Risk Factors Comparison 2024-02-29 to 2023-02-23 Form: 10-K

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You should carefully consider the risks described below in addition to the other information set forth in this Annual Report on Form 10- K, including the Management' s Discussion and Analysis of Financial Conditions and Results of Operations section and the consolidated financial statements and related notes. If any of the risks and uncertainties described below actually occur or continue to occur, our business, financial condition **,** and results of operations, and the trading price of our Class A common stock could be materially and adversely affected. The risks and uncertainties described below are those that we have identified as material but are not the only risks and uncertainties we face. Our business is also subject to general risks and uncertainties that affect many other companies, including, but not limited to, overall economic and industry conditions and additional risks not currently known to us or that we presently deem immaterial may arise or become material and may negatively impact our business, reputation, financial condition, results of operations **,** or the trading price of our common stock. Risks Related to Our Business, Our Brand and Our Industry We operate in a highly competitive industry. If we are not able to compete effectively, it could have an adverse effect on our business, financial condition, and results of operations. We face significant competition from restaurants in the fast- casual dining and traditional fast- food segments of the restaurant industry. These segments are highly competitive with respect to, among other things, taste, price, food quality and presentation, service, location, and the ambience and condition of each restaurant. Our competition includes a variety of locally owned restaurants and national and regional chains offering dine- in, carry- out, delivery, and catering services. Many of our competitors have existed longer and have a more established market presence with substantially greater financial, marketing, personnel, and other resources than we do, and as a result, these competitors may be better positioned to succeed in the highly competitive restaurant industry. Among our competitors are a number of multi- unit, multi- market, fast- food, or fast- casual restaurant concepts, some of which are expanding nationally, including companies like Chipotle **, CAVA** , McDonald' s, Panera Bread, and Shake Shack, as well as other quick service salad and health food concepts. As we expand into new geographic markets and further develop our digital channels (including our Owned Digital Channels), we will face competition from these restaurants as well as new competitors that strive to compete with our market segments, particularly as many of our competitors have increased their digital presence over the last few years, including by enabling delivery and take- out through their digital applications. In particular, we will face increasing competition from delivery kitchens, food aggregators and food delivery marketplaces (such as DoorDash, GrubHub, Uber Eats, **ezCater, Sharebite** and others), grocery stores (particularly those that focus on freshly prepared and organic food), and other companies that are enabling the delivery of food to customers, including delivery marketplaces that we partner with to deliver ~~sweetgreen~~ **Sweetgreen** food to customers. These food delivery marketplaces own the customer data for ~~sweetgreen~~ **Sweetgreen** orders placed on such marketplaces and may use such customer data to encourage these customers to order from other restaurants on their marketplaces. Competition from food aggregators and food delivery marketplaces has also increased in recent years, particularly with the significant increase in restaurants that previously focused on dine- in service ~~and have increased their reliance on take- out or delivery during the COVID- 19 pandemic, and competition is expected to continue to increase~~ . Any of these competitors may have, among other things, greater operational or financial resources, lower operating costs, better locations, better facilities, better management, better digital technology, increased automation and production efficiency, more effective marketing, and more efficient operations. Additionally, we face the risk that new or existing competitors will copy, and potentially improve upon, our business model, menu options, technology, presentation, or ambience, among other things. Any inability to successfully compete with the restaurants or other food companies in our markets and other restaurant segments will place downward pressure on our customer traffic and / or pricing and may prevent us from increasing or sustaining our growth rate or revenue and reaching profitability. Customer tastes, nutritional and dietary trends, methods of ordering, traffic patterns and the type, number, and location of competing restaurants, and ability to timely and effectively deliver food often affect the restaurant business, and our competitors may react more efficiently and effectively to those conditions. In addition, many of our restaurant competitors offer lower- priced menu options, meal packages, loyalty or promotional programs, or offer breakfast, whereas we currently offer only lunch and dinner. Our sales could decline due to changes in popular tastes, " fad " food regimens, and media attention on new restaurants. We cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions or our ability to adapt our menu offerings to trends in eating habits. Because of the ample competition in our industry, if our menu does not continue to innovate and provide premier quality food, we may lose customers as a result of a lack of variety or quality. In addition, both fast- food and fast- casual dining segments have implemented **and may continue to implement** deep discounting strategies to attract customers which may increase competition **or require us to implement discounting strategies to remain competitive** ~~, while in fiscal year 2022 we focused on more targeted promotions and increased the menu prices of certain items~~ . **Beginning in August** ~~Additionally, during fiscal year~~ 2022, we implemented certain cost cutting measures to manage operating expenses at the ~~sweetgreen~~ **Sweetgreen** Support Center **and increased menu prices of certain items in 2022 and 2023,** with a focus on achieving profitability on an Adjusted EBITDA basis (the " Plan ") ~~, and~~ **. We** may ~~in the future~~ have to implement additional cost cutting measures ~~. If we are unable~~ **or implement additional menu price increases** to ~~continue~~ **achieve this goal in future fiscal periods. These cost cutting measures may reduce our ability** to compete effectively ~~, our traffic, sales, and restaurant contribution could decline~~ , which would have an adverse effect on our business, financial condition, and results of operations. ~~Pandemics or disease outbreaks~~ **Changes in economic conditions and macroeconomic, geopolitical, and other major events** , such as the ~~ongoing~~ **recent** COVID- 19 pandemic, **drive** ~~have disrupted, and may continue to disrupt, our~~

~~business, and have adversely affected our operations and results of operations. Pandemics or disease outbreaks such as the ongoing COVID- 19 pandemic have impacted and are likely to continue to impact our business and results of operations, in particular due to the negative impact on in- restaurant foot traffic and working from the office, difficulties staffing our restaurants, challenges in obtaining supplies, and increasing commodity costs. Additionally, during the COVID- 19 pandemic, many state and local authorities mandated various public health measures, compliance with which has been challenging, costly and requires significant management attention and oversight. The ongoing effects of COVID- 19 and its variants could lead to future capacity restrictions, mask and vaccination mandates, staffing challenges, product cost inflation, and disruptions in the supply chain that could further impact our operations and results of operations. We have also had to incur significant additional costs to ensure the setup and maintenance of our restaurants comply with any regulations, which have changed frequently during the COVID- 19 pandemic and may continue to change. The COVID- 19 pandemic may also continue to adversely affect our ability to implement our growth plans, recruit new team members, and cause delays in construction, permitting, or opening of new restaurants, as well as have an adverse impact on our overall ability to successfully execute our plans to enter into new markets. These and any additional changes may adversely affect our business or results of operations in the future, and may impact our liquidity or financial condition, particularly if these changes are in place for a significant amount of time. In addition, our operations have been further disrupted when employees are suspected of having, or test positive for, COVID- 19 or other illnesses (or are suspected to have been exposed to or a close contact of someone who has tested positive for COVID- 19) since this has required us to quarantine some or all those employees for a period of time and at times, close and disinfect the impacted restaurant facilities. The number of our employees who have tested positive for COVID- 19 increased significantly with the spread of the Omicron variant, which has resulted in staffing shortages in many of our restaurants and, at times, the reduction of operating hours and / or the temporary closures of certain of our Pick- Up and Delivery Channels in certain restaurants, which has had and may continue to have a significant impact on our business, financial condition and results of operations. Moreover, in addition to the COVID- 19- related sick leave that we previously adopted voluntarily, many jurisdictions, such as New York and California, have required that companies provide mandatory supplemental sick leave for COVID- 19- related leave, including to care for a sick family member and to receive (and recover from) a COVID- 19 vaccination. In addition, we are required by local and state regulations to report employees who have contracted or been exposed to the virus. Additional regulation or requirements with respect to the compensation of our employees could also have an adverse effect on our business. Furthermore, viruses such as COVID- 19 may be transmitted through human contact and airborne delivery, and the risk of contracting such viruses could continue to cause customers or employees to avoid gathering in public places, which has had, and could further have, adverse effects on our restaurant customer traffic, the ability to adequately staff restaurants, and Outpost given work- from- home policies and reduced office schedules. Even if a virus or other disease does not spread significantly within a specific area, the perceived risk of infection or health risk in such area may adversely affect our business, liquidity, financial condition, and results of operations. Additionally, different jurisdictions have seen varying levels of outbreaks or resurgences in outbreaks particularly during the spread of the Omicron variant and subvariants, and corresponding differences in government responses, which may make it difficult for us to plan or forecast an appropriate response. Changes in economic conditions and the~~ customer behavior trends ~~they drive~~ , **and** ~~including long- term customer behavior trends following the COVID- 19 pandemic, which are uncertain,~~ could have an adverse effect on our business, financial condition, and results of operations. The restaurant industry depends on customer discretionary spending. The United States **recently** ~~in general, or the specific markets in which we operate, is experiencing~~ **experienced** heightened inflation and economic uncertainty ~~and~~ **. Going forward, the United States, or one or more of the geographic regions in which we operate,** may suffer from ~~further~~ depressed economic activity, **continued or** higher inflation, increased interest rates, recessionary economic cycles, higher fuel or energy costs, low customer confidence, high levels of unemployment, reduced home values, increases in home foreclosures, investment losses, personal bankruptcies, reduced access to credit or other economic factors that may affect customer discretionary spending and have an adverse effect on our business and financial condition. Consumer preferences tend to shift to lower- cost alternatives during recessionary periods and other periods in which disposable income is adversely affected, including as a result of inflation. Traffic in our restaurants and the volume of pick- up on our Native Delivery, Outpost **and Catering** , and Marketplace Channels **was** ~~has been~~ adversely affected during the COVID- 19 pandemic and could ~~further~~ decline **again** if customers choose to reduce the amount they spend on meals or choose to spend more on food from grocery stores as opposed to ordering from our restaurants. Negative economic conditions might cause customers to make long- term or permanent changes to their discretionary spending behavior, including as it relates to dining out, picking up, or ordering delivery. For example, our customers may choose to order from us less frequently ~~,~~ **or** purchase meals at a lower- priced competitor ~~or order through a delivery marketplace, such as Uber Eats or DoorDash, which could have an adverse effect on our business, financial condition, and results of operations. COVID- 19 has had a negative impact on our assumptions for restaurant level cash flows, which resulted in elevated impairment charges in fiscal years 2021 and 2022~~ . Current macroeconomic conditions, such as inflation and ~~increasing~~ **high** interest rates, increase the risk of a potential recession. These macroeconomic conditions can negatively impact consumer discretionary spend for our products. ~~External conditions have become more challenging and uncertain during fiscal year 2022.~~ For example, beginning June 2022, we saw, and may continue to see, sales growth rates slow, or decrease, which may be attributable to a combination of these macroeconomic conditions and an unprecedented increase in summer travel **and** ~~, a wave of COVID cases,~~ a slower than expected return to office ~~and an erratic urban recovery~~ . ~~We have in the past determined to close certain restaurants due to performance and expect to close additional restaurants in 2023. In addition, during fiscal year 2022, we implemented the Plan to manage operating expenses at our sweetgreen Support Center with a focus of achieving profitability on an Adjusted EBITDA basis, which included workforce reductions affecting approximately 5 % of employees and a reduction of our real estate footprint at our sweetgreen Support Center. The Plan may not have the intended effect. Further negative~~ **Negative** trends in sales, including as a result of ~~the impact~~

~~of the COVID- 19 pandemic or as a result of~~ prolonged adverse changes in macroeconomic conditions, **have in the past caused us and** could cause us in the future to, among other things, further reduce our workforce, reduce the number and frequency **, or location** of new restaurant openings, close restaurants or delay remodeling our existing restaurants, or recognize further asset impairment charges. Further, during the COVID- 19 pandemic, our in- restaurant foot traffic ~~has~~ significantly declined, our Outpost Channel ~~has~~ significantly diminished, and our Native Delivery and Marketplace Channels ~~have~~ significantly increased. During fiscal year ~~2022~~ **2023** , we ~~saw~~ **continued to see** increased sales in our In- Store Channel compared to fiscal year **2022 and** 2021, but it has not recovered to pre- pandemic levels, and it is uncertain if it ever will **. We believe that we are seeing customers shift from our Owned Digital Channels to our In- Store Channel and Marketplace Channel, and this is one reason why our percentage of revenue from our Owned Digital Channels has recently declined. Our owned digital users have historically been our most frequent customers, and the average order value for orders placed on our Owned Digital Channels is higher than Non- Digital Orders placed through our In- Store Channel** . Both short and long- term customer behavior trends are uncertain for all of our channels and the duration of such trends is unknown. In particular, it is uncertain whether, and how frequently, workers will return to offices in urban centers, such as midtown Manhattan or downtown Chicago, on a consistent basis, and even if they do, whether they will have a more flexible work schedule, which could reduce our revenues at our urban locations. To date, employees have returned to offices at a slower rate than anticipated **and many companies have shifted to a fully remote or hybrid workforce** . If the shift toward remote work continues ~~even after the COVID- 19 pandemic has abated or ended~~ and workers do not return to offices in urban centers, or work from those locations less frequently, our business, financial condition, and results of operations could be adversely affected for an uncertain period of time, even if customers otherwise resume pre- pandemic levels of discretionary spending. Additionally, as consumer behavior trends have changed during and following the COVID- 19 pandemic, we have seen an ~~unprecedented~~ increase in summer travel, which **has and** may **continue to** impact the demand for our products. As a result of all of these factors, we may make the decision to temporarily or permanently close certain of our impacted **locations, or change our plans for future restaurant** locations. Our future growth depends significantly on our ability to open new restaurants and is subject to many unpredictable factors. One of the key means of achieving our growth strategy for the foreseeable future will be through opening new restaurants and operating those restaurants on a profitable basis. In fiscal year **2023, we had 35 Net New Restaurant Openings, and in fiscal year** 2022 ~~,~~ we had 36 Net New Restaurant Openings ~~, and in fiscal year 2021 we had 31 Net New Restaurant Openings~~ . In the past, we have experienced delays in opening ~~a significant number of our~~ restaurants due to, among other things, supply chain challenges, wage and commodity cost increases as a result of inflation, construction **delays** , and permitting delays in new developments. Such delays could happen again in future restaurant openings ~~, especially as the COVID- 19 pandemic continues and due to macroeconomic factors, which has significantly impacted our ability to complete construction of our new restaurants and also our ability to receive the necessary permits to open new restaurants. Additionally, due to recent significant staffing and hiring issues in the restaurant industry throughout the country, we may not have sufficient staffing or labor in order to open our new restaurants on schedule, or at full capacity~~ . Delays or failures in opening new restaurants, or in launching new restaurant formats (including walk- up, drive- in, or drive- thru formats or store formats incorporating automation technology), could cost significant company resources (including lost sales and additional labor and marketing costs) and have an adverse effect on our growth strategy and our business, financial condition, and results of operations. As we operate more restaurants, our rate of expansion relative to the size of our restaurant base could decline. Our long- term success is highly dependent on our ability to effectively identify and secure appropriate sites for new restaurants. One of our challenges is locating and securing an adequate supply of suitable new restaurant sites, both in new geographic markets and in our existing geographic markets where we may already be located at the most desirable restaurant sites. Competition for those sites is intense, and other restaurant and retail concepts that compete for those sites may have economic models that permit them to bid more aggressively for sites than we can. There is no guarantee that a sufficient number of suitable sites will be available in desirable areas or on terms that are acceptable to us in order to achieve our growth plan or meet our economic objectives in new or existing geographic markets. Our ability to identify, secure, and open new restaurant sites also depends on other factors, ~~many of which are likely to be more challenging as the COVID- 19 pandemic continues,~~ including: • identifying and securing an appropriate site and selecting the best restaurant format for that given site and market (including determining whether to test new restaurant formats, including any formats incorporating automation technology), which ~~includes maximizing~~ **requires consideration of** the **likely** effectiveness of our multi- channel approach **at the site** , the size of the site, traffic patterns, local retail and business attractions and infrastructure that ~~will~~ **may** drive high levels of customer traffic and sales, proximity of **the** ~~potential restaurant sites~~ - **site** to existing restaurants, and anticipated commercial, residential and infrastructure development near the ~~potential restaurant~~ site **, all of which has become more challenging with the uncertainty of companies' return- to- office plans in various locations** ; • negotiating leases with acceptable terms; • receiving timely delivery of leased premises to us from our landlords and the punctual commencement of our build- out construction activities; • obtaining tenant improvement allowances from our landlords; • analyzing financial conditions affecting developers and potential landlords, such as ability of landlords and developers to receive development financing, the effects of macro- economic conditions, and the credit market, which could lead to these parties delaying or canceling development projects (or renovations of existing projects), in turn reducing the number of appropriate restaurant sites available; • managing construction and development costs of new restaurants, particularly in competitive markets; • obtaining construction materials and labor at acceptable costs, particularly with the ~~recent~~ increase in inflation; • maintaining qualified real estate and construction resources to source and manage construction of new sites; • securing required governmental approvals, permits and licenses (including construction, certificates of occupancy and other permits) in a timely manner and responding effectively to any changes in local, state or federal laws and regulations; • avoiding the impact of inclement weather, natural disasters and other calamities; and • identifying, hiring, and training qualified employees in each local market. Given the numerous factors involved, we may not be able to successfully identify and secure a sufficient number of attractive restaurant sites in existing, adjacent or new markets, which could have an adverse effect on our business, financial condition, and results of operations. **For** ~~And, for~~ those locations where we are able to secure an attractive restaurant site, our progress in opening new restaurants may occur at an uneven rate. If we do not open new restaurants in the future according to our current plans, the delay could have an adverse effect on our business, financial condition, and results of operations. Our expansion into new markets may present increased risks. We have opened and plan to continue opening restaurants in markets where we have little or no operating experience. In particular, our restaurants have historically been heavily concentrated in large urban areas (such as New York City, Los Angeles, Boston, and the Washington, D. C. / Maryland / Virginia metropolitan areas), and we do not currently have any restaurants in any markets outside of the United States. Restaurants we open in new markets may take longer to reach expected sales and profit levels on a consistent basis and may have higher construction, product, hiring and training, occupancy, or operating costs than restaurants we open in existing markets, thereby affecting our overall profitability. New markets may have competitive conditions, or customer tastes and discretionary spending patterns that are more difficult to predict or satisfy than our existing markets, particularly as we expand outside of large metropolitan areas and into more suburban and residential areas, as well as more diverse geographic markets. We may also need to make greater investments than we originally planned in advertising and promotional activity in new markets to build brand awareness and attract new customers, particularly if we don' t have high brand awareness in such markets. In addition, because we try to locally source as ~~much~~ **many** of our ~~supply chain~~ **food ingredients** as practicable, we may have difficulty sourcing our ingredients from local suppliers and distributors that are in close proximity to our new markets and that meet our quality standards and are appropriate for our distribution model and Food Ethos. ~~For example, since the fourth fiscal quarter of 2022, as a result of extreme weather conditions, we experienced and have been experiencing supply chain disruptions for key ingredients, such as romaine, arugula and tomatoes, which resulted in higher prices for those products or resulted in temporarily discontinuing those products in certain geographic markets. Additionally, since the beginning of 2023, we have been experiencing supply chain disruptions for our bowls and plates which has resulted in use of alternative packaging solutions.~~ Because of the local nature of our supply chain, our costs of goods may increase significantly in a new market and supply chain availability may be limited by the climate and the grower network in a specific market. We may find it more difficult in new markets to hire, motivate **,** and keep qualified employees who share our vision, passion and culture. We may also incur higher costs from entering new markets if, for example, we assign regional managers to manage comparatively fewer restaurants than in more developed markets, if our local supply chain only supplies ingredients for comparatively fewer restaurants or if we need to comply with new labor and employment regulations in such market. As a result, these new restaurants may be less successful or may not achieve desired growth rates or sales targets as quickly as our existing restaurants across our multiple channels. We may not be able to successfully develop critical market presence for our brand in new geographical markets as we may be unable to find and secure attractive locations, build name recognition **,** or attract enough new customers. Inability to fully implement, or failure to successfully execute, our plans to enter new markets could have an adverse effect on our business, financial condition, and results of operations. In the event we expand our operations outside of the United States, any such expansion may require partnering with and becoming reliant upon a third party, via a partnership, licensing agreement, joint venture, or other contractual relationship **In addition** ,adverse weather conditions,particularly in the winter months in some of our largest markets such as New York City,Boston,the Washington,D.C./ Virginia / Maryland metropolitan region and Chicago **,** or unexpected adverse weather conditions in markets such as ~~Los Angeles,~~ Georgia,Texas or Florida,may also impact customer traffic at our restaurants,and,in more severe cases,cause temporary restaurant closures,sometimes for prolonged periods,which could have an adverse impact on our revenues.Many of our restaurants have outdoor seating,and the effects of adverse weather may impact the use of these areas and may negatively impact our revenue.As a result of adverse weather conditions,temporary or prolonged restaurant closures may occur and customer traffic may decline due to the actual or perceived effects of future weather- related events. . New restaurants, once opened, may not be profitable, and new restaurants may negatively impact sales at our existing restaurants. If our new restaurants do not perform as planned, our business and future prospects could be harmed. In addition, an inability of our new restaurants to achieve our expected Average Unit Volumes, Same- Store Sales Change, or Restaurant- Level Profit Margin would have an adverse effect on our business, financial condition, and results of operations. We may find that our restaurant concept has limited appeal in new markets, or we may experience a decline in the popularity of our restaurant concept in the markets in which we already operate. Newly opened restaurants in our current markets or our future markets may not be successful, which could have an adverse effect on our business, financial condition, and results of operations. Further, the customer target area of our restaurants varies by location, depending on a number of factors, including population density, other local retail and business attractions, area demographics, and geography. The opening of a new restaurant in or near markets in which we already have restaurants could adversely impact sales at existing restaurants, particularly in markets where we have a highly concentrated number of restaurants, such as New York City, Los Angeles, Boston, Chicago and the Washington, D. C. / Maryland / Virginia metropolitan area. Existing restaurants could also make it more difficult to build our customer base for a new restaurant in the same market. **We** ~~When we open new restaurants we do not believe that such new restaurants will adversely affect sales at our existing restaurants, but we~~ may selectively open new restaurants in and around areas of existing restaurants that are operating at or near capacity to effectively serve our customers. Sales cannibalization among our restaurants may become significant in the future as we continue to expand our operations and could affect our sales growth, in particular if the delivery radius of an existing restaurant overlaps with that of a new restaurant, which could, in turn, adversely affect our business, financial condition, and results of operations. Additionally, our restaurants and locations must be able to support growth of not only our In- Store and Pick- Up Channels, but also, depending on location, orders through our Native Delivery, Outpost **and Catering** , and Marketplace Channels. While we attempt to select our locations to maximize all of our channels, we may not be effective in doing so (particularly as a result of ~~the~~ potential long- term ~~change~~ **changes** in customer behavior **, such as may be the case**

with respect to companies' return- to- office plans and remote or hybrid work environments as a result of the COVID- 19 pandemic), which could lead certain restaurants to be under capacity and other restaurants to be at, or over, capacity. We **have begun to develop store concepts including automation technology, which we refer to as our Infinite Kitchen, and** may also prioritize the development **,** ~~of hybrid restaurants that have larger capacity for~~ - **or future** ~~supporting our Native Delivery, Outpost, and Marketplace Channels or the~~ development **,** of new restaurant formats, such as walk- up, drive- in, or drive- thru formats ~~or store concepts incorporating automation technology~~ . We do not have significant experience in operating ~~such hybrid locations or~~ such new restaurant formats (including any store formats incorporating ~~automation technology~~ **the Infinite Kitchen**), and we may not be able to operate them as efficiently as we operate our **traditional restaurant formats. We have in the past determined to close certain** restaurants **due to performance and may do so again in the future, which may adversely affect our business, financial condition and results of operations** . Our success depends substantially on the value of our brand and failure to preserve its value or changes in customer recognition of our brand, including due to negative publicity, could have a negative impact on our business, financial condition, and results of operations. We believe we have built an excellent reputation for the quality of our products, our focus on connecting people with real food, delivery of a consistently positive customer experience, and our social impact programs. To be successful in the future, we believe we must preserve, grow, and leverage the value of our brand across all channels. Brand value is based in part on customer perceptions on a variety of subjective qualities. Business incidents, whether isolated or recurring and whether originating from us or our business partners, from any of our **employees or** third- party spokespersons that represent the brand, or even from unrelated food services businesses, if customers associate those businesses with our own operations, that erode customer trust can significantly reduce brand value, potentially trigger boycotts of our restaurants or result in civil or criminal liability and can have a negative impact on our financial results. Such incidents include actual or perceived breaches of data privacy, claims by current or former employees, particularly claims of discrimination or harassment, **controversial social media posts by current or former employees or by other individuals that we work with to market our products,** contaminated or unsafe food, including allergens, product recalls, workforce reductions, store employees or other food handlers infected with communicable diseases, ~~including COVID- 19,~~ failure to follow proper safety protocols, customer complaints, or other potential incidents discussed in this risk factors section. Customer demand for our products and our reputation could diminish significantly if we, our employees, delivery partners, or other business partners fail to preserve the quality of our products, do not provide orders in a timely fashion, act or are perceived to act in an unethical, illegal, racially biased, unequal, or socially irresponsible manner, including with respect to the sourcing, content, or sale of our products **, our employment practices** , service and treatment of customers at our restaurants, or the use of customer data for general or direct marketing or other purposes. Additionally, if we fail to comply with laws and regulations, publicly take controversial positions or actions, or fail to deliver a consistently positive customer experience in each of our markets, including by failing to invest in the right balance of wages and benefits to attract and retain employees that represent the brand well, our brand value may be diminished, which could have an adverse effect on our business, financial condition, and results of operations. We have also invested in technology **, including our Infinite Kitchens,** to support our back of house operations and simplify the work of our team members. If our customers react negatively to these operational changes (in particular the use of automation in our restaurants **equipped with Infinite Kitchens**), our brand value may be diminished, which could have an adverse effect on our business, financial condition, and results of operations. In addition, our future results depend on various factors, including local market acceptance of our restaurants and customer recognition of the quality of our food and operations. Although we have received national and regional recognition for the high quality of our food and operations, we cannot guarantee that we will continue to receive similar recognition in future periods. Failure to receive continued national and regional recognition may impact customer recognition of our brand, which could have an adverse effect on our business, financial condition, and results of operations. Food safety and foodborne illness concerns could have an adverse effect on our business. We cannot guarantee that our internal procedures and training will be fully effective in preventing all food safety issues at our restaurants, including any occurrences of foodborne illnesses such as salmonella, Cyclospora, E. coli, and hepatitis A. Moreover, our internal team may fail to report unsafe or unsanitary conditions in accordance with our internal procedures. The ingredients we handle in our restaurants (such as leafy greens and raw chicken) are among the highest risk foods when it comes to food safety and foodborne illness. In addition, we freshly prepare many of our menu items at our restaurants, which may put us at even greater risk for foodborne illness and food contamination outbreaks than some of our competitors who use processed foods or commissaries to prepare their food. The risk of foodborne illness may also increase whenever our menu items are served outside of our control, including orders through our Pick- Up, Native Delivery, Outpost **and Catering** , and Marketplace Channels, particularly if such food is not delivered or consumed within the **recommended time** ~~30- minute~~ period ~~that we recommend to our customers~~ . In the event of a potential food safety incident, the protocols and procedures that we have in place, and the public statements we make, to respond to such an incident may not be sufficient and any disruption to these protocols, procedures and public statements could also adversely impact the safety of our customers and our reputation. Additionally, we rely on third- party distributors, making it difficult to monitor food safety compliance and increasing the risk that foodborne illness would affect multiple locations rather than a single restaurant. Some foodborne illness incidents could be caused by third- party distributors, suppliers, or transporters outside of our control (who may provide substitute products, which may not be of equal quality and may cause tracing issues), but we may not have appropriate contractual recourse against such third parties, and any insurance maintained by our distributors and / or suppliers may not be sufficient to cover the cost of a potential claim. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise, both of which could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in any of our restaurants or markets or related to food products we sell could negatively affect our restaurant revenue nationwide if highly publicized on national media outlets or through social media and could also have a negative impact on our brand, which could be incredibly difficult to restore. This risk exists even if it were later determined that the illness was wrongly attributed to us or one of our restaurants. A number of other restaurant chains have experienced incidents related to foodborne illnesses that have had an adverse effect on their brand and operations. In addition, our business may be adversely affected by recalls of products in cases where foodborne illnesses have been detected elsewhere. For example, in November 2019, we undertook voluntary recalls of romaine lettuce following notifications by the Center for Disease Control regarding possible links of E. coli infection to romaine lettuce produced in a certain region in the United States. The occurrence of a similar incident at one or more of our restaurants, or negative publicity or public speculation about an incident, even if such publicity or speculation were to prove unfounded, could have an adverse effect on our business, financial condition, and results of operations. ~~Further, in August 2019, we received significant negative publicity because, at the time, our molded fiber bowls contained per- and polyfluoroalkyl substances (" PFAS "), which are chemicals associated with certain adverse health effects in humans, even though such substances are approved for use by the U. S. Food and Drug Administration. In addition, products containing PFAS may not be 100 % compostable as required pursuant to BPI compostability certification. Although we have since transitioned to alternative bowls that do not contain more than trace amounts of PFAS, these alternatives could present other health or food safety risks. The inability to continue to source alternative bowls, or any negative publicity or public speculation around such prior incident or similar future incidents, could have an adverse effect on our business, financial condition, and results of operations.~~ We have incurred significant losses since inception. We expect our operating expenses to increase significantly in the foreseeable future, as we grow our business, increase our new restaurant openings, and invest into new technology, and we may not achieve profitability. We have incurred significant losses since inception. During fiscal year ~~2022~~ **2023** , we incurred a net loss of $ (~~190~~ **113** . 4) million and in fiscal year ~~2021~~ **2022** we incurred a net loss of $ (~~153~~ **190** . ~~2~~ **4**) million. We anticipate that our operating expenses and capital expenditures will increase substantially in the foreseeable future, in particular, as we continue to: open new restaurants within existing and new markets; launch new restaurant formats; offer promotions; invest in our multiple product channels, including our Owned Digital Channels, and our Marketplace Channel, and other corporate infrastructure at our ~~sweetgreen~~ **Sweetgreen** Support Center; expand marketing channels and operations; add new products and offerings; and develop, enhance or invest in technologies to help grow our business, including our **Infinite Kitchen technology** ~~acquisition of Spyce Food Co. (" Spyce ")~~ and ~~any other investments to automate portions of our ingredient preparation and menu item assembly as well as investments to improve~~ our smartphone application. Additionally, our restaurants require costly ongoing maintenance and renovations, and we **expect** ~~may need~~ to temporarily close **certain of** our restaurants while we perform maintenance and renovations, which ~~could~~ **is likely to** further affect our results of operations. As a result, our net losses may increase while we continue our planned expansion. We will need to generate and sustain increased revenue levels and decrease proportionate expenses in future periods to achieve profitability in many of our largest markets, and even if we do, we may not be able to maintain or increase profitability. These efforts may prove more expensive than we anticipate, and we may not succeed in increasing our revenue sufficiently to offset expenses. **We have previously** ~~For example, during fiscal year 2022, we~~ implemented **cost cutting measures, including workforce reductions, to offset** ~~the~~ **these pressures** ~~Plan, with a focus of achieving profitability on an Adjusted EBITDA basis~~ . If as a result of ~~current~~ macroeconomic **or geopolitical** conditions **, or as a result of legal regulations** , wage rates or costs of goods sold continue to increase, or if consumer demand ~~continues to soften~~ **softens** , we may have to implement additional cost cutting measures in order to achieve profitability, and such measures may or may not be successful. Many of our efforts to generate revenue, particularly our investment in our Native Delivery, Outpost **and Catering** , and Marketplace Channels are new and unproven, and any failure to adequately increase revenue or contain the related costs ~~of these channels~~ could prevent us from attaining or increasing profitability, particularly if these channels are not as successful as we forecast. For example, orders through our Native Delivery, Outpost **and Catering** , and Marketplace Channels are susceptible to delivery delays, or orders being cancelled by couriers, which are largely as a result of our reliance on third- party fulfillment services and are outside of our control. Additionally, due to the fact that our Native Delivery, Outpost **and Catering** , and Marketplace Channels require the payment of third- party delivery fees in order to fulfill deliveries, sales through these channels have historically had lower margins than our In- Store and Pick- Up Channels, particularly in California. If we are unable to operate our Native Delivery, Outpost **and Catering** , and Marketplace Channels effectively and achieve scale, or if these lower margin channels increase as a total percent of company sales relative to higher margin ordering channels, we may not be able to achieve profitability in the near term or at all **. If we are not able to build, deploy, and maintain our proprietary kitchen automation technology, known as the Infinite Kitchen, in a timely and cost- effective manner, our growth plan, financial condition, and results of operations could be adversely affected. In 2021, we acquired Spyce primarily to further develop and deploy Spyce' s kitchen automation technology, which we refer to as the Infinite Kitchen. We have deployed Infinite Kitchen units in two of our restaurants, and expect to deploy additional Infinite Kitchen units in new and existing Sweetgreen restaurants. Our operations in restaurants that use the Infinite Kitchen heavily depend on the seamless functioning of those systems. Any technical malfunctions, software glitches, hardware failures, or other disruptions to the operations of the Infinite Kitchen could result in reduced efficiency, dissatisfaction amongst our customers, harm to our reputation, food loss and its associated costs, and revenue loss. A significant and continuing malfunction or failure of an Infinite Kitchen may require us to close the store containing that Infinite Kitchen, and we may not be able to repair that Infinite Kitchen and reopen that store in a timely manner or at all. We have limited operating experience with the Infinite Kitchen technology so as to determine its reliability, and we have limited experience conducting maintenance activities and repairs with respect to this technology. Any store closures caused by the significant malfunction or failure of an Infinite Kitchen unit could have an adverse effect on our business, financial condition, and results of operations. Our growth plan contemplates the deployment of additional Infinite Kitchen units in new and existing Sweetgreen restaurants. We may be unable to manufacture and deploy Infinite Kitchen units in the time, and at the quantity, necessary to meet that growth plan. We rely on third party vendors and suppliers for the manufacture of Infinite Kitchen units. Any issues with these**

vendors and suppliers, such as supply chain disruptions, contractual disputes, or business continuity issues, could adversely affect our ability to manufacture and deploy Infinite Kitchen units in a timely manner or at all. Further, the costs associated with Infinite Kitchen technology components, and the manufacturing and assembly thereof, may increase in the future. Any such increases may cause the manufacture and deployment of additional Infinite Kitchen units to become cost- prohibitive for our business. If we fail to manufacture and deploy Infinite Kitchen units in a timely manner, we may cause delays in the opening of new restaurants that are designed for those units, which may result in delays in the realization of revenue from those new restaurants, a failure to achieve our growth plan, and adverse impact on our financial condition and results of operations. The kitchen automation industry is characterized by rapid technology advancements and innovation. Several third parties have developed, or are seeking to develop, technology that competes with our Infinite Kitchen technology. If any of those third parties are successful in developing and deploying such technology, and if that technology is made available to our competitors at a lower price than what we pay for Infinite Kitchen units, or if that technology offers significant additional benefits to our competitors, our business may suffer. Additionally, if any third party owns or acquires intellectual property rights related to kitchen automation technology, those intellectual property rights may limit our ability to develop, manufacture, and deploy our Infinite Kitchen technology, and may result in one or more disputes with that third party with respect to our Infinite Kitchen technology . If we are not able to hire, train, reward, and retain a qualified workforce and / or if we are not able to appropriately optimize our workforce or effectively manage our growth in our restaurants, our growth plan and profitability could be adversely affected. We rely on our restaurant- level employees to consistently provide high- quality food and positive experiences to our customers, which we refer to as the " sweet touch. " In addition, our ability to continue to open new restaurants depends on our ability to recruit, train and retain high- quality restaurant team members to manage, lead and work in our restaurants. Maintaining appropriate staffing in our existing restaurants and hiring and training staff for our new restaurants requires precise workforce planning, which has become more complex due to recent significant staffing and hiring issues in the restaurant industry throughout the country, as well as laws related to wage and hour violations or predictive scheduling (" fair workweek ") in many of our markets and New York City' s " just cause " termination legislation applicable to our industry, which went into effect in July 2021. Additionally, **while our employee turnover rate has recently decreased,** we have historically had high turnover rates. We believe our high turnover rate is caused by a number of factors, including that our restaurants tend to be very busy during peak lunch and dinner hours, and that our restaurant employees perform a significant amount of prep work in our restaurants. We have taken, and will continue to take, a number of steps in order to reduce our turnover, but we cannot be certain that our turnover rates will **continue to** decrease, and they may **instead** ~~continue to~~ increase in the future. If we fail to appropriately plan our workforce and / or fail to reduce our turnover at our restaurants, it could adversely impact guest satisfaction, operational efficiency, and restaurant profitability. Moreover, to optimize our organizational structure, including in response to the COVID- 19 pandemic and recent macroeconomic conditions and their impact on our business, since the beginning of fiscal year 2020, we have undergone reductions in workforce at our ~~sweetgreen~~ **Sweetgreen** Support Center, including ~~most recently~~ in the third quarter of fiscal year 2022 and may in the future implement other reductions in workforce or restructurings. Any reduction in workforce or restructuring may yield unintended consequences and costs, such as attrition beyond the intended reduction in workforce, delay in development of critical technology or business optimization programs due to gaps in knowledge transfer and new employee ramp up time, the distraction of employees, and reduced employee morale, and could adversely affect our reputation as an employer, which could make it more difficult for us to hire new employees in the future and increase the risk that we may not achieve the anticipated benefits from the reduction in workforce. ~~The COVID- 19 pandemic and recent low levels of unemployment have also resulted in aggressive competition for talent, wage inflation, and pressure to improve benefits and workplace conditions to remain competitive, both in our restaurants and in our sweetgreen Support Center. However, in connection with the Plan, during fiscal year 2022 we planned and subsequently enacted changes to certain employee benefit programs in our restaurants and in our sweetgreen Support Center to be more in line with industry benchmarks, which could have an impact on our ability to recruit and retain team members or corporate employees.~~ If we fail to recruit and retain restaurant team members or corporate employees in a timely or efficient manner or experience higher employee turnover levels in either our restaurants or ~~sweetgreen~~ **Sweetgreen** Support Center, our ability to open new restaurants and grow sales at existing restaurants may be adversely affected, and we may experience higher than projected labor costs and otherwise impact our Restaurant Level Profit Margin. ~~In addition, if we fail to adequately monitor and proactively respond to employee dissatisfaction or complaints, it could lead to poor employee satisfaction, higher turnover, litigation, and unionization efforts, which have started to become more prevalent in the hospitality industry.~~ Increases in labor costs, labor shortages, and any difficulties in attracting, motivating, and retaining well- qualified employees **, as well as any unionization or attempt to unionize at any of our restaurants,** could have an adverse effect on our business, financial condition, and results of operations. Labor is a significant component in the cost of operating our restaurants. **We may experience** ~~If we face labor shortages, particularly due to recent labor shortages in the restaurant industry as a result of the COVID- 19 pandemic,~~ increased labor costs because of increased competition for employees and inflation, higher employee turnover rates, inefficiency in scheduling our employees, increases in the federal, state, or local minimum wage, or **increases in** other employee benefits costs (including costs associated with health insurance coverage) **. If we experience increased labor costs** , our operating expenses ~~could~~ **would** increase and our growth could be negatively impacted **. Starting in April 2024, California legislation will require certain restaurant chains, including Sweetgreen, to pay a minimum per hour wage of $ 20 to restaurant employees in California. A state- appointed council may increase this minimum wage annually. We expect to offset the increased labor costs from such legislation by increasing our menu prices, but our customers may be unwilling to pay those higher prices. If we are unable to offset these increased labor costs by increasing our menu prices, this legislation may negatively impact our Restaurant Level Profit Margin** . Our success depends in part upon our ability to attract, motivate, and retain a sufficient number of well- qualified restaurant operators and management personnel, as well as a sufficient number of other qualified employees, including customer service and kitchen staff, to align with our expansion plans and multi- channel approach. In the event we cannot sufficiently staff our restaurants, we may from time to time have to temporarily close some of our channels (including potentially certain of our Owned Digital Channels) or close for certain portions of the day and / or days of the week. Because of the busy nature of our restaurants, it is critical that we have a high level of labor productivity and if we do not maintain high engagement or deployment in our restaurants (including in new restaurants and in new markets), it could have an adverse effect on our business. As described above, we have historically had turnover rates that are higher than industry average. Our ability to recruit and retain restaurant employees ~~, particularly as a result of recent significant labor shortages in the restaurant industry,~~ may delay the planned openings of new restaurants, limit the operations of our existing restaurants or result in higher employee turnover in existing restaurants, which could have an adverse effect on our business, financial condition, and results of operations. Competition for these employees could require us to pay higher wages, which could result in higher labor costs **. In addition, if we fail to adequately monitor and proactively respond to employee dissatisfaction or complaints, it could lead to poor employee satisfaction, higher turnover, litigation, and unionization efforts, which have started to become more prevalent in the hospitality industry** . Although none of our employees are currently covered under collective bargaining agreements, if any of our restaurants were to become unionized and collective bargaining agreement terms were significantly different from our current compensation arrangements, it could adversely affect our business, financial condition, and results of operations, and lead to significant management distraction. In addition, a labor dispute involving some or all of our employees may harm our reputation, disrupt our operations and reduce our revenue, and resolution of disputes may increase our costs. If we are unable to continue to recruit and retain sufficiently qualified individuals, our business and our growth could be adversely affected. If we are unable to introduce new or upgraded products, menu items, services, channels, **technology** or features that our customers recognize as valuable, we may fail to **retain existing customers and** attract additional customers ~~to use and continue using our mobile and website ordering platforms~~ . Our efforts to develop new and upgraded products, menu items, services, channels, **technology,** and features on ~~our smartphone and website ordering platforms~~ could require us to incur significant costs. To continue to attract and retain ~~digital~~ customers, we will need to continue to invest in the development of new products, menu items, services, channels, **technology** and features that add value for customers, and that differentiate us from our competitors. For example, in fiscal year ~~2021~~ **2023** , we **deployed Infinite Kitchen units** ~~launched our native application delivery~~ in **two restaurants** ~~our Android smartphone application and completed the acquisition of Spyce~~ to allow us to serve our food with even better quality, consistency, and efficiency in our restaurants ~~via automation~~ ; **Also** in fiscal year ~~2020~~ **2023** , we **began cooking our ingredients exclusively using olive oil, and we also** launched **protein plates, which is** our ~~native application delivery~~ **first major entree category expansion** in **three** ~~our iOS smartphone application and through website ordering; and in fiscal year~~ **years and is part of** ~~2018, we launched our Outpost Channel whereby we deliver salads in bulk to commercial or~~ **our** ~~other locations with no delivery fee~~ **long- term strategy to appeal to a larger number of potential customers** . We also frequently launch seasonal and ~~exclusive bowls~~ **limited time offers** , as well as digital exclusive items and menu collections throughout the year to attract and retain customers. **We have recently reduced** ~~For example, in November 2022 we launched a dessert option in~~ the ~~form~~ **frequency** of ~~Crispy Rice Treats~~ **seasonal and limited time offers** . The success of such new products, menu items, services, channels, **technology** and features depend on several factors, including the timely completion, introduction and market acceptance of such **things** ~~products, menu items, services, channels, or features~~ . If our customers do not recognize the value of our new products, menu items, services, channels **, technology** or features, they may choose not to **continue to purchase products from** ~~use~~ - **us,** ~~our~~ - **or** ~~online and mobile ordering platforms~~ **may reduce the size or frequency of their purchases** , which could have an adverse effect on our business, financial condition, and results of operations. Developing and delivering these new or upgraded products, menu items, services, channels, **technology** or features may increase our expenses, as this process is costly and we may experience difficulties in developing and delivering these new or upgraded **offerings** ~~products, menu items, services, channels, or features~~ , which may prevent us from achieving or maintaining profitability. Moreover, any such new or upgraded products, menu items, services, channels, **technology,** or features may not work as intended, provide the intended level of functionality or provide **the** intended value to our customers. In particular, our planned investment in developing ~~automation~~ **, deploying, and maintaining our Infinite Kitchen** technology ~~after our acquisition of Spyce~~ could cost more and could take longer to develop than we initially expect. Efforts to enhance and improve the ease of use, responsiveness, functionality and features of our existing websites and applications have inherent risks, and we may not be able to manage these product developments and enhancements successfully. If we are unable to continue to develop new or upgraded products, menu items, services, channels, **technology,** or features, our customers may choose not to order through **certain of our channels** ~~our~~ - **or** ~~online~~ **at all,** and **instead order from** ~~mobile platforms in favor of~~ other restaurants or delivery marketplaces, which could have an adverse effect on our business, financial condition, and results operations. Our competitors may have larger or more experienced engineering teams as well as more resources to dedicate to developing or upgrading digital ordering platforms via third- party engineering partners, which may make such competitors' products or services more attractive to customers. We may choose to license or otherwise integrate applications, content and data from third parties into our online and mobile ordering platforms. The introduction of these improvements imposes costs on our business, requires the use of our resources, and makes us reliant on third parties who may have different objectives than we do. For example, certain third- party software integrated into our applications may not prioritize features that we otherwise view as critical to improving our overall technology. We may be unable to continue to access these technologies and content on commercially reasonable terms, or at all. Changes in food and supply costs or failure to receive frequent deliveries of food ingredients and other supplies could have an adverse effect on our business, financial condition, and results of operations. Our profitability depends in part on our ability to anticipate and react to changes in food and supply costs, and our ability to maintain our menu depends in part on our ability to acquire ingredients that meet our specifications from our suppliers. Shortages or interruptions in the availability of certain supplies caused by unanticipated demand, our inability to accurately forecast our supply needs, problems in production or distribution ~~(including any imbalances and freight supply and demand)~~ , food contamination, inclement weather ~~, the COVID- 19 pandemic~~ , or other conditions could adversely affect the availability and cost of food and supplies or the quality of our ingredients (including requiring distributors to provide substitute products, which may not be of equal quality), which could harm our operations and expose us to risk. We have a localized set of suppliers, and typically rely on a single regional distributor for each of our ~~fresh food products~~ **produce items** and another single regional distributor for ~~dry goods~~ **grocery products** in each geographical market where we operate, which may make our supply chain inherently more difficult to manage than if we partnered with national distributors, which is the approach of many of our competitors. In addition, we partner with small and medium- sized farmers that have lower inventory levels and experience supply disruptions that place our business at risk. This may further limit our ability to grow and scale, and in some situations serve our customers on a daily basis. Additionally, our farmers may not maintain food safety certifications, which may increase our risk in the event of a food safety incident. We have developed a process to monitor food safety certifications and standards of our farmers and we do not generally source products from farmers that do not have a comprehensive a food safety plan. We periodically audit our farmers' compliance with our food safety standards, and in the event of material noncompliance with our standards (which occurred with one of our ~~largest~~ **pickle suppliers in fiscal year 2023 and with one of our** chicken suppliers in fiscal year ~~2020~~ **2022**), our policy is to pause our relationship with such farmer until they become compliant. Any increase in the prices, or lack of availability, of the food products most critical to our menu due to natural forces like weather or climate change, due to companies offering more competitive terms to our local farmers, inflation **,** or other reasons could have an adverse effect on our business, financial condition, and results of operations. The markets for some of the ingredients we use, such as avocado, are particularly volatile due to factors such as limited supply sources, crop yield, seasonal shifts, climate conditions, industry demand, including as a result of food safety concerns, product recalls **,** and government regulation. Material increases in the prices of the ingredients most critical to our menu could adversely affect our business, financial condition, and results of operations or cause us to consider changes to our product delivery strategy and adjustments to our menu pricing. Our ability to maintain consistent price and quality throughout our restaurants depends in part upon our ability to acquire specified food products and supplies in sufficient quantities from our suppliers and distributors at a reasonable cost. Because of the way our supply chain is structured, finding a substitute product that meets our culinary requirements in any one geographical market where we operate, particularly with respect to our fresh food products, may be difficult. We do not control the businesses of our suppliers or distributors, and our efforts to specify and monitor the standards under which they perform may not be successful. **Since** ~~Subsequent to~~ the ~~end~~ **beginning** of fiscal year ~~2022~~ **2023** , ~~there~~ **we have been experiencing supply chain disruptions for our bowls and plates, which** has **resulted in** ~~been an interruption by our supplier to~~ the ~~supply~~ **use** of **alternative** packaging **solutions** ~~to our stores~~ . This ~~has~~ caused and may continue to cause a disruption in our stores **and customer dissatisfaction** , as well as higher costs of materials, and could cause store closures in the future. While we **have secured** ~~are working to identify~~ alternative suppliers **to address these disruptions** , there can be no assurance we will be able to do so **in the future** on a timely basis, at commercially reasonable terms, or at all, and an interruption in supply of packaging could adversely affect our business, financial condition and results of operations, including in particular our margins. If any of our distributors or suppliers performs inadequately or is unable to grow and scale with our business, or our distribution or supply relationships are disrupted for any reason, there could be an adverse effect on our business, financial condition, and results of operations. Currently, we typically have shorter- term contracts for the purchase or distribution of most of our food products and supplies. As a result, we may **see certain of our food or supply costs increase with limited or no notice, and we may** not be able to anticipate or react to **such increases** ~~changing food or supply costs~~ by adjusting our purchasing practices or menu prices, which could cause our results of operations to deteriorate. ~~Generally, our~~ **When we have fixed- price** agreements **in place for particular ingredients, the durations of those agreements typically** range from ~~one~~ **six months** to three years, depending on the outlook for prices of the particular ingredient. In some cases, we have minimum purchase obligations. We have tried to increase, where practical, the number of suppliers for our ingredients, which we believe can help mitigate pricing volatility, and we follow industry news, trade issues, exchange rates, foreign demand, weather, crises, and other world events that may affect our ingredient prices. In the event of a dispute with a distributor or supplier, we may not have adequate contractual recourse, and any insurance maintained by our distributors and / or suppliers **, or by us,** may not be sufficient to cover the cost of a potential claim. If we cannot replace or engage distributors or suppliers who meet our specifications in a short period of time, that could increase our expenses and cause shortages of food and other items at our restaurants such as packaging or paper products, which could cause a restaurant to remove items from its menu. If that were to happen, affected restaurants could experience significant reductions in sales during the shortage or thereafter, if customers change their dining habits as a result. In addition, we may choose not to, or may be unable to, pass along commodity price increases to customers. These potential changes in food and supply costs could have an adverse effect on our business, financial condition, and results of operations. Furthermore, certain food items are perishable, and we have limited control over whether these items will be delivered to us in appropriate condition for use in our restaurants. If any of our vendors or other suppliers are unable to fulfill their obligations to our standards, including if we do not accurately forecast our needs (which has been historically challenging when there have been events outside of our control, such as the COVID- 19 pandemic), or if we are unable to find replacement providers in the event of a supply or service disruption, we could encounter supply shortages and incur higher costs to secure adequate supplies or, alternatively, receive lower- quality substituted products, which would have an adverse effect on our business, financial condition, and results of operations. Additionally, unanticipated store closures may result in our donation of an excess supply of perishable products, which may also have an adverse effect on our financial condition. As we expand into new markets, because of the local nature of our supply chain and our commitment to our Food Ethos, we may be unable to find vendors to meet our supply specifications or service needs as we expand. We could likewise encounter supply shortages and incur higher costs to secure adequate supplies, which would have an adverse effect on our business, financial condition, and results of operations. For example, ~~since~~ **during** the fourth fiscal quarter of 2022, as a result of extreme weather conditions, we ~~have~~ experienced supply chain disruptions for key ingredients, such as romaine, arugula and tomatoes, which resulted in higher prices for those products or resulted in temporarily discontinuing those products in certain geographic markets. There can be no assurance that we will be able to identify or negotiate additional or alternative sources on terms that are commercially reasonable to us, if at all. If our suppliers or distributors are unable to fulfill their obligations under their contracts or we are unable to identify alternative sources, we could encounter supply shortages and incur higher costs, each of which could have an adverse impact on our results of operations. Similarly, if we are unable to accurately forecast demand, we may end up with overages of custom and / or perishable products, which may result in food waste and in us paying suppliers or farmers for products that we do not end up using. Our reliance on third parties could have an adverse effect on our business, financial condition, and results of operations. We use various third- party vendors to provide, support and maintain most of our management information systems and technology, including key elements of our applications, and we also outsource certain accounting, payroll and human resource functions to business process service providers. We also use third- party vendors for delivery and customer account management. The failure of any of these vendors to fulfill their obligations could disrupt our operations. For example, we use DoorDash as our preferred third- party delivery partner to power our Native Delivery Channel, and if DoorDash, or any future third- party delivery partner fails to fulfill its obligations or delivers unsatisfactory delivery service, for instance, by delivering orders late, by not having sufficient couriers to fulfill our orders, or by having a system outage, ~~the risks of which may be increased during our transition to DoorDash on our Native Delivery Channel,~~ we will not be able to provide the proper delivery services to our customers through our native application, which is likely to lead to customer dissatisfaction and higher refunds or credits. We, and many of our third **-** party vendors, also rely on Amazon Web Services to operate our digital channels, and in the fourth quarter of fiscal year 2021, Amazon Web Services had an outage that disabled all of our digital channels for nearly an entire day, having a material impact on our business. Additionally, **beginning in the fourth fiscal quarter of 2023,** we ~~partner with LevelUp~~ **started using technology from Stripe** for account management for customers who have signed up on our smartphone application, including processing payments through our smartphone application. If ~~LevelUp~~ **Stripe,** or any future third- party payment processing or account management partner, experiences any significant downtime, is unable to provide certain of its services or has a data security incident, it could have an adverse effect on our business, financial condition, and results of operations. Additionally, any changes we may make to the services we obtain from our vendors, or from any new vendors we employ, may disrupt our operations. These disruptions could have an adverse effect on our business, financial condition, and results of operations. Additionally, we ~~, our advertisers~~ and **certain of** our ~~partners~~ **vendors** are subject to or affected by the technical requirements, terms of service, and **/ or** policies of the third- party operating system platforms and application stores on which our mobile application depends, including those operated by Apple and Google. The operators of these platforms and application stores have broad discretion to impose technical requirements and change or interpret their policies in a manner unfavorable to us and our ~~partners~~ **vendors** , such as by imposing fees associated with access to their platforms, restricting how we collect, use, and share data, and limiting our ability to track users. For example, Apple recently announced restrictions that could adversely affect our advertising and marketing strategies by requiring iOS mobile applications to obtain a user' s opt- in consent to track them for advertising purposes. If we do not comply with the requirements, terms, or policies of the platforms and application stores where we offer our mobile application, we could lose access to users and our business would be harmed. Failure to manage our growth effectively could harm our business and results of operations. Our growth plan includes opening a number of new restaurants, investing in a significant amount of technology to make our operations more efficient, and managing operating expenses to support our growth. Our existing restaurant management systems and other technology, financial and management controls, leadership team and information systems may be inadequate to support our planned expansion and investments, which may negatively impact the quality of service provided to our customers. Managing our growth effectively will require us to continue to enhance these systems, procedures and controls and to hire, train **,** and retain **qualified** managers and team members. We may not respond quickly enough to the changing demands that our expansion will impose on our management, restaurant teams and existing infrastructure, which could harm our customer experience, and in turn, our business, financial condition, and results of operations. We may not persuade customers of the benefits of paying our prices for higher- quality food. Our success depends in large part on our ability to persuade customers that food made with higher- quality, locally sourced ingredients is worth the prices they will pay at our restaurants relative to prices offered by some of our competitors. We may not successfully educate customers about the quality of our food, and customers may not care even if they do understand our approach. That could require us to increase our pricing, or change our advertising or promotional strategies, which could adversely affect our business, financial condition, and results of operations or the brand identity that we have tried to create. We have increased our pricing several times in the past few years (including in fiscal years **2023 and** 2022 ~~and 2021~~) and may increase prices further in the future due to the increased costs of labor or ingredients or other factors, which could negatively affect the loyalty of our existing customers and cause them to reduce their spending with us or impact our ability to acquire new customers, particularly as we expand our footprint into new geographies where customers might have greater price sensitivity. If customers are not persuaded that we offer a good value for their money, we may not be able to grow or maintain our customer base, which would have an adverse effect on our business, financial condition, and results of operations. Current macroeconomic conditions, such as inflation and ~~increasing~~ **higher** interest rates, which have become more challenging during **2023 and** 2022 and which we expect to continue to be challenging in fiscal year ~~2023~~ **2024** , increase the risk of a potential economic downturn. ~~These~~ **An** ~~macroeconomic~~ ----- **economic downturn** ~~conditions can also~~ negatively ~~impact~~ **impacts** consumer discretionary spend and, coupled with **companies'** slower than expected return to office ~~during and~~ following the COVID- 19 pandemic (including as a result of many workplaces adopting remote or hybrid models), has led to our revenue growth slowing ~~(and much of such revenue regrowth was driven by a price increase taken in the first quarter of~~

~~fiscal year 2022)~~ . Additionally, as a result of continued inflation, we experienced an increase in wage rates and costs of goods sold during fiscal year ~~2022~~ **2023** , which has had a negative impact on our Restaurant Level Profit. In order to mitigate these risks, we have gradually increased menu prices or other customer fees and have implemented and may in the future have to implement additional cost- cutting measures, as described in the section titled " Management' s Discussion and Analysis of Financial Condition and Results of Operations " in this Annual Report. There can be no assurance that future cost increases, including as a result of inflation, can be offset by increased menu prices or that our current or future menu prices will be fully absorbed by our customers without any resulting change to their demand for our products. Changes in commodity and other operating costs, particularly due to climate change, could adversely affect our results of operations. The profitability of our restaurants depends in part on our ability to anticipate and react to changes in commodity costs, including food, paper, supplies, fuel, utilities ~~and distribution~~ , and other operating costs. Additionally, **prices in certain of** the commodity markets, including markets for key items, such as chicken, kale, and avocado, will likely continue to increase over time and may also become volatile due to climate conditions and other macroeconomic **and geopolitical** conditions, all of which are beyond our control and, in many instances, extreme and unpredictable (such as more frequent and / or severe fires and hurricanes). We can only partially address future price risk due to climate change through hedging and other activities, and therefore increases in commodity costs, particularly due to climate change, could have an adverse impact on our ability to achieve or maintain profitability. There can be no assurance that future cost increases can be offset by increased menu prices or that current or future menu prices will be fully absorbed by our guests without any resulting change to their demand for our products. In addition, there can be no assurance that we will generate revenue growth in an amount sufficient to offset inflationary or other cost pressures, particularly with the high rates of inflation in fiscal years **2023 and** 2022 ~~and 2021. Additionally, in the third quarter of fiscal year 2022, we implemented the Plan, with a focus of achieving profitability on an Adjusted EBITDA basis, which included workforce reductions of approximately 5 % of our employees at the sweetgreen Support Center and a reduction of our real estate footprint at the sweetgreen Support Center, pursuant to which we incurred total pre- tax restructuring and related charges of approximately $ 14. 4 million during fiscal year 2022. If as a result of current macroeconomic conditions, wage rates or costs of goods sold continue to increase, as they did throughout fiscal year 2022, or if consumer demand softens, we may have to implement additional cost cutting measures~~ . The profitability of our restaurants is also adversely affected by increases in the price of utilities, such as natural gas, electricity and water, whether as a result of inflation, shortages or interruptions in supply, or otherwise. We have recently experienced an increase in freight related surcharges, an increase in food costs, and supply shortages from our vendors as a result of ~~increased~~ inflation and higher gas prices, which we expect to continue into fiscal year ~~2023~~ **2024** . Our ability to respond to increased costs by increasing prices or by implementing alternative processes or products will depend on our ability to anticipate and react to such increases and other more general economic and demographic conditions, as well as the responses of our competitors and guests. All of these things may be difficult to predict and beyond our control. In this manner, increased costs could adversely affect our results of operations. We depend on our senior management team and other key employees, and the loss of one or more key personnel or an inability to attract, hire, integrate and retain highly skilled personnel could have an adverse effect on our business, financial condition, and results of operations. Our success depends largely upon the continued services of our key executives, and, to date, we have not implemented a robust or defined succession plan in the event of any key executive departures. We also rely on our leadership team in setting our strategic direction and culture, operating our business, identifying, recruiting and training key personnel, identifying expansion opportunities, arranging necessary financing and general and administrative functions. We have **recently** had significant changes in our ~~senior~~ **executive** management ~~historically~~ **team** , and ~~,~~ from time to time, ~~there~~ may ~~be~~ **experience additional** changes in our executive management team resulting from the hiring or departure of executives **. While we seek to manage these transitions carefully** , ~~which could~~ **these and any other such changes may result in a loss of institutional knowledge and cause** ~~disrupt~~ **disruptions to** our business. The loss of one or more of our executive officers, or other key employees could seriously harm our ability to successfully implement our business strategy and could impede the achievement of our growth objectives, including with respect to scaling the number of our restaurants and expansion into new markets and restaurant formats, improving our operations ~~and~~ **,** advancing technological developments of our website and mobile application **, and further developing, building, deploying, and maintaining our Infinite Kitchen units** , which would have an adverse effect on our business. The replacement of one or more of our executive officers or other key employees would involve significant time and expense and may significantly delay or prevent the achievement of our business objectives. To continue to execute our growth strategy, we also must identify, hire, and retain highly skilled personnel. In particular, in connection with increasing our store count as well as our expansion into new revenue channels and new restaurant formats that rely on online ordering platforms and focus on the digital customer, such as our Native Delivery, Outpost **and Catering** , and Marketplace Channels, we must identify, hire and retain highly skilled software engineers, the hiring of which is competitive, and for which we may not be successful. **We** ~~In addition, since the beginning of fiscal year 2020, we~~ have ~~undergone~~ **previously implemented workforce** reductions ~~in workforce at our sweetgreen Support Center including most recently in the third quarter of fiscal year 2022~~ , and we may take similar actions in the future. Failure to retain or identify, hire, and motivate necessary key personnel could have an adverse effect on our business, financial condition, and results of operations. Failure to maintain our corporate culture could have an adverse effect on our business, financial condition, and results of operations. We believe that a critical component of our success has been our corporate culture and the internal advancement of our corporate values. We have invested substantial time and resources in building our team, both at our ~~sweetgreen~~ **Sweetgreen** Support Center and within our restaurants. In the future, we may find it difficult to maintain the innovation, teamwork, passion, and focus on execution that we believe are important aspects of our corporate culture. For example, we have ~~undergone~~ **previously implemented workforce** reductions ~~in workforce at our sweetgreen Support Center since the beginning of fiscal year 2020, including most recently in the third quarter of fiscal year 2022~~ , and these actions ~~, together with the general impact of the COVID- 19 pandemic,~~ have negatively impacted and may continue to negatively impact our corporate culture and company morale. Additionally, in connection with the Plan, in the third quarter of fiscal year 2022 we made changes to certain employee benefit programs in our restaurants and in our ~~sweetgreen~~ **Sweetgreen** Support Center to be more in line with industry benchmarks. These changes could have an impact on our brand, corporate culture and company morale. As we have grown ~~and increased our focus on simplifying our operations at scale and targeting the digital customer~~ , we have ~~also~~ hired leaders from a variety of different backgrounds and experiences and have historically had a significant amount of management turnover. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives. If we cannot maintain our corporate culture as we grow, it could have an adverse effect on our business, financial condition, and results of operations. Our marketing strategies and channels will evolve and our programs may or may not be successful. We incur significant costs and expend other resources in our marketing efforts to attract and retain customers. Our strategy includes public relations, digital and social media, targeted promotions (including ~~free~~ **reduced** delivery **fees**), and in-store messaging, which require less marketing spend as compared to traditional marketing programs. As the number of restaurants increases, as our Native Delivery, Outpost **and Catering** , and Marketplace Channels expand and as we grow into new markets, we expect to increase our investment in advertising and consider additional promotional activities. Accordingly, in the future, we will incur greater marketing expenditures, resulting in greater financial risk and a greater impact on our company. Further, changes in customers' expectations of privacy and limits to our ability to track users of our mobile application for advertising purposes, such as resulting from Apple' s requirement for iOS mobile applications to obtain a user' s opt- in consent before tracking them for advertising purposes, could decrease the effectiveness of our current marketing strategies and increase our marketing costs, as we may not be able to efficiently use targeted advertisements and may need to increase our marketing expenditures to maintain our current level of customer acquisition. We rely heavily on social media for many of our marketing efforts. If customer sentiment towards social media changes or a new medium of communication becomes more mainstream, we may be required to fundamentally change our current marketing strategies which could require us to incur significantly more costs. Some of our marketing initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues. Additionally, some of our competitors have greater financial resources, which enable them to spend significantly more on marketing and advertising than we are able to at this time. Many factors, including operating costs, constraints, or changes and our current and future competitors' pricing and marketing strategies, could significantly affect our pricing strategies. Further, our customers' price sensitivity may vary by geographic location, and as we expand, our marketing strategies or pricing methodologies may not enable us to compete effectively in these locations. Should our competitors increase spending on marketing and advertising or our marketing funds decrease for any reason, if our marketing strategies or pricing methodologies change, or should our marketing strategies or pricing methodologies be less effective than those of our competitors, it could result in an adverse effect on our business, financial condition, and results of operations. New information or attitudes regarding diet and health could result in changes in regulations and customer consumption habits, which could have an adverse effect on our business, financial condition, and results of operations. Regulations and customer eating habits may change as a result of new information or attitudes regarding diet and health. For example, a growing number of people are consuming plant- based meat substitutes, which we currently do not offer on our menu. Such changes may include responses to scientific studies on the health effects of particular food items or federal, state, and local regulations that impact the ingredients and nutritional content of the food and beverages we offer. The success of our restaurant operations is dependent, in part, upon our ability to effectively respond to changes in any customer attitudes or health regulations and our ability to adapt our menu offerings to trends in food consumption, especially fast- moving trends. If customer health regulations or customer eating habits change significantly, we may choose or be required to modify or delete certain menu items, which may adversely affect the attractiveness of our restaurants to new or returning customers. Changes in customer eating habits can occur rapidly, often in response to published research or study information, which puts additional pressure on us to adapt quickly. To the extent we are unwilling or unable to respond with appropriate changes to our menu offerings in an efficient manner, it could adversely affect customer demand and have an adverse impact on our business, financial condition, and results of operations. Government regulation and customer eating habits may impact our business as a result of changes in attitudes regarding diet and health or new information regarding the adverse health effects of consuming certain menu offerings. These changes have resulted in, and may continue to result in, laws and regulations requiring us to disclose the nutritional content of our food offerings, and they have resulted, and may continue to result in, laws and regulations affecting permissible ingredients and menu offerings. A number of counties, cities and states, including California, have enacted menu labeling laws requiring multi- unit restaurant operators to disclose to customers certain nutritional information, or have enacted legislation restricting the use of certain types of ingredients in restaurants, which laws may be different or inconsistent with requirements under the Patient Protection and Affordable Care Act of 2010 (the " PPACA "), which establishes a uniform, federal requirement for certain restaurants to post nutritional information on their menus. Specifically, the PPACA requires chain restaurants with 20 or more locations operating under the same name and offering substantially the same menus to publish the total number of calories of standard menu items on menus and menu boards, along with a statement that puts this calorie information in the context of a total daily calorie intake. These labeling laws may also change customer consumption habits in a way that adversely impacts our sales. Additionally, an unfavorable report on, or reaction to, our menu ingredients, the size of our portions, or the nutritional content of our menu items could negatively influence the demand for our menu offerings and adversely affect our business, financial condition, and results of operations. We may not be able to effectively respond to changes in customer health perceptions, comply with further nutrient content disclosure requirements or adapt our menu offerings to trends in eating habits, which could have an adverse effect on our business, financial condition, and results of operations. Our focus on environmental sustainability and social initiatives may increase our costs, and our inability to meet our sustainability goals **and any related disclosures requirements** could harm our reputation and adversely impact our financial results. There has been increasing public focus by investors, environmental activists, the media, and governmental and nongovernmental organizations on a variety of environmental, social, and other sustainability matters. With respect to the restaurant industry, concerns have been expressed regarding energy management, water management, food and packaging waste management, food safety, nutritional content, labor practices, and supply chain and management food sourcing. Through our mission, we have committed to supporting small and mid- size growers who are farming sustainably, to creating transparency around what' s in our food and where it came from, and to creating more accessibility to healthy, real food for more people. In connection therewith, we have announced our commitment to become carbon neutral, which involves reducing our carbon footprint by 50 % and meaningfully offsetting where reduction is not yet possible, by 2027. Achieving this commitment, as well as any other environmental, social, and governance initiatives we may pursue, could be costly to implement, and we may not be successful. ~~Additionally~~ **Furthermore, we are currently offering steak as an ingredient at certain of our restaurants on a trial basis and, if we decide to offer steak as an ingredient at any or all of our restaurants in the future, we expect this decision will increase the difficulty and cost of achieving carbon neutrality by 2027. In addition to our carbon neutrality commitment** , we have transitioned to alternative bowls that do not contain more than trace amounts of PFAS. If we are not effective in addressing environmental, social, and other governance matters affecting our industry, setting and meeting relevant sustainability goals, diversity, equity, and inclusion targets, or fulfilling our mission or sustainability plans, our brand image may suffer. We may experience increased costs in order to execute upon our sustainability goals and measure achievement of those goals, which could have an adverse impact on our business and financial condition. **Conversely, maintaining focus on our environmental sustainability goals may also expose us to scrutiny from members of the investment community or enforcement authorities who may disagree with aspects of our approach to environmental, social, and other sustainability matters.** We may require additional capital to support business growth, and this capital might not be available on reasonable terms or at all. We intend to continue to make significant investments to support our business growth, including with respect to investments in expansion of our restaurant footprint and our multiple distribution channels, the introduction of new store formats **,** and **the development of** technology to enhance our operating efficiency, each of which might require additional funds to respond to business challenges or opportunities. For example, we may need to open additional restaurants, develop new products and menu items or enhance our products and menu items, and enhance our operating infrastructure. In particular, **the continued** ~~our planned investment in developing~~ **development** ~~automation~~ **of our Infinite Kitchen** technology ~~after our acquisition of Spyce~~ could cost more ~~and could take longer to develop~~ than we ~~initially~~ **currently** expect ~~, which could require additional capital~~ . Additionally, if our operating losses continue ~~as a result of a slower- than- anticipated recovery from the COVID- 19 pandemic~~ or **grow** ~~other factors,~~ we may need to raise additional capital ~~sooner than anticipated~~ . Accordingly, we might need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. In addition, we might not be able to obtain additional financing on terms favorable to us, if at all. Our ability to raise additional funds may be adversely impacted by ~~potential~~ worsening global economic conditions **or** ~~and the recent~~ disruptions to, ~~and~~ **or** volatility in, the credit ~~and~~ **or** financial markets in the United States ~~and~~ **or** worldwide ~~, resulting from increased volatility in the trading, the ongoing pandemic, or otherwise~~ . If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited. We operate our restaurants and corporate headquarters in leased properties subject to long- term, non- cancelable leases. If we are unable to secure new leases on favorable terms, terminate unfavorable leases, or renew or extend favorable leases, our profitability may suffer. We operate our restaurants in leased facilities. Payments under our restaurant leases account for a significant portion of our operating expenses, and we expect the new restaurants we open in the future will also be leased. It is becoming increasingly challenging to locate and secure favorable lease facilities for new restaurants as competition for restaurant sites in our target markets is intense. Development and leasing costs are increasing, particularly for urban locations. These factors could negatively impact our ability to manage our occupancy costs, which may adversely impact our profitability. In addition, any of these factors may be exacerbated by economic factors, which may result in an increased demand for developers and contractors that could drive up our construction and leasing costs. Also, as we open and operate more restaurants, our rate of expansion relative to the size of our existing restaurant base will decline, making it increasingly difficult to achieve levels of sales and profitability growth that we achieved in prior years. We are obligated under long- term, non- cancelable leases for ~~almost~~ all of our restaurants and both phases of our ~~sweetgreen~~ **Sweetgreen** Support Center. Our restaurant leases generally require us to pay a proportionate share of real estate taxes, insurance, common area maintenance charges and other operating costs. Certain of our restaurant leases also provide for contingent rental payments based on sales thresholds. Additional sites that we lease are likely to be subject to similar long- term non- cancelable leases. If an existing or future restaurant is not profitable and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease (or negotiate a buyout with the landlord) including, among other things, paying the base rent for the balance of the lease term. For example, we recently implemented the Plan pursuant to which we vacated the premises for the former ~~sweetgreen~~ **Sweetgreen** Support Center and moved to a smaller office space adjacent to its existing location, and in connection with which we incurred $ **7. 4 million and $** 14. 4 million of restructuring expense during fiscal year **2023 and** 2022 **, respectively** . To date, we have been unsuccessful in subleasing the vacated portion of the ~~sweetgreen~~ **Sweetgreen** Support Center, and it is unknown if we will be successful in doing so, and if so, on what commercial terms. In addition, as each of our leases expires, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to pay increased occupancy costs or to close restaurants in desirable locations. These potential increased occupancy costs and closed restaurants could have an adverse effect on our business, financial condition, and results of operations. Furthermore, if we are unable to renew existing leases in key metropolitan areas where we operate or such leases are terminated, any inability to operate in such metropolitan area, as well as the publicity concerning any such termination or non- renewal, could adversely affect our business, financial condition, and results of operations. A significant portion of our restaurants are located in large urban areas, and if our operations in these geographies are negatively affected, our financial results and future prospects would be adversely affected. A significant portion of our restaurants are located in densely populated urban locations, such as midtown New York City, Los Angeles, Boston, and the Washington, D. C. / Maryland / Virginia metropolitan areas. For fiscal years **2023 and** 2022 ~~and 2021~~, approximately **28 % and** 32 ~~% and 33~~ %, respectively, of our revenue was generated from our restaurants located in the New York City metropolitan area. As a result, adverse economic or other conditions in any of these areas could have an adverse effect on our overall results of operations. In addition, given our geographic concentrations, negative publicity regarding any of our restaurants in these areas could have an adverse effect on our **overall** business and operations ~~, as could other regional occurrences such as local strikes, terrorist attacks, increases in energy prices, inclement weather, or natural or man- made disasters~~. As a result of our geographic concentration, our business and financial results are susceptible to economic, social, weather, and regulatory conditions or other circumstances in each of these densely populated urban areas, and any regional occurrences in the markets in which we operate, such as local strikes, terrorist attacks, increases in energy prices, health- related incidents, adverse weather conditions, tornadoes, earthquakes, storms, hurricanes, floods, droughts, fires or other natural or man- made disasters, could have an adverse effect on our business, financial condition, and results of operations ~~. For example, the COVID- 19 pandemic has significantly impacted our financial results in these urban locations far more negatively than our suburban locations, and as of the end of fiscal year 2021, our AUVs for our urban locations were still materially lower than our AUVs for our urban locations as of the end of fiscal year 2019~~. Furthermore, the long- term change in behavior as a result of the COVID- 19 pandemic could lead to a sustained decline in the desirability of living, working, and congregating in the densely populated urban areas in which we operate. Additionally, during the 2020 presidential election and 2021 inauguration, we had prolonged store closures in the Washington, D. C. / Virginia / Maryland metropolitan areas, which had an adverse impact on our restaurant revenues and profitability. Any short- term or long- term shifts in the travel patterns of customers away from densely populated urban areas could have an adverse impact on our future results of operations in these areas. An economic downturn, increased competition, or regulatory obstacles in any of these key markets would adversely affect our business, financial condition, and results of operations to a much greater degree than would the occurrence of such events in other areas. In addition, any changes to local laws or regulations within these key metropolitan markets that affect our ability to operate or increase our operating expenses in these markets would have an adverse effect on our business. In addition, adverse weather conditions,...... of future weather- related events. Acquisitions could be difficult to identify, pose integration challenges, divert the attention of management, disrupt our business, dilute stockholder value, and adversely affect our results of operations and expansion prospects. We have in the past and may in the future make acquisitions of other companies, technologies, or products. Competition within our industry for acquisitions of businesses, technologies in areas such as automation and logistics (such as our ~~recent~~ acquisition of Spyce), and assets (including retail spaces) may become intense, and we have limited experience in acquisitions. As such, even if we are able to identify a target for acquisition, we may not be able to complete the acquisition on commercially reasonable terms, or such target may be acquired by another company including, potentially, one of our competitors. Negotiations for such potential acquisitions may result in diversion of management time and significant out- of- pocket costs. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by customers, employees, or investors or result in the incurrence of significant other liabilities. We may expend significant cash or incur substantial debt to finance such acquisitions, which indebtedness may restrict our business or require the use of available cash to make interest and principal payments. In addition, we may finance or otherwise complete acquisitions by issuing equity or convertible debt securities, which may result in further dilution of our existing stockholders. For example, we spent significant time and resources and issued a significant amount of equity securities to acquire Spyce, and **have spent and** expect **to continue** to spend significant additional resources on developing Spyce' s automation technology and integrating the Spyce technology into our restaurants, and doing so may take more time or use more resources, than we expect, and we may not be successful at all in realizing our goals in the transaction. Additionally, the time and resources we spend toward developing Spyce' s automation technology and integrating the Spyce technology into our restaurants may be a significant distraction in successfully growing the rest of our business. If we fail to evaluate and execute acquisitions successfully or fail to successfully address any of these risks, our results of operations and expansion prospects may be harmed. We are a party to a secured credit agreement, which contains certain affirmative and negative covenants that may restrict our current and future operations and could adversely affect our ability to execute business needs. Our credit agreement with EagleBank (as amended, the " 2020 Credit Agreement ") contains certain affirmative and negative covenants applicable to us and our subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, dividends and other distributions, and transactions with affiliates. The obligations under the 2020 Credit Agreement are guaranteed by our existing and future material subsidiaries and secured by substantially all of our and our subsidiary guarantor' s assets, other than certain excluded assets. The terms of our 2020 Credit Agreement may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs in the means or manner desired. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy, invest in our growth strategy and compete against companies who are not subject to such restrictions. The 2020 Credit Agreement also contains a financial covenant that requires us to maintain minimum liquidity, including cash and cash equivalents plus available amount under the revolving credit facility of the 2020 Credit Agreement, in an amount of not less than the trailing 90 day cash burn during a calendar quarter. We may not be able to generate sufficient cash flow or sales to meet the financial covenant or pay any principal or interest under the 2020 Credit Agreement. If we are unable to comply with our payment requirements or any other covenants, it could result in an event of default under the 2020 Credit Agreement and our lender may accelerate our obligations under our 2020 Credit Agreement and foreclose upon the collateral, or we may be forced to sell assets, restructure our indebtedness, or seek additional equity capital, which would dilute our stockholders' interests. In addition, such a default or acceleration may result in the acceleration of any future indebtedness to which a cross- acceleration or cross- default provision applies. If this occurs, we might not be able to repay our debt or borrow sufficient funds to refinance it. Even if new financing is available, it may not be on terms that are acceptable to us. Prior to Amendment No. 3 to our 2020 Credit Agreement (" Amendment No. 3 "), interest on any outstanding balances was calculated based on the London Interbank Offered Rate (" LIBOR "). On July 27, 2017, the U. K. Financial Conduct Authority (FCA), which regulates LIBOR, announced that it will no longer require banks to submit rates for the calculation of LIBOR after 2021. Further, on March 5, 2021, the Intercontinental Exchange Benchmark Administration, the FCA- regulated and authorized administrator of LIBOR, announced, and the FCA confirmed, that one week and two- month USD LIBOR settings will cease on December 31, 2021, and that the USD LIBOR panel for all other tenors will cease on June 30, 2023. The 2020 Credit Agreement provides for the discontinuation of U. S. dollar LIBOR by including benchmark replacement provisions recommended by the Alternative Rates Reference Committee (" ARRC ") convened by the Federal Reserve Board including transition to a benchmark based on the secured overnight funds rate (" SOFR ") or another benchmark determined after giving regard to any recommendation by the Federal Reserve Board and any evolving or then- prevailing market convention for syndicated credit facilities. Amendment No. 3 amended our 2020 Credit Agreement, including, among other things, by replacing LIBOR with the one- month term SOFR as the reference rate for determining the interest rate under our 2020 Credit Agreement. Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in comparable benchmark or market rates, and SOFR over time may bear little or no relation to the historical actual or historical indicative data. It is possible that the volatility of and uncertainty around SOFR as a LIBOR replacement rate could have an adverse effect on our business, financial condition, cash flows and results from operations and could cause the market value of our Class A common stock to decline. Risks Related to Legal and Governmental Regulation Governmental regulation may adversely affect our business, financial condition, and results of operations. We are subject to various federal, state, and local regulations, including those relating to building and zoning requirements and those relating to the preparation and sale of food. The development and operation of restaurants depends to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic, and other regulations and requirements. Our restaurants are also subject to state and local licensing and regulation by health, sanitation, food and occupational safety, and other agencies, which regulation has increased in the wake of the COVID- 19 pandemic. We may experience difficulties or failures in obtaining the necessary licenses, approvals, or permits for our restaurants, which could delay planned restaurant openings ~~(and has become significantly more difficult during the COVID- 19 pandemic)~~ or affect the operations at our existing restaurants. In addition, stringent and varied requirements of local regulators with respect to zoning, land use, and environmental factors could delay or prevent development of new restaurants in particular locations. Our operations are subject to the U. S. Occupational Safety and Health Act, which governs worker health and safety ~~, as well as rules and regulations regarding COVID- 19~~ , the U. S. Fair Labor Standards Act, which governs such matters as minimum wages and overtime, and a variety of similar federal, state and local labor and employment laws (such as predictive scheduling laws, various wage & hour laws, laws governing the employment of minors, leave laws, termination laws, and state occupational safety regulations) that govern these and other employment law matters. We may also be subject to lawsuits or investigations from our current or former employees in our restaurants or in the ~~sweetgreen~~ **Sweetgreen** Support Center, the U. S. Equal Employment Opportunity Commission, or others alleging violations of federal and state laws regarding workplace and employment matters, discrimination, and similar **matters. We are currently a party to such** matters, and we have been a party to a number of such matters in the past. These lawsuits and investigations require significant resources from our senior management and can result in fines, penalties and / or settlements, some or all of which may not be covered by insurance. These lawsuits and investigations can also result in significant remediation efforts that may be costly and time consuming, and which we may not implement effectively. We have made payments to settle these types of lawsuits and / or investigations in the past, **and current** and additional lawsuits or investigations could have an adverse effect on our business, brand and reputation, financial condition, and results of operations. Additional federal, state, and local proposals related to paid sick leave or similar matters ~~, particularly as a result of the COVID- 19 pandemic~~ , could, if implemented, also have an adverse effect on our business, financial condition, and results of operations. We are also subject to the Americans with Disabilities Act (the " ADA ") and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas, including our restaurants, website, and smartphone applications. In the past, we have settled various lawsuits related to our alleged ADA non- compliance, which resulted in accommodations to our website, smartphone applications, and physical restaurants. We **are currently engaged in ADA- related litigation, and we** may face additional litigation in the future ~~or~~ **. We may** have to further modify our **websites or other** digital platforms (including any digital kiosks that we may implement in our restaurants) **or** ~~by providing auxiliary aids to disabled persons, or~~ **our** restaurants by adding access ramps or redesigning certain interior layouts or architectural fixtures to provide service to or make reasonable accommodations for disabled persons. The expenses associated with these modifications could be material, and there is no guarantee that we will be able to adjust our business practices appropriately to limit additional claims in the future. We operate in a highly regulated industry, and we strive to implement industry best practices to ensure food and customer safety whether or not required by government regulation, including with respect to hand washing and sanitation of our restaurants as well as the prepping, handling, and maintaining of many of our perishable food items. In the event we fail to maintain such best practices, or do not comply with any required government regulation, it could lead to incidents related to foodborne illnesses that could have an adverse effect on their brand and operations. Local, state, and federal regulatory requirements are always evolving, and we anticipate compliance with these requirements may increase our costs and present challenges and risk to our company. The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements (including the requirement to provide for reasonable accommodations for those with disabilities), and the consequences of litigation relating to current or future laws and regulations, or our inability to respond effectively to significant regulatory or public policy issues, could increase our compliance and other costs of doing business and, therefore, have an adverse effect on our business, financial condition, and results of operations. Failure to comply with the laws and regulatory requirements of federal, state, and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines, and civil and criminal liability. In addition, certain laws, including the ADA, could require us to expend significant funds to make modifications to our restaurants if we failed to comply with applicable standards. Compliance with the aforementioned laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings, which could have an adverse effect on our business, financial condition, and results of operations. Changes in employment laws may increase our labor costs and impact our results of operations. Various federal, state, and labor laws govern the relationship with our employees and impact operating costs. These laws include employee classification as exempt or non- exempt for overtime and other purposes ~~, minimum wage requirements~~ , predictive scheduling, wage and hour requirements, unemployment tax rates, workers' compensation rates, immigration status, laws governing the employment of minors, and other wage and benefit requirements. Significant additional government- imposed increases in the following areas could have an adverse effect on our business, financial condition, and results of operations: • predictive scheduling; • minimum wages; • mandatory health benefits; • vacation accruals; • termination requirements; • **tipping** ~~paid leaves of absence, including paid sick leave and COVID- 19- related leave~~ ; • ~~COVID~~ **pandemic** - ~~19~~ related vaccination and / or mask mandates; • employment of minors; • I- 9 compliance; and • tax reporting. Complying with these laws and regulations subjects us to substantial expense and non- compliance could expose us to significant liabilities. We incur legal costs to defend, and we could suffer losses from, these and similar cases, and the amount of such losses or costs could be significant. In addition, several states and localities in which we operate and the federal government have, from time to time, enacted minimum wage increases, changes to eligibility for overtime pay, paid sick leave and mandatory vacation accruals, and similar requirements. These changes have increased our labor costs and may have a further negative impact on our labor costs in the future. For example, several jurisdictions in which we operate, including **but not limited to** New York City, Philadelphia, Chicago, Seattle, and San Francisco, have implemented fair workweek legislation, which impose complex requirements related to scheduling for certain restaurant and retail employees that are often difficult to comply with, and the regulations with respect to such requirements have changed and may continue to change from time to time. We ~~were previously~~ **are currently** under investigation by the NYC Department of Consumer and Worker Protection for fair workweek violations for one of our New York City locations, and we may in the future be subject to similar investigations **in New York City or other locations** . Other jurisdictions where we operate are considering enacting similar legislation. In addition, New York City passed a " just cause " termination legislation as part of its fair workweek legislation, which **went into effect July 2021. This law** restricts **fast food restaurant** companies' ability to terminate employees unless they can prove " just cause " or a " bona fide economic reason " for the termination ~~, which went into effect in July 2021~~ . All of these regulations impose additional obligations on us and could increase our costs of doing business and cause us to make changes to our business model. Our failure to comply with any of these laws and regulations could lead to higher employee turnover and negative publicity, and subject us to penalties and other legal liabilities, which could adversely affect our business and results of operations and potentially cause us to close some restaurants in these jurisdictions. In addition, a significant number of our restaurant employees are paid at rates impacted by the applicable minimum wage. To the extent implemented, federal, state and local proposals that increase minimum wage requirements or mandate other employee matters could, to the extent implemented, increase our labor and other costs. Several states in which we operate have approved minimum wage increases that are above the federal minimum. **For example, since January 1, 2024, the State of California has a minimum wage of $ 16 per hour and starting in April 2024, California legislation will require certain restaurant chains, including Sweetgreen, to pay a minimum per hour wage of $ 20 to restaurant employees in California. A state- appointed council may increase this minimum wage annually. Moreover, municipalities may set minimum wages above the applicable state standards, including in the municipalities in which we operate.** As more jurisdictions, or if the federal government (including as a result of the Biden administration' s commitment to a $ 15 federal minimum wage), implement minimum wage increases, we expect our labor costs will continue to increase. Our ability to respond to minimum wage increases by increasing menu prices or other customer facing fees, such as delivery or service fees, depends on willingness of our guests to pay the higher prices and our perceived value relative to competitors. Our distributors and suppliers could also be affected by higher minimum wage, benefit standards, and compliance costs, which could result in higher costs for goods and services supplied to us. Any increase in the labor costs of our business may have an adverse effect on our results of operations. We have been and will likely continue to be party to litigation that could distract management, increase our expenses, or subject us to monetary damages or other remedies. We have been **in the past and are currently** subject to a number of claims from our employees alleging violations of federal and state law regarding workplace and employment matters, including off- the- clock work (including meal and rest break compliance), predictive scheduling, equal employment opportunity, harassment, discrimination, failure to pay timely wages, employee misclassification, retaliation, ~~wrong~~ **wrongful** termination, and similar matters **We are party to class action litigation regarding certain of these claims** , and ~~we~~ could become subject to **additional** class action **litigation** or other lawsuits related to these or different matters in the future. We may not have valid arbitration agreements with all current or former employees, and the arbitration agreements that are in place may not protect us from certain claims in certain states (including Private Attorney General Act **(" PAGA ")** claims in California). ~~In addition, customers~~ **Customers** ~~may~~ **have** ~~file~~ **filed** complaints ~~or~~ **and** lawsuits against us alleging we caused an illness or injury they suffered at or after a visit to our restaurants ~~, including in the context of claims related to exposure to COVID- 19,~~ or that we have problems with food quality or operations. **Certain** ~~In recent years, a number~~ of ~~restaurant companies~~ **those lawsuits are ongoing** , **and additional complaints and lawsuits with** ~~including sweetgreen, have been subject to~~ such ~~claims~~ **allegations may occur in the future** . Additionally, because we do not perform background checks on all employees, we have been and may in the future be exposed to certain risks, including allegations of negligence in our hiring practices, as well as needing to terminate existing employees who do not pass any background check that we may conduct after an employee has been hired. Regardless of whether any claims against us are valid, or whether we are ultimately held liable, claims may be expensive to defend, may divert time and money away from our operations, and hurt our performance. A judgment in excess of, or that is excluded from, our insurance coverage for any claims could adversely affect our financial condition and results of operations. Any adverse publicity resulting from these allegations, regardless of whether any claims against us are valid, may also adversely affect our reputation, which in turn could have an adverse effect on our business, financial condition, and results of operations. In addition, the restaurant industry has been subject to a growing number of claims based on the nutritional content of food products sold and disclosure and advertising practices. We may also be subject to this type of proceeding in the future and, even if we are not, publicity about these matters (particularly directed at the fast- casual segment of the industry) may harm our reputation and could have an adverse effect on our business, financial condition, and results of operations. Failure to obtain and maintain required licenses and permits or to comply with food control regulations could lead to the loss of our food service licenses and, thereby, harm our business. The restaurant industry is subject to various federal, state, and local government regulations, including those relating to design and construction of restaurants and the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. For example, during the COVID- 19 pandemic, the timeline for obtaining licenses and permits ~~has~~ increased significantly. The failure to obtain and properly maintain and comply with these licenses, permits and approvals in a timely manner could have an adverse effect on our business, financial condition, and results of operations. Typically, licenses must be renewed annually and may be revoked, suspended, or denied renewal for cause or we could be subject to fines or temporary restaurant closures at any time if governmental authorities determine that our conduct violates applicable regulations. Difficulties or failure to maintain or obtain the required licenses and approvals could adversely affect our existing restaurants and delay or result in our decision to cancel the opening of new restaurants. Any failure to maintain such licenses could have an adverse effect on our business, brand and reputation, financial condition and results of operations. Failure to comply with immigration laws, or changes thereto, may increase the operating costs of our business. Although we have policies requiring that all workers provide us with government- specified documentation evidencing their employment eligibility on their first day of work, some of our employees, particularly in our restaurants, may be unauthorized workers, or provide false documentation, if our policies are not followed strictly. Our historical hiring processes in our restaurants have not always ensured that we collect and approve all required government- specified documentation evidencing employment eligibility on a timely basis in accordance with applicable laws. We have previously been subject to audit by the Department of Homeland Security in certain markets, and we may be subject to additional audits in the future. Unauthorized workers are subject to deportation and may subject us to fines or penalties, and if any of our workers are found to be unauthorized, we could experience adverse publicity that negatively impacts our brand and may make it more difficult to hire and keep qualified employees. In the past we have terminated a significant number of employees who were determined to be unauthorized workers, and if we take similar actions in the future, it may disrupt our operations, cause temporary increases in our labor costs as we train new employees, and result in additional adverse publicity. We could also become subject to fines, penalties, and other costs related to claims or governmental audits that we did not fully comply with all obligations of federal and state immigration compliance laws, including record- keeping obligations. These factors could have an adverse effect on our business, financial condition, and results of operations as well as our brand and reputation. Furthermore, in recent years immigration laws have been a topic of considerable political focus. Further changes in immigration or work authorization laws and additional enforcement programs by the Department of Homeland Security of existing immigration or work authorization laws, including at the state level, could increase our compliance and oversight obligations, which could subject us to additional costs and potential liability, impact our brand and reputation, and make our hiring process more burdensome, and could potentially reduce the availability of prospective employees. Failure to comply with environmental laws, particularly regarding waste management, may negatively affect our business. We are subject to various federal, state, and local laws and regulations concerning waste minimization, recyclables, disposal, pollution, protection of the environment, and the presence, discharge, storage, handling, release and disposal of, and exposure to, hazardous or toxic substances. These environmental laws, which typically vary significantly at the local level, provide for significant fines and penalties for noncompliance and liabilities for remediation, sometimes without regard to whether the owner or operator of the property knew of, or was responsible for, the release or presence of hazardous or toxic substances. Compliance with these regulations become increasingly more complicated as we expand into additional markets. We primarily partner with ~~a~~ third- party ~~vendor~~ **vendors** to manage the disposal of our waste and are reliant on them to ensure that our waste is transferred, recycled, or disposed of in accordance with our standards and applicable regulations. Third parties may also make claims against owners or operators of properties for personal injuries and property damage associated with releases of, or actual or alleged exposure to, such hazardous or toxic substances at, on or from our restaurants. Particularly in light of our focus on environmental sustainability and social impact, environmental conditions relating to releases of hazardous substances at a prior, existing, or future restaurant could have an adverse effect on our brand and reputation, business, financial condition, and results of operations. Further, environmental laws, and the administration, interpretation, and enforcement thereof, are subject to change and may become more stringent in the future, each of which could make our waste management more complex and have an adverse effect on our business, financial condition, and results of operations. The effect of changes to healthcare laws in the United States may increase the number of employees who choose to participate in our healthcare plans, which may significantly increase our healthcare costs and negatively impact our financial results. In 2010, the PPACA, which required health care coverage for many uninsured individuals and expanded ~~coverage~~ the coverage of those already insured, was signed into law in the United States. The PPACA requires us to offer healthcare benefits to all full- time employees (including full- time hourly employees) that meet certain minimum requirements of coverage and affordability, or face penalties. We have incurred additional expenses due to organizing and maintaining a healthcare plan that covers the increased number of employees who have elected to obtain coverage through a healthcare plan we subsidize in part. If we fail to continue to offer such benefits, or the benefits we elect to offer do not meet the applicable requirements, we may incur penalties. It is also possible that by making changes or failing to make changes in the healthcare plans offered by us we will become less competitive in the market for our labor. The future costs and other effects of these new healthcare requirements cannot be determined with certainty, but they may significantly increase our healthcare coverage costs and could have an adverse effect on our business, financial condition, and results of operations. Additionally, ~~the modifications made under the Tax Cuts and Jobs Act enacted in 2017 (the " Tax Act ") had no impact on the employer mandate. However, we cannot predict the ultimate content, timing, or impact of any changes to the PPACA or other~~ **there** ~~federal and state reform efforts. There~~ is no assurance that federal or state health care reform will not adversely affect our business, financial condition, and results of operations, and we cannot predict how future federal or state legislative, judicial, or administrative changes relating to healthcare reform will affect our business. Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited. As of December ~~25~~ **31** , ~~2022~~ **2023** , we had U. S. Federal net operating loss carryforwards (" NOLs ") of $ ~~688~~ **754** . ~~5~~ **0** million, of which $ ~~586~~ **652** . ~~6~~ **1** million may be carried forward indefinitely, and the remaining $ 101. 9 million expire at various times. As of December ~~25~~ **31** , ~~2022~~ **2023** , we had state net operating loss carryforwards of $ ~~610~~ **630** . ~~1~~ **2** million, of which $ ~~71~~ **73** . ~~8~~ **0** million may be carried forward indefinitely, and the remaining $ ~~538~~ **557** . ~~3~~ **2** million expire at various times. It is possible that we will not generate taxable income in time to use NOLs before their expiration, or at all. Under Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended (the " Code "), if a corporation undergoes an " ownership change, " the corporation' s ability to use its pre- change NOLs and other tax attributes, including R & D tax credits, to offset its post- change income may be limited. In general, an " ownership change " will occur if there is a cumulative change in our ownership by " five percent stockholders " that exceeds 50 percentage points over a rolling three- year period. Similar rules may apply under state tax laws. We are still evaluating the impact of our ~~recent~~ IPO on a potential change in ownership, and the corresponding impact on our ability to use NOLs and other tax attributes. Our ability to use NOLs and other tax attributes to reduce future taxable income and liabilities may be subject to annual limitations as a result of prior ownership changes and ownership changes that may occur in the future. Under the Tax **Cuts and Jobs** Act **enacted in 2017 (the " Tax Act ")** , as amended by the Coronavirus Aid, Relief, and Economic Security Act (the " CARES Act "), net operating losses arising in taxable years beginning after December 31, 2017 and before January 1, 2021 may be carried back to each of the five taxable years preceding the tax year of such loss, but net operating losses arising in taxable years beginning after December 31, 2020 may not be carried back. Additionally, under the Tax Act, as modified by the CARES Act, net operating losses from tax years that began after December 31, 2017 may offset no more than 80 % of current taxable income annually for taxable years beginning after December 31, 2020, but the 80 % limitation on the use of net operating losses from tax years that began after December 31, 2017 does not apply for taxable income in tax years beginning before January 1, 2021. NOLs arising in tax years beginning after December 31, 2017 can be carried forward indefinitely, but NOLs generated in tax years beginning before January 1, 2018 will continue to have a two- year carryback and twenty- year carryforward period. As we maintain a full valuation allowance against our U. S. NOLs, these changes will not impact our balance sheet as of December ~~25~~ **31** , ~~2022~~ **2023** . However, in future years, if and when a net deferred tax asset is recognized related to our NOLs, the changes in the carryforward and carryback periods as well as the new limitation on use of NOLs may significantly impact our valuation allowance assessments for NOLs generated in taxable years beginning after December 31, 2017. There is also a risk that due to regulatory changes, such as suspensions of the use of NOLs and tax credits by certain jurisdictions, including in order to raise additional revenue to help counter the fiscal impact from the COVID- 19 pandemic, possibly with retroactive effect, or other unforeseen reasons, our existing NOLs and tax credits could expire or otherwise be unavailable to offset future income tax liabilities. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs and tax credits. We **use an** ~~may expand our~~ independent contractor driver network with respect to our ~~expanding~~ **food** delivery program. The status of the drivers as independent contractors, rather than employees, may be challenged. A reclassification of the drivers as employees could harm our business or results of operations. In 2019, our subsidiary, SG Logistics, LLC (" SG Logistics "), commenced engaging drivers to deliver products for certain of our Outpost **and Catering** orders through our technology platform. These drivers may also fulfill certain delivery orders made through our native smartphone application or our website in the future. SG Logistics may become involved in legal proceedings and investigations that claim that members of its delivery network who it treats as independent contractors for all purposes, including employment tax and employee benefits, should instead be treated as employees. In addition, there can be no assurance that legislative, judicial or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing law and regulations, that would mandate that SG Logistics' change its classification of the drivers. In the event of a reclassification of members of SG Logistics' independent contractor driver network as employees, SG Logistics could be exposed to various liabilities and additional costs. These liabilities and costs could have an adverse effect on our business, financial condition, and results of operations for our Outpost **and Catering** business and / or make it cost prohibitive for SG Logistics to deliver orders using its driver network, particularly in geographic areas where we do not have significant volume. These liabilities and additional costs could include exposure (for prior and future periods) under federal, state, and local tax laws, and workers' compensation, unemployment benefits, labor, and employment laws, as well as potential liability for penalties and interest. Additionally, in the event a courier that contracts with SG Logistics commits a serious crime in connection with providing services on the SG Logistics platform, we could potentially be responsible for any losses as a result of such incident, and such incident could have a material adverse impact on our brand. Risks Related to Our Intellectual Property and Information Technology If the confidentiality, integrity, or availability of our information technology, software, services, communications, or data, or those of third parties upon which we rely, are or were compromised, we could experience adverse consequences resulting from such compromise, including but not limited to regulatory investigations or actions; litigation; fines and penalties; disruptions of our business operations; reputational harm; loss of revenue or profits; loss of customers or sales; and other adverse consequences. Operating our business and platform involves the collection, use, storage, and transmission of sensitive, proprietary, and confidential information, including personal information of customers, **our** personnel, **the personnel of our** business ~~contacts~~ **partners** , and others ~~, and our sensitive, proprietary and confidential business information~~ . For example, we collect certain customers' home and / or business addresses for processing delivery orders, mobile phone numbers from users of our platform, and personal information from our personnel, including in the administration of our benefit plans. Security incidents compromising the confidentiality, integrity, and availability of our sensitive, proprietary, and confidential information and information technology systems, and those of the third parties upon which we rely could result from cyber- attacks, malicious internet- based activity, online and offline fraud, and other similar activities. Such threats are prevalent and continue to rise, are increasingly difficult to detect, and come from a variety of sources, including traditional computer " hackers, " threat actors, " hacktivists, " organized criminal threat actors, personnel (such as through theft or misuse), sophisticated nation states, and nation- state- supported actors. Some actors now engage and are expected to continue to engage in cyber- attacks, including without limitation nation- state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third parties upon which we rely may be vulnerable to a heightened risk of these attacks, including retaliatory cyber- attacks, that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our goods and services. We and the third parties upon which we rely **are** ~~may be~~ subject to a variety of evolving threats, including but not limited to social- engineering attacks (including through phishing attacks), malicious code (such as viruses and worms), malware (including as a result of advanced persistent threat intrusions), denial- of- service attacks (such as credential stuffing), credential harvesting, personnel misconduct or error, ransomware attacks, software bugs, supply chain attacks, server malfunctions, software or hardware failures, loss of data or other information technology assets, adware, telecommunications failures, and other similar threats. In particular, severe ransomware attacks are becoming increasingly prevalent and could lead to significant interruptions in our operations, loss of sensitive data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. Additionally, remote work has become more common in response to the COVID- 19 pandemic and has increased risks to our information technology systems and data, as more of our employees utilize network connections, computers and devices outside our premises or network, including working at home, while in transit **,** and in public locations. Security incidents have occurred in the past, and may occur in the future, resulting in unauthorized, unlawful, or inappropriate access to, inability to access, disclosure of, or loss of the sensitive, proprietary and confidential information that we handle. We have experienced an increase in **what we believe to be** credential stuffing activity **,** in which malicious third parties try to access an online service by using credentials compromised in security incidents suffered by different services. We have security measures in place to mitigate our risk to vulnerabilities, but these measures may not be adequate to ensure that our operations are not disrupted or that security incidents do not occur. Risks relating to security incidents are likely to increase as we continue to grow and collect, process, store, and transmit increasingly large amounts of data. We also rely on a number of third parties to support and operate our critical business systems and process sensitive, proprietary, and confidential information, such as ~~LevelUp~~ **Stripe** , our account management provider, the payment processors that process customer credit card payments, and other third- party providers of services including cloud- based infrastructure, data center facilities, encryption and authentication technology, employee email, content delivery to customers, and other functions. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate security measures and could experience a security incident that compromises the confidentiality, integrity, or availability of the systems they operate for us or the information they process on our behalf. Moreover, the risk of circumvention of our security measures or those of our third parties on whom we rely has been heightened by advances in computer and software capabilities and the increasing sophistication of actors who employ complex techniques. In particular, supply- chain attacks have increased in frequency and severity, and we cannot guarantee that third parties' infrastructure in our supply chain or our third- party partners' supply chains have not been compromised. Cybercrime and hacking techniques are constantly evolving, and we or third parties who we work with may be unable to anticipate attempted security incidents, react in a timely manner, or implement adequate preventative measures, particularly given increasing use of hacking techniques designed to circumvent controls, avoid detection, and remove or obfuscate forensic artifacts. If our third- party service providers experience a security incident or other interruption, we could experience adverse consequences. While we may be entitled to damages if our third- party service providers fail to satisfy their data privacy or security- related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award. Any of the previously identified or similar threats could cause a security incident or other interruption that could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to our sensitive information or our information technology systems, or those of the third parties upon whom we rely. Because of the prominence of our brand, we believe that we are an attractive target for cyberattacks, which have increased recently in the industry. We have implemented security measures designed to detect and **remediate vulnerabilities in our information security systems (such as our hardware and / or software, including that of third parties upon which we rely),** prevent security incidents, and to protect the confidentiality, integrity, and availability of our systems and the sensitive, proprietary, and confidential information under our control. However, despite any measures that we have taken by us to increase our cybersecurity, we cannot assure you that the measures that we or the third parties we work with have implemented will always be followed and / or be effective against current or future security threats **or detect, mitigate and remediate all vulnerabilities on a timely basis** . We may **need to** expend significant resources or modify our business activities to try to protect against security incidents **. The costs to respond to a security incident and / or to mitigate any security vulnerabilities that may be identified could be significant and these problems could result in unexpected interruptions, delays, cessation of service, negative publicity, and other harm to our**

business and our competitive position. Further, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities. If we or the third parties we work with suffer, or are perceived to have suffered, a security incident, we may experience a loss of customer and partner confidence in the security of our platform and damage to our brand, reduced demand for our offerings, and disruption of normal business operations. Such an incident may also require us to spend resources to investigate and correct the issue and to prevent recurrence, expose us to legal liabilities, including litigation, regulatory enforcement, and indemnity obligations, which could have an adverse effect on our business, financial condition ~~or~~ **and** results of operations. Additionally, our agreements with our material third- party partners, such as ~~LevelUp~~ **Stripe** and DoorDash, require us to maintain adequate security measures and not subject their confidential information to a security incident. If we were to breach those contractual obligations, we could be responsible for indemnifying our partners for any losses associated with such an incident. Future acquisitions **of, or utilization of, new information technology infrastructure** could also expose us to additional cybersecurity risks and vulnerabilities ~~from any newly acquired information technology infrastructure~~. Laws in all states and U. S. territories require businesses to notify affected individuals, governmental entities, and / or credit reporting agencies of certain security incidents affecting personal information. Such laws are inconsistent, and compliance in the event of a widespread security incident is complex and costly and may be difficult to implement. Our existing general liability and cyber liability insurance policies may not cover, or may cover only a portion of, any potential claims related to security breaches to which we are exposed or may not be adequate to indemnify us for all or any portion of liabilities that may be imposed. We also cannot be certain that our existing insurance coverage will continue to be available on acceptable terms or in amounts sufficient to cover the potentially significant losses that may result from a security incident or breach or that the insurer will not deny coverage of any future claim **. In addition to experiencing a security incident, third parties may gather, collect, or infer sensitive information about us from public sources, data brokers, or other means that reveals competitively sensitive details about our organization and could be used to undermine our competitive advantage or market position. Additionally, sensitive information of the company or our customers could be leaked, disclosed, or revealed as a result of or in connection with our employees', personnel' s, or vendors' use of generative artificial intelligence (" AI ") technologies**. We are subject to rapidly changing and increasingly stringent U. S. and foreign laws, regulations, rules, contractual obligations, industry standards, policies, and other obligations relating to data privacy and security. Our actual or perceived failure to comply with such obligations could lead to regulatory investigations or actions; litigation; fines and penalties; disruptions of our business operations; reputational harm; loss of revenue or profits; loss of customers or sales; and other adverse business consequences. We collect, use, receive, store, process, generate, transfer, make accessible, protect, secure, dispose of, transmit, share, and disclose personal information and other sensitive information about customers, personnel, business contacts, and others; proprietary and confidential business data; trade secrets; intellectual property; sensitive third- party data and financial information in the course of operating our business. These activities are or may become regulated by a variety of domestic and foreign laws, regulations, guidance, industry standards, external and internal data privacy and security policies, contractual requirements, and other obligations relating to data privacy and security, which are complex, rapidly evolving, and increasingly stringent. In the United States, federal, state, and local governments have enacted numerous data privacy and security laws, including data breach notification laws, personal data privacy laws, consumer protection laws (e. g., Section 5 of the Federal Trade Commission Act), and other similar laws (e. g., wiretapping laws). **In the past few years, numerous U. S. states — including California, Virginia, Colorado, Connecticut, and Utah — have enacted comprehensive data privacy and security laws that impose certain obligations on covered businesses, including providing specific disclosures in privacy notices and affording residents with certain rights concerning their personal data. As applicable, such rights may include the right to access, correct, or delete certain personal data, and to opt- out of certain data processing activities, such as targeted advertising, profiling, and automated decision- making. The exercise of these rights may impact our business and ability to provide our products and services. Certain states also impose stricter requirements for processing certain personal data, including sensitive information, such as conducting data privacy impact assessments. These state laws allow for statutory fines for noncompliance.** For example, the **CCPA applies to personal information of consumers, business representatives and employees who are** California **residents, and** ~~Consumer Privacy Act of 2018 (" CCPA ")~~ requires **covered** businesses to provide specific disclosures in privacy notices and honor requests of California residents to exercise certain privacy rights **related to their personal information**. The CCPA also created restrictions on " sales " of personal information that allow California residents to opt- out of certain sharing of their personal information and may restrict the use of cookies and similar technologies for advertising purposes. Our platform relies on such technologies for advertising purposes and could be adversely affected by the CCPA' s restrictions if users opt- out of certain information sharing on which our advertising relies, which would impair our ability to advertise. This could decrease the effectiveness of our marketing and adverting strategies and decrease our level of customer acquisition and / or retention, may cause us to ~~find~~ **seek** new avenues to market and advertise, and may cause us to increase our marketing and advertising expenditures. The CCPA provides for civil penalties of up to $ 7, 500 per **intentional** violation and allows private litigants affected by certain data breaches to recover significant statutory damages. ~~In addition, the California Privacy Rights Act of 2020 (" CPRA "), which became operative on January 1, 2023, expanded the CCPA' s requirements to apply to personal information of business representatives, established a new regulatory agency to implement and enforce the law, and restricts the use of certain categories of sensitive personal information that we handle, further restricting the use of cross- context behavioral advertising techniques on which our platform relies. Other states, such as Virginia, Colorado, Connecticut and Utah, have also passed comprehensive data privacy and security laws, and similar~~ **Similar** laws have been proposed in **several** other states, as well as at the federal and local levels **, and we expect more states to pass similar laws in the future**, reflecting a trend toward more stringent privacy legislation in the United States. The enactment of such laws could complicate compliance efforts, and may increase legal risk and compliance costs for us and the third parties upon whom we rely. In addition to the risks we face under emerging privacy laws, the restrictions on text message communications imposed by the Telephone Consumer Protection Act (“ TCPA ”) ~~,~~ have long been a source of potential liability for our business. The TCPA imposes various consumer consent requirements and other restrictions on certain telemarketing activity and other communications with consumers by phone, fax or text message. TCPA violations can result in significant financial penalties, including penalties or criminal fines imposed by the Federal Communications Commission or fines of up to $ 1, 500 per violation imposed through private litigation or by state authorities. We currently send text messages to guests who opt in to receive customer support communications. Claims that we have violated the TCPA could be costly to litigate and could expose us to substantial statutory damages or settlement costs. Foreign laws and regulations pertaining to data privacy and security – including in Europe, China, Brazil, and Japan – are also undergoing rapid change, have become increasingly stringent in recent years, and proposals for similar laws and regulations are being considered in several major foreign countries. Many of these countries are also beginning to impose or increase restrictions on the transfer of personal information to other countries. Restrictions relating to data privacy and security in these countries may limit the products and services we can offer in them, which in turn may limit demand for our services in such countries and our ability to enter into and operate in new geographic markets. Privacy advocates and industry groups have regularly proposed, and may propose in the future, self- regulatory standards by which we are or may become legally or contractually bound. For example, certain privacy laws, such as the CCPA, require us to impose specific contractual restrictions on our service providers. If we fail to comply with these contractual obligations or standards, we may face public and regulatory scrutiny, substantial liability, and fines. Additionally, under various data privacy and security laws and other obligations, we may be required to obtain certain consents to process personal information. Our inability or failure to do so could result in adverse consequences. We also publish privacy policies and other documentation regarding our collection, processing, use, and disclosure of personal information and / or other confidential information. If these policies, materials or statements are found to be deficient, lacking in transparency, deceptive, unfair, or misrepresentative of our practices, we may be subject to investigation, enforcement actions by regulators or other adverse consequences. Additionally, our business is reliant on revenue from **customers acquired through** behavioral, interest- based, or tailored advertising. Consumer resistance to the collection and sharing of the data used to deliver targeted advertising, increased visibility of consent or “ do not track ” mechanisms as a result of industry regulatory or legal developments, the adoption by consumers of browser settings or “ ad- blocking ” software, and the development and deployment of new technologies could impact our ability to collect data or engage in marketing and advertising, which could have an adverse effect on our business, financial condition, or results of operations. Further, we are subject to the Payment Card Industry (“ PCI ”) Data Security Standard, a security standard applicable to companies that collect, store or transmit certain data regarding credit and debit cards, holders and transactions. We rely on vendors to handle PCI matters and to ensure PCI compliance. Despite our compliance efforts, we may become subject to claims that we have violated the PCI Data Security Standard based on past, present, and future business practices. Our actual or perceived failure to comply with the PCI Data Security Standard can subject us to fines, termination of banking relationships, and increased transaction fees. In addition, there is no guarantee that PCI Data Security Standard compliance will prevent illegal or improper use of our payment systems or the theft, loss or misuse of payment card data or transaction information. **Our employees and personnel use generative AI technologies to perform their work, and the disclosure and use of personal information in generative AI technologies is subject to various data privacy and security laws and other obligations. Governments have passed and are likely to pass additional laws regulating generative AI. Our use of this technology could result in additional compliance costs, regulatory investigations and actions, and lawsuits. If we are unable to use generative AI, it could make our business less efficient and result in competitive disadvantages.** Obligations related to data privacy and security are quickly changing, becoming increasingly stringent, and creating regulatory uncertainty. Additionally, these obligations may be subject to differing applications and interpretations, which may be inconsistent or conflict among jurisdictions. Preparing for and complying with these obligations requires us to devote significant resources. These obligations may necessitate changes to our services, information technologies, systems, and practices and to those of any third parties that process personal information on our behalf. Despite our efforts, we may not be successful in complying with the rapidly evolving data privacy and security requirements discussed above. Moreover, despite our efforts, our personnel or third parties on whom we rely may fail to comply with such obligations, which could negatively impact our business operations. If we or the third parties on which we rely fail, or are perceived to have failed, to address or comply with applicable data privacy and security obligations, we could face significant consequences, including but not limited to: government enforcement actions (e. g., investigations, fines, penalties, audits, inspections, and similar); litigation (including class ~~- action~~ claims); additional reporting requirements and / or oversight; bans on processing **sensitive information (including** personal information **)** ; ~~and~~ orders to destroy or not use personal information **; indemnification obligations; negative publicity; reputational harm; monetary fund diversions; diversion of management attention; interruptions in our operations (including availability of data); and financial loss** . Such occurrences could have a material adverse effect on our reputation, business, or financial condition, including but not limited to: loss of customers; inability to process personal information or to operate in certain jurisdictions; limited ability to develop or commercialize our products; expenditure of time and resources to defend any claim or inquiry; adverse publicity; or substantial changes to our business model or operations. We may not be able to adequately protect or enforce our rights in our intellectual property, which could harm the value of our brand and have an adverse effect on our business, financial condition, and results of operations. Our intellectual property, particularly our trademark portfolio, is material to the conduct of our business, as our brand recognition is one of our key differentiating factors from our competitors. Our ability to implement our business plan successfully depends in part on our ability to further build brand recognition using our trademarks, service marks, trade dress, and other intellectual property, including our name and logos and the unique ambience of our restaurants. While we generally seek to register our material trademarks, our trademark applications may never be granted, and our trade dress may be difficult to register. Further, third parties may oppose our trademark applications, or seek to cancel our trademark applications.

Trademark rights generally exist on a country- by- country basis, and the possibility that such rights may be unavailable or unenforceable in certain jurisdictions could interfere with our international expansion. While we have filed applications to register trademarks in certain foreign jurisdictions, our trademarks may be subject to cancellation in such jurisdictions if we do not operate our business in such jurisdictions within a certain period of time specific to each jurisdiction. Due to the popularity of our brand, we have noticed a number of companies (particularly internationally) that have designed their restaurants, logos **,** and names to be similar to ours, and we **may lack the necessary trademark rights to stop this behavior, or** may not be successful in enforcing ~~our trademarks~~ **such rights** against such companies. Our success is also dependent, in part, upon protecting our other intellectual property and proprietary information using a combination of copyright, trade secret **, patent** , and other intellectual property laws, and confidentiality agreements with our employees and others. We maintain a policy requiring senior employees, as well as any employee or consultant who develops any material intellectual property for us, to enter into an agreement to protect our intellectual property rights and other proprietary information. However, we cannot guarantee that such agreements adequately protect our intellectual property rights and other proprietary information. We cannot guarantee that these agreements will not be breached, that we will have adequate remedies in the event of a breach, or that the respective employees or consultants will not assert rights to our intellectual property rights or other proprietary information. In addition, we may fail to enter into confidentiality agreements with all parties who have access to our trade secrets or other proprietary information. While it is our policy to protect and defend vigorously our rights to our intellectual property, we cannot predict whether steps taken by us to protect and enforce our intellectual property rights will be adequate to prevent infringement, dilution, misappropriation **,** or other violation of these rights or the use by others of restaurant features based upon, or otherwise similar to, our restaurant concept. It may be difficult for us to prevent others from copying elements of our concept and any litigation to enforce our rights will likely be costly and may not be successful. We cannot guarantee that we will have sufficient resources to enforce our intellectual property rights. In recent years, we have seen numerous concepts internationally that appear to have copied our trade dress or ambience, and foreign intellectual property laws may not provide the same protection our intellectual property received under U. S. law. Failure to protect or enforce our trademark rights could prevent us in the future from challenging third parties who use similar trademarks, which may in turn cause consumer confusion or negatively affect public perception of our brand, which could have an adverse effect on our business, international expansion, financial condition, and results of operations. We rely heavily on information technology, and we may not timely and effectively scale and adapt our existing technology and network infrastructure to ensure that our online and mobile platforms are accessible, which would harm our reputation, business, financial condition, and results of operations. It is critical to our success, particularly with respect to our online and mobile ordering business, that our customers can access our online and mobile ordering platforms at all times. We rely heavily on information technology, including for operating our website, mobile application and online and mobile ordering platforms, point- of- sale processing in our restaurants, management of our supply chain, payment processing, collection of cash, marketing and promotions, payment card transactions, and other processes and procedures. Our ability to efficiently and effectively manage our business depends significantly on the reliability and capacity of these systems. We have previously experienced service disruptions and, in the future, we may experience service disruptions, outages or other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints due to an overwhelming number of customers accessing our platform simultaneously, downtime or outages from third- party services providers, and denial of service or fraud or security attacks. For example, several times in fiscal years 2020 and 2021, our third-party delivery fulfillment partner for orders placed through our Native Delivery Channel experienced outages that required us to temporarily shut down our Native Delivery Channel either entirely or in certain geographic markets. Additionally, we and many of our third party vendors rely on Amazon Web Services to operate our digital channels, and in the fourth quarter of fiscal year 2021, Amazon Web Services had an outage that disabled all of our digital channels for nearly an entire day. These types of outages caused by third parties result in periodic store closures, lost revenue, and customer complaints. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time, and, in cases where we rely on third- party technological infrastructure, we may not have sufficient contractual recourse against such third-party to make us whole for any loss. It may become increasingly difficult to maintain and improve the availability of our platform, especially during peak usage times and as our product offerings become more complex and our customer traffic increases. If our online and mobile ordering platforms are unavailable when customers attempt to access them or they do not load as quickly as customers expect, customers may seek other services, and may not return to our platforms as often in the future, or at all. This would harm our ability to attract customers to our restaurants and decrease the frequency with which they use our platforms. Additionally, the failure of our systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, network failures, natural disasters, terrorism, war, electrical failures, hackers, computer viruses, and other security issues could result in delays in customer service, reduce efficiency in our operations, and result in reputational harm. We expect to continue to make significant investments to maintain and improve the availability of our platforms and to enable rapid releases of new features and products for our multi- channel offerings. To the extent that we do not effectively address capacity constraints, respond adequately to service disruptions, upgrade our systems as needed or continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, financial condition, and results of operations would be harmed. Our digital and delivery business, and expansion thereof, is uncertain and subject to risk. Digital innovation and growth remain **important** ~~a focus for us. We have focused on our digital strategy over the past few years, including the development and launch of our app; regular enhancements~~ to ~~our app; and use of third- party delivery partners, for both fulfilling delivery services for orders through our website or~~ **our business** ~~native smartphone application and through third- party delivery marketplaces~~ . As the digital space around us continues to evolve, our technology needs to evolve concurrently to remain competitive with the industry. If we do not maintain digital systems that are competitive with the industry, our digital business may be adversely affected and could damage our sales. Certain competitors, including those with greater resources than we have, such as Chipotle, also have focused on a digital strategy and may be more successful in employing that strategy. We rely on certain third parties for, among other things, our ordering and payment processing relating to our mobile app and website. Such services performed by these third parties could be damaged or interrupted by technological issues, which could then result in a loss of sales for a period of time, and pursuant to our contractual arrangements with such third parties it is unlikely that we would be able to recover for lost profits or other consequential damages. Information processed by these third parties could also be impacted by cyber- attacks, which could not only negatively impact our sales, but also harm our brand image. If DoorDash or any future third- party delivery partner fails to fulfill its obligations or delivers unsatisfactory delivery service on our Native Delivery Channel, for instance, by delivering orders late, by not having sufficient couriers to fulfill our orders, or by having a system outage, we will not be able to provide proper delivery services to our customers through our native application. Errors in providing adequate delivery services may result in customer dissatisfaction, which could also result in loss of customers, loss in sales, increase of refunds and credits, and damage to our brand image. Additionally, as with any third party handling food, such delivery services increase the risk of food tampering while in transit. Any changes to our agreement with DoorDash, or any future third- party delivery partner, including the loss or addition of any third- party delivery partner, could also affect our ability to provide proper delivery services to our customers. We are also subject to risk if there is a shortage of delivery drivers in any of our markets for any period of time, which could result in a failure to meet our customers' expectations and have a negative impact on our sales. We ~~also~~ partner with each of the national third- party delivery providers to provide food on their marketplaces. If any of these third- party delivery providers that we partner with experiences damage to their brand image, we may also see ramifications due to our partnership with them. Additionally, we currently compete with these third- party delivery providers through our Native Delivery Channel, and some of these providers may have greater financial resources to spend on marketing and advertising around their digital and delivery campaigns than we are able to at this time, which could adversely impact our business, financial performance, and results of operations. Additionally, over time our commission rates with any of our third- party delivery partners could increase, either for delivery services for orders through our website or native smartphone application or through third- party delivery marketplaces, which could have an adverse effect on our business, financial condition, and results of operations. If we are unable to adapt to changes in technology, our business could be harmed. Because our customers can access our website and mobile platform on a variety of mobile devices (including both Android and iOS), we will need to continuously modify and enhance our platform to keep pace with changes in mobile devices and other Internet- related hardware, software, communication, and browser technologies. We may not be successful in either developing these modifications and enhancements or in timely bringing them to market. For example, our customers were unable to order our delivery on our native Android smartphone application until March 2021, despite this feature being available on our iOS smartphone application for some time. Furthermore, uncertainties about the timing and nature of new mobile devices and other network platforms or technologies, or modifications to existing mobile devices, platforms or technologies, could increase our research and development expenses more than we anticipate. Any failure of our mobile platform to operate effectively with future technologies could result in dissatisfaction from customers and harm our business. Our online and mobile ordering platforms are highly technical, and if they contain undetected errors, our business could be adversely affected. Our online and mobile ordering platforms incorporate software that is highly technical and complex. Our software may now or in the future contain undetected errors, bugs or vulnerabilities. Some errors in our software code may only be discovered after the code has been released. Any errors, bugs or vulnerabilities discovered in our code after release could result in damage to our reputation, loss of customers ordering from our online and mobile platforms, loss of revenue, or liability for damages, any of which could adversely affect our financial condition and results of operations. We also rely on multiple third- party vendors to run our mobile ordering platforms, including our delivery fulfillment services, and any errors, bugs, vulnerabilities or service outages that impact their software could have an adverse impact on our platforms. For example, several times in fiscal years 2020 and 2021, our third- party delivery fulfillment partner for orders placed through our Native Delivery Channel experienced outages that required us to temporarily shut down our Native Delivery Channel either entirely or in certain geographic markets, which adversely impacted our revenue. Further, we have a limited ability to control the remediation of such errors, bugs or vulnerabilities in a third party' s software, and as such, we may not be able to remedy such errors, bugs or vulnerabilities in a timely manner, which could have an adverse effect on our business, financial condition, or results of operations. The successful operation of our business depends upon the performance and reliability of Internet, mobile, and other infrastructure that is not under our control. Both our in- restaurant and online and mobile ordering business depend on the performance and reliability of Internet infrastructure to process and fulfill orders, which is not under our control. Almost all access to the Internet is maintained through telecommunication operators. Disruptions in Internet infrastructure or the failure of telecommunications network operators to provide us with the bandwidth we need to provide our services could temporarily shut down our in- restaurant ordering business and could interfere with the speed and availability of our online and mobile ordering platforms. If our online and mobile ordering platforms are unavailable when our customers attempt to access them, or our applications do not load as quickly as they expect, our customers may not return to our online and mobile ordering platforms as often in the future, or at all. In addition, we have no control over the costs of the services provided by the national telecommunications operators. If mobile Internet access fees or other charges to Internet users increase, our customer traffic may decrease, which in turn may significantly decrease our revenue. Our online and mobile ordering business depends on the efficient and uninterrupted operation of mobile communications systems. Despite any precautions we may take, the occurrence of an unanticipated problem, such as a power outage, telecommunications delay or failure, break- in to our systems, or computer virus, could result in delays or interruptions to our services and business interruption for us and our customers. Any of these events could damage our reputation, significantly disrupt our operations and subject us to liability, which could adversely affect our business, financial condition, and results of operations. Third parties may claim that **we** ~~our business or operations~~ infringe their intellectual property rights, and this may create liability for us or otherwise have an adverse effect on our business, financial condition, and results of operations. We may face claims by third parties that **one** ~~our~~ **or more of** ~~or~~ **our** ~~Spyee' s~~ **names, logos, designs, creative works, or** technology **, including our Infinite Kitchen technology,** has infringed, diluted, misappropriated, or otherwise violated their intellectual property rights. Any such litigation may be costly and could divert other resources from our business. If we are unable to successfully defend against such claims, we may be subject to injunctions that could require expensive changes to our business operations or prevent or delay us from using our ~~trademarks~~ **names, logos, designs, creative works,** or ~~other applicable~~ technology, and we may be liable for damages, which in turn **could have an adverse effect on our business, financial condition, and results of operations. Similarly a third party may allege that technology that we license infringes upon or misappropriates that third party' s intellectual property rights, and we may lack sufficient contractual rights from the licensor to fully indemnify us for any loses, costs, or expenses that we incur in relation to any such allegation. We may also be subject to an injunction with respect to any such allegation, which could prevent us from using licensed technology that is critical to our business operations and may require expensive changes to those operations. Accordingly, such third- party claims** could have an adverse effect on our business, financial condition, and results of operations. Risks Related to Ownership of Our Class A Common Stock Our stock price has been and will likely continue to be volatile, and the value of our Class A common stock may decline. The market price of our Class A common stock has been and is likely to continue to be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, some of which are beyond our control, including: • actual or anticipated fluctuations in our financial condition or results of operations; • variance in our financial performance from expectations of securities analysts; • changes in our projected operating and financial results; • ~~actual or anticipated effects of the COVID- 19 pandemic on our business; •~~ announcements by us or our competitors of significant business developments, acquisitions, or new offerings; • announcements or concerns regarding real or perceived quality or food safety issues with our products or similar products of our competitors; • our involvement in litigation; • future sales of our common stock by us or our stockholders, • novel and unforeseen market forces and trading strategies; • changes in senior management or key personnel; • the trading volume of our Class A common stock; and • changes in the anticipated future size and growth rate of our market. Broad market and industry fluctuations, as well as general economic, political, regulatory, and market conditions, have and may also continue to negatively impact the market price of our Class A common stock, particularly in light of ~~uncertainties surrounding the COVID- 19 pandemic and the related impacts as well as~~ recent ~~increased~~ inflation and ~~potential~~ changes in interest rates. The dual- class structure of our common stock has the effect of concentrating voting control with our founders, who have substantial control over us and will be able to influence corporate matters, including controlling the outcome of director elections. Our Class B common stock has ten votes per share and our Class A common stock has one vote per share. All outstanding shares of our Class B common stock are beneficially owned by our founders, Jonathan Neman, Nicolas Jammet, and Nathaniel Ru, who collectively represent approximately ~~58~~ **56** % of the voting power of our outstanding capital stock. As a result, our founders are able to exercise significant influence over all matters requiring stockholder approval, including the election of directors, approval of significant corporate transactions (such as a merger), and amendments of our organizational documents. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders. The interests of our founders may not always coincide with your interests or the interests of other stockholders and they may act in a manner that advances their best interests and not necessarily those of other stockholders, including seeking a premium value for their common stock, and might affect the prevailing market price for our common stock. Further, future transfers by holders of our Class B common stock will generally result in those shares converting into shares of our Class A common stock, subject to limited exceptions, such as certain transfers effected for tax or estate planning purposes. The conversion of shares of our Class B common stock into shares of our Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. Any founder' s shares of Class B common stock will convert automatically into Class A common stock, on a one- to- one basis, upon either the (i) the sale or transfer of such share of Class B common stock (except for certain permitted transfers described in our amended and restated certificate of incorporation, including transfers for tax and estate planning purposes or to any other founder or any affiliate of any founder) or (ii) the one- year anniversary of the death or permanent disability of such founder. Additionally, all outstanding shares of our Class B common stock will convert automatically into shares of our Class A common stock on the final conversion date, defined as the earlier of (i) the nine- month anniversary of the death or permanent disability of the last of the founders; (ii) the last trading day of the fiscal year during which the 10th anniversary of the effectiveness of the registration statement filed in connection with our initial public offering occurs, or (iii) the date specified by a vote of the holders of a majority of the outstanding shares of Class B common stock; provided, however, that the final conversion date may be extended by the affirmative vote of the holders of the majority of the voting power of the then- outstanding shares of Class A common stock not held by a founder or an affiliate or permitted transferee of a founder and entitled to vote generally in the election of directors, voting together as a single class ~~. We previously identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations. In recent periods, we have experienced rapid growth, and this growth has placed considerable strain on our IT and accounting systems, processes, and personnel. As a result, in connection with the audit of our consolidated financial statements as of and for the years ended December 29, 2019 and December 27, 2020, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We have concluded that this material weakness arose because we did not have the proper business processes, systems, personnel, and related internal controls in place. While we have remediated the material weakness as of the~~

~~fiscal year ended December 25, 2022, we cannot be certain that we have identified all of our existing material weaknesses, or that we will not in the future have additional material weaknesses in our internal control over financial reporting. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our consolidated financial statements, and could cause us to fail to meet our reporting obligations, any of which could diminish investor confidence in us and cause a decline in the price of our Class A common stock, and we could be subject to sanctions or investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities~~ . We rely on data from internal tools to calculate certain of our performance metrics. Real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business. We track our performance metrics with internal tools that are not independently verified by any third party. Our internal tools have a number of limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our performance metrics, including the key metrics we report. If the internal tools we use to track these metrics over or undercount performance or contain errors, the data we report may not be accurate and our understanding of certain details of our business may be distorted, which could affect our longer- term strategies. There are also inherent challenges in measuring the order frequency of our digital and non- digital customers. For example, for digital customers, because a unique customer is determined based on the customer' s login information, a single individual who places orders using different login information would be counted as multiple unique customers, and multiple individuals who place orders using the same login information would be counted as a single unique customer, and for non- digital customers, a single individual who makes purchases using multiple credit cards would be counted as multiple unique customers, and multiple individuals who make purchases using the same credit card information would be counted as a single unique customer. For these and other reasons, any calculations based on the number of unique customers may not accurately reflect the number of people actually placing orders through one of our Digital Channels or making purchases through the non- digital component of our In- Store Channel. We are continually seeking to improve our ability to measure our performance metrics, and regularly review our processes to assess potential improvements to their accuracy. However, the improvement of our tools and methodologies could cause inconsistency between current data and previously reported data, which could confuse investors or raise questions about the integrity of our data. Similarly, as both the industry in which we operate and our business continue to evolve, so too might the metrics by which we evaluate our business. We may revise or cease reporting metrics if we determine such metrics are no longer accurate or appropriate measures of our performance. If analysts or investors do not perceive our metrics to be accurate representations of our business, or if we discover material inaccuracies in our metrics, our reputation may be harmed. We incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance with our public company responsibilities and corporate governance practices. As a public company, we incur significant finance, legal, accounting, and other expenses, including director and officer liability insurance ~~, which we expect to further increase now that we are no longer an " emerging growth company~~ . ~~"~~ The Sarbanes- Oxley Act, the Dodd- Frank Wall Street Reform and Consumer Protection Act, NYSE listing requirements, and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time- consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company or the specific timing of such costs. The Securities Exchange Act of 1934, as amended (the " Exchange Act ") requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. Moreover, the Sarbanes- Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures, and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures, and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. Any failure to maintain internal control over financial reporting could result in our inability to detect errors on a timely basis or accurately report our financial condition or operating results and our consolidated financial statements may be materially misstated as a result. Effective internal control is necessary for us to produce reliable financial reports and is important to prevent fraud. Pursuant to Section 404 of the Sarbanes- Oxley Act (" Section 404 "), ~~for the first time since becoming a public company,~~ we are required to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the fiscal year ending December ~~25~~ **31** , ~~2022~~ **2023** . This assessment must include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting in ~~this~~ **our** Annual ~~Report~~ **Reports** on Form 10- K ~~, our first annual report required to be filed with the SEC following the date we are no longer an emerging growth company, as well as in subsequent Annual Reports~~ . If we are unable to in any such Annual Report assert that our internal control over financial reporting is effective or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, or expresses an adverse opinion, investors may lose confidence in the accuracy and completeness of our financial reports, we may face restricted access to the capital markets or other sources of funds and our stock price may be adversely affected. ~~To prepare for compliance with Section 404, we have engaged in and will continue to engage in a costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404.~~ Our compliance with Section 404 requires that we incur substantial expenses and expend significant management efforts, including with respect to the implementation of a new enterprise resource planning system. We have hired and may need to hire additional accounting and financial staff in the future with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404 ~~. The dual- class structure of our common stock may adversely affect the trading market for our Class A common stock. Our dual- class structure may result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse~~

~~consequences. For example, certain index providers have announced restrictions on including companies with dual-class or multi- class share structures in certain of their indexes. In July 2017, S & P Dow Jones and FTSE Russell announced changes to their eligibility criteria for the inclusion of shares of public companies on certain indices, including the Russell 2000, the S & P 500, the S & P MidCap 400 and the S & P SmallCap 600, to exclude companies with multiple classes of shares of common stock from being added to these indices. Beginning in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no- vote and multi- class structures and temporarily barred new multi- class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities " with unequal voting structures " in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. As a result, our dual-class capital structure makes us ineligible for inclusion in any of these indices, and mutual funds, exchange- traded funds and other investment vehicles that attempt to passively track these indices will not be investing in our stock. These policies are still fairly new, and it remains unclear what effect, if any, they will have on the valuations of publicly traded companies excluded from the indices in the longer term, but it is possible that they may depress these valuations compared to those of other similar companies that are included. Furthermore, we cannot assure you that other stock indices will not take a similar approach to S & P Dow Jones or FTSE Russell in the future. Exclusion from indices could make our Class A common stock less attractive to investors and, as a result, the market price of our Class A common stock could be adversely affected~~. Future sales of our Class A common stock in the public market could cause the market price of our common stock to decline. Sales of a substantial number of shares of our Class A common stock in the public market, or the perception that these sales might occur, could depress the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity securities. Many of our existing equity holders have substantial unrecognized gains on the value of the equity they hold, and therefore they may take steps to sell their shares or otherwise secure the unrecognized gains on those shares. We are unable to predict the timing of or the effect that such sales may have on the prevailing market price of our Class A common stock. Further, holders of a substantial amount of our Class A common stock have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock. We have never declared or paid cash dividends on our capital stock and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, you may need to rely on sales of our Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on your investment. Anti- takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management, and limit the market price of our Class A common stock. Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that: • authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights and preferences determined by our board of directors that may be senior to our common stock; • require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent; • specify that special meetings of our stockholders can be called only by our board of directors, the chair of our board of directors, or our chief executive officer; • establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors; • prohibit cumulative voting in the election of directors; • provide that our directors may be removed only upon the vote of at least 66 2 / 3 % of the voting power of our then-outstanding shares of capital stock; • provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and • require the approval of our board of directors or the holders of at least 66 2 / 3 % of the voting power of our then- outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation. These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any " interested " stockholder for a period of three years following the date on which the stockholder became an " interested " stockholder. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our Class A common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your shares of our Class A common stock in an acquisition. Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States are the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees. Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: • any derivative action or proceeding brought on our behalf; • any action asserting a claim of breach of fiduciary duty; • any action asserting a claim against us arising under the Delaware General Corporation Law (the " DGCL "), our amended and restated certificate of incorporation or our amended and restated bylaws; • any action or proceeding to interpret, apply, enforce, or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws (including any right, obligation, or remedy thereunder); • any action or proceeding as to which the DGCL confers jurisdiction to the Court of Chancery of the State of Delaware; and • any action asserting a claim against us that is governed by the internal- affairs doctrine or otherwise related to our internal affairs. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act of 1933, as amended (the " Securities Act ") creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation further provides that the federal district courts of the United States are the exclusive forum for resolving any complaint asserting a cause or causes of action arising under the Securities Act, including all causes of action asserted against any defendant to such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters for any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. 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, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find either exclusive- forum provision in our amended and restated 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 seriously harm our business, financial condition, results of operations, and prospects. Our founders have pledged a portion of their shares of our stock to secure certain personal loan obligations. If those pledged shares are sold in forced sales under the loan documents, such sales could cause the price of our Class A common stock to decline. Each of our founders, Jonathan Neman, Nicolas Jammet, and Nathaniel Ru, has pledged a portion of his Class B common stock in our company to secure personal loan obligations. These pledges are permitted pursuant to a Founders Pledging Policy as approved by the Company' s board of directors. Each founder is required to maintain a level of collateral coverage to support his loan, which fluctuates with the price of our Class A common stock and the value of other collateral. The market price of our Class A common stock continues to be volatile, and previously resulted in a temporary collateral shortfall for certain of our founders. If the price of our Class A common stock declines significantly in the future, one or more founders may again fail to satisfy the required level of collateral coverage, and as a result the lender may have the right to sell such founder' s pledged shares to satisfy such founder' s loan obligations. Any such sales could cause the price of our Class A common stock to decline further. General Risk Factors Our quarterly financial results may fluctuate significantly, including due to factors that are not in our control. Our quarterly financial results may fluctuate significantly, including due to factors that are not in our control, and could fail to meet investors' expectations for various reasons, including: • negative publicity about the safety of our food, employment- related issues, litigation, or other issues involving our restaurants; • the impact of ~~the COVID- 19 pandemic and~~ macroeconomic **or geopolitical** conditions, including their impact on customer behavior and discretionary spending; • fluctuations in supply costs, including as a result of inflation, particularly for our most significant ingredients, and our inability to offset the higher cost with price increases without adversely impacting ~~customer spending~~ **our sales** ; • labor availability and wages of our restaurant employees, including as a result of inflation **and changes to minimum wage, and our inability to offset the higher cost of labor with price increases without adversely impacting our sales** ; • increases in marketing or promotional expenses; • the timing of new restaurant openings and **existing restaurant renovations and** related revenues and expenses **(including any delays in openings or renovations caused by delays in the manufacture or deployment of Infinite Kitchen units)** , and the operating costs at newly opened restaurants; • the impact of inclement weather and natural disasters, such as winter storms, freezes, and droughts, which could decrease customer traffic and increase the costs of ingredients; • changes in the senior management team; • the announcement of any mergers & acquisitions or other strategic partnerships; • the amount and timing of stock- based compensation; • litigation, settlement costs and related legal expenses; • tax expenses, asset impairment charges, and non- operating costs; and • variations in general economic conditions, including the impact of declining interest rates on our interest income or the impact of inflation. As a result of any of these factors, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year. Our key performance metrics may also fluctuate as a result of these or other factors. Our current insurance may not provide adequate levels of coverage against claims. Our current insurance policies may not be adequate to protect us from liabilities that we incur in our business. Insurance availability, coverage terms, and pricing continue to vary with market conditions, particularly as a public company. Obtaining adequate insurance is particularly challenging for companies based in California with thousands of non- exempt employees, and retentions for certain of our insurance policies (including our employment practices liability ~~insurance~~ insurance) are quite high. Additionally, in the future, our insurance premiums and retentions may increase, we may not be able to obtain similar levels of insurance on reasonable terms, or at all, and we may choose insurance policies that result in more risk for us. Any substantial inadequacy of, or inability to obtain, insurance coverage could have an adverse effect on our business, financial condition, and results of operations. There are certain types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure, including any wage and hour or other similar employment- based claims brought by current or former employees. Such losses could have an adverse effect on our business, financial condition, and results of operations. Although we have obtained directors' and officers' liability insurance, builders risk insurance, property and casualty insurance, workers compensation insurance, automobile insurance, employment practices liability insurance, and cyber insurance, we may not be able to maintain such coverage at a reasonable cost in the future, if at all. We may not receive adequate coverage or reimbursement from our insurers for potential issues that are beyond our control. It may be more costly for us to obtain certain types of insurance that protect against unforeseen cultural events, and we cannot be sure that additional restaurant closures and damage will not occur in the future. Failure to maintain adequate insurance, including directors' and officers' liability insurance, would likely adversely affect our ability to attract and retain qualified officers and directors. In addition, we routinely contract with third parties, including distributors and suppliers of produce, poultry and other dry goods, and these third parties may not maintain sufficient liability insurance policies to cover potential claims that may affect us, and we may not have adequate contractual recourse against such parties to cover such losses. Adverse developments in applicable tax laws could have a material and adverse effect on our business, financial condition, and results of operations. Our effective tax rate could also change materially as a result of various evolving factors, including changes in income tax law resulting from ~~the most recent~~ U. S. presidential and congressional elections or changes in the scope of our operations. We and our corporate subsidiaries are subject to income and non- income taxation, in each case, at the federal level and by certain states and municipalities because of the scope of our operations. In determining our tax liability for these jurisdictions, we must monitor changes to the applicable tax laws and related regulations. While our existing operations have been implemented in a manner we believe is in compliance with current prevailing laws, one or more taxing jurisdictions could seek to impose incremental or new taxes on us. In addition, as a result of ~~the most recent~~ presidential and congressional elections in the United States, there could be significant changes in tax law and regulations that could result in additional federal income taxes being imposed on us. For example, the recently enacted Inflation Reduction Act includes provisions that will impact the U. S. federal income taxation of corporations, including imposing a minimum tax on the book income of certain large corporations and an excise tax on certain corporate stock repurchases that would be imposed on the corporation repurchasing such stock. Any adverse developments in these laws or regulations, including legislative changes, judicial holdings, or administrative interpretations, could have a material and adverse effect on our business, financial condition, and results of operations. Finally, changes in the scope of our operations, including expansion to new geographies, could increase the amount of taxes to which we are subject, and could increase our effective tax rate. We are subject to review and audit by U. S. federal, state, and local tax authorities and could be subject to a future tax audit in these jurisdictions. Any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that limit the liability of our current and former directors for monetary damages to the fullest extent permitted by Delaware law. The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder' s investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted for directors, executive officers or persons controlling us, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. Our issuance of additional capital stock in connection with financings, acquisitions, investments, our equity incentive plans, or otherwise will dilute other stockholders. ~~We expect to~~ **If is possible in the future that we may** issue additional capital stock ~~in the future~~ that will result in dilution to all other stockholders. We **have granted, and** expect to **continue to** grant **,** equity awards to employees, directors and consultants under our equity incentive plans. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in companies and issue equity securities as consideration for any such acquisition or investment, including issuances in connection with ~~milestone consideration~~ **any acquisition- related earnout provision** . Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our Class A common stock to decline. If securities or industry analysts do not publish research or publish unfavorable or inaccurate research about our business, the market price and trading volume of our Class A common stock could decline. The market price and trading volume of our Class A common stock will be heavily influenced by the way analysts interpret our financial information and other disclosures. We do not have control over these analysts. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, our stock price would be negatively affected. If securities or industry analysts do not publish research or reports about our business, downgrade our Class A common stock, or publish negative reports about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Class A common stock could decrease, which might cause our stock price to decline and could decrease the trading volume of our Class A common stock.