~~ . Finally, we believe there is an opportunity to address new markets locally by opening ~~new~~ Design Studios in neighborhoods, towns and small cities where the wealthy and affluent live, visit and vacation. We have several existing locations that validate this strategy in East Hampton, ~~Yountville,~~ Los Gatos, Pasadena and our former San Francisco Gallery in the Design District, where we have ~~approximately~~ **generated annual revenues in the range of $ 5 to $ 20 million in** 2, 000 to 5, 000 square feet ~~and are able~~ **. We have secured our first new location for a Design Studio in Palm Desert, California, which we plan** to ~~generate substantial annual revenues~~ **open in the second half of 2024** . The cadence of our Gallery openings depends upon a number of factors. We plan to **continue to** expand our product sales to additional international markets and have signed agreements for Design Galleries in several locations outside of North America, including the **United Kingdom** ~~U. K.~~ , France, ~~Germany,~~ Spain, Italy and ~~Belgium~~ **Australia** . ~~4 | FORM 10- KPART I~~ **We opened RH Brussels, The Gallery on the Boulevard De Waterloo, in March 2024, and plan to open RH Madrid, The Gallery at Plaza del Marqués de Salamanca, in fiscal 2024. We are also under construction in London, Paris and Milan in inspiring spaces that will celebrate the heritage of the historic structures and will integrate full expressions of our hospitality experiences. In addition, we have received local approvals for the development of RH Sydney, The Gallery in Double Bay.** The following tables present our retail location metrics: YEAR ENDED **FEBRUARY 3,** JANUARY 28, **20242023** ~~JANUARY 29, 20232022~~ TOTAL LEASED TOTAL LEASED SELLING SQUARESELLING SQUARE COUNTFOOTAGE (1) COUNTFOOTAGE (1) (square footage in thousands) Beginning of period 81 1, ~~254 82~~ **286 81** 1, ~~162RH~~ **254RH** Design Galleries: **England** ~~San Francisco~~ Design Gallery 1 ~~42~~ **35** . 1 — — ~~Dallas~~ **Munich Design Gallery 1 26. 4 — — Düsseldorf Design Gallery 1 19. 6 — — Indianapolis Design Gallery (relocation) — 7. 6 — — San Francisco** Design Gallery — — 1 ~~38~~ **42** . ~~0Oak Brook Design~~ **1RH Legacy Galleries: Detroit Legacy** Gallery **(relocation) — 1. 5** — — **Short Hills Legacy Gallery (relocation) — 0.** 1 ~~37. 7Jacksonville Design Gallery~~ — — **San Francisco Legacy** ~~1 37. 7RH Modern Galleries: Dallas RH Modern~~ Gallery — — (1) (~~3. 9) RH Baby & Child and TEEN Galleries: Santa Monica Baby & Child and TEEN Gallery — — (1) (7. 3) RH Legacy Galleries: San Francisco legacy Gallery (1) (~~ 4. 8) ~~— —~~ Troy ~~legacy~~ **Legacy** ~~Gallery (relocation) — (5. 3) — — Dallas legacy Gallery — — (1) (8. 4) Oak Brook legacy Gallery — — (1) (10. 0) Tysons legacy~~ Gallery (relocation) — — — ~~8~~ **(5** . **3) Waterworks Showrooms: Atlanta Showroom (relocation) — 2. 0 — —** ~~5End~~ - **End** of period **84 1, 378** 81 1, ~~286 81 1, 254Total~~ **286Total** leased square footage at end of period (2) 1, ~~729~~ **901** 1, ~~672Weighted~~ - **729Weighted** - average leased square footage (3) 1, ~~719~~ **796** 1, ~~602Weighted~~ **719Weighted** - average leased selling square footage (3) 1, **318 1,** 281 ~~1, 197~~ (1) Leased selling square footage is retail space at our retail locations used to sell our products, as well as space for our ~~Restaurants~~ **restaurants and wine bars** . Leased selling square footage excludes backrooms at retail locations used for storage, office space, food preparation, kitchen space or similar purpose as well as exterior sales space located outside a retail location, such as courtyards, gardens and rooftops. **4 | FORM 10- KPART I** Leased selling square footage includes approximately ~~4~~ **56** , ~~800~~ **000** square feet as of fiscal ~~2021~~ **2023** related to ~~one~~ **two** owned retail ~~location~~ **locations** . (2) Total leased square footage includes approximately ~~5~~ **100** , ~~400~~ **000** square feet as of fiscal ~~2021~~ **2023** related to ~~one~~ **two** owned retail ~~location~~ **locations** . (3) Weighted- average leased square footage and leased selling square footage are calculated based on the number of days a retail location was opened during the period divided by the total number of days in the period. In addition to the retail locations, ~~in fiscal 2022~~ we ~~opened our~~ **operate one** RH Guesthouse with approximately 13, 800 ~~leased~~ selling square footage. The following list shows the number of retail locations in each U. S. state ~~, each Canadian province~~ and **foreign country** ~~in the U. K.~~ where we operate as of ~~January 28~~ **February 3** , ~~2023~~ **2024** : LOCATION COUNT LOCATION COUNT LOCATION COUNT Alabama 1 Massachusetts 2 Tennessee 1Arizona 2 Michigan 1 Texas 7California 19 Minnesota 1 Utah 1Colorado 2 Missouri 1 Virginia 2Connecticut 3 Nevada 1 Washington 1Florida 6 New Jersey 2 District of Columbia 1Georgia 2 New York 4 ~~Alberta~~ **Canada** ~~2Illinois~~ **4Illinois** 3 North Carolina 2 ~~British Columbia~~ **United Kingdom (1)** ~~1Indiana~~ **2Indiana** 1 Ohio 3 ~~Ontario~~ **Germany** ~~1Kansas~~ **2Kansas** 1 Oklahoma 1 ~~London (1) 1Louisiana~~ - **Louisiana** 1 Oregon 1 Maryland 1 Pennsylvania 2 Total ~~81~~ **84** (1) The ~~London~~ **United Kingdom** retail ~~location~~ **locations** ~~is~~ **include an RH Design Gallery and** a Waterworks Showroom. We continually analyze opportunities to selectively consolidate retail locations in connection with openings of our Design Galleries or close retail locations that have been under- performing or are no longer consistent with our brand positioning. In many cases, we continue to operate a retail location until our lease has expired in order to ~~effect~~ **affect** the closure in a cost- efficient manner. Websites Our primary RH websites, ~~www.~~ rh. com, **rhbabyandchild** ~~www. rhmodern~~ . com ~~, www. rhbabyandchild. com~~ and ~~www.~~ rhteen. com, provide our customers with the ability to purchase our merchandise online. We sell Waterworks products online through ~~www.~~ waterworks. com. Our websites allow our customers to experience the unique lifestyle settings reflected in our **Sourcebooks** ~~Source Books~~ and throughout our Galleries and Showrooms, and to shop all of our current product assortment. We update our websites regularly to reflect new products, product availability and occasional special offers. The RH websites also offer room- based navigation, which allows the customer to envision and shop items by room or by product, expanding on the richness of the online experience. Customers can search the websites for products by size or color, browse through our extensive product categories and see detailed information about each item and collection, such as dimensions, materials and care instructions. Additionally, customers can select color swatches and view merchandise displayed with different color and fabric options. **SourcebooksWe** ~~Source BooksWe~~ produce a series of catalogs, which we refer to as **Sourcebooks** ~~Source Books~~ , to showcase our merchandise assortment. Our **Sourcebooks** ~~Source Books~~ include RH Interiors, RH **Contemporary, RH** Modern, RH Outdoor **, RH Beach House, RH Ski House** , RH Baby & Child ~~and~~ **, RH** TEEN ~~, RH Beach House, RH Ski House~~ and RH Rugs. ~~Additionally, we launched the RH Contemporary Source Book in fiscal 2022.~~ Our **Sourcebooks** ~~Source Books~~ are one of our primary branding and advertising vehicles. We have found that merchandise assortments displayed in our **Sourcebooks** ~~Source Books~~ contribute to increased sales of those products across all of our channels. As in our Galleries, our **Sourcebooks** ~~Source Books~~ present our merchandise in lifestyle settings that reflect our unique design aesthetic. Our **Sourcebooks** ~~Source Books~~ also feature profiles of select artisan vendors and other compelling editorial content regarding home décor. All creative work on our **Sourcebooks** ~~Source Books~~ is coordinated in- house in our RH Center of Innovation & Product Leadership, providing us greater control over the brand image presented to our customers, while also reducing our ~~Source~~ **Sourcebook** ~~Book~~ production costs. **We distribute our Sourcebooks** ~~6 | FORM 10- KPART I Our Source Book mailings serve as a key driver of sales through~~ **throughout** ~~both our retail locations~~ **the U. S.** and ~~websites~~ **Canada, in the United Kingdom, and in countries where we operate within the European Union** . Our customers respond to the **Sourcebooks** ~~Source Books~~ across all of our channels, with sales trends closely correlating to the assortments that we emphasize and feature prominently in our **Sourcebooks** ~~Source Books~~ , **Galleries and** websites ~~and Galleries~~ . Our **Sourcebooks** ~~Source Books~~ , in concert with our websites, are a cost- effective means to test new products, and allow us to launch categories in a disciplined, expeditious and cost- effective manner. We continue to evaluate and optimize our ~~Source~~ **Sourcebook** ~~Book~~ strategy based on our experience. We maintain a database of customer information, including information from our RH Members Program. Our customer database includes sales patterns, detailed purchasing information and certain demographic information, as well as mailing and email addresses. We mail our **Sourcebooks** ~~Source Books~~ to addresses within this database and to addresses provided to us by third parties. The database, which is maintained in accordance with our privacy policy disclosed on our website, supports our ability to analyze our customers' buying behaviors across sales channels, facilitates the development of targeted marketing strategies, and supports prospecting new customers. We segment our customer files based on multiple variables, and we tailor our ~~Source~~ **Sourcebook** ~~Book~~ mailings and emails in response to the purchasing patterns and product needs of our customers. We continue to improve the segmentation of customer files and the expansion of our customer database. ~~In~~ **Trade and ContractIn** the Trade channel, we work directly with residential interior designers and decorators purchasing products for their clients' residential projects. We also sell directly to consumers who make purchases with the assistance of their residential interior designer or decorator. Our Contract business supplies products to large- scale, luxury hospitality, commercial and residential development projects globally, working directly with hotel ownership groups and brands, commercial property owners, single- family and multi- family builders and developers and their ecosystem of architecture, interior design and purchasing business partners. These channels enable us to reach new business customers and the consumers they influence. Outlet ~~Stores~~ **StoresOur** ~~Our~~ outlet stores are branded as RH Outlet or Restoration Hardware Outlet and are typically located in outlet malls **, power centers, and freestanding locations** . Our outlet stores serve as a key part of our reverse logistics platform and provide an efficient means to sell primarily returned merchandise and, to a lesser extent, discontinued and overstock merchandise outside of our core sales channels. As of ~~January 28~~ **February 3** , ~~2023~~ **2024** , we operated ~~37~~ **42** outlet stores **, including one outlet location in the United Kingdom** . Marketing and ~~Advertising~~ **AdvertisingOur** ~~Our~~ Galleries, websites and **Sourcebooks** ~~Source Books~~ are the primary branding and advertising vehicles for the RH brand. In addition, we employ a variety of marketing and advertising techniques to drive customer traffic across all our channels, strengthen and reinforce our brand image and acquire new customers. These include targeted ~~Source~~ **Sourcebook** ~~Book~~ circulation, email communications, promotional mailings, print advertisements, and public relations activities and events. We use our customer database to tailor our programs and increase the efficiency of our marketing and promotional initiatives. We leverage our marketing and advertising expenses across all our channels as we seek to optimize the efficiency of our investment. **Additionally, we operate certain brand- elevating assets that also serve as advertising vehicles for the RH brand, including RH Guesthouse New York; RH England, The Gallery at the Historic Aynho Park; and RH3, our luxury yacht that is available for charter. 6 | FORM 10- KPART I** The highly differentiated design aesthetic and environment of our Galleries drives customer traffic not only to our physical spaces but also to our websites. Our **Sourcebooks** ~~Source Books~~ and targeted emails further reinforce the RH brand image and drive sales across all of our channels. We also participate in a wide range of other marketing, promotional and public relations activities. These campaigns include media coverage in design, lifestyle, culture / society and specialty publications, as well as in- Gallery events related to new Gallery openings and product launches. In addition, we engage in print advertising in brand- relevant publications such as Architectural Digest, Elle ~~Décor~~ **Decor** , T: The New York Times Style Magazine, WSJ. Magazine, Business of Home, Luxe Interiors ~~Designs~~ - **Design** , C Magazine and others. We believe that these efforts drive increased brand awareness, leading to higher sales over time. The RH Members Program reimagines and simplifies the shopping experience. For an annual fee, the RH Members Program provides a set discount every day across the RH brand, excluding RH Hospitality and Waterworks, in addition to other benefits, including complimentary design services through the RH Interior Design program and eligibility for preferred financing plans on the RH Credit Card. The RH Members Program allows our customers to shop for what they want, when they want, and receive the greatest value, which has resulted in orders and sales being more evenly distributed throughout the year. During fiscal ~~2022~~ **2023** , our members drove approximately 97 % of sales in our core RH business, and we had approximately ~~351~~ **281** , 000 members at year end. Our core RH business reflects the product categories that the membership discount can be applied to, and, as a result, sales generated via Outlet, Contract, Hospitality or Waterworks are excluded. We believe our membership model enhances the customer experience, renders our brand more valuable, improves operational execution and reduces costs. ~~SourcingOur~~ --- **Sourcing Our** sourcing strategy focuses on identifying and using vendors that can provide the quality materials and fine craftsmanship that our customers expect of our brand. We work closely with vendors and manufacturers to ensure that our high standards of quality and timely delivery of merchandise are met. We seek to ensure the consistent quality of our manufacturers' products by selectively inspecting pre- production samples, conducting periodic site visits to certain of our vendors' production facilities and selectively inspecting inbound shipments at our distribution facilities. In fiscal ~~2022~~ **2023** , we sourced ~~approximately~~ 75 % of our purchase dollar volume from **28** ~~approximately 25~~ vendors ~~. In fiscal 2022~~ , **and** one vendor accounted for ~~13~~ **14** % of our purchase dollar volume. Based on total dollar volume of purchases for fiscal ~~2022~~ **2023** , ~~71~~ **66** % of our products were sourced from Asia, ~~with 29~~ **including 30** % ~~sourced~~ **from Vietnam, 22 %** from China **and the remainder predominantly from India and Indonesia** , ~~12~~ **as well as 14** % from the United States and the remainder from other countries ~~and regions~~ . **Distribution and Delivery** We ~~have a limited number of long- term merchandise supply contracts, but we believe that we generally have strong relationships with our product vendors. Although we transact business primarily on an order- by- order basis, we typically work with many of our vendors over extended periods of time, and many vendors continue to make long- term capacity investments to serve our increasing demands. We develop relationships with our vendors in order to achieve significant cost savings and improve our product development process by eliminating the use of most third- party purchasing agents in favor of a model in which we directly manage our vendors. Distribution and DeliveryWe~~ manage the distribution and delivery of our products through our distribution centers. We currently operate three furniture fulfillment centers and one small- parcel fulfillment center servicing RH products, which are located strategically in four markets throughout the United States. We have one fulfillment center in the United States servicing Waterworks products. **In addition, we have one third- party distribution center in Europe and continue to develop our supply chain strategy in connection with our global expansion.** We operate portions of our home delivery services in ~~21~~ **25** key markets to leverage operating costs and improve our customers' delivery experience, while reducing returns and damage to our products. We offer a white glove home delivery service for our larger merchandise and furniture categories, where third- party personnel deliver fully assembled items to the location of our customers' choice. We believe ~~there is an opportunity to improve the customer experience by taking greater control of the home delivery experience over time. We believe that many third- party furniture delivery providers are designed to support mass and mid- market companies and that significant opportunity exists for developing improved solutions for the luxury market. We believe~~ we have dramatically enhanced the customer experience while reducing return rates, damages and deliveries per order by enhancing the quality of our delivery providers through metric- based accountability standards. ~~In addition, we have one third- party distribution center in Europe and continue to develop our supply chain strategy in connection with our global expansion.~~ We believe our supply chain and fulfillment operations allow us to manage customer orders and distribute merchandise to our customers in an efficient and cost- effective manner, and we continue to identify opportunities to improve the delivery of our products. ~~CompetitionThe~~ --- **Competition The** home furnishings sector is highly competitive. We believe that we compete primarily on the basis of the design, style and quality of our products, the breadth of our assortment of high- quality merchandise and the luxury positioning of our brand. We believe that customers respond favorably to the style and presentation of our products and that we offer consumers a substantial assortment of curated merchandise selections as part of a lifestyle experience. We continue to elevate our product assortment and create separation between our brand and that of many of our competitors. We **also believe that our success depends in substantial part on our ability to originate and define product trends, as well as to timely anticipate, gauge and react to changing consumer demands. We compete with a number of home furnishings retailers, including national and regional businesses, as well as new market participants that operate predominantly online. We also** compete with the interior design trade and specialty stores, as well as ~~antique~~ **antiques** dealers and other merchants that provide unique items and custom- designed products at higher price points ~~. We also compete with a number of other home furnishing retailers, including national and regional businesses as well as new market participants. We will face new competitors as we expand our business globally. In addition, we compete with mail order catalogs and online retailers focused on home furnishings. 8 | FORM 10- KPART I We compete by offering what we believe is superior quality, highly distinctive design styles and a sophisticated lifestyle presentation in our product offering. We also believe that our success depends in substantial part on our ability to originate and define product trends, as well as to timely anticipate, gauge and react to changing consumer demands~~ . Many of our competitors seek to compete with us by offering products that are similar to our merchandise at lower price points. Certain of our competitors are larger and have greater financial, marketing and other resources than us. However, many smaller specialty retailers may lack the financial resources, infrastructure, scale and national brand identity necessary to compete effectively with us. **As we expand our business globally, we will face new competitors.** Our ~~People~~ **PeopleWe** ~~We~~ are a vision- led organization with a ~~strong culture, led by our Chairman and Chief Executive Officer, Gary Friedman, in partnership with our senior leadership team. Together, they instill a~~ company- wide commitment to our **core** ~~Vision, Values~~ **values of People, Quality, Service** and ~~Beliefs~~ **Innovation** . Our ~~Values~~ **values** ~~– People, Quality, Service, and Innovation –~~ are brought to life by our ~~associates across the organization~~ **employees, whom we refer to as our team members. We believe that our culture is unique and attracts highly talented individuals aligned with our core values** . Our success and future growth ~~depends~~ - **depend** ~~largely~~ upon the continued ~~service of~~ **commitment to** our ~~leadership team~~ **values and culture** , ~~as well as our talented associates~~ **which can be seen and felt** across all parts of our organization ~~. Our business success also depends on our ability to attract, hire and retain qualified individuals. We endeavor to reward individual and team contribution, demonstrated by the delivery of long- term, sustainable results. Our compensation programs are designed to align the interests of our officers and associates with our Vision, Values and objectives, as well as our business strategy~~ . RH is an equal opportunity employer, and we believe in meritocratic hiring. Our goal is to have the right person in every position throughout our organization. We strongly believe our performance is enhanced by a workforce composed of individuals with diverse backgrounds, skills and experience that align with the needs of our business, culture and ~~Values~~ **values** . We have a policy that prohibits us from discriminating against any applicant or ~~associate~~ **team member** and this policy governs all aspects of employment, including recruitment, hiring, training, promotion, compensation, discipline, job assignments, benefits, transfer and discharge. We believe that our commitment to diversity is demonstrated by the composition of our workforce. We are committed to operating our environments with the highest **standards that ensure the** safety **,** ~~standards to ensure the~~ health and well- being of our ~~guests and~~ team members **and guests** . We require our vendors to adhere to our Vendor Code of Conduct, which can be found on the Investor Relations section of our website, located at ir. rh. com under " Governance ~~/~~ **—** Environmental, Social & Governance. " Certain headcount data is set forth in the following table: **FEBRUARY 3,** JANUARY

28, JANUARY 29, **2024** ~~JANUARY 30,~~ 2023 2022 ~~2021~~ (approximate) Total ~~associates~~ **team members** (1) **5, 960** 6, 180 6, ~~470 5, 200Retail~~ **470Retail** and Outlet ~~associates~~ **team members 2, 210** 2, 090 2, ~~300 2, 200Hospitality~~ **300Hospitality** ~~associates~~ **team members 1, 520** 1, 580 1, **320Part** ~~320 660Part~~ - time ~~associates~~ **team members 630** 720 850 ~~510~~ (1) None of our ~~associates~~ **team members** are represented by a union, and we have had no labor- related work stoppages. Environmental, Social and ~~Governance~~ **GovernanceOur** ~~Our~~ environmental, social and certain other governance efforts are implemented through our environmental, social and governance (“ ESG ”) programs, which are designed to align our approach to ESG issues with the interests of our people, customers and shareholders and their respective ESG concerns **and can be found on our Investor Relations section of our website, which is located at ir. rh. com under “ Governance — Environmental, Social & Governance ”** . Intellectual PropertyThe “ RH, ” “ Restoration Hardware, ” “ RH Interiors, ” “ RH Contemporary, ” “ RH Modern, ” “ RH Outdoor, ” “ RH Baby & Child, ” “ RH TEEN, ” “ RH Beach House, ” “ RH Ski House, ” “ RH ~~Guesthouse~~ **Rugs** , ” “ RH ~~Rugs~~ **Guesthouse** , ” “ The World of RH ” and “ Waterworks, ” trademarks, among others, are registered or are the subject of pending trademark applications with the United States Patent and Trademark Office and with the trademark registries of several foreign countries. Each of our trademark registrations is perpetually renewable provided that we use or continue to use the trademarks in commerce in the particular geographic market and for the goods or services covered by the registration. In addition, we own many domain names, including “ rh. com, ” “ restorationhardware. com, ” “ rhmodern. com, ” “ rhbabyandchild. com, ” “ rhteen. com, ” “ rhbeachouse. com, ” “ rhskihouse. com, ” “ rhguesthouse. com, ” “ waterworks. com ” and others that include our trademarks. These domain names are perpetually renewable. **8 | FORM 10- KPART I** We own design patents or pending design patent applications to protect the ornamental appearance of several of our products. These design patents are valid for 15 years from their date of issuance. We own copyrights, including copyright registrations or pending applications, for our website and our **Sourcebooks** ~~Source Books~~ . We believe that our trademarks, domain names, design patents, and copyrights have significant value **,** and we vigorously protect them against infringement. Fluctuation in Quarterly ~~ResultsOur~~ --- **Results Our** quarterly results vary depending upon a variety of factors, including changes in our product offerings and the introduction of new merchandise assortments and categories, changes in retail locations, the timing of ~~Source~~ **Sourcebook** ~~Book~~ releases, and the extent of our realization of the costs and benefits of our numerous strategic initiatives, among other things. For example, we have historically experienced some seasonality in our business trends as our sales are typically higher in the second fiscal quarter, which correlates to a peak selling season for outdoor items and outdoor furniture. As a result of these factors, our working capital requirements and demands may fluctuate during the year. Unique factors in any given quarter may affect period- to- period comparisons, and the results for any quarter are not necessarily indicative of the results that we may achieve for a full fiscal year. Corporate ~~InformationThe~~ --- **Information The** Company was formed as a Delaware corporation on August 18, 2011. On November 7, 2012, the Company completed an initial public offering. On December 15, 2016, Restoration Hardware Holdings, Inc. filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware to change its name to “ RH, ” effective January 1, 2017. Regulation and ~~LegislationWe~~ -- **Legislation We** are subject to numerous regulations, including labor and employment laws, customs, laws governing truth- in- advertising, consumer protection, privacy, safety, real estate, environmental and zoning and occupancy laws, and other laws and regulations that regulate retailers and govern the promotion and sale of merchandise and the operation of our retail and hospitality locations, outlets and warehouse facilities, in the United States and other international locations in which we operate presently or plan to in the future, as well as in jurisdictions from which we source our products. We believe we are in material compliance with laws applicable to our business. Where You Can Find More ~~InformationWe~~ -- **Information We** are required to file or furnish annual, quarterly and current reports, proxy statements and other information as required by the Securities Exchange Act of 1934, as amended (the “ Exchange Act ”), with the SEC. The SEC maintains a website that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC **at** ~~. The address of that website is www.~~ sec. gov. We maintain public internet sites at ~~www.~~ rh. com and ~~www.~~ restorationhardware. com and make available, free of charge, through these sites our Annual Reports on Form 10- K, Quarterly Reports on Form 10- Q, Current Reports on Form 8- K, Proxy Statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers, as well as any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The charters for our Board of Directors’ Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, as well as our Code of Business Conduct, our Corporate Governance Guidelines and Code of Ethics governing our chief executive and senior financial officers and other related materials are available on our websites. The information on our websites is not part of this ~~annual~~ **Annual** ~~report~~ **Report** . Our Investor Relations Department can be contacted at RH, 15 Koch Road, Corte Madera, California 94925, Attention: Investor Relations; telephone: 415- 945- 3500; e- mail: investorrelations @ rh. com. ~~10 | FORM 10- KPART I~~ ITEM 1A. RISK **FACTORSCertain** ~~FACTORS Certain~~ factors may have a material adverse effect on our business, financial condition, and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report ~~on Form 10- K~~ , including our consolidated financial statements and related notes. The events and consequences discussed in these risk factors could materially and adversely affect our business, financial condition, results of operations, and future prospects. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. **Risks Related to Our Business** We are undertaking a large number of business initiatives at the same time, including international expansion and exploring opportunities to expand into new categories and complementary businesses. If these initiatives are not successful, they may have a negative impact on our results of operations. We are undertaking a large number of new business initiatives at the same time, including efforts to expand our business through (i) international expansion, (ii) enhancement of our merchandise assortment and improvements to the quality of our products and services, and (iii) launching new business initiatives, including real estate development and the expansion of RH Hospitality **, including by constructing our second RH Guesthouse in Aspen. We opened RH England in June 2023 and RH Munich and RH Düsseldorf in November 2023, which marked the beginning of our expansion into continental Europe** . We have introduced a number of new product categories such as RH Modern and RH Contemporary, expanded the RH Hospitality offering which includes integrated ~~Restaurants~~ **restaurants** and ~~Wine~~ **wine** ~~Bars~~ **bars** in a number of our Galleries ~~, standalone restaurants~~ and **in our** ~~guesthouses~~ **Guesthouse** , as well as ~~introduced~~ other innovations such as our private jets **,** RH1 and RH2, and our luxury yacht **,** RH3. We are also investing in other new business initiatives, including business acquisitions and ~~investment~~ **investments** in joint ventures **,** such as ~~a number of~~ **those related to** real estate development projects. We can provide no assurances that customers will respond favorably to **,** or that we will successfully execute on **,** such business initiatives or that we will be successful in expanding our operations into any new **geographies,** businesses and product lines. ~~Any~~ **In particular, any** new businesses we enter or expansion of our existing business into new markets **, both domestically and internationally,** may expose us to additional operational risks **,** such as risks related to **political, social and economic instability and disruptions, government import and export controls, economic sanctions, embargoes or trade restrictions, the imposition of duties and tariffs and other trade barriers and retaliatory countermeasures, risk to theft of proprietary information and / or intellectual property,** currency fluctuation, supply chain and product sourcing, new regulatory regimes applicable to our products **and increased compliance costs** , ~~Galleries~~ **including costs associated with compliance and disclosure operational requirements and costs related to operating in new jurisdictions, difficulties in staffing and managing multi- national operations, including our store locations** and employees, **limitations on our ability to enforce legal rights** and ~~the~~ **remedies, potentially adverse tax** consequences ~~of international economic~~ **, and access to,** or ~~political~~ **control of, networks and confidential information due to local government controls and vulnerability of local networks to cyber risks** . We may be unsuccessful in adapting our operations to address such risks and we may determine to curtail and / or slow our international expansion initiative. **If we are unable to successfully manage the risks associated with expanding our business internationally or adequately manage operational risks of our existing international operations, there could be a material adverse effect on our growth in global markets, our reputation and prospects, our consolidated results of operations, financial position and cash flows.** As of ~~January 28~~ **February 3** , ~~2023~~ **2024** , we have an integrated RH Hospitality experience in ~~14~~ **16** of our **Gallery** locations, including ~~Restaurants~~ **restaurants** and ~~Wine~~ **wine** ~~Bars~~ **bars** , and based on the success of our hospitality offering to date, we plan to incorporate an integrated RH Hospitality offering in many of the new Galleries that we open in the future. In addition, we have one ~~standalone~~ RH Guesthouse location **in New York** ~~as of January 28~~ , ~~2023~~ **and are constructing our second RH Guesthouse in Aspen** . Although we have experienced a number of positive business outcomes from the RH Hospitality operations, there can be no assurance that these benefits will be sustained, that we will avoid operational or other complications from the hospitality business or that new aspects of our hospitality offering such as the launch of ~~guesthouses~~ **Guesthouses** will be successful. **10 | FORM 10- KPART I** We often have incurred, and may in the future incur, substantial upfront costs for new business initiatives before we realize any corresponding revenue with respect to such initiatives. For example, as we continue to develop and invest in new business initiatives, such as the introduction of guesthouses and the redevelopment of historical buildings into larger format Design Galleries in select major metropolitan markets, we may devote significant financial resources to a particular location before it opens to customers and generates revenue. Additionally, the amount of lead time and cost involved in the development of such initiatives may be greater than anticipated. If our future business initiatives do not achieve expected customer acceptance or generate sufficient revenues upon opening, we may not be able to recover the costs of our investment. In addition, we continue to pursue several new initiatives to improve our business, including refining our organizational structure, changing how we source and deliver products to our customers, and streamlining and realigning the senior leadership and personnel structure in our home office operations. We have also focused on elevating the customer experience, which includes improving our distribution and delivery of products and architecting a new fully integrated back- end operating platform, inclusive of the supply chain network, the home delivery experience as well as a new metric- driven quality system and company- wide decision data. We have focused on introducing new products and optimizing our merchandise assortment **,** including through selling slower moving, discontinued and other inventory through markdowns and our outlet channel, as well as enhancing and optimizing our product sourcing capabilities and adding new management information systems. Given the large number of organizational initiatives we are pursuing, as well as the complexity and untested nature of many of these efforts, there can be no certainty that we will succeed in executing these initiatives. We may not experience the operational or financial benefits we expect these improvements to generate and we may face unanticipated costs related to pursuing these initiatives, any of which could have a material adverse effect on our financial condition or results of operations. We have experienced significant fluctuations in the growth of our business and **we** ~~high levels of growth~~ may not ~~be achieved~~ **experience high rates of growth** in future periods. We have experienced significant fluctuations in the growth of our business **in the past, including** since the occurrence of the COVID- 19 pandemic ~~. We~~ **, and** may continue to experience wide fluctuations in our quarterly performance. We are currently engaged in a number of growth initiatives, including investments to elevate our brand and improvements to our products and customer experience. There can be no assurance that these efforts will be successful or that we will not encounter other operational difficulties that may have a material negative impact on **our** growth and profitability. In addition, these initiatives may have near- term material negative impacts on **our** growth and profitability as we incur costs or pursue strategies that may not contribute to our profits and margins until future periods, if at all. Some factors affecting our business, including macroeconomic conditions and government policies **,** are not within our control. In prior periods, our results of operations have been adversely affected by weakness in the global economic environment **. For example, we believe that the COVID- 19 pandemic and the resulting trends in housing and consumption patterns drove increased demand in our business during a substantial portion of the pandemic, while the demand for home furnishings has since decreased as consumer demand has shifted into other areas** such as **travel and**

leisure ~~slowdowns in the housing market~~. In addition, our rates of revenue growth have sharply fluctuated from quarter **-** to **-** quarter and we expect volatility in the rates of our growth to continue in future quarterly periods. Unique factors in any given quarter may affect period- to- period comparisons in our revenue growth, including the overall economic and general retail sales environment as well as factors affecting the housing market **,** such as ~~rising~~ **substantially higher** interest **rates and mortgage** rates, housing prices, the pace of housing construction, secondary market transactions in the housing market and other activities in the housing sector. Due to these kinds of factors, our results for any quarter are not necessarily indicative of the results that we may achieve for a full fiscal year. Our results of operations may also vary relative to corresponding periods in prior years. We believe that period- to- period comparisons of our results of operations are not necessarily meaningful and cannot be relied upon as indicators of future performance. We cannot assure you that we will succeed in offsetting any increases in our expenses with improved efficiency or price increases for our products and services or that cost increases associated with our business will not have ~~an~~ **a material** adverse effect on our financial **condition or** results **of operations** . We ~~have~~ **previously** identified a material weakness in our internal ~~control~~ **controls** over financial reporting and ~~such~~ **related** weakness **in** ~~led to a conclusion that~~ our **disclosure controls and procedures. Although these weaknesses have been remediated, any failure to establish and maintain effective disclosure controls and procedures and** internal ~~control~~ **controls** over financial reporting **could result** ~~and disclosure controls and procedures were not effective. If we are unable to remediate the deficiencies~~ in **material misstatements in** our ~~internal control over~~ financial **statements and failure to meet our** reporting and ~~disclosure controls and procedures and maintain effective controls in the future, the accuracy and timeliness of our~~ financial ~~reporting and disclosures may be~~ **obligations, each of which could have a material** ~~adversely~~ -- **adverse** ~~affected~~ **effect on our financial condition or results of operations** . We are subject to Section 404 of the Sarbanes- Oxley Act of 2002, as amended ~~(the " Sarbanes- Oxley Act ")~~ , which requires us to maintain internal control over financial reporting and to report any material weaknesses in such internal control. In addition, our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting. **Maintaining** ~~12 | FORM 10- KPART I On February 1, 2023, the Audit Committee of the Board of Directors, after discussion with our senior leadership and independent registered public accountants, determined that the unaudited financial statements for the three months ended April 30, 2022, the three and six months ended July 30, 2022, and the three and nine months ended October 29, 2022 should no longer be relied upon due to material unintentional errors in certain of these financial periods with respect to our calculation of basic and diluted net income per share, and that the Restatement (as defined below) would be required to correct these errors. The unaudited condensed consolidated financial statements for the three months ended April 30, 2022, July 30, 2022 and October 29, 2022 were restated in our Quarterly Reports on Form 10- Q / A for the fiscal quarters ended April 30, 2022, July 30, 2022, and October 29, 2022 (the " Restatement "). Our senior leadership team, with the participation of our Chief Executive Officer and Chief Financial Officer, re- evaluated the effectiveness~~ ---- **effective** ~~of our~~ disclosure controls and procedures and **effective** internal ~~control~~ **controls** over financial reporting **are necessary** ~~. As a result of the errors that gave rise to the need~~ for ~~the~~ **us to produce reliable financial** ~~Restatement~~ -- **statements** ~~, our senior leadership team has concluded that our~~ **and disclosure reports. Our disclosure controls and procedures and** internal ~~control~~ **controls** over financial reporting **have in the past been subject** ~~and our disclosure controls and procedures (i) were not effective as of April 30, 2022, July 30, 2022, and October 29, 2022, and (ii) remained ineffective as of January 28, 2023. Disclosure controls and procedures include, without limitation, controls and procedures designed~~ to ~~ensure~~ **deficiencies and material weaknesses, and we cannot assure you** that **additional** ~~information required to be disclosed by a company in its reports filed with the SEC is accumulated and communicated to the company' s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our senior leadership team has identified a~~ material ~~weakness~~ **weaknesses** ~~in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company' s annual or interim financial statements~~ will not **arise** ~~be prevented or detected on a timely basis. The measures we take to remediate the material weakness in our internal control over financial reporting and to implement and maintain effective disclosure controls and procedures~~ in the future ~~may not be sufficient to satisfy our obligations as a public company and produce reliable financial reports, which may result in additional material misstatements of our consolidated financial statements and adverse impacts on our business, financial condition, and results of operations~~. Our reporting obligations as a public company place significant requirements on our senior leadership team and we are required to devote substantial operational and financial resources and systems in order to meet those obligations and will continue to do so for the foreseeable future. In addition, we have experienced changes in personnel who are involved in our financial reporting. Changes in personnel, systems or procedures, as well as other events **,** may have an adverse impact on our internal controls and our disclosure controls and procedures. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system' s objectives will be met. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision- making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of ~~the~~ controls. Therefore, our internal control over financial reporting and disclosure controls and procedures may not prevent or detect misstatements because of their inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. There can be no assurance that our reporting infrastructure and personnel involved in financial reporting and disclosure controls and procedures have in the past complied, or will continue in the future to comply, with all of our applicable reporting obligations. If we fail to timely achieve and maintain the adequacy of our internal control over financial reporting and effective disclosure controls and procedures, we may not be able to produce reliable financial or SEC reports. Our failure to maintain the adequacy and effectiveness of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results could be harmed, and we could fail to meet our financial and other reporting obligations. Changes in consumer spending and factors that influence spending of the specific categories of consumers that purchase from us may significantly impact our revenue and results of operations. Our business depends on consumer demand for our products and we target consumers of high- end home furnishings. As a result, we believe that our sales are sensitive to a number of factors that influence consumer spending generally, such as general economic conditions and the health and volatility of the stock market, ~~but~~ **and** that our sales are particularly affected by the financial health of **,** and demand levels from **,** higher- end consumers. While the overall market for home furnishings may be influenced by factors such as employment levels, interest rates, new household formation and the affordability of homes for first- time home buyers, the higher- end of the housing market may be disproportionately influenced by other factors, including the number of foreign buyers in higher- end U. S. real estate markets, foreign currency volatility, the number of second and third homes being bought and sold, stock market ~~prices~~ **volatility and illiquid market conditions** , global economic uncertainty, inflation, decreased availability of income tax deductions for mortgage interest and state income and property taxes, and perceived capital appreciation prospects in higher- end real estate. In the past, many of these factors have adversely affected the high- end home furnishings market and consequently our business. ~~We~~ **These factors may make it difficult for us to accurately predict our operating and financial results for future periods, and we** believe these ~~economic~~ factors could have a material adverse effect on our business and results of operations in future periods. **12 | FORM 10- KPART I** If we fail to successfully and timely deliver merchandise to our customers and manage our supply chain commensurate with demand, our results of operations may be adversely affected. We must successfully manage our supply chain and vendors in order to produce sufficient quantities of products that our customers wish to purchase in a timely manner. We must manage our inventory levels, including predicting the appropriate levels and type of inventory to stock within each of our distribution centers, such that our " in stock " position in merchandise correlates well to consumer demand and expected delivery times. Because much of our merchandise requires that we provide vendors with significant ordering lead times, often before market factors are known, we may not be able to source sufficient inventory to meet demand if our products prove more popular than anticipated. Various business conditions and operational initiatives **,** such as the launch of new products and changes in the global supply chain **,** require us to establish new vendor relationships and supply chain operations, which may expose us to new counterparty, regulatory, market or other risks. We have experienced periods in which some of our vendors were not able to meet customer demand for certain products resulting in significant back orders for goods, higher rates of cancellation on orders in process and, in some instances, loss of customer sales when orders could not be completed in a timely manner. If we are unable to accurately predict and track demand for our products, we may be required to mark down the price of certain products in order to sell excess inventory or we may be required to sell such inventory through our outlet stores. We expect these factors to continue from time to time as we add new product assortments and new merchandise categories into our business. Merchandise purchased from our vendors that is defective or otherwise does not meet our product quality standards could damage our reputation and brand image and harm our business, and we may not have adequate remedies against our vendors for such merchandise. **From time to time,** ~~Some~~ **some** of our merchandise has failed to meet our expectations and objectives concerning quality. Our emphasis on merchandise quality is increasing as we strive to elevate our brand. In recent periods we have recalled products due to quality or other issues and may recall others in the future. Despite our ongoing efforts to improve customer satisfaction, we may fail to maintain the level of quality for some of our products that is necessary to satisfy our customers. For example, our vendors may not adhere to our quality control standards, and we may not identify a quality deficiency before merchandise ships to our customers. Failure to supply our customers with high- quality merchandise in a timely and effective manner, additional product recalls, or any perception that we are not maintaining adequate sourcing and quality control processes could damage our reputation and brand image and lead to an increase in product returns, exchanges or customer litigation (including class- action lawsuits), increasing routine and non-routine litigation costs. In addition, social media may magnify any harm to our business, reputation and brand image. We are **continually** changing many aspects of our business processes, including improving product quality and enhancing sourcing and product availability, which may complicate our supply chain and quality control processes and result in quality issues or product recalls. Even if we detect that merchandise is defective or otherwise not in compliance with our product quality standards, we may not be able to return such products to the vendor or obtain a refund or other indemnification from the vendor. The limited capacities of certain of our vendors may constrain the ability of such vendors to replace any defective merchandise in a timely manner. Similarly, the limited capitalization and liquidity of certain of our vendors and their lack of insurance coverage for product recall claims may result in such vendors being unable to refund our purchase price or pay applicable penalties or damages associated with any such defects or resulting product recalls. ~~14 | FORM 10- KPART I~~ **Any of the foregoing risks, if realized, could have a material adverse effect on our business, reputation and brand image.** Our business depends in part on a strong brand image, and we continue to invest in brand development and ~~marketing~~ **advertising** . Our increased focus on elevating RH as a luxury brand and plans for **further** international expansion further increase the importance of our brand image, position and reputation. Our brand image may be diminished if new products, services or other businesses fail to maintain or enhance our distinctive brand image. Additionally, our reputation could be jeopardized if we fail to maintain high standards for merchandise and service quality. With the growth in importance and the impact of social media, any negative publicity from product defects, recalls or service failures may be magnified and reach a large portion of our customer base in a short period of time, which could harm the value of our brand and, consequently, our financial performance. Any failure to maintain a strong brand image could have ~~an~~ **a material** adverse effect on our sales and results of operations. As a luxury brand, we rely on a number of initiatives to sustain our image and to promote our products in the marketplace. Our physical retailing presence, primarily in the form of our ~~galleries~~ **Galleries** , is one of the most important initiatives that we use to display our product ~~offering~~ **offerings** . We also use our website and other digital efforts, as well as our **Sourcebooks** ~~Source Books~~ , to showcase a larger portion of our assortment. We continue to adjust and refine our strategy based on a variety of factors, including the success of the various ~~changes~~ **initiatives** that we adopt. Expenditures on our ~~catalog~~ **Sourcebook** strategy have historically represented a substantial portion of our expense in ~~marketing~~ **advertising** and promoting our business. We are adjusting our strategies with respect to the use of **Sourcebooks** ~~Source Books~~ , including the frequency and scope of mailings, the format of the **Sourcebooks** ~~Source Books~~ and the use of the **Sourcebooks** ~~Source Books~~ as ~~a marketing~~ **an advertising** and promotional tool, including with respect to prospecting for new customers **. There can be no assurance that we will be successful as we make changes to optimize our Sourcebook strategy** . Future increases in shipping rates, paper costs or printing costs would have a negative impact on our results of operations to the extent that we are unable to offset such increases through increased sales or by raising prices, by implementing more efficient printing, mailing, delivery and order fulfillment systems, or by using alternative direct- mail formats. ~~There can be no assurance that we will be successful as we make changes in order to optimize our Source Book strategy.~~ Competition in the home furnishings sector may adversely affect our future financial performance. The home furnishings sector is highly competitive. We compete with **a number of other home furnishing retailers, including national and regional businesses, as well as new market participants. We also compete with** the interior design trade and specialty stores, as well as antique dealers and other merchants that provide unique items and custom- designed products ~~at higher price points. We also compete with a number of other home furnishing retailers, including national and regional businesses as well as new market participants~~ . We will face new competitors as we expand our business into new geographic markets. In addition, we compete with mail order catalogs and online retailers focused on home furnishings. There are an increasing number of online and digital **-** centric business models in the home furnishings sector and the impact of these competitors on other home furnishing businesses is uncertain **. Our existing competitors or new entrants into our industry may use a number of different strategies to compete against us, including aggressive expansion, competitive pricing, different approaches to advertising and marketing, and expansion into markets where we currently operate. Competition from any of these sources could cause us to lose market share, revenues and customers, increase expenditures, divert resources to new or responsive business initiatives and slow the rate of our growth and adversely affect our business and results of operations** . There can be no assurance that such competitors will not be more successful than us, based on imitation **of** ~~or~~ **our** ~~otherwise~~ **products or strategies or through other competitive initiatives** , or that we will be able to continue to maintain a leadership position in style and innovation **or product position** in the future. Many of our competitors seek to compete with us by offering products that are similar to our merchandise at lower price points. **Some of our competitors have taken an aggressive approach to expansion of operations and introducing new stores and products that compete with our business.** To the extent that we do not ~~engage in discounting~~ **respond effectively to these and other sources** of **competition to** our ~~merchandise~~ **business** , we may lose market share to our competitors **and suffer** ~~as a result of price competition which could have a~~ negative ~~impact on~~ **consequences to** our business **and results of operations** . We are subject to risks associated with our dependence on foreign manufacturing and imports for our merchandise. Based on total dollar volume of purchases for fiscal ~~2022~~ **2023** , ~~71~~ **66** % of our products were sourced from Asia, ~~with 29~~ **including 30** % ~~sourced~~ **from Vietnam and 22 %** from China **and the remainder predominantly from India and Indonesia** , ~~12~~ **as well as 14** % from the U. S. and the remainder from other countries and source regions ~~. We expect the amount of products that we source from China will be lower in fiscal 2023 compared to fiscal 2022, but the exact product mix in terms of vendor factory locations is subject to a range of different factors and is inherently difficult to predict with accuracy~~ . In addition, some of the merchandise we purchase from vendors in the U. S. also depends, in whole or in part, on vendors located outside the U. S. As a result, our business highly depends on global trade, as well as any trade and ~~or~~ other factors that impact the specific countries where our vendors' production facilities are located. Our future success will depend in large part upon our ability to maintain our existing foreign vendor relationships and to develop new ones **,** and any changes in trade dynamics that might dictate changes in the locations for sourcing of products. In addition, we face risks related to the ability of our vendors to scale their operations **,** whether in connection with new products we introduce, or new production manufacturing locations added to our supply chain, which in some cases would require substantial ongoing investments to support additional capacity. In addition, we have previously encountered difficulties in the ability of our vendors to scale production commensurate with demand from our customers. While we rely on long- term relationships with many of our vendors, we do not rely on long- term contracts with our vendors and generally transact business with them on an order- by- order basis. **14 | FORM 10- KPART I** Many of our imported products are subject to existing duties, tariffs and other similar trade restrictions that may limit the quantity or affect the price of some types of goods that we import into the U. S., Canada **, the United Kingdom** and Europe. We typically seek to reduce our exposures to any anti- dumping duties by minimizing our sourcing of products from countries where anti- dumping duties apply, however, such duties may be applied by certain countries in some cases in the future, which in turn may cause us to reconsider sourcing certain targeted product groupings. In addition, substantial regulatory uncertainty exists regarding international trade relations and trade policy. An introduction of new duties, tariffs, quotas or other similar trade restrictions, or increases in existing duties or tariff rates, on products imported into the U. S., Canada **, the United Kingdom** and Europe, whether actual, pending or threatened, may have a negative impact on our results of operations. Significant uncertainty exists as to whether and when tariffs may be reduced or imposed, and what countries may be implicated. Given that we cannot reasonably predict the timing or outcomes of trade actions by the U. S. government or other countries, the impact of such actions on our business and results of operations remains uncertain. Additionally, such uncertainties, even if not directly applicable to our imported products, may have a negative influence on the domestic and international economy generally and indirectly reduce market demand for our products. The U. S. has imposed tariffs on certain products imported into the U. S. from China and could propose additional tariffs. A significant subset of our products ~~, such as furniture and lighting,~~ sourced from China has been affected by increased tariffs imposed in 2018 and 2019 and continues to be affected by a 25 percent tariff as assigned by the U. S. Trade Representative. In January 2020, the U. S. and China signed a " Phase One " trade agreement pursuant to which, among other things, the U. S. will modify its Section 301 tariff actions, and which suspended the tariff on certain other specified consumer goods. Further, as of February 14, 2020, the 15 percent tariff implemented on September 1, 2019 was reduced to 7. 5 percent. While the trade deal remains effective, there is no guarantee that the agreement will be honored by either party, and it could be subject to further revision or renegotiation. The Biden Administration has indicated that it will not take immediate action to modify these existing tariffs, there is substantial uncertainty regarding the possible application of additional tariffs with respect to China and other countries as well as potential retroactive liabilities for additional duties. In addition, the U. S. Government has imposed import restrictions under the Withhold Release Orders and under the Uyghur Forced Labor Prevention Act for goods such as cotton, aluminum, polysilicon, and other targeted input products originating from the Xinjiang Uyghur Autonomous Region which may induce greater supply chain compliance costs and delays to us and to our vendors. We may not be able to anticipate the exact contours of tariffs and other burdens on global trade that become applicable and our efforts to respond to these circumstances may be inadequate. In particular, we may not be able to receive or sustain adequate pricing concessions from our vendors with respect to applicable tariffs and any applicable pricing increases that we seek to pass through to our customers may not be successful in achieving our objectives. Our sales may fall in response to any price increases and our vendors may not be able to support the level of pricing concessions that we seek. Our dependence on foreign imports makes us vulnerable to other risks associated with products manufactured abroad, including, among other things, risks of damage, destruction or confiscation of products while in transit to our U. S. distribution centers, product quality control charges on or assessment of additional import duties, tariffs, anti- dumping duties and quotas, loss of " most favored nation " trading status by our foreign trading partners with the U. S., work stoppages, including without limitation as a result of events such as longshoremen strikes, transportation and other delays in shipments, including without limitation as a result of heightened security screening and inspection processes or other port- of- entry limitations or restrictions in the U. S., freight cost increases, political unrest, economic uncertainties, including inflation, foreign government regulations, trade restrictions, increased labor costs and other similar factors that might affect the operations of our vendors in or transacting with specific countries such as China, Russia and the ongoing ~~conflict~~ **conflicts** in Ukraine ~~, Venezuela~~ **and the Middle East** , other various trade sanctions and other restrictions resulting from geopolitical tensions. In addition, there is a risk of compliance violations by our vendors, which could lead to adverse consequences related to the failure of our vendors to adhere to applicable manufacturing requirements or other applicable rules or regulations. Any such noncompliance could have an adverse impact on our business and may result in product recalls, regulatory action, product liabilities, investigation by governmental agencies and other similar adverse consequences. Any failure by our vendors outside the U. S. to adhere to applicable legal requirements or our global compliance standards, such as fair labor standards and prohibitions on forced labor and child labor, could give rise to a range of adverse consequences, including supply chain disruption, potential liability, harm to our reputation and brand, and boycotts by consumers or special interest groups, any of which could negatively affect our business and results of operations. ~~16 | FORM 10-KPART I~~ Our growth strategy and performance depend on our ability to purchase quality merchandise in sufficient quantities at competitive prices, including products that are produced by artisans and specialty vendors. Any disruptions we experience in our ability to obtain quality products in a timely fashion or in the quantities required could have a material adverse effect on our business. We purchase substantially all of our merchandise from a number of third- party vendors. Many such vendors are the sole sources for particular products, and we generally transact business with such vendors on an order- by- order basis without any long- term or other contractual assurances of continued supply, pricing or access to new products with our vendors. Therefore, we may be dependent on particular vendors that produce popular items, and any vendor could discontinue selling to us at any time. In addition, the expansion of our business into new markets or new product categories could put pressure on our ability to source sufficient quantities of our products from such vendors. In the event that one or more of our vendors is unable or unwilling to meet the quantity or quality of our product requirements, we may not be able to develop relationships with new vendors in a manner that is sufficient to supply the shortfall. We also may be required to develop such new vendor relationships in response to changes in our supply chain. Even if we do identify such new vendors, we may experience product shortages and customer backorders as we transition our product requirements to incorporate alternative suppliers. Furthermore, our growth strategy includes expanding our product assortment, and our performance depends on our ability to purchase our merchandise in sufficient quantities at competitive prices. However, many of our key products are produced by artisans, specialty vendors and other vendors that are small, undercapitalized or that may have limited production capacity, and we have from time to time in prior periods experienced supply constraints that have affected our ability to supply high demand items or new products due to such capacity and other limits in our vendor base. A number of our vendors, particularly our artisan vendors, may have limited financial or other resources and operating histories and may receive various forms of credit from us, including with respect to payment terms or other arrangements such as unsecured advance payments from us for orders. **We also have provided financial support to some of our vendors seeking to expand or optimize their operations in order to meet our orders for products and any failure of such vendors to meet their financial or operational objectives may have a material adverse effect on our results of operations.** Because the arrangements with our vendors are generally not exclusive, many of our vendors might be able to sell similar or identical products to our competitors or directly to consumers. Our competitors may enter into arrangements with suppliers that could impair our ability to sell those suppliers' products, including by requiring suppliers to enter into exclusive arrangements, which could limit our ability to enter into arrangements with such suppliers or otherwise access their products. Such competitors may also purchase products in significantly greater volume than we do, which may enable them to sell the products at reduced cost or flood the market with similar products. Any difficulties that we experience in our ability to obtain products in sufficient quality and quantity from our vendors could have a material adverse effect on our business. **Our results may be adversely affected by fluctuations in raw materials, energy and transportation costs and currency exchange rates.** Increases in the prices of the components and raw materials used in our products and other costs such as transportation could negatively affect the sales of our merchandise and our product margins. For example, in recent periods the cost of sourcing our products has come under pressure from increased prices for raw materials and shipping and other costs. Our business may also be affected by changes in currency exchange rates and as we expand our business internationally, we may be increasingly exposed to risks related to currency values. Changes in prices for raw materials, energy and transportation and fluctuations in **currency** exchange rates are dependent on a number of factors beyond our control, including macroeconomic factors that may affect commodity prices (including prices for oil, lumber and cotton); changes in supply and demand; general economic conditions; rising interest rates; inflation; significant political events; labor costs; natural disasters, including as a result of climate change; duties and tariffs and other similar factors. Depending on the nature of changes in these different factors that affect our business, we may experience an adverse impact on our business for different reasons **,** such as increased costs of operation or lower demand for our products. Changes in the value of the U. S. dollar relative to foreign currencies, including the **Vietnamese dong and** Chinese Yuan, may increase our vendors' cost of business and ultimately our cost of goods sold and our selling, general and administrative costs. If we are unable to pass such cost increases on to our customers or the higher cost of the products results in decreased demand for our products, our results of operations could be harmed. **16 | FORM 10- KPART I** We are subject to risks associated with occupying substantial amounts of space, including future increases in occupancy costs. We are pursuing various alternatives to traditional leasing of our Gallery locations that may subject us to a range of risks related to real estate development, including risks related to construction and development of locations, risks related to the financing of commercial real estate and the market for commercial real estate. We lease nearly all of our retail ~~store~~ locations, our outlet stores, our corporate headquarters, other storage and office space, and our distribution and home delivery facilities. The initial lease term of our retail locations generally ranges from ten to fifteen years, and certain leases contain renewal options for anywhere from ten to twenty- five years. The initial lease term for one of our future Design Galleries is forty- six years and contains a renewal option for five years. Most leases for our retail locations provide for a minimum rent, typically including escalating rent amounts, plus a percentage rent based upon sales after certain minimum thresholds are achieved, as well as common area maintenance charges, real property insurance and real estate taxes. We are currently pursuing several other models for the transformation of our real estate beyond a traditional leasing approach, including a real estate development model, a joint venture model and a capital light model. While these alternative models are designed to achieve superior financial returns to traditional real estate lease structures for a retail business, some of these new ways of operation will expose us to a range of different risks. Various aspects of our multi- tier real estate strategy may expose us to new forms of risk versus our traditional leasing model. Our strategies include (1) our " capital light " leasing deals, where a substantial portion of the capital requirement would be funded by the landlord; (2) our real estate development model where we expect either to do a sale- leaseback transaction or to pre- sell the property and structure the transaction such that the capital to build the project is advanced by the buyer during construction; and (3) various joint venture approaches, where we share the upside of the development with third parties such as the developer / landlord. In fiscal 2020, we entered into equity method investments in connection with real estate development initiatives in Aspen, Colorado with a third **-** party real estate development partner (the " Aspen Development Partner "). The investments include properties that will be developed into retail locations, hospitality concepts, residential developments and workforce housing projects. We have also selected Aspen as the location to develop the first RH Ecosystem inclusive of an RH Bespoke Gallery, RH Guesthouse, RH Bath House & Spa, RH Restaurants and our first RH Residences **. We are currently constructing our RH Guesthouse in Aspen** . We plan to operate the RH branded businesses and be a real estate investor and partner for the remaining properties. In fiscal 2022, we entered into additional real estate joint venture transactions with entities affiliated with our Aspen Development Partner with respect to various properties that we expect will ultimately be developed and may in numerous instances be leased in whole or in part by RH now or in the future for new RH Galleries or other RH business concepts. These new approaches might cause us to pursue complicated real estate transactions and may require additional capital investment and could present different risks related to the ownership and ~~developments~~ - **development** of real estate compared to those risks associated with a traditional store lease with a landlord. Risks we may experience in connection with this new development model include increased demands on our leadership team related to the operational complexity of engaging in real estate and construction development activities ~~which~~ **that** are not within our traditional areas of operational expertise as well as greater financial exposure if our plans for the relevant real estate are not as successful as we originally anticipate or if the value of the real estate we acquire or invest in subsequently decreases. Pursuing multiple different paths for addressing our real estate needs may create various other risks including (i) conflicting financial incentives and objectives of third parties involved in our real estate development projects, including our joint venture partner, (ii) increased complexity of concurrently pursuing multiple different models for Gallery development, and (iii) challenges related to the time and costs of real estate development and construction as well as the need for additional capital and risks related to resale of real estate projects. These risks could distract our senior leadership team' s focus, strain our operational resources and personnel, or expose us to new regulatory or tax regimes in which we must develop expertise. Several of our new real estate development strategies expose us to additional risks related to operating in commercial real estate from a development perspective. Such risks include the cost and financing of the acquisition of real estate interests, market risks related to real estate prices, the time and costs related to developing real estate projects, including construction and development risks and other factors that affect the commercial real estate industry more generally. We have not historically operated directly in all phases of real estate development, including managing all aspects of construction of large- scale real estate projects. With respect to a number of our Gallery development projects, we are broadly undertaking increased development risk with respect to our real estate investments and these risks could increase our financial exposure to development cost overruns, construction delays and other negative factors which exposes us to increased downside risks if we encounter difficulties in implementing these strategies **,** such as operational and financial challenges related to later than expected openings of new Gallery projects as well as substantial increases in our costs. ~~18 | FORM 10- KPART I~~ Our ability to renegotiate favorable terms on an expiring lease, to arrange for the sale of an owned property or to negotiate favorable terms for a suitable alternate location could depend on conditions in the real estate market, competition for desirable properties, our relationships with current and prospective landlords and other factors that are not within our control. Our inability to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases or other obligations for ~~stores~~ **locations** that we close could materially adversely affect our business and results of operations. A number of factors ~~that~~ affect our ability to successfully open new ~~stores~~ **Galleries** within the time frames or cost parameters that we initially target or optimize our store footprint are beyond our control, and these factors may harm our ability to execute our strategy to transform our real estate, which may negatively affect our results of operations. We are focused on sizing our assortments and our ~~stores~~ **Galleries** to the potential of the market by adjusting the square footage and number of ~~stores~~ **Galleries** on a geographic market- by- market basis. We plan to optimize our real estate by continuing to open larger square footage Galleries in key markets and relocating or closing selected ~~stores~~ **Galleries** in these or adjacent markets. In addition, we have developed alternative Design Gallery formats with varying sizes that are suited to many smaller and mid- sized North American markets, and we are testing this approach as we open new Galleries in different new locations. We intend to continue to open ~~indigenous~~ Bespoke Galleries in important second home markets ~~such as our initiative in Aspen, Colorado,~~ and ~~we intend to open~~ larger Bespoke Design Galleries in top international markets. We also are **planning to open** ~~exploring the introduction of~~ smaller Design Studios in some new markets. When we address the introduction of new ~~stores~~ **Galleries** in a particular market or changes to, or closure of, existing ~~stores~~ **Galleries** , we must make a series of decisions regarding the size and location of new ~~stores~~ **Galleries** (or the existing ~~stores~~ **Galleries** slated to undergo changes or closure) and the impact on our other existing ~~stores~~ **Galleries** in the area or being without presence or " out of the market. " We have experienced delays in opening some new ~~stores~~ **Galleries** and may experience further delays in the future. We also have incurred higher levels of capital and other expenditures associated with the opening of some of our new Gallery locations. In addition, construction costs and the price of construction materials have increased substantially in recent years. While we are adopting various measures to improve the efficiency and effectiveness of our real estate development efforts with respect to opening new Galleries, the strategies may not be effective or have the effects that we anticipate. Any of the above challenges or other similar impediments could delay or prevent us from completing store openings and adversely affect the return on investment that we target from these initiatives. To the extent that we experience delays in the opening of a store or cost overruns, our results of operations will be negatively affected as we could incur various costs during a delay without associated store revenue at such location and such delays and increased costs could impact our overall return on investment and profit goals for some locations. Unfavorable economic and business conditions and other events could also interfere with our plans to expand or modify store footprints. Changes in regulation or increases in building or construction costs, including with respect to the cost of building materials, could result in unanticipated increases in real estate development costs or delays in the completion of our real estate projects. Our failure to effectively address challenges such as those listed above could adversely affect our ability to successfully open new ~~stores~~ **Galleries** or change our store footprint in a timely and cost- effective manner and could have a material adverse effect on our business, results of operations and financial condition. If we are unable to successfully optimize and operate our distribution centers, furniture home delivery centers and other aspects of our supply chain and customer delivery network, or if we are not able to fulfill orders and deliver our merchandise to our customers in an effective manner, our business and results of operations will be harmed. Our business depends upon the successful operation of our distribution centers, furniture home delivery centers and other aspects of our supply chain and customer delivery network, as well as upon our order management and fulfillment services. The efficient flow of our merchandise requires that our facilities have adequate capacity to support our current level of operations and any anticipated increased levels that may follow from any growth of our business. We are currently engaged in efforts to improve the quality of our customer experience, which includes making changes to the way in which we operate our distributions centers, furniture home delivery centers and other aspects of our supply chain and customer delivery network. Additionally, we are in the process of architecting and implementing a new fully integrated back- end operating platform, inclusive of the supply chain network, the home delivery experience as well as a new metric driven quality system and enhanced corporate decision data. Some of these efforts may require us to make significant expenditures in periods in the near term, which may also have a negative effect on our results of operations if there is no associated increase in revenues or decrease in returns or if any such effect is less than anticipated. There can be no assurance **,** however **,** that any of these efforts will be successful or that we will not encounter additional difficulties in achieving higher levels of customer satisfaction. **18 | FORM 10- KPART I** We also are engaged in initiatives to introduce new products and to optimize our merchandise assortment **,** including through lower inventories and reduced working capital, and in order to realize the anticipated benefits of such initiatives ~~,~~ we have focused on optimizing the use of our distribution centers, furniture home delivery centers and outlets. For example, we have consolidated our distribution center network and ~~we are in the process of reconfiguring~~ **reconfigured** our furniture home delivery centers in order to streamline our operations. Not all of these initiatives have worked in the manner that we originally anticipated and in some instances the investments we have made in changes to our home delivery have not returned corresponding benefits commensurate with the costs to us. While we believe that these efforts will allow us to more efficiently manage our inventory and optimize our uses of capital, in the short term **,** such strategies may result in additional costs, including increased freight costs and lease early termination fees. Furthermore, in the past, during periods of significant customer growth and demand, our distribution centers often run at capacity. If we fail to accurately anticipate the future capacity requirements of our distribution centers, we may experience delays and difficulties in fulfilling orders and delivering merchandise to customers in a timely manner. We also may be unable to remedy such issues quickly due to operational difficulties, such as disruptions in transitioning fulfillment orders to the new distribution facilities, competition for distribution facility space and problems associated with operating new facilities or reducing the size and changing functions of existing facilities. These difficulties can result in a negative experience for our customers and could ~~harm~~ **have a material adverse effect on** our results of operations. We currently rely upon independent third- party transportation providers for the majority of our product shipments, which subjects us to certain risks. We currently rely upon independent third- party transportation providers for product shipments from our vendors to our ~~stores~~ **distribution centers, home delivery centers and retail locations** and to our customers outside of certain areas. Our utilization of third- party delivery services for shipments is subject to risks, including increases in rates and fuel prices, which would increase our shipping costs, as well as strikes, work stoppages **, port closures, disruption to shipping routes** and inclement weather, which may impact shipping companies' abilities to provide delivery services that adequately meet our shipping needs. For example, strikes or even threat of strikes involving longshoreman and clerical workers at ports in the past have completely shut down such ports for periods of time, impacting retail and other industries **and more recently the port of Baltimore has been disrupted and shipping lanes in the Red Sea have been affected by attacks on ships in that part of the world** . If we change shipping companies **, or are forced to reroute our shipments** , we could face logistical difficulties that could adversely affect deliveries and we would incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favorable as those received from the third- party transportation providers we currently use, which in turn would increase our costs. **Any of the foregoing risks, if realized, could have a material adverse effect on our business, financial condition and results of operations.** Our operations have significant liquidity and capital requirements and depend on the availability of adequate financing and sources of capital on reasonable terms. We have elected to raise substantial amounts of capital through debt which exposes our business to risks related to obligations of indebtedness, including the variable interest rate of such indebtedness as well as the other terms and conditions of our debt financing and the need to manage our financial resources in order to repay such debt in accordance with its terms. We have historically relied on the availability of debt financing as one primary source of capital in order to fund our operations, including borrowings under our revolving line of credit under our ABL Credit Agreement **(as defined in Item 7 — Management' s Discussion and Analysis of Financial Condition and Results of Operations)** . We have also incurred indebtedness to finance other strategic initiatives, including our share repurchase programs, and we may continue to incur indebtedness to support such initiatives in future time periods. We completed four convertible ~~debt~~ **note** financings from fiscal 2014 through fiscal 2019. **The** ~~We have completed repayment of the~~ first ~~two~~ **three series** of these convertible notes ~~financings in connection with their final maturity~~ in an aggregate principal amount of $ ~~650~~ **985** million **are no longer outstanding and the remaining principal amounts outstanding for each such series were repaid on or prior to their final respective maturity dates** . In addition, holders of a substantial portion of the **fourth** ~~remaining two~~ series of convertible notes have elected to exercise the early conversion option applicable with respect to these convertible notes or to sell these convertible notes back to **RH** ~~the Company~~ in connection with privately negotiated repurchase transactions. ~~We had~~ **As of February 3, 2024,** $ ~~44~~ **42** million ~~remaining~~ in aggregate principal amount of ~~these~~ -- **the fourth** ~~remaining two~~ series of convertible notes **remains** outstanding ~~as of January 28, 2023~~ . ~~Based upon the strength in our common stock price, we expect that many of the holders of the remaining outstanding convertible notes from these two series may elect early conversion of such notes in advanced of the scheduled maturity dates. 20 | FORM 10-KPART I~~ On October 20, 2021, **Restoration Hardware Inc. ("** RHI **"), a wholly owned subsidiary of RH,** entered into ~~a~~ **the** Term Loan Credit Agreement **(as defined in Item 7 — Management' s Discussion and Analysis of Financial Condition and Results of Operations)** with respect to an initial term loan in an aggregate principal amount equal to $ 2. 0 billion with a maturity date of October 20, 2028. On May 13, 2022, RHI entered into ~~an~~ **the 2022 Incremental** ~~Amended~~ **Amendment** ~~Term Loan Credit Agreement~~ (~~the " Term Loan Credit Agreement "~~ **as defined in Item 7 — Management' s Discussion and Analysis of Financial Condition and Results of Operations**) with respect to incremental term loans in an aggregate principal amount equal to $ 500 million with a maturity date of October 20, 2028 (collectively, with the initial $ 2. 0 billion raised pursuant to the Term Loan Credit Agreement, the " Term Debt "). Our existing indebtedness, including the Term Debt and any other indebtedness we may incur in the future, could have significant consequences on our future operations and financial results, including: making it more difficult for us to meet our obligations; reducing the availability of our cash flows to fund working capital, capital expenditures, acquisitions or strategic investments and other general corporate requirements, and limiting our ability to obtain additional financing for these or other purposes; subjecting us to increased interest expense related to the variable interest rate terms of our ABL Credit Agreement and Term Debt as well as the terms of any other indebtedness we may incur with variable interest rates in the event that we do not hedge the associated interest rate risk of such variable interest rate indebtedness and we experience increased interest rates; limiting our flexibility in planning for, or reacting to (and increasing our vulnerability to), changes in our business, the industry in which we operate and the general economy; ~~and placing~~ **andplacing** us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged. Any of the foregoing factors could have ~~an~~ **a material** adverse effect on our business, financial condition, results of operations, or ability to meet our payment obligations. Our ABL Credit Agreement and Term Loan Credit Agreement contain various restrictive covenants, including, among others, limitations on the ability to incur liens, make loans or other investments, incur additional debt, issue additional equity, merge or consolidate with or into another person, sell assets, pay dividends or make other distributions, or enter into transactions with affiliates. These restrictive covenants may limit the amount of borrowings available to us under our ABL Credit Agreement and our operational and financial flexibility. We may face financial and contractual consequences to the extent we are not able to maintain our compliance with such covenants, which could have a ~~materially~~ -- **material** adverse effect on our business, financial condition and results of operations. We will have significant capital requirements for the operation of our business in the near term if we are to continue to pursue all of our current business initiatives. We have substantial capital requirements related to investments in our business, our real estate strategy, our international expansion, the development of new businesses and our significant number of concurrent initiatives. We have invested significant capital expenditures in remodeling and opening new Galleries, and these capital expenditures have increased in the past and may continue to increase in future periods as we open additional Design Galleries, which may require us to undertake upgrades to historical buildings or construction of new buildings. During fiscal ~~2022~~ **2023** , our adjusted capital expenditures were $ ~~225~~ **295** million in aggregate, net of cash ~~received~~ related to landlord tenant allowances of $ ~~13~~ **2. 5** million.

In addition, we also received ~~landlord~~ tenant allowances ~~after construction completion~~ **under finance leases subsequent to lease commencement** of $ **2.** 4 ~~. 7~~ million, which are reflected as a reduction to principal payments under finance leases within financing activities on the consolidated statements of cash flows. We expect ~~our~~ **to continue to incur significant** capital expenditures ~~to increase~~ **in respect of new Galleries and other initiatives** in fiscal ~~2023~~ **2024** , but the exact scope of our capital plans in future fiscal years, including fiscal ~~2023~~ **2024** , will depend on a variety of factors such as the level of gross capital expenditures that we undertake in our business, the amount of any proceeds from the sale of assets, including sales of real estate, and the way that our business performs. We may elect to pursue additional capital expenditures beyond those that are anticipated during any given fiscal period inasmuch as our strategy is to be opportunistic with respect to our investments and we may choose to pursue certain capital transactions based on the availability and timing of unique opportunities. **20 | FORM 10-KPART I** At various times we have elected to incur substantial levels of aggregate indebtedness in connection with our business, including in connection with our share repurchase program. Although we have previously been successful in reducing such indebtedness due in part to the strong cash flow of our business, we may in the future elect to incur further debt in addition to the $ 2. ~~50~~ **5** billion of Term Debt that we raised ~~in October 2021 and May 2022 in connection with our Term Loan Credit Agreement~~ . Existing and future increases in debt and in the aggregate level of our indebtedness could expose us to greater risks in the event of a financial or operational downturn or other events, including unanticipated adverse developments that affect our financial performance or the ability to access financial markets. To the extent we pursue additional debt as a source of liquidity, our capitalization profile may change and may include significant leverage, and as a result we may be required to use future liquidity to repay such indebtedness and may be subject to additional terms and restrictions which affect our operations and future uses of capital. Our ability to raise funds will depend in part on the capital markets and our financial condition at such time and we cannot assure you that we will be able to raise necessary funds on favorable terms, if at all, or that future financing requirements would not be dilutive to holders of our capital stock. If we fail to raise sufficient additional funds, we may not be able to meet our payment obligations under our convertible senior notes and other debt obligations. We may also be required to delay or abandon some of our planned future expenditures or aspects of our current operations. In addition, while we anticipate that we should be able to repay our debt maturities as they come due, there can be no assurance that we will have sufficient financial resources at the maturity of any specific indebtedness, whether upon its stated maturity or otherwise. In particular, we may need to incur additional debt or refinance existing debt in order to achieve repayment of existing debt. If **we are** ~~the Company is~~ not able to arrange financing to repay ~~its~~ **our** debt obligations, or to extend the maturities of existing debt or otherwise refinance **our** ~~the Company' s~~ obligations as needed, we may experience a material adverse effect on our business and operations. Our business is dependent on certain key personnel; if we lose key personnel or are unable to hire additional qualified personnel, our business may be harmed. The success of our business depends upon our ability to retain continued service of certain key personnel, particularly our Chairman and Chief Executive Officer, Gary Friedman, and our ability to attract and retain additional qualified key personnel in the future. We have experienced a number of changes in our senior leadership in recent years and face risks related to losses of key personnel and to any such changes that occur in key senior leadership positions. Any disruption in the services of our key personnel could make it more difficult to successfully operate our business and achieve our business goals and could adversely affect our results of operation and financial condition. These changes could also increase the volatility of our stock price. Many of our key personnel periodically travel together while on company business. We do not have a policy that prohibits key officers and directors from flying together, whether flying commercially or in our corporate aircraft. We face risks related to any loss of key personnel that might arise as a result of such travel arrangements. In addition, we do not maintain key man life insurance policies on any of our key personnel. As a result, we may not be able to cover the financial loss we may incur in losing the services of any of our key personnel. Competition for qualified employees and personnel is intense, particularly in the retail and hospitality industry. In addition, in the San Francisco Bay Area, where our headquarters are located, there is a high cost of living and vigorous competition for qualified personnel. The process of identifying personnel with the combination of skills and attributes required to carry out our goals is often lengthy and the cost of securing the right talent can be substantial. Our success depends to a significant degree upon our ability to attract, retain and motivate qualified senior leadership, marketing and sales personnel, and store managers, and upon the continued contributions of these people. In addition, our complex operations require the services of qualified and experienced senior leadership personnel, with expertise in the areas, including information technology and supply chain management. We cannot assure you that we will be successful in attracting and retaining qualified executives and personnel. In addition, we are pursuing a dynamic business model which is subject to a number of new business initiatives as we seek to optimize our business and financial performance. As a result of the ongoing evolution of our business, we frequently implement changes to our organizational design in order to more closely align our senior leadership structure with the needs of the business. In connection with such changes to our senior leadership structure, we also implement changes in personnel and reductions in force as a result of which we may incur severance costs and other reorganization charges and expenses. Changes in our organizational structure may also have an impact on retention of personnel. ~~22 | FORM 10- KPART I~~ Inasmuch as our success depends in part upon our ability to attract, motivate and retain a sufficient number of store and other employees who understand and appreciate our corporate culture and customers ~~.~~ **,** ~~Turnover~~ **turnover** in the retail industry and food and beverage industry is generally high. Excessive ~~employee~~ turnover will result in higher ~~employee~~ **employment** costs associated with finding, hiring and training new ~~store~~ employees. If we are unable to hire and retain store and other personnel capable of consistently providing a high level of customer service, our ability to open new ~~stores~~ **Galleries** , service the needs of our customers and expand our food and beverage business may be impaired, the performance of our existing and new ~~stores~~ **Galleries** and operations could be materially adversely affected and our brand image may be negatively impacted. Material damage to, or interruptions in, information systems as a result of external factors, staffing shortages, cybersecurity breaches or cyber fraud, or difficulties in updating our existing software or developing or implementing new software could have a material adverse effect on our business or results of operations, and we may be exposed to risks and costs associated with protecting the integrity and security of our customers' information. We depend largely upon our information technology systems in the conduct of all aspects of our operations, many of which we have only adopted and implemented within the past several years or are in the midst of implementing. These systems can be complex to develop, maintain, upgrade and protect against emerging threats, and we may fail to adequately hire or retain adequate personnel to manage our information systems, we may fail to accurately gauge the level of financial and managerial resources to invest in our information systems, or we may fail to realize the anticipated benefits of resources invested in our information systems particularly as our business changes as a result of the many initiatives that we are pursuing. Any material interruptions or failures in our systems or the products or systems of our third- party vendors or other third parties that we share data with may have a material adverse effect on our business or results of operations. Over the last several years, there has been a substantial increase in the scope of reported cybersecurity **threats and** attacks. During this time, we have experienced numerous cybersecurity ~~attacks~~ **threats** and have had to expend increasing amounts of human and financial capital to address this issue **. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers and may be breached due to error, malfeasance or other disruptions that could result in unauthorized disclosure or loss of sensitive data. Because techniques used to obtain unauthorized access to networks, or to sabotage systems, are constantly evolving and generally are not recognized until launched against a target, we may be unable to anticipate applicable threats or vulnerabilities in our systems and processes and we may fail to implement adequate preventative measures** . We expect that these cybersecurity ~~attacks~~ **threats** will continue and that the scope of sophistication of these efforts may increase in future periods. While we aim to remediate known vulnerabilities **and identified breaches** on a timely basis, and to adopt countermeasures to address risks, we do not expect that our efforts will eliminate these risks or result in 100 % success in thwarting attacks. Any failure to address vulnerabilities **or breaches** in a timely and comprehensive matter, including shortcomings in our efforts to timely replace and upgrade network equipment, servers, or other technology assets, could result in a ~~successful breach of~~ **serious adverse event with respect to** our systems **and business operations** . ~~Our~~ **Furthermore, our** operations are also dependent on the information technology systems and cybersecurity measures of third parties, including our vendors, ~~a number of whom~~ - **who** ~~have~~ **may also** ~~experienced~~ - **experience** cybersecurity attacks. In addition, our information systems can face risks to the extent we acquire new businesses but are not able to quickly or comprehensively integrate such acquired businesses into our policies and procedures for addressing cybersecurity risks or identify and address weaknesses in such acquired entity' s information systems **. If we are unable to protect sensitive data, including complying with evolving information security, data protection and privacy regulations, our customers' data, our employees' data, our intellectual property, and other third- party data (such as subcontractors, suppliers and vendors) could be compromised** , which **could adversely affect** ~~risks may be compounded to the extent the information systems of an acquired entity are integrated with ours~~ - **our business** ~~, thus providing access to a broader set of sensitive customer information through a compromised network at the acquired entity level~~. In addition, for our business to function successfully, we and other market participants must be able to handle and transmit confidential and personal information securely, including in customer orders placed through our website. That information includes data about our customers, including personally identifiable information and credit card information, as well as sensitive information about our vendors and workforce, including social security numbers and bank account information. Various jurisdictions have enacted additional laws and regulations to protect consumers against identity theft, including laws governing treatment of personally identifiable information. For example, **in California, the California Consumer Privacy Act (the " CCPA "), which went into effect on January 1, 2020, imposes similar requirements on companies handling data of California residents. The California Privacy Rights Act, which became effective January 1, 2023, amends and expands the CCPA, including by expanding consumer' s rights in** ~~the~~ **their** ~~EU~~ **personal information and creating a new governmental agency to interpret and enforce the statute. 22 | FORM 10- KPART I Foreign laws and regulations relating to privacy, data protection, information security, and consumer protection often are more restrictive than those in the U. S. The European Union, for example, traditionally has imposed stricter obligations under its laws and regulations relating to privacy, data protection and consumer protection than the U. S. In the European Union, the** General Data Protection Regulation (" GDPR ") **governs data practices** ~~, which took effect in May 2018,~~ and ~~the California Consumer Privacy~~ **privacy . The GDPR requires companies to meet more** ~~Act, which took effect in January 2020, and the California Privacy Rights Act, which took effect starting January 1, 2023, impose~~ stringent requirements ~~on how we~~ **regarding the handling of personal data of individuals in the European Union than were required under predecessor European Union requirements. The United Kingdom has implemented legislation similar to the GDPR, including the U. K. Data Protection Act** and ~~third parties~~ **legislation similar to the GDPR referred to as the U. K. GDPR. Any actual or perceived inability to comply** with **applicable privacy** ~~whom we contract collect and process personal information, and provide for~~ - **or data protection laws, regulations, or other obligations could result in** significant ~~penalties~~ **cost and liability, litigation** ~~for~~ - **or** ~~noncompliance~~ **governmental investigations, damage our reputation and adversely affect our business** . These laws have increased the costs of doing business and, if we fail to implement appropriate safeguards or we fail to detect and provide prompt notice of unauthorized access as required by some of these laws, we could be subject to potential claims for damages and other remedies. If we were required to pay any significant amount in satisfaction of claims under these laws, or if we were forced to cease our business operations for any length of time as a result of our inability to comply fully with any such law, our business, results of operations and financial condition could be adversely affected. We may also incur legal costs if we are required to defend our methods of collection, processing and storage of personal data. Investigations, lawsuits, or adverse publicity relating to our methods of handling personal data could result in increased costs and negative market reaction. We expect that new laws, regulations and industry standards will continue to be proposed and enacted relating to privacy, data protection, marketing, advertising, consumer communications and information security in the U. S., the European Union and other jurisdictions, and we cannot determine the impact such future laws, regulations and standards may have on our business. If our systems, or those of third parties on whom are business depends, are damaged, interrupted or subject to unauthorized access, information about our customers, vendors or workforce could be stolen or misused. Any security breach could expose us to risks of data loss, fines, litigation and liability and could seriously disrupt our operations and harm our reputation, any of which could adversely affect our business. We may be subject to one or more claims or lawsuits related to the intentional or unintentional release of confidential or personal information, including personally identifiable information about our customers, vendors or workforce. In addition to the possibility of fines, lawsuits and other claims, we could be required to expend significant resources to change our business practices or modify our service offerings in connection with the protection of personally identifiable information, which could have a material adverse effect on our business. Any breach could also cause consumers to lose confidence in the security of our website and information technology systems and choose not to purchase from us. We are also subject to payment card association rules and network operating rules, including data security rules, certification requirements and rules governing electronic funds transfers, which could change over time. For example, we are subject to payment card industry data security standards, which contain compliance guidelines and standards with regard to our security surrounding the physical and electronic storage, processing and transmission of individual cardholder data. In addition, if our internal systems are breached or compromised, we may be liable for card re- issuance costs, subject to fines and higher transaction fees and lose our ability to accept credit and / or debit card payments from our members, and our business and operating results could be adversely affected. We currently maintain insurance to protect against cybersecurity risks and incidents. However, there can be no assurance that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates. In addition, insurance coverage may be insufficient or may not cover certain cybersecurity losses and liability. We face product **related** liability risks and certain of our products may be subject to recalls or other actions by regulatory authorities, and any such recalls or similar actions could have a material adverse effect on our business and reputation. We face product liability, product safety and product compliance risks relating to the design, manufacturing, raw material sourcing, testing, contents, importation, sale, use and performance of some of our products. The products we sell must be designed and manufactured to be safe for their intended purposes. Some of our products must comply with certain federal and state laws and regulations. For example, some of our products are subject to the Consumer Product Safety Act, as amended by the Consumer Product Safety Improvement Act of 2008 ~~(the “ CPSIA ”)~~ and the Federal Hazardous Substances Act, which empower the Consumer Product Safety Commission (the “ CPSC ”) to establish product bans, substance bans, substance limits, performance requirements, test methods and other compliance verification processes. The CPSC is empowered to take action against hazards presented by consumer products, up to and including product recalls. We are required to report certain incidents related to the safety and compliance of our products to the CPSC, and failure to do so could result in a civil penalty. The CPSC is particularly active in regulation and enforcement activities related to the kinds of children’ s products sold in our RH Baby & Child division. Certain of the products we sell are subject to the Lacey Act, prohibiting the importation and sale of products containing illegally harvested wood, among other things. Likewise, many of our products are subject to the regulations of the California Air Resources Board ~~(the “ CARB ”)~~ and the Environmental Protection Agency regarding formaldehyde emissions from composite wood products (e. g., plywood and medium density fiberboard). If we experience negative publicity, regardless of any factual basis, customer complaints or litigation alleging illness or injury, related to our products, or if there are allegations of failure to comply with applicable regulations, our brand reputation would be harmed. We maintain a product safety and compliance program to help ensure our products are safe, legal and made consistently in compliance with our values. Nevertheless, our products have in the past (including during fiscal 2021) been, and may in the future be, subject to recall for product safety and compliance reasons. Our efforts to address the sources of these product recalls, including those due to products sourced from our vendors, may not be successful and we may continue to face additional product recalls. Concerns of product safety and compliance could result in future voluntary or involuntary removal of products, product recalls, other actions by applicable government authorities or product liability, personal injury or property damage claims. To the extent future product recalls create a negative public perception of our business, we could face reputational harm or could be subject to elevated levels of legal claims. There can be no assurance that we will have the benefit of adequate insurance or payments from third parties, including our product vendors, in order to address losses and expenses that we may incur in connection with product recalls. Not all of the costs and expenses that we have previously incurred in connection with product recalls have been covered by insurance or reimbursement from third parties, including our product vendors. We and our product vendors may be unable to obtain such insurance, or the insurance may be prohibitively expensive and any coverage that is available may be inadequate to cover costs we incur in connection with product recalls. ~~24 | FORM 10- KPART I~~ Legislators and regulators in the U. S., Canada ~~and~~ **,** the ~~U. K.~~ **United Kingdom and within the European Union** , where our products are sold, continue to adopt new product laws and regulations. These new laws and regulations have increased or likely will increase the regulatory requirements governing the manufacture and sale of certain of our products as well as the potential penalties for noncompliance. In addition, product recalls, removal of products, product compliance enforcement actions and defending product liability claims can result in, among other things, lost sales, diverted resources, potential harm to our reputation and increased customer service costs, any of which could have a material adverse effect on our business and results of operations. We are involved in legal and regulatory proceedings from time to time that may affect our Company and / or our senior leadership, including litigation, claims, investigations and regulatory and other proceedings, which could distract senior leadership from our business activities and result in significant liability. From time to time, we and / or members of our senior leadership team are involved in legal and regulatory proceedings, including litigation, claims, investigations and regulatory and other proceedings related to a range of matters in connection with the conduct of our business, including (i) privacy and data security, (ii) our labor and employment practices, including laws related to discrimination, wages and benefits, ERISA and disability claims, (iii) intellectual property issues with respect to copyright, trademarks, patents and trade dress, (iv) international and domestic trade and business practices, including import laws, unfair competition and unfair business practices, (v) consumer class action claims relating to our consumer practices, including the collection of zip code or other information from customers, (vi) product safety and compliance, including products liability, product recalls **and** personal injury, (vii) advertising and promotion of products and services, including class actions and regulatory actions related to advertising, (viii) compliance with securities laws, including class actions related to allegations of securities fraud, (ix) taxation, (x) contractual disputes, and (xi) health and safety regulations. **24 | FORM 10- KPART I** Claims and legal proceedings may involve arbitration, mediation, private litigation, class action matters, derivative claims, internal and governmental investigations and enforcement matters. We are subject to regulatory oversight and legal enforcement by a range of government and self- regulatory organizations, including federal, state and local governmental bodies both within the U. S. and in other jurisdictions where we operate such as, among others, the Equal Employment Opportunity Commission, the CPSC, the Federal Trade Commission, U. S. Customs and Border Protection, the U. S. Department of the Treasury' s Office of Foreign Assets Control the Department of Labor, the SEC, FINRA, the NYSE, the Department of Justice and numerous state and local governmental authorities, including state attorney generals and state agencies. Litigation against us, depending on the outcome of such claims, could lead to further claims and proceedings, including on new and otherwise unrelated matters, for example **,** by attracting the attention of plaintiff' s firms or of regulators. In the past **,** we have faced certain securities litigation matters, including securities class action cases that were consolidated by the court and certain related legal proceedings and various governmental investigations, including with respect to trading in our securities. Currently **,** we face a number of legal proceedings in connection with our business, including numerous cases for which plaintiffs are seeking class action status in areas such as wage and hour and employment practices. Legal proceedings and investigations often involve complex factual, legal and other issues, which are subject to risks and uncertainties, and which could require significant leadership time that could otherwise be focused on our operations. Furthermore, legal proceedings and investigations where the related matters under review involve members of our leadership team could distract our senior leadership from the operation of our business, damage the reputation of our leadership team and otherwise materially adversely affect our operations and leadership morale. Litigation, ~~investigation~~ **investigations** and other claims and regulatory proceedings against or involving members of our senior leadership team or us could result in unexpected expenses and liability and could also materially adversely affect our operations and our reputation. We maintain insurance for legal proceedings **,** but there can be no assurance that such insurance will be available for the payment of all or any portion of the costs associated with any particular investigation, legal proceedings or other claims against us, or that coverage under any such insurance will be adequate to fund the full cost of any such legal proceedings, including the costs of investigation, defense and resolution of any such legal proceedings. Third parties have in the past asserted, and may in the future assert, intellectual property claims against us, particularly as we expand our business to include new products and product categories, and expand in new geographic markets, where intellectual property laws and rights differ. Our defense of any claim, regardless of its merit, could be expensive and time consuming and could divert senior leadership resources. We currently rely on a combination of copyright, trademark, patent, trade dress and unfair competition laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our intellectual property rights. We believe that our trademarks, copyrights (including in photographs, **Sourcebooks** ~~Source Books~~ and our website), and other proprietary rights are important to identifying and differentiating our brand and certain of our products from those of our competitors. We have from time to time encountered third parties selling products substantially similar to our products or misrepresenting that the products such retailers were selling were our products. We cannot assure you that the steps taken by us to protect our intellectual property rights will be adequate to prevent infringement of our rights by others, including imitation of our products and misappropriation of our images and brand, particularly in jurisdictions that do not have strong intellectual property protection or in which we do not have strong rights. In the event that we are unable to assert and maintain intellectual property protection with respect to our products and services, the value of our brand could be diminished, and our competitive position could suffer. Compliance with laws, including laws relating to our business activities outside of the U. S., may be costly, and changes in laws could make conducting our business more expensive or otherwise change the way we do business. We are subject to numerous **federal and state laws and** regulations, including labor and employment, customs, sanctions, truth- in- advertising, consumer protection, e- commerce, privacy, health and safety, real estate, environmental and zoning and occupancy laws, intellectual property laws and other laws and regulations that regulate retailers, food and beverage providers or otherwise govern our business. In addition, to the extent we expand our operations as a result of engaging in new business initiatives or product lines, pursuing our multi- tier real estate strategy or expanding into new international markets, we may become subject to new regulations and regulatory regimes. We may need to continually reassess our compliance procedures, personnel levels and regulatory framework in order to keep pace with the numerous business initiatives that we are pursuing, and there can be no assurance that we will be successful in doing so. If the regulations applicable to our business operations were to change or were violated by us or our vendors or buying agents, the costs of certain goods could increase, or we could experience delays in shipments of our goods, detentions, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for our products and harm our business and results of operations. In addition to increased regulatory compliance requirements, changes in laws could make **the** ordinary conduct of our business more expensive or require us to change the way we do business. In addition, as a retail business, changes in laws related to employee benefits and treatment of employees, including laws related to limitations on employee hours, supervisory status, leaves of absence, mandated health benefits or overtime pay, could negatively impact us by increasing compensation and benefits costs for overtime and medical expenses. Changes to **laws or regulations in the** U. S. ~~health care~~ **or foreign jurisdictions where we have employees or operations, including** laws ~~, or potential global~~ and ~~domestic~~ **regulations regarding environmental or social practices including in connection with** greenhouse gas ~~emission~~ **emissions** ~~requirements~~ and other environmental **matters** ~~legislation and regulations~~ , could result in increased direct compliance costs **, increased transportation costs** ~~for~~ **or** ~~us~~ **reduced availability of raw materials** (or may cause our vendors to raise the prices they

charge us ~~in order to maintain profitable operations~~ because of increased compliance costs) ~~, increased transportation costs or reduced availability of raw materials~~ . The foreign and U. S. laws and regulations that are applicable to our operations are complex and may increase the costs of regulatory compliance, or limit or restrict the products or services we sell or subject our business to the possibility of regulatory actions or proceedings. The U. S. Foreign Corrupt Practices Act, and other similar laws and regulations, generally prohibit companies and their intermediaries from making improper payments to foreign governmental officials for the purpose of obtaining or retaining business. While our policies mandate compliance with applicable laws and regulations, including anti- bribery laws and other anti- corruption laws, we cannot assure you that we will be successful in preventing our employees or other agents from taking actions in violation of these laws or regulations. Such violations, or allegations of such violations, could disrupt our business and result in a material adverse effect on our financial condition, results of operations and cash flows **. Proposals to reform U. S. and foreign tax laws could significantly impact how U. S. multinational corporations are taxed on global earnings and could increase the nominal and effective U. S. corporate tax rate. The Organization for Economic Cooperation and Development proposed model rules to ensure a minimal level of taxation (commonly referred to as Pillar II) and the European Union member states have agreed to implement Pillar II' s proposed global corporate minimum tax rate of 15 %. Many countries are actively considering, have proposed or have enacted, changes to their tax laws based upon the Pillar II proposals, which could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. Changes in tax laws based upon Pillar II or other proposals could have an adverse impact on our effective tax rate, income tax expense and cash flows. We may be unsuccessful in identifying attractive acquisition opportunities or, to the extent that we pursue attractive acquisition opportunities, we may be unsuccessful in completing or realizing the expected benefits of such acquisitions. We may pursue growth opportunities by acquiring value- creating, add- on businesses, solutions or technologies through strategic acquisitions, investments or partnerships that we believe will broaden our existing position and market reach and have completed several different acquisitions in recent years. The identification of suitable acquisition, strategic investment or strategic partnership candidates can be costly and time consuming and can distract our leadership team from our current operations. If we choose to acquire businesses in the future, there can be no assurance that we will be able to find suitable businesses to purchase, acquire such businesses on acceptable terms, or realize the benefits of any acquisition we pursue or that any of the businesses which we acquire will meet our objectives. If we are unsuccessful in any such acquisition efforts, then our ability to continue to grow at rates we anticipate could be adversely affected. The success of any completed acquisition will depend on our ability to effectively manage the business after the acquisition** .
 Changes to accounting rules or regulations may...... manage the business after the acquisition. Our total assets include intangible assets with an indefinite life, goodwill, tradename, trademarks, and other intellectual property, and substantial amounts of long- lived assets, principally property and equipment and lease right- of- use assets. Changes to estimates or projections used to assess the fair value of these assets, or results of operations that are lower than our current estimates at certain store locations, may cause us to incur impairment charges that could adversely affect our results of operations. Our total assets include intangible assets with an indefinite life, goodwill, tradename, trademarks and domain names, patents, copyrights, trade secrets, and substantial amounts of property and equipment and lease right- of- use assets. We evaluate these long- lived assets for possible impairment annually or earlier if impairment indicators exist and make certain estimates and projections in connection with the impairment analyses for these long- lived assets. We also review the carrying value of these assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. We will record an impairment loss when the carrying value of the underlying asset, asset group or reporting unit exceeds its fair value. These calculations require us to make a number of estimates and projections of future results. If these estimates or projections change, we may be required to record additional impairment charges on certain of these assets. If these impairment charges were significant, our results of operations would be adversely affected. Refer to " Impairment " within Note 3 — Significant Accounting Policies in our consolidated financial statements within Part II of this Annual Report ~~on Form 10-K~~ . Our common stock price may be volatile or may decline regardless of our operating performance. The market price for our common stock has experienced extreme volatility. As a retailer, our results are significantly affected by factors outside our control, particularly consumer spending and consumer confidence, which can significantly affect our stock price. In addition, the market price of our common stock may fluctuate significantly in response to a number of other factors, including those described elsewhere in this " Risk Factors " section, as well as the following: macroeconomic conditions, including inflation, ~~rising~~ **high** interest rates and **mortgage rates and other** factors affecting the housing market; quarterly variations in our results of operations compared to market expectations; changes in preferences of our customers; announcements of new products or significant price reductions by us or our competitors; size of our public float and the price per share of our common stock; stock price performance of our competitors; fluctuations in stock market prices and volumes; default on our indebtedness; actions by competitors or other shopping center tenants; changes in senior leadership or key personnel; changes in financial estimates by securities analysts or failure to meet their expectations; actual or anticipated negative earnings or other announcements by us or other retail companies; downgrades in our credit ratings or the credit ratings of our competitors; natural or man- made disasters or other similar events, including global health emergencies **and the impact of climate events** ; issuances or expected issuances of capital stock; **and** ~~andglobal~~ --- **global** economic, legal and regulatory changes unrelated to our performance. In the future, we may issue our securities in connection with financings or acquisitions. The amount of shares of our common stock issued in connection with financings or acquisitions could result in dilution to our shares of common stock. Sales of substantial amounts of our common stock, or the perception that these sales could occur, could adversely affect the price of our common stock and impair our ability to use common stock or other instruments linked to our common stock as a means of obtaining future financing. In addition, stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many retail companies. Stockholders can institute securities class action litigation

following periods of market volatility. We have been subject to such class action securities litigation and may experience further claims of this kind. Any such securities litigation can result in substantial costs and expenses and the attention of our senior leadership could be diverted from our business. Anti- takeover provisions in our charter documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable. Our **restated** certificate of incorporation **(" Certificate of Incorporation ")** and **our amended and restated** bylaws **(" Bylaws ")** contain provisions that may make the acquisition of our Company more difficult without the approval of our board of directors. These provisions: establish a classified board of directors so that not all members of our board of directors are elected at one time; authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend or other rights or preferences superior to the rights of the holders of common stock; prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders; provide that our board of directors is expressly authorized to make, alter or repeal our bylaws; andestablish advance notice **, disclosure and other procedural** requirements for **stockholder** nominations for elections to our board of directors or for ~~proposing~~ **stockholder proposals regarding** matters that can be acted upon by stockholders at stockholder meetings. Our ~~certificate~~ **Certificate** of ~~incorporation~~ **Incorporation** also contains a provision that provides us with protections similar to Section 203 of the Delaware General Corporation Law ~~(" DGCL ")~~ , ~~and~~ **which** prevents us from engaging in a business combination with a person who acquires at least 15 % of our common stock for a period of three years from the date such person acquired such common stock unless board or stockholder approval is obtained prior to the acquisition, subject to certain exceptions. These anti- takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our Company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire. ~~28~~ **Our Certificate of Incorporation and Bylaws contain provisions that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for certain disputes between us and our stockholders, which could limit our stockholders' ability to choose a different judicial forum for disputes with us or our directors, officers or employees. Our Certificate of Incorporation provides that, unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware) is the sole and exclusive forum for any stockholder (including a beneficial owner) to bring: any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders; any action asserting a claim against us, our directors, officers or employees arising pursuant to any provision of the Delaware General Corporation Law, our Certificate of Incorporation or our Bylaws; or28** | FORM 10- KPART I **any action asserting a claim against us or any of our directors, officers or employees that is governed by the internal affairs doctrine, except, in each case, any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery, or for which the Court of Chancery does not have subject matter jurisdiction. This exclusive- forum provision would not apply to suits brought (i) to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction, or (ii) alleging violation of the Securities Act of 1933, as amended (the " Securities Act "). This exclusive- forum provision 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. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring such a claim arising under the Securities Act against us or our directors, officers or other employees in a venue other than in the federal district courts of the United States of America. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our Certificate of Incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and we cannot assure you that the provisions will be enforced by a court in those other jurisdictions. If a court were to find the exclusive- forum provisions in our Certificate of Incorporation 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 harm our business. Our Bylaws contain provisions that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. We adopted this exclusive forum provisions in our Bylaws in order to avoid having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such claims. As a result, there is uncertainty as to whether a court would enforce the exclusive form provision in our Bylaws with respect to Securities Act claims. Our b Bylaws further provide that any person or entity holding, owning or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to the exclusive forum provision. Investors also cannot waive compliance with the federal securities laws and the rules and regulations thereunder.** We have never declared or paid any cash dividends on shares of our common stock and do not anticipate that we will pay any such cash dividends for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deems relevant. Accordingly, realization of a gain on your investment will depend on the appreciation of the price of our common stock, which may never occur. Investors seeking cash dividends in the foreseeable future should not purchase our common stock. We have ~~previously~~ allocated a substantial amount of capital to the repurchase of shares of our common stock in open market stock repurchases. During fiscal 2022, the Board of Directors authorized an additional $ 2. 0 billion for the purchase of shares of our outstanding common stock, increasing the total authorized size of the share repurchase program to $ 2. 45 billion. We repurchased approximately 3. 7 million shares of our common stock during fiscal 2022 pursuant to our share repurchase program at an average price of approximately $ 269 per share, for an aggregate repurchase amount of approximately $ 1. 0 billion **. We repurchased approximately 3. 9 million shares of our common stock during fiscal 2023 pursuant to our share repurchase program at an average price of approximately $ 321 per share, for an aggregate repurchase amount of approximately $ 1. 3 billion,** leaving a remaining amount of $ **201** ~~1. 45 billion~~ **million** outstanding and available under our share repurchase program at the end of fiscal ~~2022~~ **2023** . During fiscal 2022, we also repurchased $ 237 million of principal value of convertible senior notes in privately negotiated transactions and terminated all of the outstanding convertible note bond hedges and repurchased all of the outstanding warrants that had been previously issued in connection with the final two series of convertible senior notes. Although we believe that our previous decisions regarding the allocation of capital to repurchase common stock has been very beneficial to our investors, there can be no assurance that any decisions to allocate capital to the repurchase of our shares of common stock or other equity linked instruments will be a beneficial long-term decision for investors in our common stock or that we will receive the benefits from these repurchases that we anticipate. We may face a variety of risks associated with allocation of capital to repurchase of our securities, including the incurrence of substantial indebtedness to fund such repurchases, the possibility that prices at which we purchase securities will not represent a good investment for our remaining securities holders or the possibility that we allocate capital to such repurchases would mean that adequate investments are not available for other aspects of our business. The amount, timing and execution of our share repurchase program and other repurchases of equity linked instruments from time to time may fluctuate based on our priorities for the use of cash for other purposes such as operational spending, capital spending, acquisitions or repayment of debt. Changes in our business operations and financial results, regulatory and other legal developments, including potential changes in tax laws could also impact our share repurchase program and other capital allocation activities. The terms of our outstanding indebtedness may delay or hinder an otherwise beneficial takeover attempt of us.The terms of our outstanding indebtedness,including our outstanding Term Debt and the indebtedness under our ABL Credit Agreement,provide that we may be required to repay all of such outstanding indebtedness in connection with certain change in control transactions.These features of our outstanding indebtedness,including the financial implications of any renegotiation of the above- mentioned provisions,could delay or prevent a change of control,whether or not it is desired by,or beneficial to,our stockholders,and may result in the acquisition of us being on terms less favorable to our stockholders than it would otherwise be,and are likely to require us to pay a portion of the consideration available in such a transaction to holders of our outstanding indebtedness.General ~~RisksChanges~~ **RisksLabor** Expectations of our company relating to environmental, social and governance factors may impose additional costs and expose us to new risks. There is an increasing focus from certain investors, customers and other key stakeholders concerning corporate responsibility, specifically related to environmental, social and governance (“ ESG ”) factors. We expect that an increased focus on ESG considerations will affect some aspects of our operations, particularly as we expand into new geographic markets. There are a number of constituencies that are involved in a range of ESG issues, including investors, special interest groups, public and consumer interest groups and third- party service providers. As a result, there is an increased emphasis on corporate responsibility ratings and a number of third parties provide reports on companies in order to measure and assess corporate responsibility performance. In addition, the ESG factors by which companies’ corporate responsibility practices are assessed may change in the U. S. and differ in our new geographic markets, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. Alternatively, if we are unable to satisfy such new criteria, investors may conclude that our policies 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. We may be required to make substantial investments in matters related to ESG which could require significant investment and impact our results of operations. Any failure in our decision- making or related investments in this regard could affect consumer perceptions as to our brand. Furthermore, if our competitors’ corporate responsibility performance is perceived to be greater than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors and other key stakeholders or our initiatives are not executed as planned, our reputation and financial results could be materially and adversely affected. **Labor** The terms of our outstanding indebtedness may...... of our outstanding indebtedness. General RisksLabor organizing and other activities could negatively impact us. Currently, none of our employees are represented by a union. However, our employees have the right at any time to form or affiliate with a union, and union organizational activities have occurred from time to time. We cannot predict the negative effects that any future organizing activities will have on our business and operations. If we were to become subject to work stoppages, we could experience disruption in our operations and increases in our labor costs, either of which could materially adversely affect our business, financial condition or results of operations. In addition, one of our key value- driving strategies involves the development and introduction of new Gallery locations. We pursue a range of different real estate development models for these projects. In a number of these projects, we perform a significant role in various aspects of the design and construction of the Gallery location. Both we and third- party contractors that we use in these construction projects may be subject to efforts and activities by organized labor to drive the hiring of union labor on these projects. To the extent that union workers are not involved in these projects, we and our third- party contractors may be subject to picketing and other labor actions that could affect our business, including protests in front of our ~~Gallery~~ **retail** locations in order to discourage our customers from entering our ~~stores~~ **Galleries** , which **protests** could adversely affect our business at those locations and our results of operations ~~, including our same- store sales metrics~~ . In addition, to the extent that we become more directly involved in additional aspects of the construction work at our Gallery locations, we could be subject to additional pressure from organized labor such as union organizing efforts ~~. Fluctuations in our tax obligations and effective tax rate and realization of our deferred tax assets, including net operating loss carryforwards, may result in volatility of our results of operations~~ . We are subject to income taxes in the U. S. and certain foreign jurisdictions. We record income tax expense based on our estimates of future payments, which include reserves for uncertain tax positions in multiple tax jurisdictions, and valuation allowances related to certain net deferred tax assets, including net operating loss carryforwards. At any one time, many tax years are subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. We expect that throughout the year there could be ongoing variability in our quarterly tax rates as events occur and exposures are evaluated. In addition, our effective tax rate in a given financial statement period may be materially impacted by changes in the mix and level of earnings, timing of the utilization of net operating loss carryforwards, changes in the valuation allowance for deferred taxes or by changes to existing accounting rules or regulations. ~~30 | FORM 10-KPART I~~