Risk Factors Comparison 2024-03-12 to 2023-03-14 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

The following risk factors describe various risks that may affect our business, financial condition, and operations. References to " we, " " us, " and " our " in this " Risk Factors " section refer to Core Molding Technologies and its subsidiaries, unless otherwise specified or unless the context otherwise requires. Risks Relating to our Business Our business has concentration risks associated with significant customers. Sales to five customers constituted approximately ~~64~~ **68** % of our ~~2022~~ **2023** total sales. No other customer accounted for more than 10 % of our total sales for this period. The loss of any significant portion of sales to any of our significant customers could have a material adverse effect on our business, results of operations, and financial condition. Accounts receivable balances with five customers accounted for 67 % of accounts receivable at December 31, ~~2022~~ **2023** . The Company performs ongoing credit evaluations of its customers' financial condition and maintains reserves for potential bad debt losses. If the financial conditions of any of these customers were to deteriorate, impacting their ability to pay their receivables, our reserves may not be adequate which could have a material adverse effect on our business, results of operations, or financial condition. ~~We are~~ **Beginning in the second half of 2024 and** continuing **through 2026,** ~~to engage in efforts intended to strengthen and expand~~ our ~~relations~~ **business** with **Volvo, a** significant ~~customers~~ **customer accounting for approximately 16 % of our 2023 total sales** , ~~as well~~ **will** ~~as provide~~ **begin transitioning from existing production programs that the Company currently supplies to new programs that the Company does not** support **. There is no assurance that we will be able to replace the loss of any revenue that we may experience from the expiration of our existing production programs with Volvo,** ~~for~~ **or** ~~our entire~~ **from the loss of any other significant** customer ~~base. We have supported~~ **whether due to unexpected loss** ~~our~~ **or future expiration of production programs** ~~position with customers using direct and active contact through our sales, quality, engineering, and operational personnel~~ . **Furthermore,** ~~These~~ **these** customers may not continue to do business with us as they have in the past and we may not be able to supply these customers or any of our other customers at current levels. Our business is affected by the cyclical and overall nature of the industries and markets that we serve. The North American heavy and medium- duty truck industry, on which the demand of our products is largely dependent, is highly cyclical. In ~~2022~~ **2023** , approximately ~~45~~ **52** % of our product sales was in this industry. The market for this industry fluctuates in response to factors that are beyond our control, such as general economic conditions, interest rates, federal and state regulations (including engine emissions regulations, tariffs, import regulations, and other taxes), consumer spending, fuel costs, supply chain constraints, our customers' inventory levels and production rates, and the overall strength of the economy. Our manufacturing operations have a significant fixed cost component. Accordingly, during periods of changing demands, including an increase or slowdown in truck demand, the profitability of our operations may change proportionately more than revenues from operations. In addition, our operations are typically seasonal as a result of regular customer maintenance shutdowns, which typically vary from year to year based on production demands and occur in the third and fourth quarter of each calendar year. This seasonality may result in decreased net sales and profitability during the third and fourth fiscal quarters of each calendar year. Weakness in overall economic conditions or in the markets that we serve, or significant reductions by our customers in their inventory levels or future production rates, could result in decreased demand for our products and could have a material adverse effect on our business, results of operations, or financial condition. Price increases in raw materials (including price increases due to prolonged inflation) and availability of raw materials, including disruptions in supply chain, could adversely affect our operating results and financial condition. We purchase resins and fiberglass for use in production as well as hardware and other components for product assembly. The prices for purchased materials are affected by the prices of material feed stocks such as crude oil, natural gas, and downstream components, as well as processing capacity versus demand. ~~We attempt to reduce our exposure to increases by working with suppliers, evaluating new suppliers, improving material efficiencies, and when necessary through sales price adjustments to customers.~~ If we are unsuccessful in developing ways to mitigate these raw material increases or are unable to offset the increase through price increases to our customers, our results of operations could be materially adversely impacted. We ~~manufacture and sell products globally and~~ rely upon a global supply chain to deliver the raw materials, components, systems and parts that we need to manufacture and service our products. Any direct or indirect supply chain disruptions **, including from the effects of any pandemics or epidemics, economic slowdowns, recessions, geopolitical events, inflation or rising interest rates,** may have an adverse impact on our business, financial condition, results of operations or cash flows. In addition, recent inflationary pressures have resulted in increased raw material, labor and logistics expenses, which, if they continue for a prolonged period, may adversely affect our results of operations. If our costs are subject to continuing significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability to do so could harm our results of operation. Long- term fixed price customer contracts could adversely impact operating results in an inflationary economy. In order to obtain new business in a competitive environment, the Company enters into long- term contracts that fix the customer product price and requires the Company to accept all product orders. These fixed price customer contracts allow for certain price increases but may not provide for recovery of all of the Company' s cost increases. As a result, if the Company' s operating costs, such as raw material, labor and overhead costs, increase the Company may not be able to increase the price of products sold to customers enough to offset operating costs increases, which could adversely affect our operating results and financial condition. Cost reduction and quality improvement initiatives by original equipment manufacturers could have a material adverse effect on our business, results of operations, or financial condition. We are primarily a components supplier to large original equipment manufacturers (" OEMs ") that are able to exert considerable pressure on components suppliers to reduce costs, improve quality, and provide additional design and engineering capabilities. OEMs continue to demand and receive price reductions and measurable increases in quality through their use of competitive selection processes, rating programs, and various other arrangements. We may be unable to generate sufficient production cost savings in the future to offset such price reductions. OEMs may also seek to save costs by purchasing components from suppliers that are geographically closer to their production facilities or relocating production to locations with lower cost structures and purchasing components from suppliers with lower production costs. These decisions by OEMs could require us to shift production between our facilities, move production lines between our facilities, or open new facilities to remain competitive. Shifting production, moving production lines, or opening new locations could result in significant costs required for capital investment, transfer expenses, and operating costs. Additionally, OEMs have generally required component suppliers to provide more design engineering input at earlier stages of the product development process, the costs of which have, in some cases, been absorbed by the suppliers. To the extent that the Company does not meet the quality standards or demands of quality improvement initiatives sought by OEMs, or does not match the quality of suppliers of comparable products, OEMs may choose to purchase from these alternative suppliers, and as a result the Company may lose existing or new business with OEMs. Future price reductions, increased quality standards, and additional engineering capabilities required by OEMs may reduce our profitability and have a material adverse effect on our business, results of operations, or financial condition. We operate in highly competitive markets, and if we are unable to effectively compete it may negatively impact future operating results, sales, and earnings. The markets in which we operate are highly competitive. We compete with a number of other manufacturers that produce and sell similar products. Our products primarily compete on the basis of capability, product quality, cost, and delivery. Some of our competitors have greater financial resources, research and development facilities, design engineering, manufacturing, and marketing capabilities. If we are unable to develop new and innovative products, diversify the markets, materials, and processes we utilize and increase operational enhancements, we may fall behind competitors or lose the ability to achieve competitive advantages. In the highly competitive market in which we operate, this may negatively impact our ability to retain existing customers or attract new customers, and if that occurs, it may negatively impact future operating results, sales, and earnings. We may be subject to additional shipping expense or late fees if we are not able to meet our customers' on- time demand for our products. We must continue to meet our customers' demand for on- time delivery of our products. Factors that could result in our inability to meet customer demands include a failure by one or more of our suppliers to supply us with the raw materials and other resources that we need to operate our business effectively and an unforeseen spike in demand for our products, which would create capacity constraints, among other factors. If this occurs, we may be required to incur additional shipping expenses to ensure on- time delivery or otherwise be required to pay late fees, which could have a material adverse effect on our business, results of operations, or financial condition. Increasing competition for highly skilled and talented workers, as well as labor shortages, could adversely affect our business. Our success largely depends on the efforts and abilities of our key personnel and our continuing ability to attract and retain highly qualified personnel. Their skills, experience, and industry contacts significantly benefit us. A number of factors may adversely affect the labor force available to us or increase labor costs, including high employment levels and government regulations. To date we have experienced an increasingly competitive labor market. The increasing competition for highly skilled and talented employees has resulted, and could in the future result, in higher compensation costs and could result in difficulties in maintaining a capable workforce. If we are unable to hire and retain employees capable of performing at a high level, or if mitigation measures we may take to respond to a decrease in labor availability, such as overtime and third- party outsourcing, have unintended negative effects, our business could be adversely affected. A sustained labor shortage, lack of skilled labor, increased turnover or labor cost inflation, ~~caused by the ongoing COVID- 19 pandemic or~~ as a result of general macroeconomic factors, could lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees, which could negatively affect our ability to efficiently operate our manufacturing facilities and overall business and have other adverse effects on our results of operations and financial condition. Work stoppages or other labor issues at our facilities or at our customers' facilities could adversely affect our operations. As of December 31, ~~2022~~ **2023** , unions at our Columbus, Ohio, Matamoros and Escobedo, Mexico, and Cobourg, Canada facilities represented approximately ~~69~~ **67** . ~~0~~ **3** % of our entire workforce. As a result, we are subject to the risk of work stoppages and other labor- relations matters. The current Columbus, Ohio, Matamoros, Mexico, Cobourg, Canada, and Escobedo, Mexico union contracts extend through August 9, 2025, January 1, 2024, November 1, 2025 and February ~~1~~ **18** , ~~2023~~ **2024** , respectively. Any prolonged work stoppage or strike at our unionized facilities could have a material adverse effect on our business, results of operations, or financial condition. Any failure by us to reach a new agreement upon expiration of such union contracts may have a material adverse effect on our business, results of operations, or financial condition. The Company is currently negotiating an extension to the Escobedo, Mexico collective bargaining agreement. In addition, if any of our customers or suppliers experience a material work stoppage, that customer may halt or limit the purchase of our products or that supplier may interrupt supply of our necessary production components. This could cause us to shut down production facilities relating to these products, which could have a material adverse effect on our business, results of operations, or financial condition. Our foreign operations in Mexico and Canada subject us to risks that could negatively affect our business. We operate manufacturing facilities in Matamoros and Escobedo, Mexico and Cobourg, Canada. As a result, a significant portion of our business and operations is subject to the risk of changes in economic conditions, tax systems, consumer preferences, social conditions, safety and security conditions, and political conditions inherent in Mexico and Canada, including changes in the laws and policies that govern foreign investment, as well as changes in United States laws and regulations relating to foreign trade and investment. Changes in laws and regulations related to foreign trade and investment may have an adverse effect on our results of operations, financial condition, or cash flows. Our business is subject to risks associated with manufacturing equipment and infrastructure. We convert raw materials into molded products through a manufacturing process at each production facility. A catastrophic loss of the use of all or a portion of our facilities due to accident, fire, explosion, or natural disaster, whether short or long- term, could have a material adverse effect on our business, results of operations, or financial condition. Unexpected failures of our equipment and machinery may result in production delays, revenue loss, and significant repair costs, as well as injuries to our employees. Any interruption in production capability may require us to make large capital expenditures to remedy the situation, which could have a negative impact on our profitability and cash flows. Our business interruption insurance may not be sufficient to offset the lost revenues or increased costs that we may experience during a disruption of our operations. Because we supply our products to OEMs, a temporary or long- term business disruption could result in a permanent loss of customers. If this were to occur, our future sales levels and therefore our profitability could be materially adversely affected. Our business is subject to risks associated with new business awards. In order to recognize profit from new business, we must accurately estimate product costs as part of the quoting process and implement effective and efficient manufacturing processes. Expected future sales from business awards may not materialize. We may not realize the sales or operating results that we anticipate from new business awards, and we may experience difficulties in meeting the production demands of new business awards. The success of our business relies on our ability to produce products which meet the quality, performance, and price expectations of our customers. Our ability to recognize profit is largely dependent upon accurately identifying the costs associated with the manufacturing of our products and executing the manufacturing process in a cost- effective manner. All costs may not be accurately identified during the Company' s quoting process and the expected level of manufacturing efficiency may not be achieved. As a result, we may not realize the anticipated operating results related to new business awards. We will continue to pursue, and may be awarded, new business from existing or new customers. The Company may make capital investments, which may be material to the Company, in order to meet the expected production requirements of existing or new customers related to these business awards, and to support the potential production demands which may result from continued sales growth. The anticipated impact on the Company' s sales and operating results related to these business awards may not materialize, as our growth could be adversely affected by many factors, including macroeconomic events such as inflation, recession, and interest rate increases, competition, and labor market shortages or regulations. Any delays or production difficulties encountered in connection with these business awards, and any change in customer demand, could adversely impact our business, results of operations, and liquidity, and the benefits we anticipate may never materialize. We have made acquisitions and may make acquisitions in the future. We may not realize the operating results that we anticipate from these acquisitions or from acquisitions we may make in the future, and we may experience difficulties in integrating the acquired businesses or may inherit significant liabilities related to such businesses. We explore opportunities to acquire businesses that we believe are related to our core competencies, some of which may be material to us. We expect such acquisitions will produce operating results consistent with our other operations; however, any such acquisition could fail to produce the expected operating results. Any acquisitions, may present significant challenges for our management due to the increased time and resources required to properly integrate management, employees, information systems, accounting controls, personnel, and administrative functions of the acquired business with those of ours and to manage the combined company on a going forward basis. The diversion of management' s attention and any delays or difficulties encountered in connection with the integration of these businesses could adversely impact our business, results of operations, and liquidity, and the benefits we anticipate may never materialize. If we are unable to meet future capital requirements, our business may be adversely affected. As we grow our business, we may have to incur significant capital expenditures. We may make capital investments to, among other things, build new or upgrade our facilities, purchase equipment, and enhance our production processes. We may not have, or be able to obtain, adequate funds to make all necessary capital expenditures when required, and the amount of future capital expenditures may be materially in excess of our anticipated or current expenditures. If we are unable to make necessary capital expenditures we may not have the capability to support our customer demands, which in turn could reduce our sales and profitability and impair our ability to satisfy our customers' expectations. In addition, even if we are able to invest sufficient resources, these investments may not generate net sales that exceed our expenses, generate any net sales at all, or result in any commercially acceptable products. We may not achieve expected efficiencies related to the proximity of our customers' production facilities to our manufacturing facilities, or with respect to existing or future production relocation plans. Certain facilities are located in close proximity to our customers in order to minimize both our customers' and our own costs. If any of our customers were to move or if nearby facilities are closed, that may impact our ability to remain competitive. Additionally, our competitors could build a facility that is closer to our customers' facilities which may provide them with a geographic advantage. Any of these events might require us to move closer to our customers, build new facilities, or shift production between our current facilities to meet our customers' needs, resulting in additional cost and expense. Our products may be rendered obsolete or less attractive if there are changes in technology, regulatory requirements, or competitive processes. Changes in technology, regulatory requirements, and competitive processes may render certain products obsolete or less attractive. Future chemical regulations may restrict our ability to manufacture products, cause us to incur substantial expenditures to comply with them, and subject us to liability for adverse environmental or health effects linked to the manufacture of our products. Failure to comply with future regulations may subject us to penalties or other enforcement actions. Our ability to anticipate changes in these areas will be a significant factor in our ability to remain competitive. If we are unable to identify or compensate for any one of these changes it may have a material adverse effect on our business, results of operations, or financial condition. ~~Difficulty in hiring, training, and retaining skilled labor could result in increased cost overruns, an inability to satisfy customer demands, and otherwise adversely affect our business. We depend on skilled labor in the manufacturing of our products. High demand for skilled manufacturing labor in the United States has resulted in difficulty hiring, training, and retaining labor in a tightening labor market. Difficulties in securing skilled labor could result in increased hiring and training costs, increased overtime to meet demand, increased wage rates to attract and retain operators, and higher scrap and rework costs due to inexperienced workers which would adversely affect our business.~~ Financial and Accounting Risks Fluctuations in foreign currency exchange rates could adversely affect our results of operations, cash flow, liquidity, or financial condition. Because of our international operations, we are exposed to risk associated with value changes in foreign currencies, which may adversely affect our business. Historically, our reported net sales, earnings, cash flow, and financial condition have been subjected to fluctuations in foreign exchange rates. Our primary exchange rate exposure is with the Canadian dollar and the Mexican peso against the U. S. dollar. We ~~believe we~~ may experience losses from foreign currency exchange rate fluctuations, and such losses could adversely affect our sales, earnings, cash flow, liquidity, or financial condition. Our stock price can be volatile. Our stock price can fluctuate widely in response to a variety of factors. Factors include actual or anticipated variations in our quarterly operating results, our relatively small public float, changes in securities analysts' estimates of our future earnings, the loss of major customers, or significant business developments relating to us or our competitors, and other factors, including those described in this " Risk Factors " section. Our common stock also has a low average daily trading volume, which limits a person' s ability to quickly accumulate or quickly divest themselves of large blocks of our stock. In addition, a low average trading volume can lead to significant price swings even when a relatively few number of shares are being traded. We have incurred impairment charges in the past and we may be required to incur additional impairment charges in the future on a portion or all of the carrying value of our goodwill or other intangible assets associated with our reporting unit which may adversely affect our financial condition and results of operations. Each year, and more frequently on an interim basis if appropriate, we are required by ASC Topic 350, " Intangibles- Goodwill and Other, " to assess the carrying value of our indefinite lived intangible assets and goodwill to determine whether the carrying value of those assets is impaired. Such assessment and determination involves significant judgments to estimate the fair value of our reporting unit including estimating future cash flows, near term and long term revenue growth, and determining appropriate discount rates, among other assumptions. If operating earnings fall below forecasted operating earnings, we would perform an interim or annual goodwill impairment analysis. Should that analysis conclude that the reporting unit' s fair value were to be below carrying value a goodwill impairment charge would be necessary. Any such charges could materially adversely affect our financial results in the periods in which they are recorded. Our ability to maintain effective internal control over financial reporting may be insufficient to allow us to accurately report our financial results or prevent fraud, and this could cause our financial statements to become materially misleading and adversely affect the trading price of our common stock. We require effective internal control over financial reporting in order to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we cannot provide reasonable assurance with respect to our financial statements and effectively prevent fraud, our financial statements could become materially misleading, which could adversely affect the trading price of our common stock. If we are not able to maintain the adequacy of our internal control over financial reporting, including any failure to implement required new or improved controls or if we experience difficulties in their implementation, our business, financial condition, and operating results could be harmed. Any material weakness could affect investor confidence in the accuracy and completeness of our financial statements. As a result, our ability to obtain any additional financing, or additional financing on favorable terms, could be materially and adversely affected. This, in turn, could materially and adversely affect our business, financial condition, and the market value of our stock and require us to incur additional costs to improve our internal control systems and procedures. In addition, perceptions of the Company among customers, suppliers, lenders, investors, securities analysts, and others could also be adversely affected. Material weaknesses may arise in the future due to our failure to implement and maintain adequate internal control over financial reporting. Our failure to comply with our debt covenants could have a material adverse effect on our business, financial condition, or results of operations. The Company' s credit agreements contain certain covenants. The Company' s ability to borrow money and repay existing debt on scheduled terms under its existing credit agreements requires the Company to be compliant with its covenants. If a default of covenants were to occur, we may not be able to pay our debts or borrow sufficient funds, which could materially adversely affect our results of operations, financial condition, and cash flows. Legal, Insurance, Tax and Cybersecurity Risks Changes in the legal, regulatory, and social responses to climate change, including any possible effect on energy prices, could adversely affect our business and reduce our profitability. Many of our products are made from a material whose manufacturing process involves the emission of carbon dioxide, a greenhouse gas that scientists have attributed as a cause of climate change. Our products require transportation from our facilities to the site where they are used, which consumes energy. Although it is uncertain at this time precisely what actions various governmental bodies will take early to address the ~~affects~~ **effects** of climate change and to achieve goals in response to the potential effects of climate change, various proposed legislative or regulatory initiatives related to climate changes, such as cap- and- trade systems, increased limits on emissions of greenhouse gases and fuel efficiency standards, or other measures, could in the future have a material impact on us, our customers, or the markets we serve, thereby resulting in a material adverse effect on our financial condition or results of operation. For example, customers in the transportation (automotive and truck) industry could be required to incur greater costs in order to comply with such initiatives, which could have an adverse impact on their profitability or viability. This could in turn lead to further changes in the structure of the transportation industry that could reduce demand for our products. We are also reliant on energy to manufacture our products, with our operating costs being subject to increase if energy costs rise. If new regulations would result in higher energy costs we may not be able to recover our operating cost increases through production efficiencies and price increases. Increases in energy prices for any reason (including as a result of new initiatives related to climate change) will increase our operating costs and likely reduce our profitability. Until the timing, scope and extent of any future regulation becomes known, we cannot predict its effect on our cost structure or our operating results, but it is likely our costs will increase in relation to any climate change legislation and regulation concerning greenhouse gases, which could have an adverse effect on our future financial position, results of operations or cash flows. In addition, changes in weather severity may result in sufficient insurance availability to be limited or the price of insurance to materially increase. The Company, its suppliers and customers are located in areas that may be subject to damage or disruption due to changes in weather severity (i. e. floods, hurricanes, fires, etc.). Although the Company maintains property and business interruption insurance, damage from a weather event **, natural disaster,** or disruption in the supply chain or customer demand may not be fully covered by our insurance and could cause a material adverse impact on our business. Disruption in our supply chain could also have an adverse effect on our ability to manufacture and deliver our products on a timely basis, and thereby affect our results of operations. Thus, any supply chain disruption, however small, could potentially cause the complete shutdown of an assembly line of one of our customers, and any such shutdown could expose us to claims for compensation. If the Company is unable to obtain sufficient insurance coverage or the cost of insurance materially increases, the Company' s financial condition and results of operation could be materially impacted. We may be subject to product liability claims, recalls or warranty claims, which could have a material adverse effect on our business, results of operations, or financial condition. As a components supplier to OEMs, we face a business risk of exposure to product liability claims in the event that our products malfunction and result in personal injury or death. Product liability claims could result in significant losses as a result of expenses incurred in defending claims or the award of damages. In addition, we may be required to participate in recalls involving components sold by us if any prove to be defective, or we may voluntarily initiate a recall or make payments related to such claims in order to maintain positive customer relationships. While we do maintain product liability insurance, it may not be sufficient to cover all product liability claims, and as a result, any product liability claim brought against us could have a material adverse effect on our results of operations. Further, we warrant the quality of our products under limited warranties, and as such, we are subject to risk of warranty claims in the event that our products do not conform to our customers' specifications. Such warranty claims may result in costly product recalls, significant repair costs, and damage to our reputation, all of which would adversely affect our results of operations. Our insurance coverage may be inadequate to protect against the potential hazards to our business. We maintain property, business interruption, stop loss for health care and workers' compensation, director and officer, product liability, cyber, and casualty insurance coverage, but such insurance may not provide adequate coverage against potential claims, including losses resulting from war risks, terrorist acts, or product liability claims relating to products we manufacture. Consistent with market conditions in the insurance industry, premiums and deductibles for some of our insurance policies have been increasing and may continue to increase in the future. In some instances, some types of insurance may become available only for reduced amounts of coverage, if at all. In addition, our insurers may challenge coverage for certain claims. If we were to incur a significant liability for which we were not fully insured or that our insurers disputed, it could have a material adverse effect on our financial position. We are subject to environmental, occupational health and safety rules and regulations that may require us to make substantial expenditures or expose us to financial or other obligations including substantial damages, penalties, fines, civil or criminal sanctions, and remediation costs that could adversely affect our results. Our operations, facilities, and personnel are subject to extensive and evolving laws and regulations pertaining to air emissions, wastewater discharges, the handling and disposal of solid and hazardous materials and wastes, health and safety, the investigation and remediation of contamination, and the protection of the environment and natural resources. It is difficult to predict the future interpretations and developments of environmental and health and safety laws and regulations or their impact on our future results and cash flows. Continued compliance could result in significant increases in capital expenditures and operating costs. In addition, we may be exposed to obligations or involved from time to time in administrative or legal proceedings relating to environmental, health and safety or other regulatory matters, and may incur financial and other obligations relating to such matters. Certain senior management employees have entered into potentially costly severance arrangements with us if terminated by the employee for good reason. We have entered into executive employment agreements with executive officers that provide for significant severance payments in the event such employee' s employment with us is terminated by the employee for good reason (as defined in the employment agreement). Good reason includes one or more of the following occurring in the ordinary course of business or within one year of a change in control: (i) a material reduction in base salary, (ii) a material diminution in the executive' s position and / or duties, (iii) a material breach of the employment agreement by the person or other entity then controlling the Company, or (iv) a disavowal of the employment agreement by the person or other entity then controlling the Company. A change in control occurs when (a) one Person (as defined in the employment agreement), or more than one Person acting as a group, acquires ownership of stock of the Company that, together with the stock held by such Person or group, constitutes more than 50 % of the total fair market value or total voting power of the stock of the Company, (b) a majority of the members of the ~~Company' s~~ Board ~~of Directors~~ are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election, or (c) the sale of all or substantially all of the Company' s assets. These agreements would make it costly for the employment of certain of our senior management employees to be terminated and such costs may also discourage potential acquisition proposals, which may negatively affect our stock price. Our provision for income tax, adverse tax audits, or changes in tax policy could have an adverse effect on our business, financial condition, and results of operations. We are subject to income taxes in the United States, Mexico, and Canada. Our provision for income taxes and cash flow related to taxes may be negatively impacted by: (1) changes in the mix of earnings taxable in jurisdictions with different statutory rates, (2) changes in tax laws and accounting principles, (3) changes in the valuation of our deferred tax assets and liabilities, (4) discovery of new information during the course of tax return preparation, (5) increases in nondeductible expenses, or (6) being subject to include foreign income in the United States as part of the GILTI tax provision. Tax audits may also negatively impact our business, financial condition, and results of operations. We are subject to continued examination of our income tax returns, and tax authorities may disagree with our tax positions and assess additional tax. We regularly evaluate the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. Outcomes from examinations may have a negative impact on our future financial condition and operating results. Cybersecurity ~~attacks~~ **incidents** may threaten our confidential information, disrupt operations and result in harm to our reputation and adversely impact our business and financial performance. Cybersecurity ~~attacks~~ **incidents** across industries, including ours, are increasing in sophistication and frequency and may range from uncoordinated individual attempts to measures targeted specifically at us. These attacks include but are not limited to, malicious software or viruses, attempts to gain unauthorized access to, or otherwise disrupt, our information systems, attempts to gain unauthorized access to business, proprietary or other confidential information, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Cybersecurity failures may be caused by employee error, malfeasance, system errors or vulnerabilities, including vulnerabilities of our vendors, suppliers, and their products. We have been subject to cybersecurity ~~attacks~~ **incidents** in the past. Based on information known to date, past ~~attacks~~ **incidents** have not had a material impact on our financial condition or results of operations. We **, or third parties who provide material services to us,** may experience such ~~attacks~~ **incidents** in the future, potentially with more frequency or sophistication. In the conduct of our business, we collect, use, transmit and store data on information systems, which are vulnerable to disruption and an increasing threat of continually evolving cybersecurity risks. Failures of our IT systems as a result of cybersecurity ~~attacks~~ **incidents** or other disruptions could result in a breach of critical operational or financial controls and lead to a disruption of our operations, commercial activities or financial processes. Cybersecurity ~~attacks~~ **incidents** or other disruptions impacting significant customers and / or suppliers could also lead to a disruption of our operations or commercial activities. Despite our attempts to implement safeguards on our systems and mitigate potential risks, our actions may not be sufficient to prevent cyberattacks or security breaches that manipulate or improperly use our systems or networks, compromise confidential or otherwise protected information, destroy or corrupt data, or otherwise disrupt our operations. The occurrence of such events could have a material adverse effect on our business financial condition and results of operations. Risks Related to Economic Conditions ~~The ongoing COVID- 19 pandemic has adversely impacted our business and the COVID- 19 pandemic or similar public health crises could, in the future, have a material adverse impact on our business, results of operation, financial condition and liquidity, the nature and extent of which is highly uncertain. The COVID- 19 pandemic has caused, and continues to cause volatility in the global economy, the automotive industry and our business, resulting in increased economic, demand and operational uncertainty. We have global operations, customers and suppliers in countries impacted by COVID- 19 where there are numerous uncertainties, including the duration and severity of the pandemic, the impact of the spread of new and existing variants of the virus, and the related macroeconomic impacts, including labor shortages, high inflation rates or other disruptions to our supply chain. The increased demand for imported goods driven by a shift in consumer spending has also stressed the global supply chain, from factory production capacity to transportation availability. Our suppliers could fail to deliver product in a timely manner as a result of disruption to the global supply chain due to the ongoing COVID- 19 pandemic, which could materially interrupt our business operations and / or impact our liquidity. Authorities around the world have taken a variety of measures to slow the spread of COVID- 19, including travel bans or restrictions, increased border controls or closures, quarantines, shelter- in- place orders, business shutdowns and such authorities may impose additional restrictions. We have also taken actions to protect our employees and to mitigate the spread of COVID- 19, including embracing guidelines set by the World Health Organization and the Centers for Disease Control and Prevention on social distancing, good hygiene, restrictions on employee travel and in-person meetings, and changes to employee work arrangements including remote work arrangements where feasible. The actions taken around the world to slow the spread of COVID- 19 have also impacted our customers and suppliers, and future developments could cause further disruptions to the Company due to the interconnected nature of our business relationships. The extent to which COVID- 19, or any other similar public health crisis, will impact our ongoing business, results of operations, financial condition or liquidity is highly uncertain and will depend on future developments, including the control of the spread of the virus, spread of new strains of the virus, additional actions taken by governmental authorities, and the ability to vaccinate the general population.~~ Economic conditions and disruptions in the financial markets could have an adverse effect on our business, financial condition, and results of operations. Disruptions in the financial markets could have a material adverse effect on our liquidity and financial condition if our ability to borrow money were to be impaired. Disruptions in the financial markets may also have a material adverse impact on the availability and cost of credit in the future. Our ability to pay our debt or refinance our obligations will depend on our future performance, which could be affected by, among other things, prevailing economic conditions. Disruptions in the financial markets may also have an adverse effect on the U. S. and world economies, which would have a negative impact on demand for our products. In addition, tightening of credit markets may have an adverse impact on our customers' ability to finance the sale of new trucks or our suppliers' ability to provide us with raw materials, either of which could adversely affect our business and results of operations. ~~18~~