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

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

An investment in our common stock is subject to certain risks inherent to our business. In addition to the other information contained in this Form 10- K, we recommend that you carefully consider the following risk factors in evaluating our business. If any of the following risks actually occur, our financial condition and results of operations could be materially adversely affected. If this were to happen, the value of our common stock could decline significantly, and you could lose all or part of your investment. This report is qualified in its entirety by these risk factors. Risks Related to Our Business Operations We are dependent upon PACCAR for the supply of Peterbilt trucks and parts, the sale of which generates the majority of our revenues. At certain Rush Truck Centers, we operate as a dealer of Peterbilt trucks and parts pursuant to dealership agreements with Peterbilt, a division of PACCAR. We have no control over the management or operation of Peterbilt or PACCAR. During ~~2022~~ **2023** , the majority of our revenues resulted from sales of trucks purchased from Peterbilt and parts purchased from PACCAR Parts. Due to our dependence on PACCAR and Peterbilt, we believe that our long- term success depends, in large part, on the following: ● our ability to maintain our dealership agreements with Peterbilt; ● the manufacture and delivery of competitively ~~-~~ priced, technologically current **, emissions- compliant** , high- quality Peterbilt trucks in quantities sufficient to meet our requirements; ● the overall success of PACCAR and Peterbilt; ● PACCAR' s continuation of its Peterbilt division; and ● the maintenance of goodwill associated with the Peterbilt brand, which can be adversely affected by decisions made by PACCAR, Peterbilt and the owners of other Peterbilt dealerships. A negative change in any of the preceding, or a change in control of PACCAR, could have a material adverse effect on our operations, revenues and profitability. We are dependent upon Navistar for the supply of International trucks and parts and IC buses and parts, the sale of which generate a significant portion of our revenues. At certain Rush Truck Centers, we operate as a dealer of International trucks and parts and IC buses and parts pursuant to dealership agreements with International and IC Bus, each of which are divisions of Navistar. We have no control over the management or operation of International, IC Bus or Navistar. During ~~2022~~ **2023** , a significant portion of our revenues resulted from sales of trucks purchased from International, buses purchased from IC Bus and parts purchased from Navistar. Due to our dependence on Navistar, International and IC Bus, we believe that our long- term success depends, in large part, on the following: ● our ability to maintain our dealership agreements with International and IC Bus; ● the manufacture and delivery of competitively ~~-~~ priced, technologically current **, emissions- compliant** , high- quality International trucks and IC buses in quantities sufficient to meet our requirements; ● the overall success of Navistar; and ● the maintenance of goodwill associated with the International and IC Bus brands, which can be adversely affected by decisions made by Navistar and the owners of other International and IC Bus dealerships. A negative change in any of the preceding, or a change in control of Navistar, could have a material adverse effect on our operations, revenues and profitability. Our dealership agreements may be terminable upon a change of control **,** and we cannot control whether our controlling shareholder and management maintain their current ownership positions. We have entered into nonexclusive dealership agreements with Peterbilt that authorize us to act as a dealer of Peterbilt trucks. Peterbilt may terminate our dealership agreements in the event of a change of control of the Company or if we violate any number of provisions in the dealership agreements. Under our Peterbilt dealership agreements, the following constitute a change of control: (i) with respect to the election of directors, the aggregate voting power held by W. M. " Rusty " Rush, Scott Anderson, Steven Keller ~~and~~ **,** Corey Lowe **, Jody Pollard, Jason Wilder, Michael Goldstone, Mike Eppes and Michael McRoberts** , along with certain other persons who no longer work for the Company (collectively, the " Dealer Principals ") decreases below 22 % (the Dealer Principals, excluding those who no longer work for the Company, controlled approximately ~~44~~ **41** . ~~0~~ **6** % of the aggregate voting power with respect to the election of directors as of December 31, ~~2022~~ **2023**); or (ii) any person or entity other than the Dealer Principals and their respective associates, or any person or entity who has been approved in writing by PACCAR, owns common stock with a greater percentage of the voting power with respect to the election of our directors than the Dealer Principals and their respective associates, in the aggregate, or any person other than Mr ~~. Rush, Robin M~~ . Rush or any person who has been approved in writing by PACCAR **,** holds the office of Chairman of the Board ~~,~~ **and the** President or Chief Executive Officer of the Company. We have no control over the transfer or disposition of Mr. Rush' s, or his estate' s, common stock. If Mr. Rush were to sell his Class B common stock or bequest his Class B common stock to a person or entity other than the Dealer Principals, or if his estate is required to liquidate its Class B common stock ~~this~~ **that** it owns, directly or indirectly, to pay estate taxes or otherwise, the change of control provisions of the Peterbilt dealership agreements may be triggered, which would give Peterbilt the right to terminate our dealership agreements. If our dealership agreements with Peterbilt are terminated, we will lose the right to purchase Peterbilt products and operate as an authorized Peterbilt dealer, which would have a material adverse effect on our operations, revenues and profitability. Our dealership agreements are non- exclusive and have relatively short terms, which could result in nonrenewal or imposition of less favorable terms upon renewal. Our dealership agreements generally do not provide us with exclusive dealerships in any of the areas of responsibility assigned in each dealer agreement. The manufacturers we represent could elect to create additional dealers in our areas of responsibility in the future, subject to restrictions imposed by state laws. While dealership agreements typically restrict dealers from operating franchised sales or service facilities outside their areas of responsibility, such agreements do not restrict sales or marketing activity outside the areas of responsibility. Accordingly, we engage in sales and other marketing activities outside our assigned areas of responsibility and other dealers engage in similar activities within our areas of responsibility. Our dealership agreements with the manufacturers we represent have current terms expiring between **March 2024 and** May ~~2023~~ **2029** ~~and December 2027~~ . Upon expiration of each agreement, we must negotiate a renewal.

Management expects that, consistent with in some cases decades of past practice, each of our dealership agreements will be renewed or otherwise extended before its termination date, provided that we do not breach any of the material terms of such agreement. Management attempts to mitigate the risk that any manufacturer would not renew a dealership agreement by providing superior representation of each brand that we represent in each of our areas of responsibility. We deliver superior representation to our manufacturers by continuously investing substantial capital into our dealership locations, marketing and personnel. Senior members of our management team also communicate with management of the manufacturers that we represent on a regular basis, which we believe allows us to identify any potentially problematic issues as early as possible so that we can begin working on mutually agreeable solutions. In addition to the proactive steps that management takes, the risks that our dealership agreements will not be renewed are also mitigated by dealer protection laws that exist in each of the states that our dealerships are located. Many of these state dealer franchise laws restrict manufacturers' ability to refuse to renew dealership agreements or to impose new terms upon renewal. However, to the extent such laws did allow for nonrenewal or the imposition of new terms, the relatively short terms would give manufacturers the opportunity to exercise such rights. Any nonrenewal or imposition of less favorable terms upon renewal could have an adverse impact on our business and in the case of the Peterbilt or Navistar dealership agreements, would have an adverse impact on our business. Our growth strategies may be unsuccessful if we are unable to successfully execute our strategic initiatives or identify and complete future acquisitions. Over the past few years, we have spent significant resources and efforts attempting to grow and enhance our Aftermarket Products and Services business and increase profitability through new business process management initiatives. These efforts require timely and continued investment in technology, facilities, personnel and financial and management systems and controls. We may not be successful in implementing all of the processes that are necessary to support any of our growth initiatives, which could result in our expenses increasing disproportionately to our incremental revenues, causing our operating margins and profitability to be adversely affected. Historically, we have achieved a significant portion of our growth through acquisitions **,** and we will continue to consider potential acquisitions on a selective basis. There can be no assurance that we will be able to identify suitable acquisition opportunities in the future or that we will be able to consummate any such transactions on terms and conditions acceptable to us. Moreover, there can be no assurance that we will obtain manufacturers' consents to acquisitions of additional franchises. In the long- term, technological advances in the commercial vehicle industry, including drivetrain electrification or other alternative fuel technologies, could have a material adverse effect on our business. The commercial vehicle industry is predicted to experience change over the long- term. We see these changes beginning to occur, as certain of the manufacturers we represent now have vehicles with electric drivetrains available for purchase. Technological advances, including with respect to drivetrain electrification or other alternative fuel technologies, could potentially have a material adverse effect on our parts and service business, as such vehicles are currently being described as potentially requiring less service and having fewer parts. The effect of these technological advances on our business is still uncertain, as there are many factors that are unknowable at this time, including when the infrastructure to support widespread adoption of such vehicles will be in place and when such vehicles may be commercially available at price points that would lead to their widespread adoption. Regardless of where the industry goes with respect to alternative fuel vehicles, we believe that, due to the geographic reach of our dealership network, relationships with both the manufacturers we represent and our customers and our access to capital, we are well- positioned to serve our customers' evolving needs. Similarly, although we are aware of ongoing efforts to facilitate the development of autonomous commercial vehicles, the eventual timing of the availability of autonomous commercial vehicles is uncertain due to regulatory requirements and additional technological requirements. The effect of autonomous commercial vehicles on the commercial vehicle industry is uncertain and could include changes in the level of new and used commercial vehicles sales, the price of new commercial vehicles, and the role of franchised dealers, any of which could materially adversely affect our business, financial condition and results of operations ~~. COVID- 19 has disrupted, and may continue to disrupt, our business, which could adversely affect our financial performance. In March 2020, the World Health Organization made the assessment that COVID- 19 could be characterized as a pandemic, and the President of the United States declared the COVID- 19 outbreak a national emergency. While our Rush Truck Centers have remained operational throughout the COVID- 19 pandemic, the pandemic remains a fluid and evolving situation. Some of the potential impacts to our business that we believe are directly related to the COVID- 19 pandemic and that we are currently monitoring include, but are not limited to: ● The impact that the pandemic will have on our workforce availability; ● The impact that the pandemic will have on the supply chains of the commercial vehicle manufacturers and parts manufacturers that we represent. We have been informed by the commercial vehicle manufacturers that we represent that production of commercial vehicles in 2023 will be allocated to all of their dealers based on historical purchases. While we do not expect our allocation of commercial vehicles to be less than the number of commercial vehicles we sold in 2022, there is still concern that component manufacturers' supply chain issues may limit certain of our commercial vehicle manufacturers' ability to meet demand throughout the year; and ● The impact of the pandemic on global capital markets, which depending on future developments, could impact our capital resources and liquidity in the future. The potential impacts that we list above, and other impacts of the COVID- 19 pandemic, are likely to also have the effect of heightening many of the other risk factors described herein~~ . Climate change concerns may impact our business in the future; natural disasters and adverse weather events can disrupt our business. The concerns over climate change may impact our business in the future. Our current business model depends on our ability to sell, and provide services to, commercial vehicles primarily powered by diesel and gasoline internal combustion engines, which result in greenhouse gas emissions. While the manufacturers we represent have made substantial progress in reducing the amount of greenhouse gas emissions that result from internal combustion engines, it is widely accepted that alternative fuel vehicles are necessary to address climate change. Reductions in the sale and use of commercial vehicles powered by internal combustion engines creates risks to our historical business operations and we cannot predict the future costs to our business resulting from these developments. However, we also believe that an industry transition away from internal combustion engines presents significant opportunities for us. Due in large part to the geographic reach of our dealership network, relationships with both the manufacturers we represent and our customers and our access to capital, we believe we are well- positioned to serve our customers' evolving needs and help them reduce their greenhouse gas emissions by helping them integrate more alternative fuel vehicles into their fleets and providing various services related thereto. Scientific evidence suggests that a warming climate potentially results in an environment more prone to natural disasters, such as hurricanes and flooding. ~~To date, we have seen increases in our cost to insure against such risks, which costs could continue to increase should this trend continue.~~ Some of our dealerships are located in regions of the United States where natural disasters and severe weather events (such as hurricanes, earthquakes, fires, floods, tornadoes and ~~hail storms~~ **hailstorms**) may disrupt our operations, which may adversely impact our business, results of operations, financial condition and cash flows. In addition to business interruption, our business is subject to substantial risk of property loss due to the significant concentration of property at dealership locations. Although **our vehicle inventory is insured,** we ~~have substantial~~ **self- insure our property** insurance **with respect** to ~~mitigate this risk~~ **the real property and personal property (other than our vehicle inventory) that we own. Thus** , we may be exposed to **property** ~~uninsured or underinsured~~ losses that could have a material adverse effect on our business, financial condition, results of operations or cash flows **, although we believe that such a material adverse effect would be unlikely** . Risks Related to Financial and Economic Matters We may be required to obtain additional financing to maintain adequate inventory levels. Our business requires new and used commercial vehicle inventories held for sale to be maintained at dealer locations in order to facilitate immediate sales to customers on demand. We generally purchase new and used commercial vehicle inventories with the assistance of floor plan financing agreements. Our primary floor plan financing agreement, the Floor Plan Credit Agreement, expires on September 14, 2026, and may be terminated without cause upon 360 days' notice. In the event that our floor plan financing becomes insufficient to satisfy our future requirements or our floor plan providers are unable to continue to extend credit under our floor plan agreements, we would need to obtain similar financing from other sources. There is no assurance that such additional floor plan financing or alternate financing could be obtained on commercially reasonable terms. Changes in interest rates could have a negative adverse effect on our profitability. Our Floor Plan Credit Agreement, RTC Canada Floor Plan Agreement, WF Credit Agreement, PLC Agreement and RTC Canada Revolving Credit Agreement are each subject to variable interest rates. Therefore, our interest expense rises when interest rates increase. ~~Currently, our outstanding borrowings under our Floor Plan Credit Agreement and certain other loan agreements are borrowed at LIBOR plus an applicable margin. Although LIBOR is no longer being used to price new loans, LIBOR quotes will be available for existing credit agreements until June 30, 2023.~~ In **addition** ~~the event that LIBOR quotes are no longer available, SOFR will replace LIBOR in certain of our credit agreements which currently use LIBOR, including our Floor Plan Credit Agreement. It is unclear how increased regulatory oversight and changes in the method for determining benchmark interest rates may affect our results of operations or financial conditions. However~~ , any rise in interest rates generally may also have the effect of depressing demand in the interest rate sensitive aspects of our business, particularly new and used commercial vehicle sales, because many of our customers finance such purchases. As a result, a rise in interest rates may have the effect of simultaneously increasing our costs and reducing our revenues, which could negatively affect our business, financial condition and results of operations. See " Quantitative and Qualitative Disclosures about Market Risk " for a discussion regarding our interest rate sensitivity. The dollar amount of our backlog, as stated at any given time, is not necessarily indicative of our future earnings. As of December 31, ~~2022~~ **2023** , our backlog of new commercial vehicle orders was approximately $ **3, 733.** 4 ~~, 216. 0~~ million. Our backlog is determined quarterly by multiplying the number of new commercial vehicles for each particular type of commercial vehicle ordered by a customer at our Rush Truck Centers by the recent average selling price for that type of commercial vehicle. We only include confirmed orders in our backlog. However, such orders are subject to cancellation. In the event of order cancellation, we have no contractual right to the total revenues reflected in our backlog. Reductions in backlog due to cancellation by a customer or for other reasons will adversely affect, potentially to a material extent, the revenue and profit we actually receive from orders projected in our backlog. If we were to experience significant cancellations of orders in our backlog, our financial condition could be adversely affected. ~~Our current backlog is the largest it has ever been in our Company' s history.~~ Given the potential for industry headwinds in the coming months caused by ~~lower~~ -- **low** spot rates and ~~higher~~ -- **high** interest rates, which could negatively impact industry demand for new commercial vehicles moving forward, we believe that the longer it takes to fill our backlog, the greater the risk that a significant amount of commercial vehicle orders currently reflected in our backlog could be cancelled. **In addition, given the current regulatory uncertainty in connection with CARB' s rules and regulations, we believe that certain commercial vehicle orders currently reflected in our backlog could be cancelled with respect to customers that intend to operate such vehicles in California.** Impairment in the carrying value of goodwill and other indefinite- lived intangible assets could negatively affect our operating results. We have a substantial amount of goodwill on our balance sheet as a result of acquisitions we have completed. Approximately 99 % of this goodwill is concentrated in our Truck Segment. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. Goodwill is not amortized, but instead is evaluated for impairment at least annually, or more frequently if potential interim indicators exist that could result in impairment. In testing for impairment, if the carrying value of a reporting unit exceeds its current fair value as determined based on the discounted future cash flows of the reporting unit, the goodwill is considered impaired and is reduced to fair value via a non- cash charge to earnings. Events and conditions that could result in impairment include weak economic activity, adverse changes in the regulatory environment, any matters that impact the ability of the manufacturers we represent to provide us with commercial vehicles or parts, issues with our franchise rights, or other factors leading to reductions in expected long- term sales or profitability. Determination of the fair value of a reporting unit includes developing estimates that are highly subjective and incorporate calculations that are sensitive to minor changes in underlying assumptions. Changes in these assumptions or a change in the Company' s reportable segments could result in an impairment charge in the future, which could have a significant adverse impact on our reported earnings. See " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Goodwill ” for more information regarding the potential impact of changes in assumptions. Our business is subject to a number of economic risks **.** New and used commercial vehicle retail sales tend to experience periods of decline when general economic conditions worsen. We may experience sustained periods of decreased commercial vehicle sales in the future. Any decline or change of this type could materially affect our business, financial condition and results of operations. In addition, adverse regional economic and competitive conditions in the geographic markets in which we operate could materially adversely affect our business, financial condition and results of operations. Our commercial vehicle sales volume therefore may differ from industry sales fluctuations. Economic conditions and the other factors described above also may materially adversely impact our sales of parts and repair services, and finance and insurance products. We depend on relationships with the manufacturers we represent and component suppliers for sales incentives, discounts and similar programs which are material to our operations. We depend on the manufacturers we represent and component suppliers for sales incentives, discounts, warranties and other programs that are intended to promote the sales of their commercial vehicles or our use of their components in the vehicles we sell. Most of the incentives and discounts are individually negotiated and not always the same as those made available to commercial vehicle manufacturers or our competitors. These incentives and discounts are material to our operations. A reduction or discontinuation of a commercial vehicle manufacturer’ s or component supplier’ s incentive program could have a material adverse effect on our profitability. We are dependent on the ongoing success of the manufacturers we represent and adverse conditions affecting the manufacturers we represent may negatively impact our revenues and profitability. The success of each of our dealerships is dependent on the manufacturers represented at each dealership. Our ability to sell new vehicles that satisfy our customers’ demands and replacement parts is dependent on the ability of the manufacturers we represent to produce and deliver new vehicles and replacement parts to our dealerships. Additionally, our dealerships perform warranty work for vehicles under manufacturer product warranties, which are billed to the appropriate vehicle manufacturer or component supplier as opposed to invoicing our customer. We generally have significant receivables from vehicle manufacturers and component suppliers for warranty and service work performed for our customers. In addition, we rely on vehicle manufacturers and component suppliers to varying extents for product training, marketing materials, and other items for our stores. Our business, results of operations, and financial condition could be materially adversely affected as a result of any event that has a material adverse effect on the vehicle manufacturers or component suppliers we represent. The manufacturers we represent may be adversely impacted by economic downturns, significant declines in the sales of their new vehicles, **the ability to manufacture or supply vehicles that comply with applicable emissions requirements,** labor strikes or similar disruptions (including within their major suppliers), rising raw materials costs, rising employee benefit costs, adverse publicity that may reduce consumer demand for their products (including due to bankruptcy), product defects, vehicle recall campaigns, litigation, poor product mix or unappealing vehicle design, governmental laws and regulations, or other adverse events. Our results of operations, financial condition or cash flows could be adversely affected if one or more of the manufacturers we represent are impacted by any of the foregoing adverse events. Actions taken in response to continued operational losses by manufacturers we represent, including bankruptcy or reorganizations, could have a material adverse effect on our sales volumes and profitability. In addition, such actions could lead to the impairment of one or more of our franchise rights, inventories, fixed assets and other related assets, which in turn could have a material adverse effect on our financial condition and results of operations. Actions taken in response to continued operational losses by manufacturers we represent, including bankruptcy or reorganizations, could also eliminate or reduce such manufacturers’ indemnification obligations to our dealerships, which could increase our risk in products liability actions. Risks Related to Legal and Regulatory Matters If state dealer laws are repealed or weakened, our dealerships will be more susceptible to termination, nonrenewal or renegotiation of their dealership agreements. We depend on our vehicle dealership agreements for a substantial portion of our revenues and profitability. State dealer laws generally provide that a manufacturer may not terminate or refuse to renew a dealership agreement unless it has first provided the dealer with written notice setting forth good cause and stating the grounds for termination or nonrenewal. Vehicle manufacturers’ lobbying efforts may lead to the repeal or revision of state motor vehicle dealer laws. If motor vehicle dealer laws are repealed or amended in the states in which we operate dealerships, the manufacturers we represent may be able to terminate our vehicle dealership agreements without providing advance notice, an opportunity to cure or a showing of good cause. Without the protection of state dealer laws, or if such laws are weakened, we will be subject to higher risk of termination or nonrenewal of our vehicle dealership agreements. Termination or nonrenewal of our vehicle dealership agreements would have a material adverse effect on our operations, revenues and profitability. ~~Our dealerships~~ **The commercial vehicles that we sell** are subject to federal ~~,~~ **and** state ~~and local environmental~~ regulations ~~that may result in claims~~ **focused on reducing engine emissions** and **we** ~~liabilities, which could be material. We~~ are ~~subject~~ **dependent on the manufacturers that we represent** to ~~federal, state and local environmental laws and~~ **produce or supply engines that comply with such** regulations **. Laws** ~~governing the following: discharges into the air~~ and ~~water;~~ **regulations intended to achieve the goal of significantly reducing engine emissions associated with** the operation ~~and removal~~ of ~~underground and aboveground storage tanks; the use, handling, storage and disposal of hazardous substances, petroleum and other materials; and the investigation and remediation of contamination. As with~~ commercial ~~vehicle~~ **vehicles** dealerships generally, and service, parts....... Further, environmental laws and regulations are complex and subject to change. For example, in August 2021, the President of the United States issued an executive order intended to increase fuel efficiency, further reduce GHG emissions and speed up the development of “ zero- emission ” vehicles. The executive order calls for the EPA and the Secretary of Transportation to adopt new rules and regulations for commercial vehicles starting as early as model year 2027. Similarly, in June 2020, **CARB** ~~the California Air Resources Board~~ adopted a final rule that is intended to phase out the sale of diesel- powered commercial vehicles over time by requiring a certain percentage of each manufacturer’ s commercial vehicles sold within the state to be “ zero- emission vehicles, ” or “ near- zero emission vehicles, ” starting in model year 2024. In **July 2023, CARB and various manufacturers of heavy- duty commercial vehicles and engines, including PACCAR,**

Navistar, Ford, Hino, Isuzu and Cummins, entered into the Clean Truck Partnership, whereby the manufacturers agreed to comply with CARB' s emission requirements where applicable, regardless of whether any entity challenges CARB' s rule- making authority, and CARB agreed to work with manufacturers to provide reasonable lead time to meet CARB' s requirements and before imposing new regulations. In addition, **CARB agreed to align its nitrogen oxide emissions rules with the EPA' s, which go into effect starting** in **model year 2027, and modify certain of its 2024 nitrogen oxide emissions regulations, currently in effect, with respect to which manufacturers may provide certain offsets to meet CARB' s emmision targets in exhange for the ability to sell legacy engines. Since** July 2020, a group of ~~fifteen~~ **seventeen** U. S. states and the District of Columbia entered into a joint memorandum of understanding that **adopts at least a portion of CARB' s emissions regulations and** commits each of them to work together to advance and accelerate the market for electric Class 3 through 8 commercial vehicles ~~and two additional states have since signed~~ . Six of the states that signed are states where we sell new commercial vehicles: California, Colorado, New Mexico, North Carolina and Virginia. The signatories to the memorandum all agreed on a goal of ensuring that 100 % of new Class 3 through 8 commercial vehicles are zero emission by 2050, with an interim target of 30 % zero emission **vehicles** by 2030. Attaining these goals would likely require the adoption of new laws and regulations and we cannot predict at this time whether such laws and regulations would have an adverse impact on our business. **In addition, engine emissions rules and regulations could affect demand for the products that we sell in certain markets. For example, there is currently uncertainty regarding CARB' s regulations that became effective January 1, 2024. The regulations require a certain percentage of each manufacturer' s commercial vehicles that are sold in California to be " zero- emission vehicles, " or " near- zero emission vehicles, " starting in model year 2024. There are currently multiple lawsuits pending where plaintiffs are challenging CARB' s rules on the basis that, amongst other things, such rules are preempted by other federal laws and that the EPA exceeded its authority in granting a waiver allowing CARB' s rules to take effect. We are working with the manufacturers we represent to understand the potential limitations on the sale of certain new commercial vehicles within California going forward, and the potential limitations that may apply to our customers that may operate model year 2024 and later commercial vehicles within California. While we do not currently believe that any reduction in the number of new commercial vehicles that we may be able to sell due to CARB' s rules and regulations would have a material adverse effect on our results in 2024, our success going forward depends on the ability of our manufacturers to successfully supply new commercial vehicles that comply with existing and future emissions rules and regulations in each of the markets in which we operate. Disruptions to our information technology systems and breaches in data or system security could adversely affect our business. We rely upon our information technology systems to manage all aspects of our business, including processing and recording sales to, and payments from, customers, managing inventory, communicating with manufacturers and vendors, processing employee payroll and benefits and financial reporting. Any inability to manage these systems, including with respect to matters related to system and data security, privacy, reliability,** ~~Compliance~~ **compliance In addition** ~~Security Critical Security Framework to provide a structured methodology to help ensure the confidentiality~~ , ~~integrity,and availability of~~ **such laws could affect demand for the products that we sell.Disruptions to** our **information technology** systems and **breaches in** data **or system security could adversely affect our business** .We **rely upon** ~~regularly assess cybersecurity risks and monitor~~ our **information technology** systems **to manage all aspects** ~~for vulnerabilities.We conduct regular reviews and tests~~ of our **business,including processing and recording sales to,and payments from,customers,managing inventory,communicating with manufacturers and vendors,processing employee payroll and benefits and financial reporting.Any inability to manage these** systems **,including with respect to matters related to system** and ~~our~~ **data** ~~cybersecurity~~ ----- **security** ~~program~~ , ~~both internally~~ **privacy,reliability,compliance,performance** and ~~using consultants and external auditors.~~ **access,as well as any inability of** ~~These~~ **these** ~~tests include,but are not limited to,vulnerability testing,penetration testing,tabletop exercises,~~ systems **to fulfill** ~~recovery tests,assessments,and other~~ - **their** ~~activities to assess the readiness~~ **intended purpose within our business,could have** ~~and~~ - **an** ~~effectiveness of~~ **adverse effect on** our **business** ~~cybersecurity controls and protections~~ . ~~However~~ **In addition** , **in the ordinary course of business,we collect and store sensitive data and information,including our proprietary business information and that of our customers,suppliers and business partners,as well as personally identifiable information about our employees and customers.** ~~despite~~ **Despite** the security measures we have in place,our facilities and systems,and those of our third- party service providers,could be vulnerable to cyberattacks and other security breaches,computer viruses,lost or misplaced data,programming errors,human errors or other events,and such incidents can remain undetected for a period of time despite our best efforts to detect and respond to them in a timely manner.We have,from time to time,experienced threats to our data and systems,including malware,ransomware and computer virus attacks. **We** ~~As discussed above,we~~ are continuously developing and enhancing our controls,processes,and practices designed to protect our systems,computers,software,data,and networks from attack,damage,or unauthorized access.This continued development and enhancement requires us to expend significant additional resources.However,we may not anticipate or combat all types of future attacks until after they have been launched.If any of these breaches of security occur,we will be required to expend additional capital and other resources,including costs to deploy additional personnel and protection technologies,train employees and engage third- party experts and consultants.Any cyberattack,security breach or other event resulting in the misappropriation,loss,or other unauthorized disclosure of confidential information of personal identifiable information of employees or customers,whether by us directly or our third- party service providers,could adversely affect our business operations,sales,reputation with current and potential customers,associates or vendors and employees and result in litigation or regulatory actions,all of which could have a material adverse effect on our business and reputation.We are exposed to a variety of claims relating to our business and the liability associated with such claims may exceed the level of our insurance coverage.In the course of our business,we are exposed to claims for personal injury,death or property damage resulting from:(i) our customers' use of commercial vehicles that we sell,service,lease or rent;(ii) our customers' purchase of other products that we design,manufacture,sell or install,such as commercial vehicle parts,custom vehicle modifications and CNG fuel systems;and (iii) injuries caused by motor vehicle accidents that our service or delivery personnel are involved in.In addition,we have employees who work remotely from time to time at certain customers' locations that are considered inherently dangerous,such as oil or gas well drilling sites,commercial construction sites and manufacturing facilities.We could also be subject to potential litigation associated with compliance with various laws and governmental regulations at the federal,state or local levels,such as those relating to vehicle and highway safety,health and workplace safety,security and employment- related claims.We **carry comprehensive** ~~utilize a captive insurance company to manage our auto and general commercial~~ liability insurance, **subject to deductibles and** ~~which we supplement with excess insurance coverage.We~~ self- ~~insure our property insurance with respect to the real property that we own and our personal property (excluding our vehicle inventory,which is~~ insured **retentions** ~~).We also maintain various insurance policies with third- party insurers~~ , ~~each of which~~ **at levels we believe** are ~~subject~~ **sufficient** to ~~deductibles with high dollar amounts~~ **mitigate existing and future claims** . ~~We~~ **However,we** may be exposed to claims for which coverage is not afforded or the damages exceed the limits of our insurance coverage or multiple claims causing us to incur significant out- of- pocket costs before reaching the deductible amount,all of which could adversely affect our financial condition and results of operations.In addition,the cost of **such** ~~third- party~~ insurance policies may increase significantly upon renewal of those policies as a result of general rate increases for the type of insurance we carry as well as our historical experience and experience in our industry.Although we have not experienced any material losses that were not covered by insurance,our existing or future claims may exceed the coverage level of our insurance,and such insurance may not continue to be available on economically reasonable terms,or at all.If we are required to pay significantly higher premiums for insurance,are not able to maintain insurance coverage at affordable rates or if we must pay amounts in excess of claims covered by our insurance,we could experience higher costs that could adversely affect our financial condition and results of operations.In fact,due to the rising costs of premiums over the last couple of years,we have been ~~generally~~ increasing our use of self- insurance programs and increasing the amounts of our deductibles. ~~Our dealerships are subject to federal,state and local environmental regulations that may result in claims and liabilities,which could be~~ with current or amended, or new or more stringent, laws or regulations, stricter interpretations of existing laws or the future discovery of environmental conditions could require additional expenditures by us which could materially adversely affect our results of operations, financial condition or cash flows. In addition, such laws could affect...... increasing the amounts of our deductibles. We have operations in Canada. As a result, we may incur losses from the impact of foreign currency fluctuations and have higher costs than we otherwise would have due to the need to comply with foreign laws. Our operations in Canada are subject to the risks normally associated with international operations. These include: (i) the need to convert currencies, which could result in a gain or loss depending on fluctuations in exchange rates; and (ii) the need to comply with Canadian laws and regulations, as well as U. S. laws and regulations, applicable to our operations in Canada. Changes in such laws or regulations, or any material failure to comply with any applicable laws or regulations, could increase our costs, affect our reputation, limit our business and otherwise impact our operations in adverse ways. In addition, laws or regulations or the interpretations thereof can conflict among jurisdictions, and compliance in one jurisdiction could result in legal or reputational risks in another jurisdiction. Risks Related to Our Common Stock We are controlled by one shareholder and his affiliate. Collectively, Mr. Rush and his affiliate own approximately 0. 3 % of our issued and outstanding shares of Class A common stock and ~~47~~ **43** . ~~3~~ **7** % of our issued and outstanding Class B common stock. Mr. Rush collectively controls approximately ~~41~~ **36** . ~~8~~ **6** % of the aggregate voting power of our outstanding shares, which is substantially more than any other person or group. The interests of Mr. Rush may not be consistent with the interests of all shareholders. As a result of such ownership, Mr. Rush has the ability to exercise substantial control over the Company, including with respect to the election of directors, the determination of matters requiring shareholder approval and other matters pertaining to corporate governance. Our dealership agreements could discourage another company from acquiring us. Our dealership agreements with Peterbilt impose ownership requirements on certain officers of the Company. All of our dealership agreements include restrictions on the sale or transfer of the underlying franchises. These ownership requirements and restrictions may prevent or deter prospective acquirers from acquiring control of us and, therefore, may adversely impact the value of our common stock. Additionally, ~~Mr. Rush granted Peterbilt a right of first refusal to purchase his shares of common stock in the event that he desires to transfer in excess of 100, 000 shares in any 12- month period to any person other than an immediate family member, an associate or another Dealer Principal. This right of first refusal,~~ the number of shares owned by Mr. Rush and his affiliate, the requirement in our dealership agreements that the Dealer Principals retain a controlling interest in us **, the restrictions on who may serve as Chairman of the Board and President or Chief Executive Officer of the Company,** and the restrictions on the sale or transfer of our franchises contained in our dealer agreements, combined with the ability of the Board of Directors to issue shares of preferred stock without further vote or action by the shareholders, may discourage, delay or prevent a change in control without further action by our shareholders, which could adversely affect the market price of our common stock or prevent or delay a merger or acquisition that our shareholders may consider favorable. Actions by our shareholders or prospective shareholders that would violate any of the above restrictions on our dealership agreements are generally outside of our control. If we are unable to renegotiate these restrictions, we may be forced to terminate or sell one or more of our dealerships, which could have a material adverse effect on us. These restrictions may also inhibit our ability to raise required capital or to issue our stock as consideration for future acquisitions. Our Class A common stock has limited voting power. Each share of Class A common stock ranks substantially equal to each share of Class B common stock with respect to receipt of any dividends or distributions declared on shares of common stock and the right to receive proceeds on liquidation or dissolution of us after payment of our indebtedness and liquidation preference payments to holders of any preferred shares. However, holders of Class A common stock have 1 / 20th of one vote per share on all matters requiring a shareholder vote, while holders of Class B common stock have one full vote per share. Our Class B common stock has a low average daily trading volume. As a result, sales of our Class B common stock could cause the market price of our Class B common stock to drop, and it may be difficult for a stockholder to liquidate its position in our Class B common stock quickly without adversely affecting the market price of such shares. The volume of trading in our Class B common stock varies greatly and may often be light. As of December 31, ~~2022~~ **2023** , the three- month average daily trading volume of our Class B common stock was approximately ~~17~~ **20** , ~~500~~ **330** shares, with ~~twenty-~~ five days having a trading volume below 10, 000 shares. If any large shareholder were to begin selling shares in the market, the added available supply of shares could cause the market price of our Class B common stock to drop. In addition, the lack of a robust resale market may require a shareholder to sell a large number of shares of our Class B common stock in increments over time to mitigate any adverse impact of the sales on the market price of our Class B common stock. ~~If W. M. " Rusty " Rush were forced to sell shares of our common stock that he has pledged to secure a personal loan obligation, such sales could cause our stock price to decline. Mr. Rush has pledged certain of his shares of Class A and Class B common stock as collateral in connection with a personal loan. If the price of our common stock were to decline substantially, Mr. Rush could be forced by the lender to sell shares of his Class A and / or Class B common stock to satisfy his loan obligations if he could not do so through other means. Any such sales could cause the price of our common stock to decline, particularly with respect to our Class B common stock, which typically has a low average daily trading volume, as noted above. We are not a party to Mr. Rush' s loan, but we have entered into a right of first refusal agreement with Mr. Rush and the lender. The right of refusal agreement provides us with the right, but not the obligation, to purchase the shares pledged as collateral in the event Mr. Rush is ever in default under the terms of his loan.~~