

Risk Factors Comparison 2024-10-01 to 2023-09-26 Form: 10-K

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Our business, financial condition and results of operations are subject to various risks and uncertainties, including those described below and elsewhere in this Annual Report. This section discusses factors that, individually or in the aggregate, we believe could cause our actual results to differ materially from expected and historical results. If any of the events described below occurs, our business, financial condition or results of operations could be materially adversely affected and our stock price could decline. We provide these factors for investors as permitted by and to obtain the rights and protections under the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties applicable to our business. See Management's Discussion and Analysis of Financial Condition and Results of Operations — Cautionary Note Regarding Forward-Looking Statements in Part II, Item 7 of this Annual Report for more information on our business and the forward-looking statements included in this Annual Report. Strategic and Operational Risks A significant portion of our revenues are from our principal customers, and our success is heavily dependent on retaining this business and on our principal customers' ability to maintain and grow their businesses. A significant portion of our revenues is from our principal customers, and our success is heavily dependent on retaining this business and on our principal customers' ability to maintain and grow their businesses. The loss or cancellation of business from our principal customers, including due to the utilization of alternative sources of products, whether through other distributors or increased self-distribution, closures of stores, reductions in the amount of products that our customers sell to their customers, operational issues or our failure to comply with the terms of our distribution agreements, where applicable, could materially and adversely affect our business, financial condition or results of operations. For example, **our largest customer** Whole Foods Market, a subsidiary of Amazon.com, Inc., accounted for approximately ~~21~~ **23** % of our Net sales in fiscal ~~2023~~ **2024**. We serve as the primary distributor of natural, organic and specialty non-perishable products, and also distribute certain specialty protein, cheese, culinary items, deli items and products from health, beauty and supplement categories to **this customer** Whole Foods Market in all of its regions in the ~~United States~~ under the terms of our distribution agreement, which expires on ~~September 27, 2027~~ **May 20, 2027**. **A loss or significant decrease in volume with our largest customer could impact our ability to efficiently serve other, smaller customers in these categories who utilize these distribution centers.** Our ability to maintain a close, mutually beneficial relationship with our principal customers is an important element to our continued growth. Similarly, if our largest customer diverts **some or all of its** purchases from us ~~beyond the minimum amounts it is required to purchase under our distribution agreement~~, our business, financial condition or results of operations may be materially and adversely affected. Our business is characterized by low margins, which are sensitive to inflationary and deflationary pressures, and intense competition and consolidation in the grocery industry, and our inability to maintain or increase our operating margins could adversely affect our results of operations. The grocery industry is characterized by a relatively high volume of sales with relatively low profit margins, and as competition in certain areas intensifies and the industry continues to consolidate, our results of operations may be negatively impacted through a loss of sales and reduction in gross margin dollars. The grocery business is intensely competitive and the landscape is dynamic and continues to evolve, including from some competitors that have greater financial and other resources than we do. Consumers also have more choices for grocery and consumable purchases, including mass merchandisers, eCommerce providers, deep discount retailers, limited assortment stores, wholesale membership clubs and meal-delivery services, which may reduce the demand for products supplied by our wholesale customers. ~~The pandemic accelerated the consumer shift to eCommerce and new ways to purchase food, including increased restaurant and other delivery options.~~ **We may not** ~~cannot provide assurance that we will~~ be able to compete effectively against current and future competitors. Our ability to compete successfully ~~is will be~~ largely dependent on our ability to provide quality products and services at competitive prices. Our competition comes from a variety of sources, including other distributors, as well as specialty or independent grocery and mass market grocery distributors and cooperatives, and customers with their own distribution channels. Mass market grocery distributors, many with substantially greater financial and other resources than us and that may be better established in their markets, continue to increase their offerings of natural and organic products, ~~are competing~~ **resulting in** more ~~directly~~ **direct competition** with our natural and organic product offerings. While natural and organic products typically generate higher margins, these margins could be affected by changes in the public's perception of the benefits of natural and organic products compared to similar conventional products. In addition, many supermarket chains have increased self-distribution or purchases of items directly from suppliers. Relatively low barriers to entry have ~~resulted in new entrants~~ **led to the emergence of alternative business models and channels** in our markets. We also encounter indirect competition as a result of the fact that our customers with physical locations compete with online retailers and distributors that seek to sell certain products directly to consumers. Further, club stores, commercial wholesale outlets, direct food wholesalers and online food retailers have developed lower cost structures, creating increased pressure on the industry's profit margins. **Our** ~~We cannot assure you that our~~ current or potential ~~future~~ competitors **may will not** provide products or services comparable or superior to those provided by us or adapt more quickly than we do to evolving industry trends or changing market requirements. It is also possible that alliances among competitors may develop and that competitors may rapidly acquire significant market share. Increased competition may result in price reductions, reduced gross margins, lost business and loss of market share, any of which could materially and adversely affect our business, financial condition or results of operations. The continuing consolidation of retailers, the growth of chains and closures of grocery locations may reduce our gross margins in the future should more customers qualify for greater volume

discounts, and should we experience pricing pressure from suppliers and retailers. Sales to some of our largest customers generate a lower gross margin than do sales to our smaller customers due to agreements that include volume discounts with many of these customers, including our largest customer. Increased sales to these customers results in downward pressure on our gross margins, which may or may not be offset by increases in sales or a reduction in expenses incurred to service these customers. If we are not able to capture scale efficiencies and enhance our merchandise offerings, we may not be able to achieve our goals with respect to **our** operating margins. In addition, if we are not able to refine and improve our systems continually or effectively implement improvements to our systems without disruption, including any information technology migration to a cloud environment, we may not be able to reduce costs, increase sales and services, effectively manage inventory and procurement processes, or effectively manage customer pricing plans. As a result, our operating margins may stagnate or **further** decline. Further, because many of our sales are at prices that are based on our product cost plus a percentage markup, volatile food costs have a direct impact upon our profitability. We have experienced **elevated-volatile** levels of inflation during the past few years, which has had varying impacts on our business. **For example, we experienced negative impacts on our profitability as inflation slowed in recent years and decreased the positive impact of inflation-related buying activities.**

Prolonged periods of product cost inflation and periods of rapidly increasing inflation may have a negative impact on our profit margins and results of operations to the extent that we are unable to pass on all or a portion of such product cost increases to our customers, or to the extent our operating expenses increase. In addition, product cost inflation may negatively impact **the** consumer discretionary spending trends and reduce the demand for higher- margin natural and organic products, which could adversely affect profitability. Conversely, our profit levels may be negatively impacted during periods of slowing inflation or product cost deflation even though our Gross profit as a percentage of Net sales may remain relatively constant. If we are unable to reduce our expenses as a percentage of Net sales, including our expenses related to servicing this lower gross margin business, our business, financial condition ~~or~~ results of operations could be materially and adversely impacted. We may not realize the anticipated benefits of our **transformation strategic** initiatives. Our long- term strategy ~~includes transforming~~ **is centered on adding value to** our business **customers and suppliers through our expansive assortment of products, particularly services, programs and insights that help them grow and compete. Simultaneously, we are working to improve free cash flow by focusing on what we can control around** the areas of network ~~automation and optimization,~~ **reduced levels** which is designed to make our distribution network more efficient and improve the customer experience; commercial value creation, which is aimed at generating more profitable revenue growth through simplified pricing and procurement, as well as enhancing analytical insights for customers and suppliers; digital offering enhancement, which is intended to enhance the functionality of **capital intensity** our digital commercial platforms, including through the use of artificial intelligence and machine learning; and **optimization of our cost** ~~infrastructure~~ **structure** unification and modernization, which is intended to upgrade and simplify our digital infrastructure. The successful design, implementation and management of these initiatives may present significant challenges, many of which are beyond our control. In addition, the initiatives may not advance our business strategy as expected. We may not realize all or any of the anticipated benefits, or may not realize the anticipated benefits within the expected time frame, due to financial or operational challenges, delays, lower than expected levels of customer and supplier acceptance and implementation ~~or~~ unexpected costs. Any failure to implement the initiatives in accordance with expectations could adversely affect our ability to achieve the anticipated revenue and profitability benefits. In addition, the complexity of the initiatives requires a substantial amount of management and operational resources. Our management team must successfully implement operational changes necessary to achieve the anticipated benefits of the initiatives. These and related demands on its resources may divert the Company's attention from existing core businesses and could also have adverse effects on existing business relationships with suppliers and customers. As a result, our business, financial condition or results of operations may be adversely affected. Changes in relationships with our suppliers may adversely affect our profitability, and conditions beyond our control can interrupt our supplies and alter our product costs. As a wholesaler, we are dependent upon the consistent supply of products from manufacturers. We maintain supply contracts to fulfill product sales obligations to our customers. Manufacturers' disruptions in their ability to produce, maintain and supply product based on changing levels of demand could result in an inability to fulfill our obligations to our customers. The majority of our suppliers are based in the United States and Canada, but we also source products from suppliers throughout the world. For the most part, we do not have long- term contracts with our suppliers committing them to provide products to us. Although our purchasing volume can provide benefits, suppliers may not provide the products needed by us in the quantities or at the prices requested. For example, we experienced higher than usual levels of out- of- stocks leading to reduced fill rates during the COVID- 19 pandemic. These shortages caused us to incur higher operating expenses due to the cost of moving products between our distribution facilities to maintain expected service levels, and we cannot anticipate whether this trend will recur in the future. We are also subject to **supply chain uncertainties** ~~delays~~ **caused by interruption in production** and increases in product costs based on conditions outside of our control. These conditions include work slowdowns, work interruptions, strikes ~~or~~ other job actions by employees of suppliers, short- term weather conditions or more prolonged climate change, crop conditions, product recalls, water shortages, transportation interruptions, unavailability of fuel or increases in fuel costs, competitive demands, raw material shortages, geopolitical disruptions and natural disasters or other catastrophic events (including, but not limited to food- borne illnesses). As the consumer demand for natural and organic products has increased, certain retailers and other producers have entered the market and attempted to buy certain raw materials directly, limiting availability for use in certain of our suppliers' products. In addition, increased costs of imported goods, including due to tariffs, **import restrictions**, global conflict or otherwise, may reduce customer demand for affected products if the parties experiencing those increased costs increase their prices. We cooperatively engage in **and support** a variety of promotional programs **and services** with our suppliers. We manage these programs ~~to maintain or improve our~~ **margins and services to** increase sales **while maintaining or improving our margins**. We experienced a reduction in promotional spending and payment of slotting fees for new products by our suppliers as a result of the COVID- 19 pandemic,

including decreased promotional forward-buying opportunities, and we may experience further reductions or changes in promotional spending (including as a result of **increased demand for natural and organic products** **the increasing attractiveness of alternative retail channels**), which could have a significant impact on our profitability. We depend heavily on our ability to purchase merchandise in sufficient quantities at competitive prices, and we benefit from our ability to purchase product in advance of price increases. We have no assurances of continued supply, pricing or access to new products, and suppliers could change the terms upon which they sell to us, **the services they request from us** or discontinue selling to us **altogether**. Further, increased frequency or duration of extreme weather conditions, or other factors which may be the result of climate change, also could impair production capabilities, disrupt our supply chain or impact demand for our products. For example, in the past, weather patterns or events, such as lower than average levels of precipitation in key agricultural states or wildfires in the West, have affected prices of food products of certain of our suppliers. Input costs could increase at any time for a large portion of the products that we sell for a prolonged period. Conversely, weather patterns could lead to a decline in our product costs (for example, if rainfall levels are abundant), particularly in our perishable and produce businesses, and this product cost deflation could negatively impact our results of operations. Our inability to obtain adequate products as a result of any of the foregoing factors or otherwise could prevent us from fulfilling our obligations to customers, and these customers may turn to other distributors. In that case, our business, financial condition or results of operations could be materially and adversely affected. Failure by us to develop and operate a reliable technology platform and the costs of maintaining secure and effective information technology systems could negatively impact our business, and we may not realize the anticipated benefits of our investments in information technology. Our ability to decrease costs and increase profits, as well as our ability to serve customers most effectively, depends on the reliability of our technology platform. We use software and other technology systems, among other things, to send, receive, generate and select orders, load and route trucks and monitor and manage our business on a day-to-day basis. Failure to have adequate technology systems across the enterprise and any disruption to these systems could adversely impact our customer service, decrease the volume of our business, and result in increased costs negatively affecting our business, financial condition or results of operations. In our attempt to reduce operating expenses, increase operating efficiencies and better serve our customers and suppliers, we have invested and continue to invest in the development and implementation of new information technology. We are in the process of converting our existing facilities into a single warehouse management and supply chain platform. In addition, we remain focused on the automation of certain distribution centers and plan to develop further digital solutions for our customers, suppliers and associates. We may not be able to implement these technological enhancements at all or in the anticipated time frame and delays in implementation could negatively impact our business, financial condition or results of operations. In addition, the costs may exceed our estimates and are expected to exceed the benefits during the early stages of implementation. Even if implementation progresses in accordance with our current plans, and within our current cost estimates, we may not achieve the expected efficiencies and cost savings from our investments. Moreover, as we implement information technology enhancements, disruptions in our business may be created (including disruption with our customers), which may have a material adverse effect on our business, financial condition or results of operations. We face risks related to the availability of qualified labor, labor costs and labor relations. In the past, we have experienced a shortage of qualified labor. Recruiting and retention efforts, and actions to increase productivity, may not be successful. Such a shortage could potentially increase labor costs, reduce profitability or decrease our ability to effectively serve customers. If we are unable to realize the anticipated benefits of our efforts to improve labor efficiency, including through automation and other technology initiatives, or to increase productivity and efficiency through other methods, **including as a result of delays in executing our business transformation and integration efforts,** we may be more susceptible to labor shortages than our competitors. We have incurred increased costs to retain and address a shortage of qualified labor in certain geographies, particularly for warehouse workers and drivers, including wage actions, sign-on bonus programs, and increased use of third-party labor. Because our labor costs are, as a percentage of **net-Net** sales, higher than in many other industries, we may be significantly harmed by labor cost increases. Further, if we are unable to accurately predict and adjust our labor needs with respect to our sales volume, our cost of labor as a percentage of **net-Net** sales may increase. In addition, labor is a significant cost of many of our wholesale customers. Any increase in their labor costs, including any increases in costs as a result of increases in minimum wage requirements or wage competition, could reduce the profitability of our customers and reduce demand for the products we supply. Additionally, the terms of some of our collective bargaining agreements may limit our ability to increase efficiencies. As of **July 29, August 3, 2023-2024**, approximately 10, **667-704** of our **29-28, 455-333** employees (approximately **36-38** %) were covered by **49-48** collective bargaining agreements, including **existing** agreements under negotiation, which expire through **May 31, June 1, 2027-2029**. In the event we are unable to negotiate reasonable contract renewals with our union associates or are required to make significant changes to terms that are unfavorable to us, our relationship with employees may become fractured, and we could be subject to work stoppages or additional expenses. In that event, it would be necessary for us to hire replacement workers or implement other business continuity contingency plans to continue to meet our obligations to our customers. The costs to hire replacement workers, employ effective security measures, and, if necessary, serve customers from alternative facilities, could negatively impact the profitability of any affected facility. Depending on the length of time of any work stoppage or if we are required to employ replacement workers and implement security measures these costs could be significant and could have a material adverse effect on our business, financial condition or results of operations. We have **in the past** been the focus of union-organizing efforts, and we believe it is likely that **we will be the focus of similar efforts will continue** in the future. **We are in the process of negotiating collective bargaining agreements with** **As we increase our employee base and broaden our distribution operations to new newly certified units** geographic markets, our increased visibility could result in increased or expanded union-organizing efforts. New contracts with existing unions could have substantially less favorable terms than **our existing contracts. We may fail to realize those-- the negotiated prior expected benefits of strategic transactions or fail** to such expanded union-organizing efforts **effectively integrate the businesses we**

acquire, which may adversely affect our business, financial condition and results of operations. We have engaged, and may continue to engage in, acquisitions and may encounter difficulties integrating acquired businesses and may not realize the anticipated benefits of our acquisitions. We have engaged in, and could continue to pursue, strategic transactions as we transform our business. Acquisitions **Strategic transactions** present significant challenges and risks relating to **execution** the integration of acquired businesses. Our ability to achieve the expected benefits of **acquisitions strategic transactions** will depend on, among other things, our ability to effectively execute on our business strategies, integrate and manage the combined operations **for acquisitions**, retain customers and suppliers on terms similar to those in place **with prior to** the **transaction** acquired businesses, achieve desired operating efficiencies and sales growth, optimize delivery routes, coordinate administrative and distribution functions, integrate management information systems, expand into new markets to include markets of the acquired business, retain **our associates and retain** and assimilate the acquired businesses' employees, and maintain our financial and internal controls and systems as we **expand evolve** our operations. Achieving the anticipated benefits of **acquisitions strategic transactions** also depends on the adequacy of our implementation plans and the ability of management to oversee and operate effectively **any changes to** the combined operations. **Our** The integration of businesses that we acquire might also cause us to incur unforeseen costs, which would lower our future earnings and would prevent us from realizing the expected benefits of these acquisitions. Any businesses we acquire may also have liabilities or adverse operating issues, including some that are not known by us before the acquisition, and our indemnity for such liabilities may be limited or nonexistent. Additionally, our ability to pursue any future acquisitions may depend upon obtaining additional financing, which may not be available on acceptable terms or at all. To the extent that we seek to acquire other businesses in exchange for our common stock, fluctuations in our stock price could have a material adverse effect on our ability to complete acquisitions. If we are unable to integrate acquired businesses successfully or to realize anticipated economic, operational or other benefits and synergies in a timely manner, management's resources could be diverted and our business, financial condition, or operating results could be materially and adversely affected, particularly in transition periods immediately following the consummation of those transactions. We may have difficulty managing our growth, and our growth plans may not produce the results that we expect. The growth in the size of our business and operations has placed, and is expected to continue to place, a significant strain on our management. Our future growth may be limited by **strong growth by certain of our largest customers or our our inability-- ability** to optimize our network of distribution centers to serve our customers, retain existing customers, successfully integrate acquired entities or significant new customers, implement information systems and automation initiatives, or adequately manage our personnel. If we fail to optimize the volume of supply operations in our distribution center network, do not retain existing business or do not utilize added network capacity in line with our expectations, excess capacity may exist, which may lead to inefficiencies and adversely affect our business, financial condition or results of operations, including as a result of incurring operating costs for these facilities without sufficient corresponding sales revenue to cover these costs. **If We cannot assure you that we are will be able unable** to successfully optimize our distribution center network or open additional distribution centers in new or existing markets if needed to accommodate or facilitate growth or **if that certain of** our distribution centers **will not have increased**, or continue not to have, operational challenges **it could have a material impact on our ability to grow**. Our ability to compete effectively, maintain service levels and manage future growth, if any, will depend on our ability to maximize operational efficiencies across our distribution center network, to implement and improve on a timely basis operational, financial and management information systems, including our warehouse management systems, and to expand, train, motivate and manage our work force. **Our** We cannot assure you that our existing personnel, systems, procedures and controls **will may not** be adequate to support the future growth of our operations. In addition, we have recently appointed **several** new executive leaders, and these transitions may be disruptive. Our inability to manage our growth effectively could have a material adverse effect on our business, financial condition or results of operations. Further, a key element of our current growth strategy is to increase the amount of **differentiated fresh, perishable** products that we distribute **and services that we offer**. We believe that the ability to distribute these products **and offer these services** will **differentiate distinguish** us from our competitors and increase demand for our products. If we are unable to **increase these differentiated products grow this portion of our business and services manage that growth effectively**, our business, financial condition or results of operations may be materially and adversely affected. Our wholesale distribution **and services business-businesses** could be adversely affected if we are not able to attract new customers, increase sales to or retain existing customers or if our customers are unable to grow their businesses. The profitability of our wholesale segment is dependent upon sufficient volume to support our operating infrastructure. The inability to attract new customers or the loss of existing customers from a decision to use alternative sources of distribution, whether through a competing wholesaler or by converting to self-distribution, or due to retail closure or industry consolidation may negatively impact our sales and operating margins. If there were a rapid reduction in demand for the products we distribute **or services we offer**, our results and cash flows may be negatively impacted if we are unable to reduce working capital maintained to support current sales levels. Our success also depends in part on the financial success and cooperation of our wholesale customers. They may not experience an acceptable level of sales or profitability, and our revenues and gross margins could be negatively affected as a result. We may also need to extend credit to our wholesale customers. While we seek to obtain security interests and other credit support in connection with the financial accommodations we extend, such collateral may not be sufficient to cover our exposure. Additionally, in the past we have entered into wholesale customer support arrangements to guaranty or subsidize real estate obligations, which make us contingently liable in the event our wholesale customers default. If sales trends or profitability worsen for wholesale customers, their financial results may deteriorate, which could result in, among other things, lost business for us, delayed or reduced payments to us or defaults on payments or other liabilities owed by wholesale customers to us, any of which could adversely impact our financial condition and results of operations, as well as our ability to grow our wholesale business. In this regard, our wholesale customers are affected by the same economic conditions, including food inflation and deflation, and competition that our retail segment faces. The magnitude

of these risks increases as the size of our wholesale customers increases. Pandemics or disease outbreaks, such as the COVID-19 pandemic and associated responses, may disrupt our business, including among other things, increasing our costs, impacting our supply chain, and driving change in customer and consumer demand for our products, and could have a material adverse impact on our business. Public health crises, pandemics and epidemics, such as the COVID-19 pandemic, and responses thereto, have impacted our business directly and may in the future impact our business by, among other things, increasing our costs, impacting our supply chain and driving change in customer and consumer demand for our products, which could have an adverse effect on our business, financial condition or results of operations. While our operations have generally stabilized since the peak of the pandemic, we cannot predict with certainty the extent that our operations may be impacted by any continuing effects of any pandemics, including COVID-19, on us or on our business partners, suppliers and customers, and each of their financial conditions; however, any adverse effect on these parties could materially and adversely impact us. To the extent that any pandemics, including COVID-19, continue to affect the U. S. and global economy and our business, they may also heighten other risks described in this section, including but not limited to those related to consumer behavior and expectations, competition, implementation of strategic initiatives, cybersecurity threats, payment-related risks, supply chain disruptions, labor availability and cost, litigation and operational risk as a result of regulatory requirements. Many of our customers are not obligated to continue purchasing products from us, and larger customers that have multiyear contracts with us may terminate these contracts early in certain situations or choose not to renew or extend these contracts at expiration. Many of our wholesale customers buy from us under purchase orders, and we generally do not have written agreements with or long-term commitments from these customers for the purchase of products. We cannot assure you that these customers will maintain or increase their orders for the products supplied by us or that we will be able to maintain or add to our existing customer base. Decreases in volumes or orders for products supplied by us for these customers with whom we do not have a long-term contract may have a material adverse effect on our business, financial condition or results of operations. We may have contracts with certain of our customers (as is the case with many of our chain customers) that obligate the customer to buy products from us for a particular period of time. Even in this case, the contracts may not require the customer to purchase a minimum number of products from us or the contracts may afford the customer better pricing in the event that the volume of the customer's purchases exceeds certain levels. If these customers were to terminate or fail to perform under these contracts prior to their scheduled termination, or if we or the customer elected not to renew or extend the term of the contract at its expiration or not to renew or extend at historical purchase levels, it may have a material adverse effect on our business, financial condition or results of operations, including additional operational expenses to transition out of the business or to adjust our facilities and staffing costs to cover the reduction in Net sales. The cost of the capital available to..... financial condition or results of operations. Disruptions to our or third-party information technology systems, including cyber-attacks and security breaches, and the costs of maintaining secure and effective information technology systems could negatively affect our business and results of operations. The efficient operation of our businesses is highly dependent on computer hardware and software systems, including customized information technology systems. Additionally, our businesses increasingly involve the receipt, storage and transmission of sensitive data, including personal information about our customers, employees, and vendors and our proprietary business information. We also share information with vendors. Information technology systems are vulnerable to not functioning as designed and to disruptions and security breaches by computer hackers and cyber terrorists, which risks may be more pronounced as associates continue to work remotely. Although we continue to take actions to strengthen the security of our information technology systems, these measures and technology may not adequately anticipate or prevent security breaches in the future or we may not be able to timely implement these measures and technology. Cyber-attacks are rapidly evolving and becoming increasingly frequent, sophisticated and difficult to detect. The failure to promptly detect, determine the extent of, appropriately respond to, and contain a significant data security attack or breach of our systems or any third-party system used by us could have a material adverse impact on our business, financial condition or results of operations. Any such failure also could result in the loss of credibility with our customers and damage to our reputation and future sales, including through negative publicity. In addition, the unavailability of information technology systems or failure of these systems or software to perform as anticipated for any reason, including a ransomware attack, and any inability to respond to, or recover from, such an event, could disrupt our business, impact our customers and result in decreased performance, increased overhead costs and increased risk for liability, causing our business and results of operations to suffer. We have experienced losses due As a merchant that accepts debit and credit cards for payment, we are subject to the uncollectibility of accounts in Payment Card Industry Data Security Standard ("PCI DSS"), issued by the past PCI Council. Additionally, we are subject to PCI DSS as a service provider, which is a business entity that is not a payment brand-- and directly involved in the processing, storage..... technology, could be significant and we could experience losses in problems and interruptions associated with the future if implementation of new or our upgraded systems and technology--customers are unable to timely pay their debts to us. Certain of our customers have from time with maintenance or adequate support of existing systems. Failure to time experienced bankruptcy comply with such laws, standards, insolvency or and-- an inability to pay their debts to us guidelines, or payment card industry standards such as those involving MasterCard they come due. If our customers suffer significant financial difficulty, Visa and Europay (EMV) transactions they may be unable to pay their debts to us timely or at all, which could have a material adverse impact effect on our business, financial condition or results of operations. It is possible that customers may reject their contractual obligations to us under bankruptcy laws or otherwise. Significant customer bankruptcies could further adversely affect our revenues and increase our Operating expenses by requiring larger provisions for bad debt. In addition, addition, even when our contracts with these customers are not rejected in bankruptcy, if customers are unable to meet their obligations on a timely basis, it could adversely affect our ability to collect receivables. Further, we may have to negotiate significant discounts and / or extended financing terms with these customers in such a situation, each of which could have a material adverse effect on our business, financial condition or results of operations. During periods of economic weakness, small to medium-sized

businesses, like many of our independent channel customers, may be impacted more severely and more quickly than larger businesses. Similarly, these smaller businesses may be more likely to be more severely impacted by events outside of their control, like macro-economic shifts or significant weather events. Consequently, the ability of such businesses to **make payments** ~~repay their obligations~~ to us may deteriorate, and in some cases this deterioration may occur quickly, which could materially and adversely impact our business, **financial condition** or results of operations. Increases in healthcare, pension and other costs under the Company's **single employer benefit plan** and multiemployer benefit plans could adversely affect our financial condition and results of operations. We provide single employer and multiemployer health, defined benefit pension and defined contribution benefits to many of our employees and, in some cases, former employees. The costs of such benefits continue to increase, and the extent of any increase depends on a number of different factors, many of which are beyond our control. These factors include governmental regulations such as The Patient Protection and Affordable Care Act, which ~~has~~ resulted in changes to the U. S. healthcare system and imposes mandatory types of coverage, reporting and other requirements; return on plan assets; changes in actuarial valuations, estimates, or assumptions used to determine our benefit obligations for certain benefit plans, which require the use of significant estimates, including the discount rate, expected long-term rate of return on plan assets, mortality rates and the rates of increase in compensation and healthcare costs; for multiemployer plans, the outcome of collective bargaining and actions taken by trustees who manage the plans; and potential changes to applicable legislation or regulation. If we are unable to control these benefits and costs, we may experience increased operating costs, which may adversely affect our financial condition and results of operations. Additionally, certain multiemployer pension plans in which we participate are underfunded with the projected benefit obligations exceeding the fair value of those plans' assets, in certain cases, by a wide margin. If a withdrawal were to occur, the withdrawal liability from our multiemployer plans could be material, our efforts to mitigate these liabilities may not be successful, and potential exposure to withdrawal liabilities could cause us to forgo or negatively impact our ability to enter into other business opportunities. Some of these plans have required rehabilitation plans or funding improvement plans, and we can give no assurances of the extent to which a rehabilitation plan or a funding improvement plan will improve the funded status of the plan. It is possible that increases of unfunded liabilities of the multiemployer pension plans would result in increased future payments by us and the other participating employers over the next several years. Any changes to our pension plans that would impact associates covered by collective bargaining agreements will be subject to negotiation, which may limit our ability to manage our exposure to these plans. A significant increase to funding requirements could adversely affect our financial condition, results of operations, or cash flows. The financial condition of these pension plans may also negatively impact our debt ratings, which may increase the cost of borrowing or adversely affect our ability to access financial markets. Activist investors could negatively impact our business and cause disruptions to our operations. We value constructive input from investors and regularly engage in dialogue with our stockholders regarding strategy and performance. Activist stockholders who disagree with the composition of the Board of Directors, our strategy or the way the Company is managed may seek to effect change through various strategies and channels, such as through commencing a proxy contest, making public statements critical of our performance or business or engaging in other similar activities. Responding to such actions by activist investors can be costly and time-consuming, disruptive to our operations and divert the attention of management, our Board of Directors and our employees, and our ability to execute our strategic plan could also be impaired as a result. For example, we have been required to retain the services of various professionals to advise us on activist stockholder matters, including legal, financial and other advisory fees. In the event of an activist campaign, we could be required to incur substantially increased legal, public relations and other advisory fees and proxy solicitation expenses. In addition, perceived uncertainties as to our future direction, strategy or leadership created as a consequence of activist investors may result in the loss of potential business opportunities, harm our ability to attract new or retain existing investors, customers, directors, employees, collaborators or other partners, disrupt relationships with the Company, and the market price of our common stock could also experience periods of increased volatility as a result. Our insurance and self-insurance programs may not be adequate to cover future claims. We use a combination of insurance and self-insurance to provide for potential liabilities, including workers' compensation, general and auto liability, director and officer liability, property risk, cyber and privacy risks and employee healthcare benefits. We believe that our insurance coverage is customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure. These losses, should they occur, could have a material adverse effect on our business, financial condition or results of operations. In addition, the cost of insurance fluctuates based upon our historical trends, market conditions, and availability. In response to the current market, we have also increased deductibles and increased percentages of loss retention above the deductible for certain of our policies, which could expose us to higher costs in the event of a claim. We estimate the liabilities and required reserves associated with the risks we retain. Any such estimates and actuarial projection of losses is subject to a considerable degree of variability. Among the causes of this variability are changes in benefit levels, medical fee schedules, medical utilization guidelines, severity of injuries and accidents, vocation rehabilitation and apportionment and unpredictable external factors affecting inflation rates, discount rates, rising healthcare costs, litigation trends, legal interpretations, and actual claim settlement patterns. If actual losses incurred are greater than those anticipated, our reserves may be insufficient and additional costs could be recorded in our consolidated financial statements. If we suffer a substantial loss that exceeds our self-insurance reserves and any excess insurance coverage, the loss and attendant expenses could harm our business, financial condition, or results of operations. The cost of the capital available to us and limitations on our ability to access additional capital may have a material adverse effect on our business, financial condition or results of operations. Historically, acquisitions and capital expenditures have been a large component of our growth. We anticipate that capital expenditures will continue to be, and acquisitions may be, important to our growth in the future. As a result, increases in the cost of capital available to us, which could result from volatility in the credit markets, downgrades of our credit ratings, our not being in compliance with restrictive covenants under our debt agreements or our inability to access additional capital to finance

acquisitions and capital expenditures through borrowed funds could restrict our ability to grow our business organically or through acquisitions, which could have a material adverse effect on our business, financial condition or results of operations. In addition, our profit margins depend on strategic buying initiatives, such as discounted bulk purchases, which require spending significant amounts of working capital up-front to purchase products that we then sell over a multi-month time period. Increases in the cost of capital or our inability to access additional capital on satisfactory terms could restrict our ability to engage in strategic buying initiatives, which could reduce our profit margins and have a material adverse effect on our business, financial condition or results of operations. Our debt agreements contain restrictive covenants that may limit our operating flexibility. Our debt agreements, including the loan agreement (the “ABL Loan Agreement”) related to our \$ 2, 600-730 million asset-based revolving credit facility (the “ABL Credit Facility”) entered into in June 2022, as amended, and the term loan agreement (the “Term Loan Agreement”) related to our \$ 500-1, 950 million term loan facility (the “Term Loan Facility”) entered into on October 22, 2018, as amended, and the indenture governing our unsecured 6. 750 % Senior Notes due October 15, 2028 (the “Senior Notes”) contain financial covenants and other restrictions that limit our operating flexibility and our flexibility in planning for or reacting to changes in our business. These restrictions may prevent us from taking actions that we believe would be in the best interest of our business if we were not subject to these limitations and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. In addition, our ABL Loan Agreement, Term Loan Agreement and the indenture governing the Senior Notes require that we comply with various financial tests and impose certain restrictions on us, including among other things, restrictions on our ability to incur additional indebtedness, create liens on assets, make loans or investments, or return capital to stockholders through share repurchases or paying dividends. Failure to comply with these covenants could have a material adverse effect on our business, financial condition, or results of operations. We have experienced losses due to the..... financial condition or results of operations. Impairment charges for long-lived assets could adversely affect the Company’s financial condition and results of operations. We monitor the recoverability of our long-lived assets, such as buildings, equipment and leased assets, and evaluate their carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. If the review performed indicates that impairment has occurred, we are required to record a non-cash impairment charge for the difference between the carrying value and fair value of the long-lived assets, in the period the determination is made. The testing of long-lived assets and goodwill for impairment requires us to make estimates that are subject to significant assumptions about our future revenue, profitability, cash flows, fair value of assets and liabilities, and weighted average cost of capital, as well as other assumptions. Changes in these estimates, or changes in actual performance compared with these estimates, may affect the fair value of long-lived assets, which may result in an impairment charge. We cannot accurately predict the amount or timing of any impairment. Should the value of long-lived assets become impaired, our financial condition and results of operations may be adversely affected. Economic Risks Changes in consumer purchasing habits could materially and adversely affect our business, financial condition, or results of operations. Changes in consumer purchasing habits may reduce demand for certain of the products we distribute. Consumer habits could be affected by a number of factors, including an increase in food-away-from home options, changes in attitudes regarding benefits of natural and organic products when compared to similar lower margin conventional products, new information regarding the health effects of consuming certain foods, changes in disposable income levels, which may be impacted by a reduction in the level of government spending that supports grocery purchases, or other macro trends. For example, we experienced declines in certain of our sales channels as a result of changes in consumer purchasing habits related to the COVID- 19 pandemic, including reductions in foodservice, bulk snacks, seeds and nuts, and international categories, and we cannot be certain how consumer habits may continue to evolve. Further, in a sustained economic downturn, consumers may shift their purchases to lower-cost, lower-margin products. Although there is a growing consumer preference for sustainable, organic and locally grown products, which are higher margin products, there can be no assurance that such trend will continue. Changing consumer preferences also result from generational shifts, including younger generations seeking new and different foods, as well as more ethnic, multi-cultural menu options and menu innovation. However, there can be no assurance that such trends will continue. If consumer eating habits change significantly, we may be required to modify or discontinue sales of certain items in our product portfolio, and we may experience higher costs associated with the implementation of those changes. Additionally, if we are not able to effectively respond to changes in consumer perceptions or adapt our product offerings to new or developing trends in eating habits, our business, financial condition, or results of operations could suffer. Our leverage and debt service obligations increase our sensitivity to the effects of economic downturns and could adversely affect our business. As of July 29-August 3, 2023 2024, we had approximately \$ 2. 0-1 billion of long-term debt outstanding. Our leverage, and any increase therein, could have important potential consequences, including, but not limited to: • increasing our vulnerability to, and reducing our flexibility in planning for and responding to, adverse general economic and industry conditions and changes in our business and the competitive environment and placing us at a disadvantage to our competitors that are less leveraged; • requiring us to use a substantial portion of operating cash flow to pay principal of, and interest on, indebtedness, instead of other purposes, such as funding working capital, capital expenditures, acquisitions, returning capital to stockholders through dividends or share repurchases or other corporate purposes; • increasing our vulnerability to a downgrade-downgrades of our credit rating, which could adversely affect our cost of funds, liquidity, and access to capital markets; • restricting us from making desired strategic acquisitions in the future or causing us to make non-strategic divestitures; • increasing our exposure to the risk of increased interest rates insofar as current and future borrowings are subject to variable rates of interest; • making it more difficult for us to repay, refinance, or satisfy our obligations with respect to our indebtedness; • limiting our ability to borrow additional funds and increasing the cost of any such borrowing; and • imposing restrictive covenants on our operations, which could result in an event of default if we are unable to comply, and absent any cure or waiver of such default ultimately could result in the acceleration of the such debt and potentially other debt with cross-acceleration or cross-default provisions. There is no

assurance that we will generate sufficient cash flow from operations or that future debt or equity financing will be available to us to enable us to pay our indebtedness. As a result, we may need to refinance all or a portion of our indebtedness on or before maturity, however, we may not be able to do so on favorable terms, or at all. Any inability to generate sufficient cash flow or refinance our indebtedness on favorable terms could have a material adverse effect on our business, financial condition or results of operations. Disruption of our distribution network or to the operations of our customers could adversely affect our business. Damage or disruption to our distribution capabilities due to weather, including extreme or prolonged weather conditions, natural disaster, fire, civil unrest, terrorism, pandemic, strikes, product recalls or safety concerns generally, crop conditions, availability of key commodities, regulatory actions, disruptions in technology, the financial and / or operational instability of key suppliers, performance by outsourced service providers, transportation interruptions, labor supply or stoppages or vendor defaults or disputes, or other reasons could impair our ability to distribute our products. ~~For example, we have both distribution centers and retail stores in cities and states where civil unrest has led to extensive property damage.~~ To the extent that we are unable, or it is not financially feasible, to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, there could be an adverse effect on our business, financial condition or results of operations. In addition, such disruption may interrupt or impede access to, or otherwise reduce the number of consumers who visit, **our customers' facilities, all of which could have a material adverse effect on our business, financial condition or results of operations.** Increased fuel costs may adversely affect our results of operations. Increased fuel costs may have a negative impact on our results of operations. Both the price and supply of fuel are unpredictable and fluctuate based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Higher costs for diesel fuel can increase the price we pay for products as well as the costs we incur to deliver products to our customers, including costs of inbound goods from our suppliers. These factors, in turn, may negatively impact our ~~net-Net~~ sales, margins, operating expenses and operating results. To the extent we do not enter into commodity derivative contracts to hedge a portion of our projected diesel fuel requirements, our exposure to volatility in the price of diesel fuel would increase relative to our exposure to volatility in periods in which we have outstanding commodity derivative contracts. We also maintain a fuel program with certain customers, which allows us to pass some of the changes in fuel costs through to those customers. If fuel costs continue to increase in the future, we may experience difficulties in passing all or a portion of these costs along to our customers, which may adversely affect our business, financial condition or results of operations. Disruption of our distribution network or to..... financial condition or results of operations. Legal and Regulatory Risks We are subject to significant governmental regulation and failure to comply with such regulations may have a material adverse effect on our business, financial condition or results of operations. Our business is highly regulated at the federal, state, and local levels, and our products and distribution operations require various licenses, permits and approvals, **including. For example: • the-The** products that we distribute in the United States are subject to inspection by the United States Food and Drug Administration ~~;~~ **• our-Our** warehouse and distribution centers are subject to inspection by the United States Department of Agriculture, the United States Department of Labor Occupational and Health Administration, **the Environmental Protection Agency** and various state health and workplace safety authorities. ~~;~~ **• and • our-Our** United States trucking operations are subject to regulation by the United States Department of Transportation and the United States Federal Highway Administration. In addition, the various federal, state and local laws, regulations and administrative practices to which we are subject require us to comply with numerous provisions regulating areas such as environmental, health and sanitation standards, food safety, marketing of natural or organically produced food, facilities, pharmacies, equal employment opportunity, public accessibility, employee benefits, wages and hours worked and licensing for the sale of food, drugs, tobacco and alcoholic beverages, among others. For example: Environmental, Health and Safety: Our operations are subject to extensive and increasingly stringent laws and regulations pertaining to the protection of the environment, including those relating to the discharge of materials into the environment, the disposal of food by- products, the handling, treatment, and disposal of wastes, maintenance of refrigeration systems, and remediation of soil and groundwater contamination. Compliance with existing or changing environmental and safety requirements, including more stringent limitations imposed or expected to be imposed in any recently renewed or soon- to- be renewed environmental permits, may require capital expenditures. Additionally, concern over climate change, including the impact of global warming, has led to significant United States and international legislative and regulatory efforts to limit greenhouse gas emissions. Increased regulation regarding greenhouse gas emissions, particularly with respect to diesel engine emissions, could result in substantial additional operating expenses. These expenses may include an increase in the cost of the fuel and other energy we purchase and capital costs associated with updating or replacing our vehicles sooner than planned. Until the timing, scope and extent of such regulation becomes known, we cannot predict its effect on our results of operations. It is reasonably possible, however, that it could result in material costs, which we may be unable to pass on to our customers. Further, our business may be subject to climate- related transition risks, which arise from society' s transition toward a low- carbon economy due to changes in laws or regulations, technological advancements, and investor and consumer sentiment. We also have announced third- party validated emissions reduction targets covering our operations and value chain. While many of our initiatives will create efficiencies and return on investment, the transition to a low- carbon economy generally and our own efforts to reduce emissions could lead to increased costs to transition to or invest in renewable energy sources, including electric vehicles, increased compliance costs, including tracking and reporting systems, and increased costs of products, commodities and energy. Food Safety and Marketing: There is significant governmental scrutiny, regulations and public awareness regarding food quality and food and drug safety. We may be adversely affected if consumers lose confidence in the safety and quality of the food we manufacture or the food and drug products we distribute. In addition, we are subject to governmental scrutiny of and public awareness regarding food safety and the sale, packaging, and marketing of natural and organic products. Compliance with these laws may impose a significant burden on our operations. Wage Rates and Paid Leave:

Changes in federal, state or local minimum wage and overtime laws or employee paid leave laws could cause us to incur additional wage costs, which could adversely affect our operating margins. Failure to comply with existing or new laws or regulations could result in significant damages, penalties and / or litigation costs. directly involved in the processing,storage or transmission of cardholder data.PCI DSS contains compliance guidelines and standards with regard to our security surrounding the physical and electronic storage,processing and transmission of individual cardholder data.By accepting debit cards for payment,we are also subject to compliance with American National Standards Institute data encryption standards and payment network security operating guidelines.The cost of complying with stricter privacy and information security laws,standards and guidelines,including evolving PCI DSS standards,and developing,maintaining,and upgrading technology systems to address future advances in technology,could be significant and we Foreign Operations: Our supplier base includes domestic and foreign suppliers. In addition, we have customers located outside the United States. Accordingly, laws and regulations affecting the importation and taxation of goods, including duties, tariffs and quotas, or changes in the enforcement of those laws and regulations could adversely impact our financial condition and results of operations. In addition, we are required to comply with laws and regulations governing export controls, and ethical, anti- bribery and similar business practices such as the Foreign Corrupt Practices Act. Our Canadian operations are similarly subject to extensive regulation, including the English and French dual labeling requirements applicable to products that we distribute in Canada. The loss or revocation of any existing licenses, permits, or approvals or the failure to obtain any additional licenses, permits, or approvals in new jurisdictions where we intend to do business could have a material adverse effect on our business, financial condition or results of operations. Pharmacy: We are required to meet various security and operating standards and comply with the Controlled Substances Act and its accompanying regulations governing the sale, marketing, packaging, holding, record keeping and distribution of controlled substances. During the past several years, the United States healthcare industry has been subject to an increase in governmental regulation and audits at both the federal and state levels. For example, in 2019, the Company settled with the Drug Enforcement Administration alleged violations of the Controlled Substances Act relating to an administrative subpoena received by Supervalu that requested, among other things, information on the Company' s pharmacy policies and procedures generally, as well as the production of documents that are required to be kept and maintained pursuant to the Controlled Substances Act and its accompanying regulations. The failure to comply or maintain compliance with applicable governmental laws and regulations, including those referred to above and in Item 1. Business- Government Regulation of this Annual Report, could result in, among other things, administrative, civil, or criminal penalties or fines; mandatory or voluntary product recalls; warning or other letters; cease and desist orders against operations that are not in compliance; closure of facilities or operations; the loss, revocation, or modification of any existing licenses, permits, registrations or approvals; the failure to obtain additional licenses, permits, registrations or approvals in new jurisdictions where we intend to do business; or the loss of our ability to participate in federal and state healthcare programs, any of which could have a material adverse effect on our business, financial condition or results of operations. These laws and regulations may change in the future. We cannot predict the nature of future laws, regulations, interpretations or applications, nor can we determine the effect that additional governmental regulations or administrative orders, when and if promulgated, or disparate federal, state and local regulatory schemes would have on our future business. We may incur material costs in our efforts to comply with current or future laws and regulations or due to any required product recalls. In addition, if we fail to comply with applicable laws and regulations or encounter disagreements with respect to our contracts subject to governmental regulations, including those referred to above, we may be subject to investigations, criminal sanctions or civil remedies, including fines, injunctions, prohibitions on exporting, seizures, or debarments from contracting with the U. S. or Canadian governments. The cost of compliance or the consequences of non- compliance, including debarments, could have a material adverse effect on our business, financial condition, or results of operations. In addition, governmental units may make changes in the regulatory frameworks within which we operate that may require us to incur substantial increases in costs in order to comply with such laws and regulations. Product liability claims could have an adverse effect on our business. We face a risk of exposure to product liability claims if the products we sell or manufacture cause injury or illness. In addition, meat, seafood, cheese, poultry and other products that we distribute could be subject to recall because they are, or are alleged to be, contaminated, spoiled or inappropriately labeled. Our meat and poultry products may be subject to contamination by disease-producing organisms or pathogens, such as *Listeria monocytogenes*, *Salmonella* and generic *E. coli*. These pathogens are generally found in the environment, and as a result, there is a risk that they, as a result of food processing, could be present in the meat and poultry products we distribute. These pathogens can also be introduced as a result of improper handling at the consumer level. These risks may be controlled, although not eliminated, by adherence to good manufacturing practices and finished product testing. We have little, if any, control over proper handling before we receive the product or once the product has been shipped to our customers. Any events that give rise to actual or potential food contamination, drug contamination or food- borne illness or injury, or events that give rise to claims that our products are not of the quality or composition claimed to be, may result in product liability claims from individuals, consumers and governmental agencies, penalties and enforcement actions from government agencies, a loss of consumer confidence, harm to our reputation and could cause production and delivery disruptions, which may adversely affect our financial condition or results of operations. In addition, if we were to manufacture or distribute foods that are or are perceived to be unsafe, contaminated, or defective, it may be necessary for us to recall such products, or we may recall products that we determine do not satisfy our quality standards. Any resulting product recalls could have an adverse effect on our business, financial condition or results of operations. We have, and the companies we have acquired have had, liability insurance with respect to product liability claims. This insurance may not continue to be available at a reasonable cost or at all and may not be adequate to cover product liability claims against us or against companies we have acquired. We generally seek contractual indemnification and insurance coverage from our suppliers and manufacturers, but any such indemnification is limited to the creditworthiness of the indemnifying party. We may be subject to liability, which could be substantial, because of actual or alleged contamination in products manufactured or sold by us, including products sold

by companies before we acquired them. If we do not have adequate insurance or contractual indemnification available, product liability claims and costs associated with product recalls, including a loss of business, could have a material adverse effect on our business, financial condition or results of operations. We may be unable to adequately protect our intellectual property rights, which could harm our business. We rely on a combination of trademark, service mark, trade secret, copyright, and domain name law and internal procedures and nondisclosure agreements to protect our intellectual property. We believe our trademarks, private label products and domain names are valuable assets. However, our intellectual property rights may not be sufficient to distinguish our products and services from those of our competitors and to provide us with a competitive advantage. From time to time, third parties may use names, logos and slogans similar to ours, may apply to register trademarks or domain names similar to ours, and may infringe or otherwise violate our intellectual property rights. Our intellectual property rights may not be successfully asserted against such third parties or may be invalidated, circumvented or challenged. Asserting or defending our intellectual property rights could be time consuming and costly and could distract management's attention and resources. If we are unable to prevent our competitors from using names, logos, slogans and domain names similar to ours, consumer confusion could result, the perception of our brands and products could be negatively affected and our sales and profitability could suffer as a result. In addition, if our wholesale customers receive negative publicity or fail to maintain the quality of the goods and services used in connection with our trademarks, our rights to, and the value of, our trademarks could potentially be harmed. Failure to protect our proprietary information could also have an adverse effect on our business. We may also be subject to claims that our activities or the products we sell infringe, misappropriate, or otherwise violate the intellectual property rights of others. Any such claims can be time consuming and costly to defend and may distract management's attention and resources, even if the claims are without merit, and may prevent us from using our trademarks in certain geographies or in connection with certain products and services, any of which could adversely affect our business.