

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): January 31, 2020

**SPARTAN MOTORS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Michigan**  
(State or Other Jurisdiction  
of Incorporation)

**001-33582**  
(Commission File No.)

**38-2078923**  
(IRS Employer  
Identification No.)

**41280 Bridge Street, Novi, Michigan**  
(Address of Principal Executive Offices)

**48375**  
(Zip Code)

**517-543-6400**  
(Registrant's Telephone Number, Including Area Code)

**1541 Reynolds Road, Charlotte, Michigan 48813**  
(Former Name or Former Address, if changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Section Act (17 CFR 230.425)  
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)  
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))  
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.01 par value	SPAR	NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

---

### **Item 1.01 Entry into a Material Definitive Agreement**

On January 31, 2020, Spartan Motors, Inc. (the “Company”) entered into an Asset Purchase Agreement with Spartan Motors USA, Inc., a wholly-owned subsidiary of the Company; REV Group, Inc. (“REV”); and Spartan Fire LLC, a wholly-owned subsidiary of REV (the “Buyer”), pursuant to which the Company agreed to sell substantially all of the assets and liabilities comprising the Emergency Response Vehicles business (the “ERV business”) for approximately \$55 million in cash, subject to a net working capital adjustment. The ERV business consists of the design, engineering, manufacturing, marketing, and sale of fire truck apparatus and fire truck cab chassis, including through the sale of aftermarket parts. Pursuant to the Asset Purchase Agreement, the Buyer also agreed to assume certain liabilities of the ERV business. The sale of the ERV business is effective February 1, 2020.

The foregoing description of the Asset Purchase Agreement is qualified in its entirety by reference to the Asset Purchase Agreement, a copy of which will be filed as an exhibit to the Company’s Annual Report filed on Form 10-K for the year ended December 31, 2019.

Concurrent with the close of the sale of the ERV business and effective February 1, 2020, the Credit Agreement dated August 8, 2018, by and among the Company and its affiliates, as borrowers; Wells Fargo Bank, National Association, as Administrative Agent; and the lenders party to such Credit Agreement (the “Credit Agreement”) was amended by a Fourth Amendment to Credit Agreement, which released certain of the Company’s subsidiaries that were sold as part of the ERV business pursuant to the Asset Purchase Agreement described above. The substantive business terms of the Credit Agreement remain in place and were not changed by the Fourth Amendment.

The foregoing description of the Fourth Amendment is qualified in its entirety by reference to the Fourth Amendment, a copy of which will be filed as an exhibit to the Company’s Annual Report filed on Form 10-K for the year ended December 31, 2019.

### **Item 2.01 Completion of Acquisition or Disposition of Assets**

Effective February 1, 2020, the Company completed the sale of the ERV business pursuant to the terms and conditions set forth in the Asset Purchase Agreement and received cash of \$55 million, which will be subject to a post-closing net working capital adjustment. The Buyer also agreed to assume certain liabilities of the ERV business. In connection with the closing of the sale, the Company and the Buyer have entered into a transition services agreement, pursuant to which the parties will provide each other certain transition services for a specified period following the closing.

The foregoing description of the Asset Purchase Agreement is qualified in its entirety by reference to the Asset Purchase Agreement, a copy of which will be filed as an exhibit to the Company’s Annual Report filed on Form 10-K for the year ended December 31, 2019.

**Item 8.01 Other Events**

On February 3, 2020, the Company issued a press release announcing that it had completed the sale of the ERV business contemplated by the Asset Purchase Agreement. A copy of the press release is attached hereto as Exhibit 99.1.

The information in this Item 8.01 and the attached Exhibit shall not be deemed filed for purposes of Section 18 of the Securities Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits**

## (b) Pro Forma Financial Information

The unaudited pro forma condensed statements of operations for the nine months ended September 30, 2019, and the years ended December 31, 2018, 2017 and 2016, and the unaudited pro forma condensed balance sheet as of September 30, 2019, and the related notes showing the pro forma effects of the sale of the ERV business are attached as Exhibit 99.2 hereto and incorporated herein by reference.

## (d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Press release issued on February 3, 2020</a>
99.2	<a href="#">Unaudited pro forma condensed consolidated financial statements</a>

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SPARTAN MOTORS, INC.

Dated: February 6, 2020

/s/ Frederick J. Sohm  
By: Frederick J. Sohm  
Its: Chief Financial Officer



**SPARTAN MOTORS**

1541 Reynolds Rd. Charlotte, MI 48813 | P: 517.543.6400  
**SPARTANMOTORS.COM**

**Spartan Motors Announces Business Transformation  
to Focus on its Delivery and Specialty Vehicle Segments,  
Divests Emergency Response Business Unit**

**CHARLOTTE, Mich., February 3, 2020** – Spartan Motors, Inc. (NASDAQ: SPAR) (the "Company"), the North American leader in specialty vehicle manufacturing and assembly for the commercial and retail vehicle industries (including last mile delivery, specialty service and vocation-specific upfit segments), as well as for the recreational vehicle markets, today announced the sale of its Emergency Response (ER) segment to REV Group, Inc. (NYSE: REVG). REV Group (REVG) paid approximately \$55 million in cash at closing, which is subject to a net working capital adjustment, and assumed certain liabilities of the ER segment. The transaction has been unanimously approved by the Company's Board of Directors.

"The divestiture of the ER business unit will give us the speed and flexibility needed to further focus on accelerating growth and profitability in our commercial, fleet, delivery, and specialty vehicles markets where we see the biggest opportunity to generate higher returns," said Daryl Adams, President and Chief Executive Officer. "By freeing up additional resources and capital to better serve our target markets and make additional strategic investments, we can continue to evolve to meet the needs of our customers and provide long-term value to our shareholders."

The ER business unit had revenue of approximately \$253.3 million for the 12 months ended September 30, 2019. Proceeds from the sale, effective February 1, 2020, will be initially used to pay down debt and support working capital requirements. As part of the transaction, REVG purchased the rights to the "Spartan" brand name. Accordingly, the Company will be changing its corporate name in the coming months, subject to shareholder approval. REVG has licensed the "Spartan" name and the "Spartan diamond" logo back to the Company for use in the Company's RV chassis business.

"The divestiture marks an important step in our business transformation. E-commerce, electrification and autonomous technologies are driving dramatic change in the industry and this action positions us to continue to provide leading solutions for our customers. I appreciate the dedication of our ER associates over the past 45 years and I wish them success," concluded Adams.

For more information, please visit [www.spartanmotors.com/transformation](http://www.spartanmotors.com/transformation).

**About Spartan Motors**

Spartan Motors, Inc. is the North American leader in specialty vehicle manufacturing and assembly for the commercial and retail vehicle industries (including last-mile delivery, specialty service and vocation-specific upfit segments), as well as for recreational vehicle markets. The Company is organized into two core business segments: Spartan Fleet Vehicles and Services and Spartan Specialty Vehicles. Today, its family of brands also include Utilimaster, Royal Truck Body, Strobes-R-Us, Spartan Chassis, Spartan Authorized Parts, Spartan Authorized Service Centers, and Spartan Factory Service Centers. Spartan Motors and its go-to-market brands are well known in their respective industries for quality, durability, aftermarket product support and first-to-market innovation. The Company employs approximately 2,500 associates, and operates facilities in Michigan, Indiana, Pennsylvania, South Carolina, Florida, Missouri, California, Arizona, Texas, and Saltillo, Mexico. Spartan reported sales of \$816 million in 2018. Learn more about Spartan Motors at [www.spartanmotors.com](http://www.spartanmotors.com).

*Spartan Motors, Inc.*

---

*This release contains several forward-looking statements that are not historical facts. These statements can be identified by words such as "believe," "expect," "intend," "potential," "future," "may," "will," "should," and similar expressions regarding future expectations. These forward-looking statements involve various known and unknown risks, uncertainties, and assumptions that are difficult to predict with regard to timing, extent, and likelihood. Therefore, actual performance and results may materially differ from what may be expressed or forecasted in such forward-looking statements. Factors that could contribute to these differences include difficulties we may encounter in separating this business unit from Spartan's retained businesses and transferring the Emergency Response business to REV Group; operational and other complications that may arise affecting the implementation of our plans and business objectives; continued pressures caused by economic conditions; issues unique to government contracting, such as competitive bidding processes, qualification requirements, and delays or changes in funding; changes in our relationships with major customers, suppliers, or other business partners; changes in the demand or supply of products within our markets or raw materials needed to manufacture those products; and changes in laws and regulations affecting our business. Other factors that could affect outcomes are set forth in our Annual Report on Form 10-K and other filings we make with the Securities and Exchange Commission (SEC), which are available at [www.sec.gov](http://www.sec.gov) or our website. All forward-looking statements in this release are qualified by this paragraph. Investors should not place undue reliance on forward-looking statements as a prediction of actual results. We undertake no obligation to update or revise any forward-looking statements in this release, whether as a result of new information, future events, or otherwise.*

###

**CONTACT:**

**Investors:**

Juris Pagrabs  
Group Treasurer & Director of Investor Relations  
Spartan Motors, Inc.  
(517) 997-3862

**Media:**

Samara Hamilton  
Corporate Director of Marketing and Communications  
Spartan Motors, Inc.  
[Samara.Hamilton@spartanmotors.com](mailto:Samara.Hamilton@spartanmotors.com)  
(517) 997-3860

*Spartan Motors, Inc.*

**Unaudited Pro Forma Condensed Consolidated Financial Statements**

On January 31, 2020, Spartan Motors, Inc. (the “Company”) entered into an Asset Purchase Agreement with Spartan Motors USA, Inc., a wholly-owned subsidiary of the Company; REV Group, Inc. (“REV”); and Spartan Fire LLC, a wholly-owned subsidiary of REV (the “Buyer”), pursuant to which the Company agreed to sell substantially all of the assets and liabilities comprising the Emergency Response Vehicles business (the “ERV business”) for approximately \$55 million in cash, subject to a net working capital adjustment. The ERV business consists of the design, engineering, manufacturing, marketing, and sale of fire truck apparatus and fire truck cab chassis, including through the sale of aftermarket parts. Pursuant to the Asset Purchase Agreement, the Buyer also agreed to assume certain liabilities of the ERV business.

The following unaudited pro forma condensed consolidated financial statements (“Unaudited Pro Forma Statements”) and explanatory notes are based on the Company’s historical consolidated financial statements adjusted to give effect to the sale of the ERV business. The unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2019, the year ended December 31, 2018, 2017, and 2016 have been prepared with the assumption that the sale of the ERV business occurred as of January 1, 2016. The unaudited pro forma condensed balance sheet as of September 30, 2019 has been prepared with the assumption that the sale of the ERV business was completed as of the balance sheet date. The unaudited pro forma statements have been prepared by the Company based on assumptions deemed appropriate by the Company’s management. An explanation of pro forma adjustments is set forth under the notes hereto.

The Unaudited Pro Forma Statements are presented for illustrative purposes only and do not necessarily reflect what the Company’s financial condition or results of operations would have been had the sale of the ERV business occurred on the date indicated. Additionally, the Unaudited Pro Forma Statements do not purport to project the future financial condition or results of operations of the Company.

The Unaudited Pro Forma Statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 as well as the Company’s unaudited condensed consolidated financial statements and notes thereto included in the Company’s Quarterly report on Form 10-Q for the period ended September 30, 2019.

---

**Unaudited Pro Forma Condensed Consolidated Balance Sheet**  
**As of September 30, 2019**  
(amounts in thousands, except per share data)

	Historical Spartan Motors, Inc.	Disposition of Business	Other Adjustments	A	Pro Forma Spartan Motors, Inc.
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 15,019	\$ -	\$ -		\$ 15,019
Accounts receivable	112,455	32,082	-		80,373
Contract assets	49,043	36,611	-		12,432
Inventories	87,936	36,451	-		51,485
Other receivables – chassis pool agreements	16,975	-	-		16,975
Other current assets	6,247	1,955	-		4,292
<b>Total current assets</b>	<b>287,675</b>	<b>107,099</b>	<b>-</b>		<b>180,576</b>
Property and equipment, net	62,189	24,914	-		37,275
Right of use assets – operating leases	37,110	6,311	-		30,799
Goodwill	60,333	11,456	-		48,877
Intangible assets, net	55,149	3,488	-		51,661
Other assets	2,693	58	-		2,635
Net deferred tax asset	7,463	-	-		7,463
<b>TOTAL ASSETS</b>	<b>\$ 512,612</b>	<b>\$ 153,326</b>	<b>\$ -</b>		<b>359,286</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 83,723	\$ 13,673	\$ -		\$ 70,050
Accrued warranty	18,084	13,172	-		4,912
Accrued compensation and related taxes	17,362	4,928	-		12,434
Deposits from customers	11,369	9,632	-		1,737
Operating lease liability	5,133	3	-		5,130
Other current liabilities and accrued expenses	14,849	5,916	-		8,933
Short-term debt – chassis pool agreements	16,975	-	-		16,975
<b>Total current liabilities</b>	<b>167,495</b>	<b>47,324</b>	<b>-</b>		<b>120,171</b>
<b>Other non-current liabilities</b>	<b>4,376</b>	<b>1,121</b>	<b>-</b>		<b>3,255</b>
<b>Long-term operating lease liability</b>	<b>32,171</b>	<b>5,686</b>	<b>-</b>		<b>26,485</b>
<b>Long-term debt, less current portion</b>	<b>108,944</b>	<b>-</b>	<b>(51,396)</b>	B	<b>57,548</b>
<b>Total liabilities</b>	<b>312,986</b>	<b>54,131</b>	<b>(51,396)</b>		<b>207,459</b>
<b>Total shareholders' equity</b>	<b>199,626</b>	<b>99,195</b>	<b>51,396</b>	B	<b>151,827</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 512,612</b>	<b>\$ 153,326</b>	<b>\$ -</b>		<b>\$ 359,286</b>

See Accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements



**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the Nine Months Ended September 30, 2019**  
(amounts in thousands, except per share data)

	Historical Spartan Motors, Inc.	Disposition of Business	A	Other Adjustments	Pro Forma Spartan Motors, Inc.
Sales	\$ 770,850	\$ 194,261		\$ -	\$ 576,589
Cost of products sold	677,216	179,378		-	497,838
Restructuring charges	60	53		-	7
<b>Gross profit</b>	<u>93,574</u>	<u>14,830</u>		<u>-</u>	<u>78,744</u>
Selling, general and administrative	74,705	21,186		-	53,519
Restructuring charges	259	229		-	30
Total operating expenses	<u>74,964</u>	<u>21,415</u>		<u>-</u>	<u>53,549</u>
<b>Operating income (loss)</b>	<u>18,610</u>	<u>(6,585)</u>		<u>-</u>	<u>25,195</u>
Interest and other income	1,132	1,014		1,277C	1,395
Income (loss) before income taxes	19,742	(5,571)		1,277	26,590
Taxes	4,499	(1,511)		317D	6,327
Net earnings (loss)	15,243	(4,060)		960	20,263
Less: net loss attributable to non-controlling interest	(14)	-		-	(14)
<b>Net earnings attributable to Spartan Motors, Inc.</b>	<u>\$ 15,257</u>	<u>\$ (4,060)</u>		<u>\$ 960</u>	<u>\$ 20,277</u>
<b>Basic net earnings per share</b>	<u>\$ 0.43</u>				<u>\$ 0.57</u>
<b>Diluted net earnings per share</b>	<u>\$ 0.43</u>				<u>\$ 0.57</u>
<b>Basic weighted average common shares outstanding</b>	35,311				35,311
<b>Diluted weighted average common shares outstanding</b>	35,355				35,355

See Accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the year ended December 31, 2018**  
(amounts in thousands, except per share data)

	<b>Historical Spartan Motors, Inc.</b>	<b>Disposition of Business</b>	<b>Other Adjustments</b>	<b>Pro Forma Spartan Motors, Inc.</b>
Sales	\$ 816,164	\$ 245,637	\$ -	\$ 570,527
Cost of products sold	717,607	220,237	-	497,370
Restructuring charges	302	289	-	13
<b>Gross profit</b>	<b>98,255</b>	<b>25,111</b>	<b>-</b>	<b>73,144</b>
Selling, general and administrative	80,713	27,374	-	53,339
Restructuring charges	1,429	780	-	649
Total operating expenses	82,142	28,154	-	53,988
<b>Operating income (loss)</b>	<b>16,113</b>	<b>(3,043)</b>	<b>-</b>	<b>19,156</b>
Interest and other income	1,160	2,228	1,702C	634
Income (loss) before income taxes	17,273	(815)	1,702	19,790
Taxes	2,261	(401)	417D	3,079
Net earnings (loss)	15,012	(414)	1,285	16,711
Less: net loss attributable to non-controlling interest	-	-	-	-
<b>Net earnings attributable to Spartan Motors, Inc.</b>	<b>\$ 15,012</b>	<b>\$ (414)</b>	<b>\$ 1,285</b>	<b>\$ 16,711</b>
<b>Basic net earnings per share</b>	<b>\$ 0.43</b>			<b>\$ 0.47</b>
<b>Diluted net earnings per share</b>	<b>\$ 0.43</b>			<b>\$ 0.47</b>
<b>Basic weighted average common shares outstanding</b>	<b>35,187</b>			<b>35,187</b>
<b>Diluted weighted average common shares outstanding</b>	<b>35,187</b>			<b>35,187</b>

See Accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the Year Ended December 31, 2017**  
(amounts in thousands, except per share data)

	Historical Spartan Motors, Inc.	Disposition of Business	A	Other Adjustments	Pro Forma Spartan Motors, Inc.
Sales	\$ 707,098	\$ 302,850		\$ -	\$ 404,248
Cost of products sold	617,655	276,479		-	341,176
Restructuring charges	208	88		-	120
<b>Gross profit</b>	<b>89,235</b>	<b>26,283</b>		<b>-</b>	<b>62,952</b>
Selling, general and administrative	72,020	27,532		-	44,488
Restructuring charges	1,044	366		-	678
Total operating expenses	73,064	27,898		-	45,166
<b>Operating income (loss)</b>	<b>16,171</b>	<b>(1,615)</b>		<b>-</b>	<b>17,786</b>
Interest and other income	(147)	115		1,702C	1,440
Income (loss) before income taxes	16,024	(1,500)		1,702	19,226
Taxes	90	(4,501)		648D	5,239
Net earnings	15,934	3,001		1,054	13,987
Less: net loss attributable to non-controlling interest	(1)	(1)		-	-
<b>Net earnings attributable to Spartan Motors, Inc.</b>	<b>\$ 15,935</b>	<b>3,002</b>		<b>\$ 1,054</b>	<b>\$ 13,987</b>
<b>Basic net earnings per share</b>	<b>\$ 0.46</b>				<b>\$ 0.40</b>
<b>Diluted net earnings per share</b>	<b>\$ 0.46</b>				<b>\$ 0.40</b>
<b>Basic weighted average common shares outstanding</b>	<b>34,949</b>				<b>34,949</b>
<b>Diluted weighted average common shares outstanding</b>	<b>34,949</b>				<b>34,949</b>

See Accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

**Unaudited Pro Forma Condensed Consolidated Statement of Operations**  
**For the Year Ended December 31, 2016**  
(amounts in thousands, except per share data)

	Historical Spartan Motors, Inc.	Disposition of Business A	Other Adjustments	Pro Forma Spartan Motors, Inc.
Sales	\$ 590,777	\$ 182,982	\$ -	\$ 407,795
Cost of products sold	518,113	174,217	-	343,896
Restructuring charges	136	136	-	-
<b>Gross profit</b>	<u>72,528</u>	<u>8,629</u>	<u>-</u>	<u>63,899</u>
Selling, general and administrative	62,944	21,331	-	41,613
Restructuring charges	959	959	-	-
Total operating expenses	<u>63,903</u>	<u>22,290</u>	<u>-</u>	<u>41,613</u>
<b>Operating income (loss)</b>	<u>8,625</u>	<u>(13,661)</u>	<u>-</u>	<u>22,286</u>
Interest and other income	78	(141)	1,702C	1,921
Income (loss) before income taxes	<u>8,703</u>	<u>(13,802)</u>	<u>1,702</u>	<u>24,207</u>
Taxes	100	(8,516)	652D	9,268
Net earnings (loss)	<u>8,603</u>	<u>(5,286)</u>	<u>1,050</u>	<u>14,939</u>
Less: net loss attributable to non-controlling interest	(7)	(7)	-	-
<b>Net earnings attributable to Spartan Motors, Inc.</b>	<u>\$ 8,610</u>	<u>\$ (5,279)</u>	<u>\$ 1,050</u>	<u>\$ 14,939</u>
<b>Basic net earnings per share</b>	<u>\$ 0.25</u>			<u>\$ 0.43</u>
<b>Diluted net earnings per share</b>	<u>\$ 0.25</u>			<u>\$ 0.43</u>
<b>Basic weighted average common shares outstanding</b>	34,405			34,405
<b>Diluted weighted average common shares outstanding</b>	34,405			34,405

See Accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

**Note 1 Description of the Transaction and Basis of Presentation**

On February 1, 2020, the Company completed the sale of substantially all of the assets and liabilities of the ERV business pursuant to the terms and conditions set forth in the Asset Purchase Agreement and received \$55 million in cash, subject to a net working capital adjustment. Pursuant to the Asset Purchase Agreement, the Buyer also agreed to assume certain liabilities of the ERV business.

**Note 2 Pro Forma Adjustments**

The pro forma adjustments included in the Unaudited Pro Forma Condensed Combined Statements of Operations, including certain adjustments that were made to the historical presentation of the Company as follows:

- A Adjustments to reflect the disposition of the ERV business.
- B Sale proceeds, net of estimated transaction related expenses, assumed to be used to pay down the long-term debt.
- C Interest expense resulting from the pay down of the long-term debt.
- D Income tax effect associated with the Company's sale of ERV business. In 2016 and 2017, the tax expense allocated to the disposition reflects the effect of the Company's valuation allowance as a result of the related losses. The change in valuation allowance in 2017 has been allocated based on the amount of the allowance related to each respective business. The rate change resulting from the enactment of the Tax Cuts and Jobs Act in 2017 was allocated according to respective deferred tax assets and liabilities.