

## Risk Factors Comparison 2025-04-10 to 2024-04-11 Form: 10-K

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Our business faces significant risks and uncertainties. Certain important factors may have a material adverse effect on our business, prospects, financial condition and results of operations, any of which could subsequently have an adverse effect on the trading price of our Class A common stock, and you should carefully consider them. Accordingly, in evaluating our business, we encourage you to consider the following discussion of risk factors in its entirety, in addition to other information contained in or incorporated by reference into this Annual Report on Form 10-K and our other public filings with the SEC. Additional risks not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and results of operations in future periods. Risks Related to our Business **We have a recent history of operating losses, and if we are unable to improve our performance or return to profitability, we may need to begin borrowing under our credit facility to finance operations and / or find additional sources of liquidity to meet our cash requirements. We incurred net losses in fiscal 2024 and 2023. If we continue to incur significant operating losses, we may need to begin borrowing to finance our day- to- day operations and / or require additional sources of liquidity, including debt financing or equity financing to fund our operating requirements in the future. We cannot guarantee you that we will be successful in improving our performance or, if we are able to do so, that we would be able to maintain profitability, including as a result of the factors described herein. If we require additional funding to meet our cash flow needs, we may be required to obtain such funding through, among other things, incurring debt under our existing credit agreement, additional loans or the issuance of debt or equity securities. However, additional funding may not be available to us on acceptable terms, or at all. If we are unable to meet our liquidity needs, our business and operating results would be adversely affected, including reputational harm, failure to satisfy our existing obligations, insolvency or bankruptcy.** Our net sales could be adversely impacted by decreases in consumer spending. We depend upon consumers feeling confident to spend discretionary income on our product offerings to drive our sales. Consumer spending may be adversely impacted by economic conditions such as consumer confidence in future economic conditions, inflation in housing, energy, gasoline and food costs, interest and tax rates, employment levels, salary and wage levels, general business conditions, and the availability of consumer credit. In addition, consumer spending can be impacted by non- economic factors, including geopolitical issues, trade restrictions, unseasonable weather, pandemics / epidemics, and other factors that are outside of our control. These risks may be exacerbated for retailers like us who focus on specialty apparel, footwear and accessories. Our financial performance is particularly susceptible to economic and other conditions in regions or states where we have a significant number of stores, such as the southwestern and northeastern United States and Florida. We experienced significant decreases in net sales during fiscal **2024 and 2023 and 2022**, at least partly in light of inflationary pressures on consumers and concerns regarding the economic and geo- political environment, and similar impacts may occur in the future. If periods of decreased consumer spending persist, our sales could continue to decrease, and our financial condition and results of operations could be adversely affected. A rise in the cost of products and services that are necessary for the operation of our business could increase our cost of sales and cause our results of operations and margins to decline. Fluctuations in the price, availability and quality of fabrics or other raw materials used to manufacture the products that we sell, as well as the price for transportation and labor, and other rising costs passed by our vendor partners to us, could have adverse impacts on our cost of sales and our ability to meet our customers' demands. In particular, because a key component of our clothing is cotton, increases in the cost of cotton may significantly affect the cost of the products that we sell and could have an adverse impact on our cost of sales. We may not be able to pass all or a portion of these higher costs on to our customers, which could have a material adverse effect on our profitability. In addition, our results of operations and financial condition may be materially adversely impacted by continued heightened levels of inflation and interest rate increases. These economic pressures may result in increased costs for many products and services that are necessary for the operation of our business (including product costs, labor costs, shipping costs, and digital marketing costs, among others), as well as decreases in consumer spending or demand for our products, any of which could adversely impact our financial condition and results of operations. We face intense competition in our industry and we may not be able to compete effectively. The **teen- focused** retail industry is highly competitive. We currently compete with a variety of publicly- traded and privately- held specialty apparel retail chains such as, but not limited to, Abercrombie & Fitch, Aeropostale, American Eagle Outfitters, Boot Barn, The Buckle, ~~Forever 21~~, H & M, **Hollister**, Hot Topic, Pacific Sunwear, Urban Outfitters, and Zumiez. In addition, we compete with independent specialty shops, department stores, ~~e- commerce com~~ only retailers **such as Fashion Nova, Revolve, Shein and Temu**, off- price retailers, online marketplaces such as Amazon, stores and websites operated by our third- party brands, and direct marketers that sell similar lines of merchandise and target customers through catalogs ~~and, e- commerce com and social media~~. Moreover, the internet and new technologies facilitate competitive entry and comparison shopping in our retail market. While we offer a multichannel shopping experience and use social media as a way to interact with our customers and enhance their shopping experiences, multichannel retailing is rapidly evolving, and ~~we must~~ **we may not be able to** keep pace with changing customer expectations and new developments by our competitors. Competition with some or all of these retailers could require us to lower our prices or risk losing customers. In addition, significant or unusual promotional activities by our competitors and third- party brands may cause us to respond in- kind and adversely impact our operating cash flow. Because of these factors, current and future competition could have a material adverse effect on our financial condition and results of operations. Furthermore, many of our competitors have greater financial, marketing and other resources than we currently do, and therefore may be able to devote greater resources to the

marketing and sale of their products, generate national brand recognition or adopt more aggressive pricing policies than we can, which would put us at a competitive disadvantage. Moreover, we do not possess exclusive rights to many of the elements that comprise our in- store experience and product offerings. Our competitors may seek to emulate facets of our business strategy and in- store experience, which could result in a reduction of any competitive advantage or special appeal that we might possess. In addition, most of the third- party branded products we sell are sold to us on a non- exclusive basis. As a result, our current and future competitors may be able to duplicate or improve on some or all of our in- store experience or product offerings that we believe are important in differentiating our stores and our customers' shopping experience. If our competitors were to duplicate or improve on some or all of our in- store experience or product offerings, our competitive position and our business could suffer. We **purchase merchandise in advance of the season in which it will be sold and if we purchase too much inventory or do not manage our inventory levels effectively, we may** ~~We purchase merchandise in advance of the season in which it will be sold and if we purchase too much inventory or do not receive inventory on time we may~~ need to reduce prices in order to sell it ~~or face other negative impacts~~, which may adversely affect our overall profitability. We must actively ~~and effectively~~ manage our purchase of inventory. Generally, we order merchandise months in advance of it being received and offered for sale. If there is a significant decrease in demand for our products ~~, or~~ if we fail to accurately predict fashion trends or consumer demands, economic trends or unseasonable weather impacts the anticipated demand for certain product categories, ~~or we are otherwise unable to accurately track inventory at the store level and aggregate daily sales information, communicate customer information and process purchasing card transactions, or process shipments of goods and report financial information, we may hold significant inventory, which can impact our ability to effectively cycle new products, increase storage costs or incur other costs or expenses, and we may be forced to rely on markdowns , or promotional sales , or inventory liquidators~~ to dispose of excess inventory. Due to unanticipated supply chain disruptions, we may fail to receive inventory timely or in line with when we anticipate customers will be seeking to purchase merchandise for a given season. In addition, seasonal fluctuations also affect our inventory levels, as we usually order and carry a significant amount of inventory before the back- to- school and winter holiday shopping seasons. **If we are not successful in selling our inventory during these periods, we may be forced to rely on markdowns or promotional sales to dispose of the inventory, or we may not be able to sell the inventory at all**, which ~~could have an~~ **heighten adverse effect on** our risks of carrying excess inventory **margins and operating income**. ~~experience comparable store sales or sales per square foot declines, which may cause our results of operations to decline. The investing public may use comparable store sales or net store sales per square foot projections or results, over a certain period of time, such as on a quarterly or yearly basis, as an indicator of our profitability growth. Our comparable store sales~~ **have been declining for the past three fiscal years and** can vary significantly from period to period for a variety of reasons, such as the age of stores, changing economic factors, unseasonable weather, continued declines in mall and retail foot traffic, changing fashion trends, pricing, the timing of the release of new merchandise and promotional events and increased competition. These factors could cause comparable store sales or net store sales per square foot to **continue to** decline or fail to grow at expected rates, which could adversely affect our results of operations and stock price during such periods. Our business depends upon identifying and responding to changing customer fashion preferences and fashion- related trends. If we cannot identify trends in advance or we select the wrong fashion trends, our sales could be adversely affected. Fashion trends in the apparel, footwear and accessories market can change rapidly. We need to anticipate, identify and respond quickly to changing trends and consumer demands in order to provide the merchandise our customers seek and maintain our brand image. If we cannot identify changing trends in advance, fail to react to changing trends, misjudge the market for a trend, or fail to timely secure and market then- fashionable inventory, our sales could be adversely affected, and we may be faced with a substantial amount of unsold inventory, reduced sales, loss of customers ~~, adverse impacts to our brand recognition and customer loyalty~~, or other missed opportunities. ~~We As a result, we~~ may be forced to mark down our merchandise in order to dispose of slow moving inventory, which may result in lower profit margins ~~, All of these risks could negatively impacting~~ **impact** our financial condition and results of operations. ~~We may not be able to implement our business strategies on the timelines we anticipate, in a cost- effective manner, or at all. At any point in time, we are in the process of implementing new merchandising strategies, customer- facing technology enhancements, new systems or upgrades to existing systems, and cost reduction or containment plans. The implementation of these strategies or plans may not be completed or achieve the anticipated results within the expected timeframe, which may result in further declines in net sales or unanticipated cost increases. Even if implemented, we cannot assure that our strategies or plans will be successful to meet our current and future business needs or that they will operate as designed. If the implementation of our business strategies and plans are not executed efficiently and effectively, our business, financial condition, and our operating results could be adversely affected. Our business continued growth depends upon our ability to successfully open profitable new stores and improve the performance of our existing stores, which is subject to a variety of risks and uncertainties. We have grown our store count over time, however, there~~ **There** can be no assurance that we will ~~continue to~~ be able to open new stores that are profitable or ~~to continue to~~ improve the performance of our existing stores sufficiently to **achieve** improve our profitability. Our ability to successfully open and operate new stores is subject to a variety of risks and uncertainties, such as: • identifying suitable store locations, the availability of which is beyond our control; • obtaining acceptable lease terms; • sourcing sufficient levels of inventory; • selecting the appropriate merchandise that appeals to our customers; • hiring and retaining store employees; • assimilating new store employees into our corporate culture; • effectively marketing new store locations; • avoiding construction delays and cost overruns in connection with the build- out of new stores; ~~• managing and expanding our infrastructure to accommodate growth;~~ and • integrating the new stores with our existing buying, distribution and other support operations. Additionally, some of our new stores may open in locations close enough to our existing stores that a segment of customers will stop shopping at our existing locations and prefer to shop at the new locations, and therefore sales and profitability at those existing stores may decline. Any failure to continue to open profitable new stores or improve the performance of existing stores could have a material adverse effect on our financial

condition, results of operations, and stock price. Our **business continued growth** depends upon our ability to **continue to grow and improve the online portion of** our e-commerce business **and improve its profitability**, which is subject to a variety of risks and uncertainties. We sell merchandise over the internet through our e-commerce website, www. tillys.com. The e-commerce **com** retail market continues to rapidly evolve, creating new competition and increasing cost pressures from shipping charges and online marketing costs. As a result, there can be no guarantee that we will be able to **increase continue to grow** our e-commerce **com** net sales or to **improve the profitability** --- **profitably of operate** our e-commerce **com** operations. Our e-commerce platform and its continued growth **Growth in the online portion of our business** subjects us to certain risks that could have an adverse effect on our results of operations, including: • diversion of traffic from our stores; • risks related to proper allocation of merchandise between e-commerce **com** and stores; • liability for online content; • government regulation impacting the Internet, including with respect to privacy; and • increased risks related to the computer systems that operate our website and related support systems, including computer viruses, electronic break- ins, other cyber security breaches, system errors or failures, or similar disruptions. Our failure to address and respond to these risks successfully could reduce e-commerce **com** net sales, increase costs and damage the reputation of our brand or our business. Any failure to **increase continue to grow** e-commerce **com** net sales or **improve the profitability** --- **profitably of operate our** e-commerce **com** operations could have a material adverse impact on our financial condition, results of operations, and stock price. **We may not be able to..... our operating results could be adversely affected**. Our ability to attract customers to our stores depends significantly on the success of the retail centers where our stores are located. We have historically depended on the location of our stores to generate a large proportion of traffic to our stores. We try to select well- known and popular malls, power centers, neighborhood and lifestyle centers, outlet centers and street- front locations, usually near prominent retailers, to generate traffic to our stores. Traffic at these retail centers, and consequently our stores, could be adversely affected by economic downturns nationally or regionally, competition from Internet retailers, changes in consumer demographics, the closing or decrease in popularity of other retailers in the retail centers in which our stores are located, our inability to obtain or maintain desirable store locations within retail centers or the selection by prominent retailers and businesses of other locations. We, and the retail industry generally, have experienced continued declines in consumer traffic to retail centers as consumer purchasing behaviors have shifted toward online purchases and we may experience further declines in the future. A continuing reduction in traffic to retail centers may likely lead to a decrease in our net sales and results of operations, which could have a material adverse effect on our financial condition, results of operations and stock price. We are required to make significant lease payments for our store leases, corporate offices, and distribution centers, which may strain our cash flow. We lease all of our retail store locations as well as our corporate headquarters, warehouses, distribution and e-commerce **com** fulfillment centers. We do not own any real estate. Leases for our stores are typically for terms of ten years and many can be extended in five- year increments. Many of our leases have early cancellation clauses which permit us to terminate the lease if certain sales thresholds are not met in certain periods of time. Our costs under these leases are a significant amount of our expenses and **can** grow rapidly **with store count growth** as we expand **the number of locations** and **/ or increases in lease costs at** existing locations **over time** experience expense increases. We are required to pay additional rent under many of our lease agreements based upon achieving certain sales plateaus for each store location. In addition, we must make significant payments for common area maintenance and real estate taxes. Many of our lease agreements also contain provisions which increase the rent payments on a set time schedule, causing the cash rent paid for a location to escalate over the term of the lease. In addition, rent costs could escalate when multi- year leases are renewed at the expiration of their lease term. These costs are significant, recurring and increasing, which places a consistent strain on our cash flows. We depend on cash flows from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flows from operating activities, and sufficient funds are not otherwise available to us from borrowings under our available revolving credit facility or from other sources, we may not be able to service our operating lease expenses, grow our business, respond to competitive challenges or to fund our other liquidity and capital needs, which would harm our business. Additional sites that we lease are likely to be subject to similar long- term leases. If an existing or future store is not profitable, and we decide to close it, we may **, and have had to,** nonetheless **be committed to** perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. We may also elect, or be required, to take actions with respect to some or all of our existing leases that are in contravention to the existing terms of those leases in response to adverse pressures, including negotiating with landlords for rent abatement, terminating certain leases, or discontinuing payment, **such as the actions we took in response to the closures of our stores during the COVID-19 pandemic**, which may subject us to legal, reputational and financial risks. In addition, as our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close stores in desirable locations. If we are unable to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close, our business, profitability and results of operations may be harmed. We buy and stock merchandise based upon seasonal weather patterns and therefore unseasonable weather could negatively impact our sales. We buy select merchandise for sale based upon expected weather patterns during the seasons of winter, spring, summer and fall. If we encounter untimely aberrations in weather conditions, such as warmer winters or cooler summers than would be considered typical, these weather variations could cause some of our merchandise to be inconsistent with what consumers wish to purchase, causing our sales to decline. Furthermore, extended unseasonable weather conditions in regions such as the southwestern United States, particularly in California, Arizona, Nevada, Florida and the northeastern United States will likely have a greater impact on our sales because of our store concentration in those regions. **We purchase merchandise in advance of the..... on our margins and operating income.** Our sales can significantly fluctuate based upon shopping seasons, which may cause our operating results to fluctuate disproportionately on a quarterly basis. Because of a traditionally higher level of sales during the back- to- school and winter holiday shopping seasons, our sales are typically higher in the third and fourth fiscal quarters than they are in the first and second fiscal quarters. Accordingly, the results of a single fiscal quarter, particularly the

third and fourth fiscal quarters, should not be relied on as an indication of our annual results or future performance. In addition, any factors that harm our third and fourth fiscal quarter operating results could have a disproportionate effect on our results of operations for the entire fiscal year. If we fail to maintain good relationships with our suppliers or if our suppliers are unable or unwilling to provide us with sufficient quantities of merchandise at acceptable prices, our business and operations may be adversely affected. Our business is largely dependent on continued good relations with our suppliers, including vendors for our third- party branded products and manufacturers for our proprietary branded products. We operate on a purchase order basis for our proprietary branded and third- party branded merchandise and do not have long- term contractual relationships with our suppliers. Accordingly, our suppliers can refuse to sell us merchandise, limit the type or quantity of merchandise they sell us or raise prices at any time, which can have an adverse impact on our business. Deterioration in our relationships with our suppliers, supply chain disruption, or increased demand for their products could have a material adverse impact on our business, and there can be no assurance that we will be able to acquire desired merchandise in sufficient quantities on terms acceptable to us in the future. Also, some of our vendors are vertically integrated, selling products directly from their own retail stores, and therefore are in direct competition with us. These vendors may decide at some point in the future to reduce or discontinue supplying their merchandise to us, supply us less desirable merchandise or raise prices on the products they do sell us. Additionally, instances of supply chain disruptions and delays, as well as continued heightened inflation **and tariffs**, could lead to inefficiencies and heightened costs passed to us by our vendors that could negatively impact our performance and our results of operations. Further, if we lose key vendors or are unable to find alternative vendors to supply us with substitute merchandise for lost products, our business may be adversely affected. If we cannot retain or find qualified employees to meet our staffing needs in our stores, our distribution and e- **commerce.com** fulfillment centers, or our corporate offices, our business could be adversely affected. Our success depends upon the quality of the employees we hire. We seek employees who are motivated, represent our corporate culture and brand image and, for many positions, have knowledge of our merchandise and the skill necessary to excel in a customer service environment. The turnover rate in the retail industry is high and finding qualified candidates to fill positions may be difficult. If we cannot attract and retain corporate and distribution center employees, regional, district and store managers, and store associates with the qualifications we deem necessary at requisite cost, our ability to effectively operate and expand may be adversely affected. We additionally rely on temporary personnel to staff our distribution and fulfillment centers, as well as seasonal part- time employees to provide incremental staffing to our stores in busy selling seasons such as the back- to- school and winter holiday seasons. We cannot guarantee that we will be able to find adequate temporary or seasonal personnel to staff our operations when needed, which may strain our existing personnel or increase costs, and negatively impact our operations. Our business largely depends on a strong brand image, and if we are not able to maintain and enhance our brand, particularly in new markets where we have limited brand recognition, we may be unable to increase or maintain our level of sales. We believe that our brand image and brand awareness has contributed significantly to the **historical** success of our business. We also believe that maintaining and enhancing our brand image, particularly in new markets where we have limited brand recognition, is important to maintaining and expanding our customer base. Our ability to maintain **or improve the strength and distinctiveness of** our brand image in our existing markets, successfully integrate new stores into their surrounding communities, or to expand into new markets **will could** be adversely impacted if our marketing initiatives are unsuccessful and we fail to connect with our target **customer-customers**. Maintaining and enhancing our brand image may require us to make substantial investments in areas such as merchandising, marketing, store operations, e- **commerce.com**, social media, community relations, store graphics, **catalog distribution** and employee training, which could adversely affect our cash flow and which may not ultimately be successful. Failure to successfully market our brand **in new and existing markets** could harm our business, results of operations and financial condition. Any inability to balance merchandise bearing our proprietary brands with the third- party branded merchandise we sell may have an adverse effect on our sales and gross margin. Our proprietary branded merchandise represents a significant portion of our net sales. Our proprietary branded merchandise generally has a higher gross margin than the third- party branded merchandise we offer. As a result, we may determine that it is best for us to continue to hold or increase the penetration of our proprietary brands in the future. However, carrying our proprietary brands limits the amount of third- party branded merchandise we can carry and, therefore, there is a risk that the customers' perception that we offer many major brands will decline, and that our third- party branded partners may become less interested in working with us. By maintaining or increasing the amount of our proprietary branded merchandise, we are also exposed to greater fashion risk, as we may fail to anticipate fashion trends correctly. These risks **, if they occur,** could have a material adverse effect on sales and profitability. Most of our merchandise is produced in foreign countries, making the price and availability of our merchandise susceptible to international trade and other international conditions. Although we **predominantly** purchase our merchandise from domestic suppliers, these suppliers have a majority of their merchandise made in foreign countries. Some foreign countries can be, and have been, affected by political and economic instability and natural disasters, negatively impacting trade, which can result in material delays in the delivery of certain merchandise to us from foreign manufacturers. The countries in which our merchandise currently is manufactured or may be manufactured in the future could become subject to new trade restrictions imposed by the United States or other foreign governments. Trade restrictions, including increased tariffs or quotas, embargoes and customs restrictions, against apparel items, as well as United States or foreign labor strikes, work stoppages or boycotts, epidemics or pandemics could increase the cost or reduce the supply of apparel available to us and have a material adverse effect on our business, financial condition and results of operations. In addition, our merchandise supply could be impacted if our suppliers' imports become subject to existing or future duties and quotas, or if our suppliers face increased competition from other companies for production facilities, import quota capacity and shipping capacity. Any increase in the cost of our merchandise or limitation on the amount of merchandise we are able to purchase could have a material adverse effect on our financial condition and results of operations. **Changes in United States trade policy, including recently announced tariffs, could have a material adverse impact on our business, financial condition, and results of operations. Changes in United**

**States trade policy, including recently announced tariffs, could have a material adverse impact on our business, financial condition, and results of operations. The imposition of new tariffs or increases in existing tariffs on goods imported from countries where our vendors source products or obtain raw materials could result in increased costs for the products we sell. These cost increases may reduce our margins, require us to raise prices, change our assortments, and / or make our stores less competitive in the marketplace. If we are unable to mitigate these risks through supply chain adjustments by our vendors, changing vendors, pricing strategies, or other measures, our financial performance and growth prospects could be negatively affected.**

Our corporate headquarters, distribution and e-commerce.com fulfillment centers and certain information technology systems are in Irvine, California, and if their operations are disrupted, we may not be able to fully operate our store support functions, ship merchandise to our stores, or fulfill e-commerce.com orders, which would adversely affect our business. Our corporate headquarters, distribution centers and certain information technology systems are in two locations in Irvine, California. If we encounter any disruptions to our operations within these buildings or if they were to shut down for any reason, including by fire or other natural disaster, or as a result of pandemics / epidemics, then we may be prevented from effectively operating our stores, shipping and processing our merchandise and operating our e-commerce.com platform. ~~For example, in connection with the COVID-19 pandemic, we discontinued the operations of the distribution center for our stores and implemented other precautions in our corporate offices and distribution centers that materially disrupted our operations in Irvine, California, and we may need to do so again in the future.~~ Furthermore, the risk of disruption or shut down at these buildings is greater than it might be if they were located in another region, as southern California is prone to certain natural disasters such as earthquakes and wildfires. Any disruption or shut down at these locations could significantly impact our operations and have a material adverse effect on our financial condition and results of operations. Our stores are mostly located in the southwestern and northeastern United States and in Florida, with a significant number of stores located in California, putting us at risk of concentration issues and other region-specific disruptions. The majority of our stores are located in California, Arizona, Nevada, Florida and the northeastern United States. Sales in these states could be more susceptible to disruptions than other parts of the country, such as from economic and weather conditions, demographic and population changes and changes in fashion tastes, and consequently, we may be more susceptible to these factors than more geographically diversified competitors. Compared to the country as a whole, stores in California are exposed to a relatively high risk of damage from a major earthquake or wildfires, while stores in Florida are exposed to a relatively high risk from hurricane damage. Any negative impact upon or disruption to the operations of stores in these states could have a material adverse effect on our financial condition and results of operations. Litigation costs and the outcome of litigation could have a material adverse effect on our business. From time to time we may be subject to litigation claims through the ordinary course of our business operations regarding, but not limited to, employment matters, compliance with accessibility laws, apparel, footwear and accessory safety standards, security of customer and employee personal information, stockholder litigation, contractual relations with vendors, marketing and infringement of trademarks and other intellectual property rights. Litigation to defend ourselves against claims by third parties, or to enforce any rights that we may have against third parties, may continue to be necessary, which could result in substantial costs and diversion of our resources, causing a material adverse effect on our business, financial condition, results of operations or cash flows. If our vendors and manufacturing sources fail to use acceptable labor or other practices our reputation may be harmed, which could negatively impact our business. We purchase merchandise from independent third-party vendors and manufacturers. If any of these suppliers have practices that are not legal or accepted in the United States, consumers may develop a negative view of us, our brand image could be damaged, and we could become the subject of boycotts by our customers and / or interest groups. Further, if the suppliers violate labor or other laws of their own country, these violations could cause disruptions or delays in their shipments of merchandise. For example, much of our merchandise is manufactured in China and Mexico, which have different labor practices than the United States. We do not independently investigate whether our suppliers are operating in compliance with all applicable laws and therefore we rely upon the suppliers' representations set forth in our purchase orders and vendor agreements concerning the suppliers' compliance with such laws. If our goods are manufactured using illegal or unacceptable labor practices in these countries, or other countries from which our suppliers source the product we purchase, our ability to supply merchandise for our stores without interruption, our brand image and, consequently, our sales may be adversely affected. If we lose key management personnel our operations could be negatively impacted. Our business and growth depends upon the leadership and experience of our key executive management team, including our co-founder, Hezy Shaked, who currently serves as our ~~Interim~~ President and Chief Executive Officer and Executive Chairman of our Board of Directors, and Michael Henry, our Executive Vice-President and Chief Financial Officer. We also may be unable to retain other existing management personnel that are critical to our success, which could result in harm to our vendor and employee relationships, loss of key information, expertise or know-how and unanticipated recruitment and training costs. The loss of services of any of our key personnel could have a material adverse effect on our business and prospects, and could be viewed in a negative light by investors and analysts, which could cause our Class A common stock price to decline. All of our employees are employed at will and are not contractually bound to stay with the company. If we lose the services of any of our key personnel or we are not able to attract additional qualified personnel, we may not be able to successfully manage our business. We rely on third parties to deliver merchandise to our stores located outside of southern California and to our customers and, therefore, our business could be negatively impacted by disruptions in the operations of these third-party providers. We rely on third parties to ship our merchandise from our distribution center in Irvine, California to our stores located across the United States, as well as to ship e-commerce.com sales packages directly to our customers. Relying on these third-party delivery services puts us at risk from disruptions in their operations, such as employee strikes, inclement weather and epidemics / pandemics, and their inability to meet our shipping demands. If we are forced to use other delivery services, our costs could increase, and we may not be able to meet shipment deadlines. Moreover, we may not be able to obtain delivery terms as favorable as those received from the transportation providers we currently use, which would further

increase our costs. These circumstances may negatively impact our financial condition and results of operations. We rely on print and online marketing services. We use the U. S. Postal Service to mail printed marketing materials several times each year to inform our customers about our products, acquire new customers, drive customers into our stores, and promote our website and stores. As a result, postal rates and paper and printing costs affect the cost of our mailings. We also use third-party online services to market our website and stores and to distribute promotions to attract new customers and encourage existing customers to purchase from us. Any significant or unanticipated increase in postage, reduction in postal service, or slow-down in postal delivery, increases in paper and printing costs, increases in the cost of our online marketing services or any service interruption or failure on the part of such service providers could impair our ability to deliver printed marketing materials or our online marketing in a timely or economically efficient manner. This could also adversely impact our sales and earnings if we are unable to pass such increases on to our customers or are unable to implement more efficient printing, mailing, delivery and order fulfillment systems or, in the case of our online marketing, to find alternative providers in a timely manner and on terms that are not significantly more costly to us.

Risks Related to Information Technology, Data Privacy and Intellectual Property

If our information technology fails to operate or is unable to support our business, our operations could be disrupted. We rely upon our management information systems in almost every aspect of our daily business operations. For example, our management information systems serve an integral part in enabling us to order merchandise, allocate merchandise among our stores and e-commerce operation, process merchandise at our distribution center-centers and retail stores, perform and track sales transactions, manage personnel, pay vendors and employees, operate our website e-commerce platform and report financial and accounting information to management. In addition, we rely on our management information systems to enable us to leverage our costs as we grow.

If our management information systems fail to operate or are unable to support our business, our store and e-commerce.com operations could be severely disrupted, and we could be required to make significant additional expenditures to remediate any such failure, which may negatively impact our financial condition. Our business is subject to a variety of laws, rules, and other obligations regarding data protection and privacy, which could result in additional compliance costs, subject us to enforcement actions, or cause us to change our platform or business practices. We are subject to a complex array of laws relating to the collection, use, retention, disclosure, security, and transfer of personal data. Many jurisdictions have passed laws in this area, including, for example, the California Consumer Privacy Act of 2018 and California Privacy Rights Act, including amendments thereto, and other jurisdictions are considering imposing and have imposed additional restrictions, including regulating the level of notice and consent required to collect and process end-user data. The data protection landscape is rapidly evolving, and implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future. Complying with emerging and changing laws and requirements may cause us to incur substantial costs or require us to change our business practices. The cost of compliance with these laws, regulations, policies, legal obligations and industry standards is high and is likely to increase in the future. If our privacy or data security measures fail or are perceived to fail to comply with current or future laws, regulations, policies, legal obligations or industry standards, or any changed interpretations of the foregoing, we may be subject to litigation, regulatory investigations, enforcement actions, inquiries, prosecutions, fines or other liabilities, as well as negative publicity and a potential loss of business. Moreover, if future laws, regulations, industry standards, or other legal obligations, or any changed interpretations of the foregoing, further limit the ability of our customers, partners or service providers to use and share personally identifiable information or other data or our ability to store, process and share personally identifiable information or other data, our costs could increase and our business, financial condition and operating results could be harmed. Even the perception of privacy or data protection concerns, whether or not valid, may inhibit customer engagement with us and our e-commerce.com platform. Any failure or perceived failure by us to comply with federal, state, or foreign laws or self-regulatory standards could result in negative publicity, significant fines and expenses for remediation, diversion of management time and effort and proceedings against us by governmental entities, individuals or others. Our internal operations, management information systems and databases containing the personal information of our employees and customers could be disrupted by system security or operational failures or breached by intentional attacks. These disruptions or attacks could negatively impact our sales, increase our expenses, and harm our reputation. Database privacy, network security and identity theft are matters of growing public concern. Hackers, computer programmers and internal users may be able to penetrate our network security and create system and operational disruptions, cause shutdowns or loss of data, and misappropriate our confidential information or that of third parties, including those of our employees and customers. We may incur significant costs related to prevention of breaches of our cyber-security and to comply with laws regarding the unauthorized disclosure of confidential information, including customer payment information, and we could incur significant expenses addressing problems created by security breaches to our network, including potential remediation efforts, reputational harm, and litigation. This risk is heightened because we collect and store customer information for marketing purposes, and use credit card information to process transactions (although tokenized). While we do take various precautions to secure customer information and prevent unauthorized access to our database of confidential information, if unauthorized parties, including external hackers or computer programmers, gain access to our database, they may nevertheless be able to steal this confidential information. There can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information. Our failure to secure this information could result in costly litigation, adverse publicity or regulatory action that could have a material adverse effect on our financial condition and results of operations. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture that could unexpectedly interfere with our operations, including potentially unintentionally sharing personal information retained by us, or may not remain current with the rapidly-evolving cybersecurity risks. The cost to alleviate security risks, defects in software and hardware and address any problems that occur could negatively impact our sales, distribution and other critical functions, as well as our financial results. If we are unable to protect our intellectual property rights, our financial results may be negatively

impacted. Our success depends in large part on our brand image. Our company's name, logo, domain name and our proprietary brands and our registered and unregistered trademarks and copyrights are valuable assets that serve to differentiate us from our competitors. We currently rely on a combination of copyright, trademark, trade dress and unfair competition laws to establish and protect our intellectual property rights. There can be no assurance that the steps taken by us to protect our proprietary rights will be adequate to prevent infringement of our trademarks and proprietary rights by others, including imitation and misappropriation of our brand. There can be no assurance that obstacles will not arise ~~as should~~ we expand our product lines and geographic scope. The unauthorized use or misappropriation of our intellectual property could damage our brand identity and the goodwill we created for our company, which could cause our sales to decline. Moreover, litigation may be necessary to protect or enforce these intellectual property rights, which could result in substantial costs and diversion of our resources, causing a material adverse effect on our business, financial condition, results of operations or cash flows. If we cannot protect our intellectual property rights, our brand identity and the goodwill we created for our company may diminish, causing our sales to decline. Most of our intellectual property has not been registered outside of the United States and we cannot prohibit other companies from using our unregistered trademarks in foreign countries. Use of our trademarks in foreign countries could negatively impact our identity in the United States and cause our sales to decline. We may be subject to liability if we, or our vendors, infringe upon the intellectual property rights of third parties. We may be subject to liability if we infringe upon the intellectual property rights of third parties. If we were to be found liable for any such infringement, we could be required to pay substantial damages and could be subject to injunctions preventing further infringement. Such infringement claims could harm our brand image. In addition, any payments we are required to make and any injunction with which we are required to comply as a result of such infringement actions could adversely affect our financial results. We purchase merchandise from vendors that may utilize design copyrights, or design patents, or that may otherwise incorporate protected intellectual property. We ~~are do~~ not ~~involved in the~~ manufacture of any of the merchandise we purchase from our vendors for sale to our customers, and we do not independently investigate whether these vendors legally hold intellectual property rights to merchandise that they are manufacturing or distributing. As a result, we rely upon vendors' representations set forth in our purchase orders and vendor agreements concerning their right to sell us the products that we purchase from them. If a third-party claims to have licensing rights with respect to merchandise we purchased from a vendor, or we acquire unlicensed merchandise, we could be obligated to remove such merchandise from our stores, incur costs associated with destruction of such merchandise if the distributor or vendor is unwilling or unable to reimburse us and be subject to liability under various civil and criminal causes of action, including actions to recover unpaid royalties and other damages and injunctions. Although our purchase orders and vendor agreement require the vendor to indemnify us against such claims, a vendor may not have the financial resources to defend itself or us against such claims, in which case we may have to pay the costs and expenses associated with defending such claim. Any of these results could harm our brand image and have a material adverse effect on our business and growth.

**Risks Related to Our Ownership Structure and Ownership of Our Common Stock** Our founders control a majority of the voting power of our common stock, which may prevent other stockholders from influencing corporate decisions and may result in conflicts of interest, and a significant portion of our Class A common stock is held by a concentrated group of stockholders, which may adversely impact other stockholders. Our common stock consists of two classes: Class A and Class B. Holders of Class A common stock are entitled to one vote per share, and holders of Class B common stock are entitled to 10 votes per share, on all matters to be voted on by our common stockholders. All of the shares of Class B common stock are beneficially owned by Hezy Shaked and Tilly Levine. As a result, Mr. Shaked and Ms. Levine own a significant economic interest in the company and substantial majority of the total voting power of our outstanding common stock. In addition, Mr. Shaked serves as Executive Chairman of the Board of Directors and ~~Interim~~ President and Chief Executive Officer, and is the voting trustee, pursuant to a voting trust agreement, covering the shares owned by Ms. Levine. As a result, Mr. Shaked may dictate the outcome of most corporate actions requiring stockholder approval, including the election of directors and mergers, acquisitions and other significant corporate transactions. Mr. Shaked may delay or prevent a change of control from occurring, even if the change of control could appear to benefit the stockholders. Mr. Shaked may also have interests that differ from other stockholders and may vote in a way with which stockholders disagree and which may be adverse to the interests of other stockholders. This ownership concentration may adversely impact the trading of our Class A common stock because of a perceived conflict of interest that may exist, thereby depressing the value of our Class A common stock. In addition, certain third-party stockholders have acquired beneficial ownership of over 30 % of our outstanding Class A common stock. This concentration may create risks for other holders of our Class A common stock in addition to those resulting from Mr. Shaked's and Ms. Levine's beneficial ownership of our Class B common stock, including a reduced public float, potential conflicts between the interests of those holders and other holder of our Class A common stock, and the risks created if such stockholders were to decide to sell a meaningful portion or all of their holdings in a relatively short time period, among other things, which could each adversely impact the trading value of our Class A common stock. In addition, if the Class B common stock were to be converted to Class A common stock at any time, these third-party stockholders would represent a significant portion of the total voting power of our outstanding common stock, and could create similar risks to those resulting from Mr. Shaked's and Ms. Levine's beneficial ownership of our Class B common stock. We are a controlled company within the meaning of the NYSE rules, and, as a result, we may rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies. Mr. Shaked controls more than 50 % of the total voting power of our common stock and we are considered a controlled company under the NYSE corporate governance listing standards. As a controlled company, certain exemptions under the NYSE listing standards will exempt us from the obligation to comply with certain NYSE corporate governance requirements, including the requirements: • that a majority of our Board of Directors consist of independent directors, as defined under the rules of the NYSE; • that we have a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and • that we have a compensation committee that is composed

entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. Although we intend to continue to comply with these listing requirements even though we are a controlled company, there is no guarantee that we will not take advantage of these exemptions in the future. Accordingly, so long as we are a controlled company, holders of our Class A common stock may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements. If securities or industry analysts publish inaccurate or unfavorable research about our business, the price and trading volume of our Class A common stock could decline. The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our Class A common stock or publishes inaccurate or unfavorable research about our business, the price of our Class A common stock would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our Class A common stock could decrease, which could cause the price of our Class A common stock and trading volume to decline. Financial forecasting by us and financial analysts who may publish estimates of our performance may differ materially from actual results. Given the dynamic nature of our business, the current uncertain economic climate and the inherent limitations in predicting the future, forecasts of our revenues, comparable sales, margins, net income and other financial and operating forecasts may differ materially from actual results. Such discrepancies could cause a decline in the trading price of our Class A common stock. We have a small public float compared to other larger publicly-traded companies, which may result in price swings in our Class A common stock or make it difficult to acquire or dispose of our Class A common stock. This small public float can result in large swings in our stock price with relatively low trading volume. In addition, a purchaser that seeks to acquire a significant number of shares may be unable to do so without increasing our common stock price, and conversely, a seller that seeks to dispose of a significant number of shares may experience a decreasing stock price. The price of our Class A common stock has been, and may continue to be, volatile and may decline in value. The market for retail apparel stocks can be highly volatile. As a result, the market price of our Class A common stock is likely to be volatile and investors may experience a decrease in the value of the Class A common stock, unrelated to our operations. The price of our Class A common stock has, and could in the future, fluctuate significantly in response to a number of factors, as discussed in this "Risk Factors" section. Further, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation. The threat or filing of class action litigation lawsuits could cause the price of our Class A common stock to decline. Future sales of our common stock by us or by existing stockholders could cause the price of our Class A common stock to decline. Any sales of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, may cause the market price for our Class A common stock to decline. Most of these are freely tradable without restriction under the Securities Act of 1933, as amended, or Securities Act. The shares of Class A common stock and Class B common stock held by Mr. Shaked and Ms. Levine, and the shares of Class A common stock held by our directors, officers and other affiliates, are restricted securities under the Securities Act, and may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available. In addition, if our significant third-party stockholders were to decide to sell a meaningful portion or all of their holdings in a relatively short time period, it could cause the price of our Class A common stock to decline. See "— Our founders control a majority of the voting power of our common stock, which may prevent other stockholders from influencing corporate decisions and may result in conflicts of interest, and a significant portion of our Class A common stock is held by a concentrated group of stockholders, which may adversely impact other stockholders." While we have paid special cash dividends in the past, there can be no assurance that we will pay dividends in the future, which may make our Class A common stock less desirable to investors and decrease its value. ~~From February 2017 through~~ **Although December 2021 we previously** paid aggregate special cash dividends of \$ 5.70 per share to all holders of record of issued and outstanding shares of our common stock ~~across six separate~~ **special** ~~between February 2017 and December 2021, we have not issued any~~ cash dividends **to stockholders since that date**, ~~and there~~ **There** can be no assurance that we will pay additional cash dividends on our common stock in the future. We do not currently have any formal plans for paying any additional cash dividends on our common stock. Therefore, capital appreciation, if any, of our Class A common stock could be the sole source of gain for our Class A common stockholders for the foreseeable future. Our corporate organizational documents and Delaware law have anti-takeover provisions that may inhibit or prohibit a takeover of us and the replacement or removal of our management. In addition to the concentration of ownership and voting power held by Mr. Shaked and Ms. Levine, the anti-takeover provisions under Delaware law, as well as the provisions contained in our corporate organizational documents, may make an acquisition of us more difficult. For example: • our certificate of incorporation includes a provision authorizing our Board of Directors to issue blank check preferred stock without stockholder approval, which, if issued, would increase the number of outstanding shares of our capital stock and could make it more difficult for a stockholder to acquire us; • our certificate of incorporation provides that if all shares of our Class B common stock are converted into Class A common stock or otherwise cease to be outstanding, our Board of Directors will be divided into three classes in the manner provided by our certificate of incorporation. After the directors in each class serve for the initial terms provided in our certificate of incorporation, each class will serve for a staggered three-year term; • our certificate of incorporation permits removal of a director only for cause by the affirmative vote of the holders of a majority of the voting power of the company once the Board of Directors is divided into three classes and provides that director vacancies can only be filled by an affirmative vote of a majority of directors then in office; • our amended and restated bylaws require advance notice of stockholder proposals and director nominations; and • Section 203 of the Delaware General Corporation Law may prevent large stockholders from completing a merger or acquisition of us. These provisions may prevent a merger or acquisition of us which could limit the price investors would pay for our common stock in the future. Our amended and restated bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that

may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees. Our amended and restated bylaws provide that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim that is governed by the internal affairs doctrine. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our amended and restated bylaws. This choice-of-forum provision may limit our stockholders' 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 such lawsuits. Alternatively, if a court were to find this provision of our amended and restated bylaws inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

General Risks Epidemics, pandemics, war, terrorism, civil unrest or other public disruptions could negatively affect our business. All of our stores are located in public areas where large numbers of people typically gather. Epidemics or pandemics, terrorist attacks or threats thereof, civil unrest, and / or acts or threats of violence involving public areas could cause people not to visit areas where our stores are located, and could have other potential impacts that may adversely affect our results of operations and financial condition. Further, armed conflicts or acts of war throughout the world may create uncertainty, causing consumers to spend less on discretionary purchases, including on apparel and accessories, and disrupting our ability to obtain merchandise for our stores. Such decreases in consumer spending or disruptions in our ability to obtain merchandise would likely decrease our sales and materially adversely affect our financial condition and results of operations. Other types of violence, such as shootings in malls or in public areas, could lead to lower traffic in shopping malls or centers in which we operate stores. In addition, local authorities or management from the mall or shopping center could close the mall or shopping center in response to security concerns. Such closures, as well as lower traffic due to security concerns, could result in decreased sales. We may be subject to unionization and work stoppages, or slowdowns. Currently, none of our employees are represented by a union. However, our employees have the right under the National Labor Relations Act to form or affiliate with a union. If some or all of our workforce were to become unionized and the terms of the collective bargaining agreement were significantly different from our current compensation arrangements, it could increase our costs and adversely impact our profitability. Moreover, participation in labor unions could put us at increased risk of labor strikes and disruption of our operations. Violations of and / or changes in laws, including employment laws and laws related to our merchandise and our e-commerce.com platform, could make conducting our business more expensive or change the way we do business. We are subject to numerous regulations, including labor and employment, customs, truth-in-advertising, consumer protection, health and safety, and zoning and occupancy laws and ordinances that regulate retailers generally and / or govern the importation, promotion and sale of merchandise and the operation of stores and warehouse facilities. If these regulations were violated by our management, employees or vendors, the costs of certain goods could increase, or we could experience delays in shipments of our goods, be subject to fines or penalties or suffer reputational harm, which could reduce demand for our merchandise and hurt our business and results of operations. Similarly, changes in laws could make operating our business more expensive or require us to change the way we do business. For example, changes in laws related to employee health care, hours, wages, job classification and benefits could significantly increase operating costs and adversely impact our results of operations. Furthermore, changes in product safety or other consumer protection laws could lead to increased costs for certain merchandise, or additional labor costs associated with readying merchandise for sale. If we fail, or are perceived to fail, to comply with current or future laws, regulations, policies, legal obligations or industry standards, or any changed interpretations of the foregoing, we may be subject to litigation, regulatory investigations, enforcement actions, inquiries, prosecutions, fines, expenses for remediation, or other liabilities, as well as diversion of management time and effort, negative publicity and a potential loss of business. It may be difficult for us to foresee regulatory changes impacting our business and our actions needed to respond to changes in the law could be costly and may negatively impact our operations. We depend on cash generated from our operations to support our growth-business, which could strain our cash flow. We primarily rely on cash flows generated from existing stores to fund our current-operations and our growth-plans. An increase in our net cash outflow for new stores or remodels of existing stores could adversely affect our operations by reducing the amount of cash available to address other aspects of our business. In addition, any expansion of our business would require significant amounts of cash from operations to pay our existing and future lease obligations, build out new store space, remodel existing stores, purchase inventory, create new marketing and advertising initiatives, fund the expansion of our e-commerce.com business, pay personnel, pay for the increased costs associated with operating as a public company, and, if necessary, further invest in our infrastructure and facilities. If our business does not generate sufficient cash flows from operations to fund these activities and sufficient funds are not otherwise available from our existing revolving credit facility or future credit facilities, we may need additional equity or debt financing. If such financing is not available to us on satisfactory terms, our ability to operate and expand our business or to respond to competitive pressures would be limited and we could be required to delay, curtail or eliminate planned store openings or investment in existing stores. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, your ownership may be diluted. Any debt financing we may incur may impose covenants on us that restrict our operations or require interest payments that would create additional cash demands and financial risk for us. We may experience fluctuations in our tax obligations and effective tax rate. We are subject to income taxes in federal and applicable state and local tax jurisdictions in the U. S. We record tax expense based on our estimates of current and future payments based on the income tax laws currently in effect. At any time, many tax years are subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may impact the ultimate settlement of these tax positions. As a result, there could

be ongoing variability in our tax rates as taxable events occur and exposures are re- evaluated. Further, our effective tax rate in any financial statement period may be materially affected by changes in the mix and level of earnings, or changes in tax laws in any relevant jurisdiction. **We currently expect our effective tax rate to be near zero on an annual basis due to maintaining a full valuation allowance on all deferred tax assets as a result of our recent operating losses.** The impact of climate change could have an adverse impact on our business, and the implementation of environmental, social, and governance initiatives, as well as sustainability initiatives, could lead to regulatory or structural modifications within the industry. Such changes may necessitate substantial operational adjustments and expenses, dampen demand for the Company' s goods, and have an unfavorable impact on our business, financial health, marketing strategy and performance. We are subject to several risks related to climate change that could adversely affect our business. For example, we use natural gas, gasoline, and electricity in our distribution and retail operations, and increases in costs related to those resources could adversely affect our profitability. Similarly, our third- party vendors, manufacturers, and distribution providers also use such resources in their operations, and they may pass along increases to such costs to us. Government regulations limiting carbon dioxide and other greenhouse gas emissions may also increase compliance, shipping, and merchandise costs, and other regulation affecting energy inputs, could materially affect our profitability. As the economy transitions to lower carbon intensity, we cannot guarantee that we will make adequate investments or successfully implement strategies that will effectively achieve our climate- related goals, which could lead to negative perceptions among customers and investors and result in reputational harm. Climate change, extreme weather conditions, wildfires, droughts, and rising sea levels could affect our ability to procure merchandise at costs and in quantities we currently experience. Climate change, environmental, social and governance **matters, (“ESG”)** and sustainability are a growing global movement. The ongoing political and societal attention on these issues has led to the creation of both current and potential international agreements, as well as national, regional, and local laws, regulations, reporting requirements, and policy shifts. Additionally, in some of the regions where we conduct business, there is growing social pressure to limit greenhouse gas emissions, along with other global initiatives. Such agreements and measures may necessitate, or could result in forthcoming legislation, regulatory measures, litigation or policy shifts that could require operational changes, additional compliance or disclosure obligations, taxes, or purchases of emission credits to decrease the emission of greenhouse gases from our operations, which could result in significant additional costs or expenses, cause us reputational harm, and could materially adversely affect our business, financial condition, marketing strategy, and results of operations.