Risk Factors Comparison 2024-02-23 to 2023-02-17 Form: 10-K

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

This Annual Report on Form 10- K contains certain statements regarding business strategies, market potential, future financial performance, future action, results, and any other statements that do not directly relate to any historical or current fact which are " forward- looking " statements within the meaning of the Securities Act of 1933, as amended (the " Securities Act "), the Exchange Act, and the Private Securities Litigation Reform Act of 1995. The words " believe, " " expect, " " anticipate, " " project, " " estimate, " " budget, " " continue, " " could, " " intend, " " may, " " plan, " " potential, " " predict, " " seek, " " should, " " will, " " would, " " expect, " " objective, " " forecast, " " goal, " " guidance, " " outlook, " " effort, " " target, " ~~and similar expressions,~~ among others, generally identify forward- looking statements, which speak only as of the date the statements were made. In particular, information included under the sections entitled " Business, " " Risk Factors, " and " Management' s Discussion and Analysis of Financial Condition and Results of Operations " contains forward- looking statements. Readers are cautioned that the matters discussed in these forward- looking statements are subject to risks, uncertainties, assumptions, and other factors that are difficult to predict, and which could cause actual results to differ materially from those projected, anticipated, or implied in the forward- looking statements. Where, in any forward- looking statement, an expectation or belief as to future results or events is expressed, such expectation or belief is based on the current plans and expectations of management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will be achieved or accomplished. Many factors that could cause actual results or events to differ materially from those anticipated include those matters described under the sections entitled " Risk Factors " and " Management' s Discussion and Analysis of Financial Condition and Results of Operations. " We caution you not to place undue reliance on these forward- looking statements, which speak only as of the date of this Annual Report on Form 10- K, and we do not assume any obligation to update any forward- looking statement as a result of new information, future events, or otherwise, except as required by applicable law. All forward- looking statements, expressed or implied, included in this Annual Report on Form 10- K are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward- looking statements that we may make or persons acting on our behalf may issue. You should consider each of the following factors, as well as the other information in this Annual Report on Form 10- K, including our financial statements and the related notes, in evaluating our business and our prospects. The risks and uncertainties described below are not the only ones we face. In general, we are subject to the same general risks and uncertainties that impact many other companies such as general economic, industry, and / or market conditions and growth rates; risks and uncertainties associated with or arising out of possible future pandemics; possible future terrorist threats or armed conflicts and their effect on the worldwide economy; and changes in laws or accounting rules. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of these risks occur, our business and financial results could be harmed. In that case, the trading price of our common stock could decline. Risks Related to Our Business, Industry, and Strategy Our operating results may be adversely affected by unfavorable economic and market conditions. Our business and results of operations are sensitive to changes in overall economic conditions that impact customer shipping volumes, industry freight demand, industry truck capacity, inflation, and our operating costs. Regarding our operating costs, inflationary pressures persist but are generally expected to decline **or stabilize** in the U. S. in the near- term due to ~~easing~~ **the stabilization** of **the recent imbalance between** supply ~~chain constraints~~ **and demand for goods and services in the economy** . We cannot predict future economic conditions, fuel price fluctuations, transportation equipment resale values, or how consumer confidence could be affected by such conditions. Economic conditions that decrease shipping demand, including but not limited to public health crises, outbreaks of infectious diseases, or **excess** ~~increases in truck~~ capacity in the North American transportation and logistics industry, can exert downward pressure on rates and equipment utilization. In general, significant decreases in shipping volumes within the industry or increases in available truck capacity result in more aggressive freight pricing as carriers compete for loads and ~~to maintain~~ truck productivity. Likewise, we are also subject to cost increases outside our control that could materially reduce our profitability if we are unable to offset such increases through rate increases or cost reductions. Such cost increases include, but are not limited to, driver wages, third- party carrier costs, fuel and energy prices, taxes and interest rates, tolls, license and registration fees, insurance premiums, ~~regulations~~ **regulatory compliance costs** , transportation equipment and related maintenance costs, and healthcare and other employee benefit costs. We cannot predict whether, or in what form, **or at what rate** any such cost increases could occur. Any such cost increase or event could adversely affect our results of operations or cash flows. We operate in a highly competitive and fragmented industry that is characterized by intense price competition which could have a materially adverse effect on our results of operations. Our operating segments compete with many other truckload carriers, logistics, brokerage, and transportation service providers of varying sizes, and to a lesser extent, LTL carriers, railroads, and other transportation or logistics companies, some of which have ~~a~~ larger ~~fleet~~ **fleets** , greater access to equipment, preferential customer contracts, greater capital resources, or other competitive advantages. Competition for the freight we transport or manage is based primarily on service, efficiency, available capacity, and to some degree, on freight rates alone. Our competitors periodically reduce their freight rates to gain business, especially when economic conditions ~~are present which~~ negatively impact customer shipping volumes, truck capacities, or operating costs. Moreover, to limit the number of approved carriers to a manageable number, some of our customers select " core carriers " as approved transportation service providers, and in some instances, we may not be selected. Other of our customers periodically accept bids from multiple carriers for their shipping needs, which also periodically results in the loss of business to competitors. Some of our customers have, and others may in the future, used or expanded their own private fleets rather than ~~outsourcing~~ **outsource** loads to us. Further, our industry has experienced market entrance by well-resourced, non- traditional firms or startups who, in some cases, have undercut market prices to capture market share. Finally, our existing competitors, as well as new market entrants, have and continue to introduce new brokerage platforms or technologies, which has increased competition. Although we believe we are well positioned and have adopted technologies, developed strategies, and heavily invested in our own digital service offerings to deter, compete with, or supplant existing competitors and new market entrants, there can be no assurance that our investments, technologies, or strategies will be successful in enabling us to sustain or grow our current market share in each of our segments. These competitive dynamics could have an adverse effect on the number of shipments we transport and the freight rates we receive, which could limit our growth opportunities and reduce our profitability. We derive a significant portion of our revenues from our major customers, the loss of one or more of which could have a materially adverse effect on our business. We strive to maintain a diverse customer base **;** however, a significant portion of our operating revenues is generated from a number of major customers, the loss of one or more of which could have a material adverse effect on our business. Aside from our dedicated operations and **customer relationships where we manage such customers'** supply ~~chain~~ **chains** ~~management~~, we generally do not have long- term contractual relationships, rate agreements, or minimum volume guarantees with our customers. Furthermore, certain of the long- term contracts in our dedicated operations are subject to cancellation. There is no assurance any of our customers, including our dedicated customers, will continue to utilize our services, renew our existing contracts, or continue at the same volume levels. Despite the existence of contractual arrangements, certain of our customers may engage in competitive bidding processes that could negatively impact our contractual relationships. In addition, certain of our major customers may increasingly use their own truckload and delivery fleets, which would reduce our freight volumes. A reduction in or termination of our services by one or more of our major customers, including our dedicated customers, could have a materially adverse effect on our business, financial condition, and results of operations. Difficulties attracting and retaining qualified drivers could materially, adversely affect our profitability and ability to maintain or grow our fleet. The trucking industry **historically has and may** ~~continues~~ **continue** to experience difficulty ~~in~~ attracting and retaining sufficient numbers of qualified drivers, both new and experienced, including owner- operators, and such shortages have and could continue to require us to significantly increase driver compensation, rely more on higher- cost third- party carriers, idle transportation equipment, or dispose of the equipment altogether, any of which could adversely affect our growth and profitability. ~~Our~~ **The** challenge with attracting and retaining qualified drivers is driven by several factors including intense market competition for a limited pool of qualified drivers, ~~inconsistent~~ driver ~~pay~~ **compensation**, the preference among drivers to work closer to home and be home most nights, and our highly selective hiring standards. Our turnover rate requires us to continually recruit a substantial number of company and owner- operator drivers ~~in order~~ to ~~meet customer demand~~ **support our operations**. Owner- operator availability is generally affected by operating cost increases (which the owner- operator is responsible for) and ~~generally favorable~~ economic conditions, which drive overall increases in customer demand **,** and heightened competition for owner- operators from other carriers. When shortages of owner- operators occur, we may **have** ~~be forced~~ to increase ~~the~~ settlement rates paid to them and increase company driver pay rates to attract and retain a sufficient number of drivers. These increases could negatively affect our results of operations to the extent that we would be unable to obtain corresponding freight rate increases. We **recently completed the deployment of a new ERP system, and challenges with the system may adversely impact our business and operations. In May 2023, we began the implementation of a new ERP system, which was completed in December, to support and streamline our core financial systems. This implementation required the integration of the new system with multiple new and existing information systems and business processes. The new ERP system is designed to increase the efficiency and accuracy of data by streamlining data sources, simplifying complex processes, and reducing manual processes. Any remaining open disruptions, deficiencies, or other problems associated with the implementation of our ERP system, such as quality issues, programming errors, or any cost increases could adversely affect our ability to operate our business, produce timely and accurate financial statements, or comply with applicable regulations. This could result in negative impacts on our business, operations, and stock price or could subject us to potential liability or investigation by regulatory authorities. Additionally, the new ERP system involves greater utilization of third- party cloud computing services in connection with our business operations. Problems faced by us or our third- party providers, including technological or business- related disruptions and cybersecurity threats, could adversely impact our business, results of operations, and financial condition for future periods. Any failures identified within our internal controls as a result of this implementation, even if quickly remediated, or remaining difficulties encountered, may adversely impact our operating results or hinder our ability to report our financial results in a timely and accurate basis. We** face risks associated with unionization. Although ~~we believe that our relations with our associates are good and~~ the number of our associates who are currently represented by a labor union is not significant, we face **ongoing** risks associated with the potential unionization of certain of our associates. ~~We~~ **Over the last several years we** have ~~recently~~ been the subject of isolated unionization efforts involving a relatively small number of associates, which efforts were ~~defeated~~ **, in each case, unsuccessful**. ~~If~~ **Overall, we believe our relations with our associates are good; however, should** a significant number of our associates opt to be represented by a labor union, we could experience a significant disruption of, or inefficiencies in, our operations or incur higher labor costs, which could have a material adverse effect on our business, results of operations, financial condition, and liquidity. Additionally, our responses to any union organizing efforts could negatively impact how our brand is perceived and have adverse effects on our business, including on our financial results. These responses could also expose us to legal risk or reputational harm and cause us to incur costs to defend legal and regulatory actions. Moreover, any labor disputes or work stoppages, whether or not our other associates unionize, could disrupt our operations and reduce our revenues. A subset of our employee population works remotely which may exacerbate the cybersecurity risks to our business, including an increased demand for information technology resources, increased risk of phishing, and other cybersecurity attacks. We have, and will continue to have, a portion of our workforce that works from home full- time or under flexible work arrangements, and we have provided associates with expanded remote network access options which enable them to work outside of our corporate infrastructure and, in some cases, use their own personal devices, which exposes the Company to additional cybersecurity risks. Specifically, our associates working remotely expose the Company to cybersecurity risks in the following ways: (1) unauthorized access to sensitive information as a result of increased remote access, including associates use of company- owned and personal devices and videoconferencing functions and applications to remotely handle, access, discuss, or transmit confidential financial data, (2) increased exposure to phishing and other scams as cybercriminals manipulate associates through phishing schemes to, among other things, install malicious software on Company systems and equipment and surrender sensitive information, and (3) violation of international, federal, or state- specific privacy laws. We believe that the increased number of associates working remotely has incrementally increased our cyber risk profile, but we are unable to predict the extent or impacts of those risks at this time. A significant disruption of our information technology systems, unauthorized access to or loss of confidential information, or legal claims resulting from our violation of privacy laws could each have a material adverse effect on our business. The success of our businesses depends on our strong reputation and ability to maintain the Schneider brand value. Because the **transportation and logistics** services ~~that~~ we **offer are primarily** ~~market~~ **marketed** ~~and sell~~ under the Schneider brand ~~generate essentially all of the Company' s revenues~~ , the Schneider brand name is our most valuable sales and marketing tool. Press coverage, lawsuits, regulatory investigations, or other adverse publicity that assert some form of wrongdoing or that depict the Company or any of our executives, associates, contractors, or agents in a negative light, regardless of the factual basis of the assertions being made, could ~~tarnish~~ **negatively impact public** ~~our~~ - **or** ~~reputation and~~ **customer perceptions of the Company** ~~result~~ **resulting** in a loss of brand equity. If we do not maintain and protect our brand image and reputation, demand for our services could wane and thus have an adverse effect on our financial condition, liquidity, and results of operations, as well as require additional resources to rebuild our reputation and restore the value of our brand. If fuel prices rise or fall significantly, our results of operations could be adversely affected. Our truckload operations are largely dependent on diesel fuel, and accordingly, significant increases in diesel fuel costs could materially and adversely affect our truckload operations, and if we are unable to pass increased costs on to customers through rate increases or fuel surcharges or if shippers opt for intermodal rail over trucking their freight, our results of operations and financial condition could be adversely affected. Likewise, if diesel fuel prices decrease significantly, the results of our intermodal operations could be adversely affected as shippers shift intermodal freight to over **-** the **-** road trucking. Prices and availability of petroleum products are subject to political, economic, geographic, weather- related, and market factors that are generally outside our control and each of which may lead to fluctuations in the cost of fuel. Our fuel surcharge program does not protect us against the full effect of increases in diesel fuel prices, and the terms of our fuel surcharge agreements vary by customer. In addition, because our fuel surcharge recovery lags behind changes in diesel fuel prices, our fuel surcharge recovery may not capture the increased costs we pay for fuel, especially when prices are rising. There is variability in the compensatory nature of individual customer fuel surcharge programs that can affect inflationary cost recovery of fuel. There is no assurance that such fuel surcharges can be maintained indefinitely or will be sufficiently effective. Our results of operations would be negatively affected to the extent we cannot recover higher fuel costs or fail to improve our fuel price protection through our fuel surcharge program. Increases in diesel fuel prices, or a shortage or rationing of diesel fuel, could also materially and adversely affect our results of operations. As of December 31, ~~2022~~ **2023** , we did not have any derivative financial instruments to reduce our exposure to fuel price fluctuations. We depend on railroads and access to the nation' s ports of call in the operation of our intermodal business, and therefore, our ability to offer intermodal services or our results of operations could be adversely impacted if our rail partners or certain ports of call were to perform poorly or experience service disruptions. Our Intermodal segment utilizes railroads and, in some cases, third- party drayage carriers to transport freight for our intermodal customers. The majority of these services are provided pursuant to contracts with our service partners which are subject to periodic renewal. While we have had agreements with all of the Class I railroads, our primary contracts for railroad transportation in support of our intermodal operations are currently with CSX Transportation ~~and~~ **,** the Union Pacific Railroad Company **, and the Canadian Pacific Kansas City Railroad** . In certain areas of the U. S., rail service is limited to a few railroads, or even a single railroad due to the lack of competition. Our ability to provide intermodal services in certain traffic lanes is, therefore, likely to be adversely affected if any of the Class I railroads were to discontinue service in certain lanes, or if ~~either~~ **any** of our rail partners experience service interruptions, or if the overall quality of their rail service were to deteriorate. In addition, our intermodal business may be adversely affected by declines in service and volume levels provided by the railroads. All of the Class I railroads in the U. S., including our current rail partners, are unionized and have a **recent** history of disruption due to labor disputes and collective action, including strikes. **While** ~~For example, a national rail strike that could have paralyzed much of the~~ **there is currently a contract** ~~U. S. economy appears to have been averted~~ in **place between** ~~December 2022 after~~ the **Class I** ~~U. S. Congress intervened to bind the railroads~~ **Railroads** and **the unions representing** rail workers ~~to a proposed settlement that was reached earlier in~~ **, underlying labor issues remain including, most prominently, precision- scheduled railroading,** the **business model adopted in recent** ~~year~~ **years by Class I** ~~between the railroads and union leaders. There can be no guarantee that~~ rail ~~workers who disagree with~~ **carriers which has been blamed by railroad unions as** the ~~proposed settlement will not take actions that disrupt~~ **reason for a dramatic reduction in the freight** rail ~~service on a wide scale~~ **workforce, increased supply- chain congestion, and deteriorating railroad safety** . As a result, we cannot predict whether or when a ~~rail strike or~~ labor dispute involving our rail partners could occur **, the duration of such dispute, and the impact, if any, on our results of operations. Any strike or labor related disruption at any of the Class I railroads can be expected to have an adverse impact on the results of operations of our Intermodal or Truckload segments** . In addition, a portion of the freight we deliver through both our Intermodal and Truckload segments is imported to the U. S. through ports of call where workers are represented by the ILWU, a labor union which primarily represents ~~dock~~ **a significant number of longshore** workers ~~on~~ **at 29 ports across** the ~~west~~ **West** ~~coast~~ **Coast** ~~of the U. S.~~ , or the International Longshoremen’ s Association, ~~a labor~~ **the largest** union ~~representing longshore~~ **of maritime** workers ~~along~~ **in North America, which represents a larger number of longshoremen on** the **Atlantic and Gulf Coasts, Great Lakes, major U. S. rivers, Puerto Rico, and Eastern Canada. The west and** east coast ~~of~~ **ports have long been the primary gateways for cargo coming into and leaving** the U. S. ~~The ILWU’ s current coast wide~~ **and have a long history of labor and other port disputes, protracted collective bargaining and** contract ~~with west coast~~ **negotiations which, in the past, have involved** port **disputes and closures** ~~owners expired on July 1~~ , ~~2022~~ **as well as threats of a strike that would have disrupted domestic supply chains** . ~~As~~ **Although, as** of the date of this Annual Report on Form 10- K, ~~the ILWU and Pacific Maritime Assocation, which represents west coast port owners, had not entered into a new contract. In the previous four contract negotiations between the ILWU and port owners dating back to the late 1990s, negotiations went past the expiration of the contract and work slowdowns or employer lockouts ensued. Although, as of the date of this Annual Report on Form 10- K,~~ there have been no reports or signs of **labor** ~~work stoppages or strikes~~ - **strife at the ports on either coast** , there can be no guarantee that work stoppages or other disruptions at ~~any of~~ the west **or east** coast ports will not occur. We are making strategic investments in new offerings and technologies and expect to continue to make such investments in the future. These ventures are inherently risky **and subject to volatility** , and we may never realize any expected benefits from them which could have a material adverse effect on our business and financial results. We engage in strategic transactions and **continue to** make strategic investments including investments in **new** ~~autonomous vehicle technology~~ **technologies** ~~, cloud- based TMS software platforms, telematics,~~ and ~~mobile software applications~~ **potentially disruptive startup companies** which are focused on establishing a competitive advantage in the transportation and logistics services offered by the Company or exploiting new market opportunities **including autonomous vehicle technologies** ~~. Refer to Note 5~~ , ~~Investments~~ **TMS software platforms** , **telematics, and mobile software applications** ~~to our consolidated financial statements for information on our strategic investments~~ . Such strategic investments naturally entail risks and uncertainties, some of which are beyond our control. For example, we may not be able to derive value from strategic investments **,** or we may incur higher than expected costs in realizing a return on such investments or overestimate the benefits that we receive or realize from such investments. Therefore, we cannot provide assurance that any of our strategic investments will generate anticipated financial returns. If our strategic investments fail to meet our expectations, our business and results of operations may be adversely impacted. The ~~valuation of the Company’ s investments is subject to volatility. The~~ market valuation of our strategic investments ~~in various public and private companies~~ may experience substantial price volatility which, when accounted for under GAAP, could have a material adverse effect on the Company’ s financial condition and results of operations. Refer to Note 5, Investments, to our consolidated financial statements for information on our strategic investments. Those investments can be negatively affected by market and economic factors including liquidity, credit deterioration, financial results, interest rate fluctuations, or other factors. As a result, future fluctuations in their value could result in significant losses and have a material adverse impact on the Company’ s financial condition and results of operations. **Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly. Borrowings under our Receivables Purchase Agreement and our revolving credit facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed remains the same. Our net income and cash flows, including our cash available for servicing our indebtedness, will correspondingly decrease.** We depend on third- party capacity providers, and issues of performance, availability, or pricing with these transportation providers could increase our operating costs, reduce our ability to offer intermodal and ~~brokerage~~ **logistics** services, and limit growth in our brokerage and logistics operations, which could adversely affect our revenue, results of operations, and customer relationships. Our Logistics segment is highly dependent on the services of third- party capacity providers, such as other truckload carriers, LTL carriers, railroads, ocean carriers, and airlines. Many of those providers face the same economic challenges as we do and, therefore, are actively and competitively soliciting business. These economic conditions may have an adverse effect on the performance, availability, and cost of third- party capacity. If we are unable to secure the services of these third- party capacity providers at reasonable rates, our results of operations could be adversely affected. Severe weather, climate, and similar events could harm our results of operations or make our results more volatile. From time to time, we may suffer impacts from severe weather, climate, and similar events, such as tornadoes, hurricanes, blizzards, ice storms, floods, fires, earthquakes, and explosions, which may become more severe in the future as a result of climate change. These events may disrupt freight shipments or routes, affect regional economies, destroy our assets, disrupt fuel supplies, increase fuel costs, cause lost revenue and productivity, increase our maintenance costs, or adversely affect the business or financial condition of our customers, any of which could harm our results of operations or make our results of operations more volatile. Risks Relating to Our Financial Condition, Taxation, and Capital Requirements Our goodwill, other intangible assets, internal use software, or long- lived assets may become impaired, which could result in a significant charge to earnings. We hold significant amounts of goodwill and long- lived assets, and the balances of these **categories of** assets could increase in the future if we acquire other businesses. At December 31, ~~2022~~ **2023** , the balance of our goodwill, other intangible assets, internal use software, and long- lived assets was $ ~~2~~ **3** . ~~6~~ **1** billion, and the total market value of the Company’ s outstanding shares was $ 4. ~~2~~ **5** billion. Under GAAP, our goodwill, other intangible assets, internal use software, and long- lived assets are subject to an impairment analysis when events or changes in circumstances indicate the carrying value of such assets may not be recoverable. In addition, we test goodwill for impairment annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill, other intangible assets, internal use software, and long- lived assets may not be recoverable include, but are not limited to, a sustained decline in stock price and market capitalization, **an increase in interest rates,** significant negative variances between actual and expected financial results, reduced future cash flow estimates, adverse changes in applicable laws or regulations or legal proceedings **, changes to technology** , failure to realize anticipated synergies from acquisitions, and slower growth rates in our industry. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill, other intangible assets, internal use software, and long- lived assets is determined to exist, negatively impacting our results of operations. If our market capitalization was to fall below the book value of our total stockholders' equity for a sustained period, we may conclude that the fair value of certain of our long- lived assets is materially impaired. In this case, we would be required under GAAP to record a noncash charge to our earnings which could have a material adverse effect on our business, results of operations, and financial condition. We have significant ongoing capital requirements that could affect our profitability if we either fail or are unable to match the timing of our capital investments with customer demand, or we are otherwise unable to generate sufficient returns on our invested capital. Our truckload and intermodal operations are capital- intensive, and our strategic decision to invest in newer equipment requires us to expend significant amounts in capital expenditures annually. The amount and timing of such capital expenditures depend on various factors, including anticipated freight demand and the price and availability of new or used tractors. ~~Recently, the amount and timing of capital expenditures also has been affected by delayed truck deliveries by original equipment manufacturers due to semiconductor and other component shortages.~~ If anticipated freight volume differs materially from our forecasts or customer demand, our truckload operations may have too many or too few assets. During periods of decreased customer demand, our asset utilization is challenged, and we may be forced to sell equipment on the open market in order to ~~rightsize~~ **right- size** our fleet. This could cause us to incur losses on such sales, particularly during times of a softer used equipment market, either of which could **have a materially adverse effect on our profitability. Our leasing business could also be at risk of inventory impairment if truck deliveries are not aligned with owner- operator demand, which could also** have a materially adverse effect on our profitability. Should demand for freight shipments weaken or our margins suffer due to increased competition or general economic conditions, we may have to limit our fleet size or operate our transportation equipment for longer periods, either of which could have a materially adverse effect on our operations and profitability. Our effective tax rate may fluctuate, which would impact our future financial results. Our effective tax rate may be adversely impacted by, among other things, changes in the regulations relating to capital expenditure deductions, or changes in tax laws where we operate, including the uncertainty of future tax rates. We cannot give any assurance as to the stability or predictability of our effective tax rate in the future because of, among other things, uncertainty regarding the tax laws and policies of the countries where we operate **. For example, the Organisation for Economic Co- operation and Development (" OECD ") agreed to enact Pillar Two, which introduces a global minimum effective tax rate whereby certain multinational groups are subject to a 15 % minimum tax which will be effective in some countries as early as 2024. While we do not believe Pillar Two will have a material impact on the Company, we continue to monitor the developments to evaluate the impact it could have on our effective tax rate, if any** . Further, our tax returns are subject to periodic reviews or audits by domestic and international authorities, and these audits may result in adjustments to our provision for taxes or allocations of income or deductions that result in tax assessments different from amounts that we have estimated. We regularly assess the likelihood of an adverse outcome resulting from these audits to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these audits or that our tax provisions will not change materially or be adequate to satisfy any associated tax liability. If our effective tax rates were to increase or if our tax liabilities exceed our estimates and provisions for such taxes, our financial results could be adversely affected. Insurance and claims expenses could significantly reduce our earnings. We self- insure, or insure through our wholly- owned captive insurance company, a significant portion of our claims exposure resulting from auto liability, general liability, cargo, and property damage claims, as well as workers' compensation. In addition to insuring portions of our risk, our captive insurance company provides insurance coverage to our owner- operator drivers. We are also responsible for our legal expenses relating to such claims, which can be significant both on an aggregate and individual claim basis. Although we reserve for anticipated losses and expenses and periodically evaluate and adjust our claims reserves to reflect our experience, estimating the number and severity of claims, as well as related costs to settle or resolve them, is inherently difficult, and such costs could exceed our estimates. Accordingly, our actual losses associated with insured claims may differ materially from our estimates and adversely affect our financial condition and results of operations in material amounts. As a supplement to our self- insurance program, we maintain insurance with excess insurance carriers for potential losses, which exceed the amounts we self- insure. Although we believe our aggregate insurance limits should be sufficient to cover our historic claims amounts, the commercial trucking industry has experienced a wave of blockbuster or so- called " nuclear verdicts, " where juries have awarded tens or even hundreds of millions of dollars to accident victims and their families. Given this recent trend, it is possible that one or more claims could exceed our aggregate coverage limits. If any claim were to exceed our aggregate insurance coverage, we would bear the excess, in addition to our other self- insured amounts. Given the current claims settlement environment, the amount of coverage available from excess insurance carriers is decreasing, and the premiums for this excess coverage are increasing significantly. For the foregoing reasons, our insurance and claims expenses may increase, or we could increase our self- insured retention as policies are renewed or replaced. In addition, we may assume additional risk within our captive insurance company that we may or may not reinsure. Our results of operations and financial condition could be materially and adversely affected if (1) our costs or losses significantly exceed our aggregate coverage limits, (2) we are unable to obtain insurance coverage in amounts we deem sufficient, (3) our insurance carriers fail to pay on our insurance claims, or (4) we experience a claim for which coverage is not provided. Risks Relating to Our Governance Structure Voting control of the Company is concentrated with a Voting Trust that was established for certain members of the Schneider family, which limits the ability of our other shareholders to influence major corporate transactions. We currently have a dual class common stock structure consisting of (1) Class A common stock, entitled to ten votes per share and (2) Class B common stock, entitled to one vote per share. The Schneider family, including trusts established for the benefit of certain members of the Schneider family, collectively beneficially own 100 % of our outstanding Class A common stock and approximately ~~41~~ **40** % of our outstanding Class B common stock, representing approximately 94 % of the total voting power of all of our outstanding common stock and approximately 68 % of our total outstanding common stock. A Voting Trust holds the shares of Class A common stock that are beneficially owned by the Schneider family. The independent directors who are members of our Corporate Governance Committee serve as trustees of the Voting Trust, and in general, those directors have full power and discretion to vote the Class A shares included in the Voting Trust with two exceptions. First, in the case of any Major Transaction (as defined under our Amended and Restated Bylaws, including, most notably, a transaction resulting in more than 40 % of the voting power of our common stock being held outside of the Schneider family), the independent directors of our Corporate Governance Committee must vote the shares of common Class A stock held in the Voting Trust as directed by the trustees of certain trusts which have been established for the benefit of certain Schneider family members. As a result, the outcome of the vote on any Major Transaction is not within the discretion of the Voting Trustees. Second, the independent directors of our Corporate Governance Committee must vote the shares of common Class A stock held in the Voting Trust in accordance with a nomination process agreement pursuant to which two specified Schneider family members will be nominated to serve on our Board on an annual, rotating basis. As a result of these arrangements, the Voting Trust controls the outcome of major corporate transactions that require or may be accomplished by shareholder approval, and our Class B shareholders would be unable to affect the outcome of such transactions should any be proposed. We are a " controlled company " within the meaning of the rules of the NYSE and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance requirements relating to our **Compensation and** Corporate Governance ~~Committee~~ **Committees** . Our shareholders will not have the same protections afforded to shareholders of other companies that are subject to such requirements. The Voting Trust has more than 50 % of the voting power for the election of directors. As a result, we qualify as a " controlled company " under the corporate governance rules for NYSE- listed companies. As a controlled company, certain exemptions under the NYSE listing standards exempt us from the obligation to comply with certain NYSE corporate governance requirements, including the requirement that we have a **Compensation Committee and a** Corporate Governance Committee that ~~is~~ **are** composed entirely of independent directors. We have elected to take advantage of this " controlled company " exemption, and therefore, the holders of our Class B common stock may not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance rules for NYSE- listed companies. Our status as a controlled company could therefore make our Class B common stock less attractive to some investors or otherwise depress our stock price. The price of our Class B common stock has been and may continue to be volatile and may fluctuate significantly, which may adversely impact investor confidence and increase the likelihood of securities class action litigation. Our Class B common stock price has experienced volatility in the past and may remain volatile in the future. Volatility in our stock price can be driven by many factors including divergence between our actual or anticipated financial results and published expectations of analysts or the expectations of the market, the gain or loss of customers, announcements that we, our competitors, our customers, or our vendors or other key partners may make regarding their operating results and other factors which are beyond our control such as market conditions in our industry, new market entrants, technological innovations, and economic and political conditions or events. These and other factors may cause the market price and demand for our Class B common stock to fluctuate substantially. During ~~2022~~ **2023** , the closing stock price of our Class B common stock ranged from a low of $ ~~20~~ **21** . ~~30~~ **48** per share to a high of $ ~~27~~ **31** . ~~28~~ **47** per share. Our Class B common stock is also included in certain market indices, and any change in the composition of these indices to exclude our company may adversely affect our stock price. Increased volatility in the financial markets and / or overall economic conditions may reduce the amounts that we realize in the future on our cash equivalents and / or marketable securities and may reduce our earnings as a result of any impairment charges that we record to reduce recorded values of marketable securities to their fair values. Further, securities class action litigation is often brought against a public company following periods of volatility in the market price of its securities. Due to changes in our stock price, we may be the target of securities litigation in the future. Securities litigation could result in substantial uninsured costs and divert management' s attention and our resources. Certain provisions in our certificate of incorporation, by- laws, and Wisconsin law may prevent or delay an acquisition of the Company, which could decrease the trading price of our Class B common stock. Each of our certificate of incorporation, our by- laws, and Wisconsin law, as currently in effect, contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to a bidder and to encourage prospective acquirers to negotiate with our Board rather than to attempt a hostile takeover. These provisions include, among others: • a dual class common stock structure, which provides the Voting Trust the ability to control the outcome of matters requiring shareholder approval, even if the Voting Trust beneficially owns significantly less than a majority of the shares of our outstanding Class A and Class B common stock; • a requirement that certain transactions be conditioned upon approval by 60 % of the voting power of our capital stock, including any transaction which results in the Schneider family holding less than 40 % of the voting power of our capital stock, a sale of substantially all of our assets, and a dissolution; • no provision for cumulative voting in the election of directors, which would otherwise allow holders of less than a majority of stock to elect some directors; • the inability of shareholders to call a special meeting except when the holders of at least ten percent of all votes entitled to be cast on the proposed issue submit a written demand; • advance notice procedures for the nomination of candidates for election as directors or for proposing matters that can be acted upon at shareholder meetings; • the ability of our directors, without a stockholder vote, to fill vacancies on our Board (including those resulting from an enlargement of the Board); • the requirement that both 75 % of the directors constituting the full Board and stockholders holding at least 80 % of our voting stock are required to amend certain provisions in our certificate of incorporation and our by- laws; and • the right of our Board to issue preferred stock without stockholder approval. Our status as a Wisconsin corporation and the anti- takeover provisions of the WBCL may discourage, delay, or prevent a change in control even if a change in control would be beneficial to our shareholders by prohibiting us from engaging in a business combination with any person that is the beneficial owner of at least 10 % of the voting power of our outstanding voting stock (an " interested shareholder ") for a period of three years after such person becomes an interested shareholder, unless our Board has approved, before the date on which the shareholder acquired the shares, that a business combination or the purchase of stock made by such interested stockholder on such stock acquisition date. In addition, we may engage in a business combination with an interested shareholder after the expiration of the three- year period with respect to that shareholder only if one or more of the following conditions is satisfied: (1) our Board approved the acquisition of the stock before the date on which the shareholder acquired the shares, (2) the business combination is approved by a majority of our outstanding voting stock not beneficially owned by the interested shareholder, or (3) the consideration to be received by shareholders meets certain fair price requirements of the WBCL with respect to form and amount. These provisions could have the effect of discouraging, delaying, or preventing a transaction involving a change in control of our company. These provisions could also have the effect of discouraging proxy contests and making it more difficult for our non- controlling shareholders to elect directors of their choosing, causing us to take other corporate actions. In light of present circumstances, we believe these provisions taken as a whole protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board and by providing our Board with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers or prevent the removal of incumbent directors. However, these provisions could delay or prevent an acquisition that our Board determines is not in the best interests of the Company and all of our stockholders. We may change our dividend policy at any time. The declaration and amount of any future dividends, including the payment of special dividends, is dependent on multiple factors, including our financial performance and capital needs, and is subject to the discretion of our Board. The Board may, in its discretion, determine to cut, cancel, or eliminate our dividend and, therefore, the declaration of any dividend, at any frequency, as it is not assured. Each quarter, the Board considers whether the declaration of a dividend is in the best interest of our shareholders and in compliance with applicable laws and agreements. Although we expect to continue to pay dividends to holders of our Class A and Class B common stock, we have no obligation to do so, and our dividend policy may change at any time without notice. Future dividends may also be affected by factors that our Board deems relevant, including our potential future capital requirements for investments, legal risks, changes in federal and state income tax laws, or corporate laws and contractual restrictions such as financial or operating covenants in our debt arrangements. As a result, we may not pay dividends at any rate or at all. Risks Related to Legal Compliance If the independent contractors with whom we engage under our alternative owner- operator business model are deemed by law to be employees, our business, financial condition, and results of operations could be adversely affected. Like many of our competitors, in certain of our service offerings we offer an alternative owner- operator business model, which provides opportunities for small business owners and private entrepreneurs who own tractors to selectively contract with us as independent contractors to transport freight, which they choose, at contracted rates. Were such independent contractors subsequently determined to be our employees, we would be liable under various federal and state laws for a variety of taxes, wages, and other compensation and benefits, including for prior periods, which were not timely paid or remitted. In the U. S., the regulatory and statutory landscape relating to the classification status of independent contractors (or workers) who work in temporary or flexible jobs and who are paid by the task or project is evolving. Various federal and state regulatory authorities, as well as independent contractors themselves, have asserted that independent contractor drivers in the trucking industry, such as those operating under our “ owner- operator choice model ”, are employees rather than independent contractors for a variety of purposes, including income tax withholding, workers’ compensation, wage and hour compensation, unemployment, and other issues. Some state and federal authorities have enacted, or are considering, new laws to make it harder to classify workers as independent contractors and easier for tax and other authorities to reclassify independent contractors as employees. ~~Most recently~~ **On January 9** , ~~in October 2022~~ **2024** , the ~~U. S.~~ DOL **released** ~~published a Notice of Proposed Rulemaking and request for comments on~~ its **final rule addressing when** ~~proposal to revise its interpretation of independent contractor status under the FLSA. The FLSA establishes minimum wage, overtime pay, recordkeeping, and other employment standards affecting employees~~ **employers** ~~and~~ **can classify workers as** independent contractors **under** ~~in the private sector and in~~ federal **labor law** ~~, state, and local governments~~ . The **new rule replaces** ~~DOL’ s proposal would rescind~~ the ~~independent contractor regulation adopted by~~ **existing standard that was enacted under** the ~~prior~~ **Trump** ~~administration~~ **Administration** ~~in January~~ **. The rule, set to take effect March 11,** ~~2021~~ **2024 , directs employers to consider six criteria** and ~~would shift~~ **employ a “ totality of** the ~~current~~ **circumstances ”** analysis ~~of~~ **to determine** whether a worker is an employee ~~of~~ **or** a **contractor, without predetermining whether one criteria outweighs the other. The six factors, which are non- exhaustive, include a worker' s opportunity for profit or loss; investments made by the worker and the potential employer; the degree of permanence of the work relationship; and the degree of control an employer has over the work. The factors also include the extent to which work performed is integral to the employer' s** business **, and** ~~for purposes of~~ the **use** ~~FLSA from a more streamlined “ economic reality ” test to a more complex “ totality-~~ of **a** ~~- the- circumstances ” standard which is widely expected to make it more difficult for workers~~ - **worker' s skill and initiative** ~~to be classified as independent contractors under the FLSA~~ . ~~While~~ **We believe that** the final rule ~~may differ from the current proposal~~ , ~~we believe~~ **as compared with its Trump Administration predecessor, is a less predictable framework** that ~~if~~ **increases** the **likelihood of an employee determination and** ~~DOL’ s current proposal is adopted, it~~ could dramatically limit the circumstances under which we may classify our current independent contractor ~~“~~ owner- operators ~~”~~ as independent contractors under FLSA. **Because the final DOL independent contractor rule has not yet gone into effect, or been tested, we do not have any internal projections of the potential financial or operational impact of the final ruling.** Any ~~federal~~ legislation or regulation **, however,** which ~~significantly~~ limits our ability to classify owner- operators as independent contractors could result in driver shortages or adversely impact our freight capacity which, in turn, could adversely impact our results of operations. Additionally, courts in certain jurisdictions have issued decisions that could result in a greater likelihood that independent contractors will be judicially classified as employees. As a result, we are, from time to time, party to administrative proceedings and litigation, including class actions, alleging violations of the FLSA and other state and federal laws which seek retroactive reclassification of certain current and former independent contractors as employees. An adverse decision in such legal proceedings in an amount that materially exceeds our reserves or federal or state legislation in this area which render the owner- operator model either impractical or extinct thereby curtailing our revenue opportunities could have an adverse effect on our results of operations and profitability. We operate in a regulated industry, and increased direct and indirect costs of compliance with, or liability for violation of, existing or future regulations could have a material adverse effect on our business. In the U. S., the DOT, FMCSA, and various state agencies exercise broad powers over our business, generally governing matters including authorization to engage in motor carrier service, equipment operation, safety, financial reporting, and leasing arrangements with independent contractors. We are audited periodically by the DOT to ensure that we are in compliance with various safety, HOS, and other rules and regulations. If we were found to be out of compliance, the DOT could restrict or otherwise impact our operations. We also operate in various Canadian provinces (as granted by the Ministries of Transportation and Communication in such provinces) and contract with third- party carriers to transport freight into Mexico. Our failure to comply with any applicable laws, rules, or regulations to which we are subject, whether actual or alleged, could expose us to fines, penalties, or potential litigation liabilities, including costs, settlements, and judgments. Further, these agencies or governments could institute new laws, rules or regulations, or issue interpretation changes to existing regulations at any time. The short and long- term impacts of changes in legislation or regulations are difficult to predict and could materially and adversely affect our earnings and results of operations. **The EPA and the NHTSA have begun taking coordinated steps in support of a new generation of clean vehicles and engines to reduce GHG emissions. Complying with these and any future GHG regulations enacted by the CARB, EPA, NHTSA, and / or any other state or federal governing body has increased, and will likely continue to increase, the cost of our new tractors, may increase the cost of new trailers, may require us to retrofit certain of our trailers, may increase our maintenance costs, and could impair equipment productivity and increase our operating costs, particularly if such costs are not offset by potential fuel savings. These adverse effects, combined with the uncertainty as to the reliability of the newly designed diesel engines and the residual values of our equipment, could materially increase our costs or otherwise adversely affect our business or operations. However, we cannot predict the extent to which our operations and productivity will be impacted. We will continue monitoring our compliance with federal and state GHG regulations. Federal and state lawmakers are considering a variety of other climate- change proposals related to carbon and GHG emissions. The proposals could potentially limit carbon emissions within certain states and municipalities, which would restrict the location and amount of time that diesel- powered tractors may idle. Such proposals could result in decreased productivity or increased driver turnover. Regulatory requirements and changes in regulatory requirements may affect our business or the economics of the industry by requiring changes in operating practices that could influence the demand for and increase the costs of providing transportation services. If current regulatory requirements become more stringent or new environmental laws and regulations regarding climate change are introduced, we could be required to make significant capital expenditures or discontinue certain activities. Refer to Item 1. Business, for additional details on recent climate- related regulation and laws that impact our operations.** Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties. We are subject to various environmental laws and regulations dealing with emissions from our tractor fleet, the handling of hazardous materials, underground fuel storage tanks, and discharge and retention of storm water. We operate in industrial areas where truck terminals and other industrial activities are located and where groundwater or other forms of environmental contamination have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. Certain of our facilities have waste oil or fuel storage tanks and fueling islands. If a spill or other accident involving hazardous substances occurs, if there are releases of hazardous substances we transport, if soil or groundwater contamination is found at our facilities or results from our operations, or if we are found to be in violation of applicable laws or regulations, we could be liable for cleanup costs, other damages, fines, or penalties, any of which could be in material amounts or have a materially adverse effect on our business and operating results **. Additionally, in 2023, CARB passed ACF, a groundbreaking regulation designed to phase out the sales of medium and heavy- duty internal combustion engine trucks in California. The act aligns with the state' s long- term vision of transitioning the state' s transport system to zero- emissions vehicles by 2045. Other states have followed suit and enacted similar legislation. Despite successfully adding BEVs to our ntermodal fleet in California, the emission targets and timelines established by the ACF will make it more challenging for us to continue our current truckload and other operations in California and we believe will result in increased operating costs for us in California. We are subject to various regulations which are aimed at reducing GHG emissions and mandating GHG emissions disclosures, which could adversely impact our results of operations. Currently the long- haul trucking industry in North America is diesel fuel- based, and long- haul trucking operations powered by electricity, natural gas, or hydrogen- based powertrains rather than diesel are not commercially feasible at scale in North America. Significant challenges remain with respect to the economic feasibility of these trucks, and further development of this technology is necessary considering power, torque, range, efficiency and other performance requirements of long- haul trucking operations. Moreover, the extensive nationwide charging / fueling infrastructure and maintenance network that would be necessary to support such operations does not exist. Nevertheless, federal, state, and local governmental agencies continue to engage in efforts to support legislation and regulations mandating the transition of diesel fuel- based commercial motor vehicles, such as Class 8 tractors operated by the Company' s independent owner operators and third- party brokerage carriers, to ZEVs. In 2022, the SEC proposed the SEC Climate Disclosure Rule that would require dramatic changes in the nature and extent of disclosures by public companies regarding their climate risks, progress on their climate goals and information on their Scope 1, Scope 2 and, as proposed, Scope 3 emissions. According to the SEC, the newly proposed rule would require SEC- registered companies to include detailed climate- related information in registration statements and periodic reports such as 10- K annual reports including: their climate- related risks and actual or likely material impacts on their business, strategy, and outlook; Scope 1 and Scope 2**

greenhouse gas emissions, which would require attestation reports for accelerated filers; Scope 3 emissions if either of two conditions are present: 1) if Scope 3 emissions are material to the company or 2) if the company has set an emissions target or goal that includes Scope 3 emissions; and certain climate- related financial statement metrics and related disclosures in a note to audited consolidated financial statements. The proposed SEC Climate Disclosure Rule includes footnote disclosure, which would be subject to the financial statement audit and management' s internal control over financial reporting, as well as disclosures outside the financial statements, including a scope 1 and scope 2 greenhouse gas attestation requirements for accelerated and large accelerated filers. If adopted generally as proposed, we expect that we would need to expand our disclosures, even as the reporting timeline is accelerated. Should the Company fail to implement appropriate policies and procedures to accurately track or report all of the information required under the proposed SEC Climate Disclosure Rule, it could be determined that the Company has weaknesses in its internal controls, the Company would not be able to obtain the required third- party attestation report or file them timely and could lose customers. Should any of those events occur, the Company would face fines and disciplinary actions by the SEC and the Company' s share price could be negatively impacted. At the state level, the CARB has adopted new regulations that would mandate the transition of commercial trucking operations in California to ZEVs over time. To the extent that the ACF regulation survives legal challenges and becomes effective, we expect that the ACT will impact the cost and / or supply of traditional diesel tractors. Moreover, despite our limited deployment of BEVs in our intermodal fleet and making adjustments to our operations to comply with the ACT, no assurances can be given with respect to the extent that the Company, its independent owner- operators, or third- party capacity providers will choose to become CARB- compliant by purchasing a ZEV. Accordingly, unless, in addition to its intermodal operations in California, the Company opts to become CARB- compliant in its truckload operations, the Company may not be permitted to haul loads that would require travel within California, which could negatively affect the ability of the Company to service customer freight needs for freight originating from, delivering to, or traveling through California. Furthermore, mandates requiring the transition to ZEVs would create substantial costs for the Company' s third- party capacity providers and, in turn, increase the cost of purchased transportation to the Company. An increase in the costs to purchase, lease, or maintain tractor equipment or in purchased transportation cost caused by existing or new regulations, without a corresponding increase in price to the customer, could adversely affect our results of operations and financial condition. Due primarily to the uncertainty of the timing of availability of compliant tractors from OEMs and the timing of the effectiveness of such laws and regulations, we are not currently able to forecast whether such impact will be material. We, and others, currently do not expect that long- haul trucking operations powered by electricity, natural gas, or hydrogen- based powertrains rather than diesel, will become commercially viable at scale throughout North America in the next five years. However, as various technology alternatives continue to develop and mature and investment in infrastructure continues, local or regional service in certain geographic areas utilizing Class 8 tractors powered by electricity, natural gas, or hydrogen- based powertrains may become commercially viable in such time frame. We continue to actively monitor, evaluate, and test developments in the trucking industry related to the design, manufacture, operation, and support of heavy- duty trucks powered by electricity, natural gas, or hydrogen- based powertrains in order to consider the implementation of initiatives involving those technologies, as those technologies and the related infrastructure needed to support them may mature in the future. An increase in costs to implement these initiatives without a corresponding increase in price to the customer could adversely affect our results of operations and financial condition. In 2023, California also passed three climate reporting laws, which apply to companies that do business in California, which require such companies to make mandated climate- related disclosures, SB 253 and SB 261. We are monitoring the pending legal challenges to SB 253 and SB 261 and do not currently have internal projections of the potential financial or operational impact these laws or proposed regulations may have on our operations however, an increase in our operating costs to comply with these laws and make the required disclosures without a corresponding increase in our fuel savings or pricing could adversely affect our results of operations and financial condition. In 2023, in a significant step toward implementing transparency in voluntary carbon markets, California also enacted the VCMDA which requires companies which operate in California and market or sell voluntary carbon offsets, or which make claims regarding the achievement of net zero emissions, carbon neutral status, or significant carbon emissions reductions to publicly disclose information documenting how the claim was determined to be accurate or accomplished and the measurement of interim progress. The VCMDA authorizes California to bring civil actions against subject companies and seek civil penalties for misstatements or other violations of these laws, with a maximum fine of $ 500, 000. From time to time, in conjunction with delivering freight transportation services to certain of its customers, the Company purchases carbon credits or offsets to enable or assist such customers with achieving their carbon reduction targets. Should the Company either fail to achieve its GHG emission reduction goals or California subsequently determines that any of its related green marketing claims are unachievable, inaccurate, or overstated, the Company could be found to be in violation of the VCDMA and be subject to statutory fines or penalties under the VCMDA, which could adversely affect our financial condition or results of operations. Refer to Item 1. Business, for additional details on the ACT and ACF Regulations, the SEC Climate Disclosure Rule, California SB 253 and SB 261, and the VCMDA . General Risk Factors We rely significantly on our information technology systems, a disruption, failure, or security breach of which could have a material adverse effect on our business. We rely on information technology throughout all areas of our business and operations to receive, track, accept, and complete customer orders; process financial and non- financial data; compile results of operations for internal and external reporting; and achieve operating efficiencies and growth. Such data and information remain vulnerable to cyber- attacks, cybersecurity breaches, ransomware attacks, hackers, theft, or other unauthorized disclosure ~~which~~ **. Like other companies in the transportation industry** , ~~if~~ **we have identified, and expect to continue to identify, attempted**

cyberattacks and cyber security incidents, but none of the attempted cyberattacks or cybersecurity incidents identified as of the filing date of this Annual Report on Form 10- K has had a material impact on us, except as the continued presence of cybersecurity threats has resulted, and is expected to continue to result, in significant investments in cybersecurity risk management programs, processes, and tools. If a cyberattack, cybersecurity breach, ransomware, or other similar attack on us is successful, **this** could result in the disclosure of confidential customer or commercial data, loss of valuable intellectual property, or system disruptions **,** and subject us to civil liability and fines or penalties, damage our brand and reputation, or otherwise harm our business, any of which could be material. In addition, delayed sales, lower margins, or lost customers resulting from security breaches or network disruptions could materially reduce our revenues, materially increase our expenses, damage our reputation, and have a material adverse effect on our stock price. Our information technology systems may also be susceptible to interruptions or failures for a variety of reasons including software or hardware failure, user error, power outages, natural disasters, computer viruses, or other types of interruptions. For example, in 2022 our operations were temporarily disrupted due to a firmware defect (which was not related to a cyber event and did not involve a breach of data) in a third- party vendor' s equipment, which caused certain critical computer applications to not function properly. As a result of this incident, we were required to rely on manual processes to book freight, execute loads, and pay carriers for two business days and otherwise execute our business continuity plans. While this disruption resulted in lost revenue and operating profit, it did not have a material impact on our annual results of operations. However, **despite our ability to potentially utilize manual processes,** a significant disruption or failure in our computer networks or applications **, of any duration,** could have a material adverse effect on our business, including operational disruptions, loss of confidential information, external reporting delays or errors, legal claims, or damage to our business reputation. Our success depends on our ability to attract and retain key employees, and if we are unable to attract and retain such qualified employees, our business and our ability to execute our business strategies may be materially impaired. Our future success depends largely on the continued service and efforts of our executive officers and other key management and technical personnel and on our ability to continue to identify, attract, retain, and motivate them. Although we believe we have an experienced and highly qualified management team, the loss of the services of these key personnel could have a significant adverse impact on us and our future profitability. Additionally, we must continue to recruit, develop, and retain skilled and experienced operations, technology, and sales managers if we are to realize our goal of expanding our operations and continuing our growth. Failure to recruit, develop, and retain a core group of service center managers could have a materially adverse effect on our business. As a result of the nature and scope of our operations, we are subject to various claims and lawsuits in the ordinary course of business, which could adversely affect us. As a result of the nature and scope of our operations, we are involved in various legal proceedings and claims and exposed to a variety of litigation, including those related to accidents involving our trucks and our brokerage operations, cargo claims, commercial disputes, property damage, and environmental liability, which may not be fully covered by our insurance. Such litigation may include claims by current or former employees or third parties, and certain proceedings may be certified or purport to be class actions. In appropriate cases, we have taken and will seek subrogation from third parties who are responsible for losses or damages that we may become legally obligated to pay to claimants. In particular, the defense of trucking accidents is challenging for a variety of reasons, one of which is the recent rise in " nuclear verdicts "- excessive jury awards that surpass what would generally be regarded as reasonable or rational compensation for the injuries or damages suffered, social inflation, societal perceptions of the trucking industry, and ultimately, litigation financing, where third parties are financing litigation in return for a share of settlement proceeds or awarded damages. Litigation is inherently uncertain, and the costs of defending litigation, particularly class- action litigation, may be substantial, and in any period, we could experience significant adverse results, which could have an adverse effect on our financial condition or results of operations. While we purchase insurance coverage at levels we deem adequate, future litigation may exceed our insurance coverage or may not be covered by insurance. In addition, adverse publicity surrounding an allegation or claim that results in litigation may cause significant reputational harm that could have a significant adverse effect on our financial condition or results **of operations. Increasing scrutiny from investors and other stakeholders regarding ESG related matters may have a negative impact on our business. Companies across all industries are facing increasing scrutiny from investors and other stakeholders related to ESG matters, including practices and disclosures related to environmental stewardship, social responsibility, and diversity and inclusion. Organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to negative investor sentiment toward us, which could have a negative impact on our stock price and our access to and costs of capital. We have developed certain initiatives and goals relating to ESG matters. Our ability to successfully execute these initiatives and accurately report our progress presents numerous operational, financial, legal, reputational, and other risks, many of which are outside our control, and all of which could have a material negative impact on our business. Additionally, the implementation of these initiatives imposes additional costs on us. If our ESG initiatives and goals do not meet the expectations of our investors or other stakeholders, which continue to evolve, then our reputation, our attractiveness as an investment and business partner, and our ability to attract or retain employees could be negatively impacted. Similarly, our failure, or perceived failure, to pursue or fulfill our goals, targets, and objectives or to satisfy various reporting standards in a timely manner, or at all, could also have similar negative impacts and expose us to government enforcement actions and private litigation** . Our long- term sustainability and GHG reduction goals are predicated on large scale customer adoption of intermodal **services** , the operational feasibility and reliability of heavy- duty ZEVs, and the corresponding build out of a national support infrastructure to reasonably and efficiently manufacture, distribute, or store electricity or alternative fuels for ZEVs, none of which can be assured ~~. Although priority and focus vary, like many public companies, we are under pressure from certain stakeholders, including investors and customers, to establish goals focused on~~

~~sustainability and, in particular, decarbonization. The Company is also subject to certain federal and state environmental laws and regulations, including those of the U. S. EPA and state environmental agencies which are aggressively focused on the reduction of GHG emissions. Most notably, the CARB is currently developing a medium and heavy- duty zero- emission fleet regulation with the goal of achieving a zero- emission truck and bus California fleet by 2045 everywhere feasible and significantly earlier for certain market segments such as last mile delivery and drayage applications. Other states have signed a multi- state agreement to require 100 % sales of zero- emission trucks by 2050. In response, we set the ambitious goal to reduce our per- mile CO_2 emissions by 7. 5 % by 2025, and by 2035, we are aiming to reduce our per- mile CO_2 emissions by 60 %~~ . A critical component of our multi- pronged plan to reduce our carbon emissions and comply with California' s and other states' **zero or reduced** ~~emissions~~ - **emission** requirements is the deployment of ZEVs in significant numbers in these states together with leveraging our intermodal capability. As an early adopter of ZEVs, there can be no assurance that we will be successful deploying ZEVs in our operations in significant numbers, that we will be successful converting more over **-** the **-** road freight to intermodal, that the national support infrastructure, including the nation' s electricity grid, for heavy- duty ZEVs will be built- out as expected. Should any of those things fail to occur, we may fail to meet our published sustainability goals, which could result in losing the support of our investors, customers, and other stakeholders; ~~become~~ **our becoming** subject to regulatory enforcement actions; or ~~suffer~~ **suffering** reputational harm which, in any case, may increase the cost of providing transportation services or adversely affect our financial condition, results of operations, and liquidity.