Risk Factors Comparison 2024-02-22 to 2023-02-23 Form: 10-K

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Risks Related to Our Company and Business Any negative change in our relationship with our major customers could have significant adverse effects on revenues and profits. Our financial success is directly related to the willingness of our customers to continue to purchase our products. Failure to fill customers’ orders in a timely manner or on the terms and conditions they may impose could harm our relationships with our customers. The importance of maintaining excellent relationships with our major customers may also give these customers leverage in our negotiations with them, including pricing and other supply terms, as well as post- sale disputes. This leverage may lead to increased costs to us. Furthermore, if any of our major customers experience a significant downturn in their business or fail to remain committed to our products or brands, then these customers may reduce or discontinue purchases from us, which could have an adverse effect on our business, results of operations and financial condition. ~~There were two customers that each accounted for 10 percent or greater of consolidated sales in 2022.~~ Sales to our top 10 customers in ~~2022~~ **2023** accounted for ~~52~~ **54** . ~~6~~ **3** percent of our sales in the aggregate. In addition, ~~our largest~~ **a key** customer owns a significant share of a new entrant competitor, and our business may be adversely affected if the customer’ s ownership of or our competitive relationship in the marketplace with our competitor results in a decline or discontinuation of the customer’ s purchases from us. We may not be able to remain competitive in the rapidly changing markets in which we compete. The markets we serve are undergoing rapid transformation, particularly with respect to parcel delivery services and electric vehicle (**“** EV **”**) technologies. Our current and potential competitors include companies that have significantly greater financial, technical, manufacturing, marketing and other resources than we do, including OEMs and certain of our customers, and which are highly motivated by market opportunities to deploy those resources to the design, development, manufacturing, distribution, promotion, sale and support of their products, including their **EVs** ~~electric vehicles~~ . In addition to these established, mature competitors, we also face competition from new market entrants, including technology companies. As a result of these market opportunities, OEMs and other companies have taken actions to reduce costs, including through in- sourcing and supply base consolidation. We expect these trends to continue and even accelerate. We expect competition for **EVs** ~~electric vehicles~~ to intensify due to increased demand and a regulatory push for alternative fuel vehicles, continuing globalization, and consolidation in the worldwide vehicle industry. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in downward price pressure and adversely affect our business, financial condition, operating results, and prospects. Our business will be adversely affected if we are unable to adequately respond to these pressures or otherwise continue to compete in these markets. Amounts included in order backlog may not result in actual revenue and are an uncertain indicator of our future revenue. Backlog is generally comprised of agreements and purchase orders from customers that are subject to modification, cancellation, or rescheduling. While realization of revenue related to order backlog has not been a major issue in the past, we cannot assure that we will recognize revenue with respect to each order included in order backlog. Should a cancellation occur, our order backlog and anticipated revenue would be reduced unless we are able to replace the cancelled order. As a result, the order backlog may not be indicative of future sales and can vary significantly from period to period. Reductions in our order backlog could negatively impact our future results of operations. We evaluate our order backlog at least quarterly to determine if the orders continue to meet our criteria for inclusion in order backlog. We may adjust our reported order backlog to account for any changes, including those arising from continued customer intent and ability to fulfill order, supply base capacity, and changes in our ability, or the methodology used, to determine whether an order is likely to be completed. We cannot assure that our order backlog will result in revenue on a timely basis or at all, or that any cancelled contracts will be replaced. As a result, the order backlog may not be indicative of future sales and can vary significantly from period to period. In addition, it is possible that the methodology for determining the order backlog may not be comparable to methods used by other companies. **13** The integration of businesses or assets we have acquired or may acquire in the future involves challenges that could disrupt our business and harm our financial condition. As part of our growth strategy, we have pursued and expect we will continue to selectively pursue acquisitions of businesses or assets in order to diversify, expand our capabilities, enter new markets, or increase our market share. Integrating any newly acquired business or assets can be expensive and can require a great deal of management time and other resources. We cannot guarantee that we will be able to identify attractive acquisition targets or assets. If we are unable to successfully integrate the newly acquired businesses with our existing business, we may not realize the synergies we expect from the acquisition and our business and results of operations may be adversely impacted. Re- configuration or relocation of our production operations could negatively impact our earnings. We may, from time to time, reconfigure our production lines or relocate production of products between buildings or locations or to new locations to maximize the efficient utilization of our existing production capacity or take advantage of opportunities to increase manufacturing efficiencies. Costs incurred to affect these reconfigurations or relocations may exceed our estimates, and efficiencies gained may be less than anticipated, each of which may have a negative impact on our results of operations and financial position. ~~13~~ Disruptions within our dealer network could adversely affect our business. We rely, for certain of our products, on a network of independent dealers to market **, stock** , deliver, provide training for, and service our products to and for customers. Our business is influenced by our ability to initiate and manage new and existing relationships with dealers. From time to time, we or an individual dealer may choose to terminate the relationship, or the dealership could face financial difficulty leading to failure or difficulty in transitioning to new ownership. In addition, our competitors could engage in a strategy to attempt to acquire or convert our dealers to carry their products. We do not believe our business is dependent on any single dealer, the loss of which would have a sustained material adverse effect upon our business. However, disruption of dealer coverage within a specific local market could have an adverse impact on our business within the affected market. The loss or termination of a significant number of dealers could cause difficulties in marketing and distributing our products and have an adverse effect on our business, operating results or financial condition. In the event that a dealer in a strategic market experiences financial difficulty, we may choose to provide financial support such as extending credit to a dealership, reducing the risk of disruption, but increasing our financial exposure. We may not be able to successfully implement and manage our growth strategy. Our growth strategy includes expanding existing market share through product innovation, continued expansion into industrial and global markets and merger or acquisition related activities. We believe our future success depends in part on our research and development and engineering efforts, our ability to manufacture or source the products and customer acceptance of our products. As it relates to new markets, our success also depends on our ability to create and implement local supply chain, sales and distribution strategies to reach these markets. The potential inability to successfully implement and manage our growth strategy could adversely affect our business and our results of operations. The successful implementation of our growth strategy will depend, in part, on our ability to integrate operations with acquired companies. ~~Our efforts to grow our business in emerging markets are subject to all of these risks plus additional, unique risks. In certain markets, the legal and political environment can be unstable and uncertain which could make it difficult for us to compete successfully and could expose us to liabilities.~~ We also make investments in new business development initiatives which could have a relatively high failure rate. We limit our investments in these initiatives and establish governance procedures to contain the associated risks, but losses could result and may be material. Our growth strategy also may involve acquisitions, joint venture alliances and additional arrangements of distribution. We may not be able to enter into acquisitions or joint venture arrangements on acceptable terms, and we may not successfully integrate these activities into our operations. We also may not be successful in implementing new distribution channels, and changes could create discord in our existing channels of distribution. **14** Increased costs, including costs of raw materials, component parts and labor costs, potentially impacted by changes in labor rates and practices, disruptions in supply chains and / or new or increased tariffs or similar restrictions, could reduce our operating income. Our results of operations may be significantly affected by the availability and pricing of manufacturing components and labor, changes in labor rates and practices, and increases in tariffs or similar restrictions on materials we import. Increases in costs of raw materials used in our products could affect the cost of our supply materials and components, as rising steel and aluminum prices as well as increased tariffs have impacted the cost of certain of our manufacturing components. In addition, a growth in popularity of EVs without a significant expansion in battery cell production capacity could result in shortages, which could result in increased materials costs to us and could adversely impact our projected manufacturing and delivery timelines. Although we attempt to mitigate the effect of any escalation in components, labor costs, and tariffs by negotiating with current or new suppliers and by increasing productivity or, where possible, by increasing the sales prices of our products, we cannot be certain that we will be able to do so without it having an adverse impact on the competitiveness of our products and, therefore, our sales volume. If we cannot successfully offset increases in our manufacturing costs, this could have a material adverse impact on our margins, operating income and cash flows. Our profit margins may decrease if prices of purchased component parts, labor rates, and / or tariffs increase, and we are unable to pass on those increases to our customers. ~~14~~ Implementing new information systems could interfere with our business or operations. We are in the process of implementing new information systems infrastructure and applications that impact multiple locations. These projects require significant investment of capital and human resources, the re- engineering of many processes of our business, and the attention of many employees and managers who would otherwise be focused on other aspects of our business. Should the systems not be implemented successfully, we may incur impairment charges that could materially impact our financial results. If the systems do not perform in a satisfactory manner once implementation is complete, our business and operations could be disrupted and our results of operations negatively affected, including our ability to report accurate and timely financial results. Our EVs will rely on software and hardware that is highly technical, and if these systems contain errors, bugs, vulnerabilities, or design defects, or if we are unsuccessful in addressing or mitigating technical limitations in our systems, our EV business could be adversely affected. Our EVs will rely on software and hardware that is highly technical and complex and will require modification and updates over the life of the vehicles. Our software and hardware may contain errors, bugs, vulnerabilities or design defects, and our systems are subject to certain technical limitations that may compromise our ability to meet our objectives. Some errors, bugs, vulnerabilities, or design defects inherently may be difficult to detect and may only be discovered after the product has been released. Although we will attempt to remedy any issues we observe in our vehicles effectively and rapidly, such efforts may not be timely, may hamper production or may not be to the satisfaction of our customers. If we are unable to prevent or effectively remedy errors, bugs, vulnerabilities or defects in our software and hardware, or fail to deploy updates to our software properly, we would suffer damage to our reputation, loss of customers, loss of revenue or liability for damages, any of which could adversely affect our business, prospects, financial condition, results of operations, and cash flows. There are complex software and technology systems that need to be developed by us and in coordination with vendors and suppliers to reach mass production for our EVs, and there can be no assurance such systems will be successfully developed or integrated. Our EVs and EV operations will use a substantial amount of complex third- party and in- house software and hardware. The development and integration of such advanced technologies are inherently complex, and we will need to coordinate with our vendors and suppliers to reach mass production for our EVs. Defects and errors may be revealed over time and our control over the performance of third- party services and systems may be limited. Thus, our potential inability to develop and integrate the necessary software and technology systems may adversely affect our EV business. We rely on third- party suppliers to develop a number of emerging technologies for use in our EVs, including battery technology and the use of different battery cell chemistries. Certain of these technologies and chemistries are not today, and may not ever be, commercially viable. There can be no assurances that our suppliers will be able to meet the technological requirements, production timing, and volume requirements to support our business plan. Furthermore, if we experience delays by our third- party suppliers **(including due to**

their financial viability or technology) , we could experience delays in delivering on our timelines. In addition, the technology may not comply with the cost, performance useful life, and warranty characteristics we anticipate in our business plan. As a result, our business plan could be significantly impacted and we may incur significant liabilities under warranty claims which could materially and adversely affect our business, prospects, financial condition, results of operations, and cash flows. **15** Our EVs will make use of lithium- ion battery cells, which, if not appropriately managed and controlled, have been observed to catch fire or vent smoke and flame. The battery packs within our EVs will make use of lithium- ion cells. If not properly managed or subject to environmental stresses, lithium- ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium- ion cells. While the battery pack is designed to contain any single cell' s release of energy without spreading to neighboring cells, a field or testing failure of battery packs in our vehicles could occur, which could result in bodily injury or death and could subject us to lawsuits, field actions (including product recalls), or redesign efforts, all of which would be time consuming and expensive and could harm our brand image. Also, negative public perceptions regarding the suitability of lithium- ion cells for automotive applications, the social and environmental impacts of mineral mining or procurement associated with the constituents of lithium- ion cells, or any future incident involving lithium- ion cells, such as a vehicle or other fire, could materially and adversely affect our reputation and business, prospects, financial condition, results of operations, and cash flows. ~~15~~ Disruption of our supply base could affect our ability to obtain component parts. We increasingly rely on component parts from global sources in order to manufacture our products. Disruption of this supply base due to international political events ~~(including the conflict between Russia and Ukraine)~~ , natural disasters or adverse weather conditions (including any disasters or weather conditions caused by climate change) ~~, the COVID- 19 pandemic~~ , or other factors could affect our ability to obtain component parts at acceptable prices, or at all, and have a negative impact on our sales, results of operations and financial position. When we introduce new products, we may incur expenses that we did not anticipate, such as recall expenses, resulting in reduced earnings. The introduction of new products is critical to our future success. We have additional costs when we introduce new products, such as initial labor or purchasing inefficiencies, but we may also incur unexpected expenses. For example, we may experience unexpected engineering or design issues that will force a recall of a new product or increase production costs of the product above levels needed to ensure profitability. In addition, we may make business decisions that include offering incentives to stimulate the sales of products not adequately accepted by the market, or to stimulate sales of older or less marketable products. The costs resulting from these types of problems could be substantial and have a significant adverse effect on our earnings. We depend on a small group of suppliers for some of our components, and the loss of any of these suppliers could affect our ability to obtain components at competitive prices, which would decrease our sales or earnings. Most chassis and specialty vehicle commodity components are readily available from a variety of sources. However, a few proprietary or specialty components are produced by a small group of suppliers. In addition, we generally do not purchase chassis for our delivery vehicles. Rather, we accept shipments of vehicle chassis owned by dealers or end- users for the purpose of installing and / or manufacturing our specialized truck bodies on such chassis. There are four primary sources for commercial chassis, and we have established relationships with all major chassis manufacturers. Changes in our relationships with these suppliers, shortages, production delays, their ability to secure components required for chassis production or work stoppages by the employees of such suppliers could have a material adverse effect on our ability to timely manufacture our products and secure sales. If we cannot obtain an adequate supply of components or commercial chassis, this could result in a decrease in our sales and earnings. Our business could be adversely affected by the decision of our employees to unionize. Currently, none of our U. S. employees are represented by a collective bargaining agreement. If in the future our employees decide to unionize, this would increase our operating costs and potentially force us to alter the way we operate causing an adverse effect on our operating results. **16** The ability to hire or retain management and other key personnel is critical to our continued success, and the loss of or inability to hire such personnel could have a material adverse effect on our business, financial condition and results of operations. Our ability to sustain and grow our business requires us to hire, retain and develop a highly skilled and diverse management team and workforce. Overall, there is intense competition for qualified and skilled employees. As all key personnel devote their full time to our business, the loss of any member of our management team, or other key persons, or the inability to hire key persons, could have an adverse effect on us. If we lose key members of our senior management team or are unable to effect successful transitions from one executive to another as part of our succession plan, we may not be able to effectively manage our current operations or meet ongoing and future business challenges, and this could have a material adverse effect on our business, financial condition and results of operations. Risks associated with international sales and contracts could have a negative effect on our business. In **2023,** 2022, **and** 2021 ~~, and 2020~~ , we derived **2. 8 %,** 0. 7 %, **and** 1. 2 ~~%, and 1. 4~~ % of our revenue from sales to, or related to, end customers outside the United States. We face numerous risks associated with conducting international operations, any of which could negatively affect our financial performance, including changes in foreign country regulatory requirements, the strength of the U. S. dollar compared to foreign currencies, import / export restrictions, the imposition of foreign tariffs and other trade barriers and disruptions in the shipping of exported products. ~~16~~ Additionally, as a public company, we are subject to the Foreign Corrupt Practices Act, which may place us at a competitive disadvantage to foreign companies that are not subject to similar regulations. ~~Changes in the method of determining London Interbank Offered Rate (LIBOR), or the replacement of LIBOR with an alternative rate, may adversely affect interest charged on our outstanding debt. The interest rate charged on our outstanding borrowings pursuant to our credit facility is currently based on LIBOR, as described in " Note 13 – Debt " below. On July 27, 2017, the Financial Conduct Authority in the U. K. announced that it would phase out LIBOR by the end of 2021. On November 30, 2020, the ICE Benchmark Administration Limited (ICE) announced plans to delay the phase out of LIBOR to June 30, 2023. The U. S. Federal Reserve is considering replacing U. S. dollar LIBOR with a newly created index called the Secured Overnight Funding Rate (SOFR), a broad measure of the cost of borrowing cash overnight collateralized by U. S. Treasury securities. Our credit facility provides for the transition to a replacement for LIBOR, and it also provides for an~~

~~alternative to LIBOR. When LIBOR ceases to exist, our interest expense may increase. It is also possible that the overall financing market may be disrupted as a result of the phase- out or replacement of LIBOR with SOFR or any other reference rate. Increased interest expense and / or disruption in the financial market could have a material adverse effect on our business, financial condition, or results of operations.~~ More General Risks Applicable to Our Industry General economic, market, and / or political conditions, whether on a global, national, or more regional scale, could have a negative effect on our business. **Wars,** ~~Acts~~ **acts** of terrorism, armed conflicts, natural disasters (including those caused by climate change), budget shortfalls, cyber events, civil unrest, governmental actions, and epidemics have in the past and could in the future create significant uncertainties that may have material and adverse effects on consumer demand, shipping and transportation, the availability of manufacturing components, commodity prices and our ability to engage in overseas markets as tariffs are implemented. An economic recession, whether resulting from one of these events or others, would have a material adverse impact on our financial condition and results of operations. If there is a rise in the frequency and size of product liability, warranty and other claims against us, including wrongful death claims, our business, results of operations and financial condition may be harmed. We are frequently subject, in the ordinary course of business, to litigation involving product liability and other claims, including wrongful death claims, related to personal injury and warranties. We insure our product liability claims in the commercial insurance market. We cannot be certain that our insurance coverage will be sufficient to cover all future claims against us. Any increase in the frequency and size of these claims, as compared to our experience in prior years, may cause the premiums that we are required to pay for such insurance to rise significantly. It may also increase the amounts we pay in punitive damages, which may not be covered by our insurance. In addition, a major product recall or increased levels of warranty claims could have a material adverse effect on our results of operations. Changes to laws and regulations governing our business could have a material impact on our operations. Our manufactured products and the industries in which we operate are subject to extensive federal and state regulations. Changes to any of these regulations or the implementation of new regulations could significantly increase the costs of manufacturing, purchasing, operating or selling our products **, managing our data and systems,** and could have a material adverse effect on our results of operations. Our failure to comply with present or future regulations could result in fines, potential civil and criminal liability, suspension of sales or production, or cessation of operations. Certain U. S. tax laws currently afford favorable tax treatment for financing the purchase of recreational vehicles that are used as the equivalent of second homes. These laws and regulations have historically been amended frequently, and it is likely that further amendments and additional regulations will be applicable to us and our products in the future. Amendments to these laws and regulations and the implementation of new regulations could have a material adverse effect on our results of operations. **17** Our operations are subject to a variety of federal and state environmental regulations relating to noise pollution and the use, generation, storage, treatment, emission and disposal of hazardous materials and wastes. Our failure to comply with present or future regulations could result in fines, potential civil and criminal liability, suspension of production or operations, alterations to the manufacturing process, costly cleanup or capital expenditures. Climate change regulations at the federal, state or local level could require us to change our manufacturing processes or product portfolio or undertake other activities that may require us to incur additional expense, which may be material. ~~17~~ Our vehicles are subject to motor vehicle safety standards, and the failure to satisfy such mandated safety standards could have a material adverse effect on our business, financial condition, results of operations, and cash flows. All vehicles sold must comply with international, federal, and state motor vehicle safety standards. In the United States, vehicles that meet or exceed all federally mandated safety standards are self- certified by the manufacturer under the federal regulations. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving federal certification. Other jurisdictions outside the United States require us to meet Type Approval requirements proving to regulators that our vehicles meet those relevant safety standards in effect in those countries. Failure by us to maintain compliance of our current vehicles or obtain certification of compliance for any future vehicle, including future EV models, with motor vehicle safety standards in the United States, Canada or other jurisdictions could have a material adverse effect on our business, prospects, financial condition, results of operations, and cash flows. Our operating results may fluctuate significantly on a quarter- to- quarter basis. Our quarterly operating results depend on a variety of factors including the timing and volume of orders, the completion of product inspections and acceptance by our customers, and various restructuring initiatives that may be undertaken from time to time. As an example, our Fleet Vehicles and Services segment experiences seasonality whereby product shipments in the first and fourth quarters are generally lower than other quarters as a result of the busy holiday delivery operations experienced by some of its largest customers. Accordingly, our financial results may be subject to significant and / or unanticipated quarter- to- quarter fluctuations. Our businesses are cyclical, and this can lead to fluctuations in our operating results. The industries in which we operate are highly cyclical and there can be substantial fluctuations in our manufacturing, shipments and operating results, and the results for any prior period may not be indicative of results for any future period. Companies within these industries are subject to volatility in operating results due to external factors such as economic, demographic and political changes. Factors affecting the manufacture of chassis, specialty vehicles, delivery vehicles and other of our products include but are not limited to: ● Commodity prices; ● Fuel availability and prices. ● Unemployment trends; ● International tensions and hostilities; ● General economic conditions; ● Various tax incentives; ● Strength of the U. S. dollar compared to foreign currencies; ● Overall consumer confidence and the level of discretionary consumer spending; ● Dealers' and manufacturers' inventory levels; and ● Interest rates and the availability of financing. Economic, legal and other factors could impact our customers' ability to pay accounts receivable balances due from them. In the ordinary course of business, customers are granted terms related to the sale of goods and services delivered to them. These terms typically include a period between when the goods and services are tendered for delivery to the customer and when the customer needs to pay for these goods and services. The amounts due under these payment terms are listed as accounts receivable on our balance sheet. Prior to collection of these accounts receivable, our customers could encounter drops in sales, unexpected increases in expenses, or other factors which could impact their ability to continue as a going concern and which could affect the collectability of these amounts. Writing off uncollectible accounts receivable could have a material adverse effect on our earnings and cash flow as we have major customers with material accounts receivable balances at any given time. **18** Our business operations could be disrupted if our information technology systems fail to perform adequately or experience a ~~security~~ **cybersecurity** ~~breach~~ **incident** . We rely on our information technology systems to effectively manage our business data, communications, supply chain, product engineering, manufacturing, accounting and other business processes. If these systems are damaged, cease to function properly or are subject to a ~~cyber- security~~ **cybersecurity** breach such as ransomware, phishing, infection with viruses or intentional attacks aimed at theft or destruction of sensitive data, we may suffer an interruption in our ability to manage and operate the business, and our results of operations and financial condition may be adversely affected. ~~18~~ Like most corporations, our information systems are a target of attacks. In addition, third- party providers of data hosting or cloud services, as well as our suppliers, may experience ~~cyber- security~~ **cybersecurity** incidents that may involve data we share with them. There can be no assurance that **cybersecurity incidents, whether with respect to us or** such ~~incidents~~ **third- party providers,** will not have a material adverse effect on us in the future. In order to ~~address~~ **mitigate** risks to our information systems, we continue to make investments in personnel, technologies and training of personnel. Fuel shortages, or higher prices for fuel, could have a negative effect on sales. Gasoline or diesel fuel is required for the operation of the specialty vehicles we manufacture. There can be no assurance that the supply of these petroleum products will continue uninterrupted, that rationing will not be imposed or that the price of or tax on these petroleum products will not significantly increase in the future. Increases in gasoline and diesel prices and speculation about potential fuel shortages have had an unfavorable effect on consumer demand for motorhome from time to time in the past and may continue to do so in the future. This, in turn, may have a material adverse effect on our sales volume. Increases in the price of oil also can result in significant increases in the price of many of the components in our products, which may have an adverse impact on margins or sales volumes. We could incur asset impairment charges for goodwill, intangible assets or other long- lived assets. We have a significant amount of goodwill, intangible assets and other long- lived assets. At least annually, we review goodwill and non- amortizing intangible assets for impairment. Identifiable intangible assets, goodwill and other long- lived assets are also reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. If the operating performance at one or more of our reporting units fails to meet future forecasts, or if future cash flow estimates decline, we could be required, under current U. S. accounting rules, to record impairment charges for our goodwill, intangible assets or other long- lived assets. Any write- off of a material portion of such assets could negatively affect our results of operations or financial position. See " Note **4** ~~2 – Discontinued Operations " and " Note 6~~ – Goodwill and Intangible Assets " of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10- K for further discussion of goodwill, intangibles and other long- lived assets. We may be unable to adequately protect our intellectual property. While we believe that our patents, trademarks, know- how and other intellectual property have significant value, it is uncertain that this intellectual property or any intellectual property acquired or developed by us in the future will provide a meaningful competitive advantage. Our patents or pending applications may be challenged, invalidated or circumvented by competitors or rights granted thereunder may not provide meaningful proprietary protection. Moreover, competitors may infringe on our patents or successfully avoid them through design innovation. Policing unauthorized use of our intellectual property is difficult and expensive, and we may not be able to, or have the resources to, prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the U. S. The cost of protecting our intellectual property may be significant and have a material adverse effect on our financial condition and future results of operations. **19** The unavailability, reduction, elimination or adverse application of government incentives could have an adverse effect on our business, prospects, financial condition and operating results. The growth of our EV business depends in part on the availability and amounts of government incentives. Any reduction, elimination or discriminatory application of government incentives because of budgetary challenges, policy changes, the reduced need for such incentives due to the perceived success of **EVs** ~~electric vehicles~~ or other reasons may result in the diminished price competitiveness of the alternative fuel vehicle industry, which could have an adverse effect on our business, prospects, financial condition and operating results. ~~19~~ Expectations relating to environmental, social and governance considerations expose us to potential liabilities, increased costs, reputational harm and other adverse effects on our business. Many governments, regulators, investors, employees, customers and other stakeholders are increasingly focused on environmental, social and governance (**"** ESG **"**) considerations relating to businesses, including climate change and greenhouse gas emissions, human capital and diversity, equity and inclusion. We make statements about our ESG goals and initiatives through information provided on our website, press statements and other communications, including through our Sustainability Report. Responding to these ESG considerations and implementation of these goals and initiatives involves risks and uncertainties, including those described under " Forward- Looking Statements, " requires investments and are impacted by factors that may be outside of our control. In addition, some stakeholders may disagree with our goals and initiatives and the focus of stakeholders may change and evolve over time. Stakeholders also may have very different views on where ESG focus should be placed, including differing views of regulators in various jurisdictions in which we operate. Any failure, or perceived failure, by us to achieve our goals, further our initiatives, adhere to our public statements, comply with federal, state or international ESG laws and regulations, or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against us and materially adversely affect our business, reputation, results of operations, financial condition and stock price. **Emerging issues related to the development and use of artificial intelligence (" AI ") could give rise to legal or regulatory action, damage our reputation or otherwise materially harm of our business. Our development and use of AI technology in our products and operations remains in the early phases. While we aim to develop and use AI responsibly and attempt to mitigate ethical and legal issues presented by its use, we may ultimately be unsuccessful in identifying or resolving issues before they arise. AI technologies are complex and rapidly evolving and the technologies that we develop or use may ultimately be flawed. Moreover, AI technology is subject to rapidly evolving domestic and international laws and regulations, which**

could impose significant costs and obligations on the company. For example, in 2023 the Biden Administration issued a new, executive order on safe, secure and trustworthy AI and the EU introduced the AI Act to establish rules for providers and users. Emerging regulations may pertain to data privacy, data protection, and the ethical use of AI, as well as clarifying intellectual property considerations. Our use of AI could give rise to legal or regulatory action, increased scrutiny or liability, damage our reputation or otherwise materially harm our business. Risk Applicable to Our Securities Our stock price has been and may continue to be volatile, which may result in losses to our shareholders. The market price of our common stock has been and may continue to be subject to wide fluctuations in response to, among other things, quarterly fluctuations in operating results, a failure to meet published estimates of or changes in earnings estimates by securities analysts, sales of common stock by existing stockholders, loss of key personnel, market conditions in our industries, shortages of key product inventory components and general economic conditions. Item 1B. Unresolved Staff Comments. None. 20 Item **1C. Cybersecurity. We rely on information technology systems across our operations, including for management, supply chain and financial information and various other processes and transactions. Our ability to effectively manage our business depends on the security, reliability and capacity of these systems. We have established a range of security measures that are designed to protect against the unauthorized access to and misappropriation of our information, corruption of data, intentional or unintentional disclosure of confidential information, or disruption of operations. We have implemented additional controls, security processes and monitoring of our manufacturing systems. We have also implemented additional cloud security tools and governance processes for assessing, identifying and managing material risks from cybersecurity threats. In addition, we maintain an information security training program that encompasses the following areas: phishing and email security, password security, data handling security, cloud security, operational technology security processes, and cyber- incident response and reporting processes. The oversight of our cybersecurity risk management process is integrated into our overall risk management process. Through our enterprise risk management process, which involves a broad cross- functional group across many areas of expertise and is structurally independent of our business lines, we identify and assess risk and risk- mitigation actions, including with respect to cybersecurity risks. Continuing oversight of our cybersecurity risk is addressed by a group of stakeholders that includes our information technology (" IT ") and cybersecurity leadership and IT leaders within our various facilities, with cybersecurity risk input provided from this team to our senior leadership team on a regular basis. In turn, our Chief Information Officer provides key updates on risk and mitigation strategies to the Audit Committee. We rely on third-party service providers to execute certain business processes, maintain certain information systems and infrastructure, evaluate defenses, and implement recommendations. We periodically have external information security assessments performed by third parties to analyze our internal assessment results and to stay informed of information security risks. Additionally, we maintain a supplier validation process, which involves approval by our cybersecurity group for significant suppliers that will have access to any of our databases or technology. We also maintain processes to oversee and identify risks from cybersecurity threats associated with our use of third- party service providers. While we have experienced cybersecurity incidents in the past, to date, none have materially affected, or reasonably likely to materially affect, the Company, including our business strategy, results of operations or financial position. We continue to invest in the cybersecurity and resiliency of our networks and to enhance our internal controls and processes, which are designed to help protect our systems and infrastructure, and the information they contain. For more information regarding the risks we face from cybersecurity threats, please see " Risk Factors-- More General Risks Applicable to Our Industry. " Governance The Board of Directors is responsible for overseeing risk for the Company and has delegated to the Audit Committee responsibility for overseeing the cybersecurity risk management strategy for the Company. The Audit Committee reviews how we are executing against our comprehensive cybersecurity framework, including reviewing our cybersecurity reporting protocol. The Audit Committee receives regular updates on cybersecurity risks from our Chief Information Officer (" CIO "). The Audit Committee also regularly receives updates on efforts regarding data loss prevention, regulatory compliance, data privacy, threat and vulnerability management, cyber- crisis management, and other topics as applicable. Additionally, management provides the Audit Committee with a cybersecurity dashboard, which the full Board of Directors can access as well. The Company' s cybersecurity program is overseen by our CIO, who is responsible for assessing and managing material risks from cybersecurity threats, including monitoring the prevention, detection, mitigation and remediation of cybersecurity incidents. Our CIO has over 20 years of global automotive technology and cybersecurity experience and reports to our President and Chief Executive Officer. The Company' s Security Manager reports to our CIO and is the head of our cybersecurity team. The Security Manager is responsible for assessing and managing our cyber risk management program, informs senior management, together with the CIO, regarding the prevention, detection, mitigation, and remediation of cybersecurity incidents and supervises such efforts. Our Security Manager has over 15 years of experience in technology and cybersecurity, a master' s degree in information security and industry certifications, including CISSP, CDPSE, ITIL, and COBIT. 21 Item** 2. Properties. We operate facilities in a total of **18 locations,** 17 ~~locations, 16~~ throughout the U. S. and one location in Mexico. The number of physical locations we operate **is** ~~has grown significantly in recent years as~~ part of our strategy to develop coast- to- coast manufacturing and distribution capabilities. Our Fleet Vehicles and Services segment operates facilities in Bristol, Indiana; Charlotte, Michigan; Landisville, Pennsylvania ~~; North Charleston, South Carolina~~ ; and Kansas City, Missouri. All of these facilities are leased except for facilities in Charlotte, which are owned by the Company. FVS also operates facilities in Saltillo, Mexico. Our Specialty Vehicles segment operates facilities in Charlotte, Michigan; Carson ~~,~~ **and** McClellan Park ~~, and Montebello~~ , California; Dallas and Weatherford, Texas; Mesa, Arizona; Waterville, Maine; and Pompano Beach and West Palm Beach, Florida **; Lebanon, Tennessee** . All of these facilities are leased except for the Charlotte and Pompano Beach facilities, which are owned by the Company. In addition, our corporate headquarters are located in an office building and showroom in Novi, Michigan, that we lease. We also have certain corporate functions that operate out of our campus in Charlotte **, Wixom** and Plymouth, Michigan. We consider our properties to generally be in good condition, well maintained, and suitable and adequate to meet our business requirements for the foreseeable future. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities. Item 3. Legal Proceedings.