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

FORM 8-K/A

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported): September 9, 2019

SPARTAN MOTORS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan	**001-33582**	**38-2078923**
(State or Other Jurisdiction of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

1541 Reynolds Road, Charlotte, Michigan	**48813**
(Address of Principal Executive Offices)	(Zip Code)

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

Not Applicable
(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. ☐

Explanatory Note

On September 12, 2019, Spartan Motors, Inc. filed a Current Report on Form 8-K to report that its wholly owned subsidiary, Spartan Motors USA, Inc. (the "Company" or "Spartan"), entered into a Unit Purchase Agreement (the "Purchase Agreement") with Fortress Resources, LLC D/B/A Royal Truck Body ("Royal"), the owners of Royal, and Dudley D. De Zonia, pursuant to which the Company acquired all of the outstanding equity interests of Royal. This amendment is being filed to amend and supplement Item 9.01 of the Form 8-K filed on September 12, 2019 to include the financial statements and pro forma financial information required by parts (a) and (b) of Item 9.01 of form 8-K.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

Audited financial statements for Fortress Resources, LLC as of and for the years ended December 31, 2018 and 2017 are being filed as Exhibit 99.1 and unaudited financial statements for Fortress Resources, LLC as of and for the three and six months ended June 30, 2019 and 2018 are being filed as Exhibit 99.2.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined statements of operations for the six month period ended June 30, 2019 and for the year ended December 31, 2018 and the related notes showing the pro forma effects of acquiring Royal are attached as Exhibit 99.3 hereto and incorporated herein by reference. A pro forma condensed combined balance sheet as of June 30, 2019 is not presented as the completion of the purchase of Royal was reflected in the Company's condensed consolidated balance sheet dated September 30, 2019, as reported on Form 10-Q for the quarter ended September 30, 2019.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of independent auditor.
99.1	Audited financial statements for Fortress Resources, LLC as of and for the years ended December 31, 2018 and 2017.
99.2	Unaudited financial statements for Fortress Resources, LLC as of and for the three and six months ended June 30, 2019 and 2018.
99.3	Unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2019 and year ended December 31, 2018.

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: November 25, 2019

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

Exhibit 23.1

Consent of Independent Auditor

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-98083, 333-145674, 333-177088, 333-183871 and 333-213581) of Spartan Motors, Inc. of our report dated April 18, 2019, relating to our audit of the financial statements of Fortress Resources, LLC as of and for the year ended December 31, 2018, and our report dated October 16, 2019, relating to our audit of the financial statements of Fortress Resources, LLC as of and for the year ended December 31, 2017, included in this Amendment to Current Report on Form 8-K/A.

KSJG, LLP

November 25, 2019

ACCOUNTING + CONSULTING

FORTRESS RESOURCES, LLC

Financial Statements
and
Supplementary Information
Year Ended December 31, 2017
(With Independent Auditor's Report Thereon)

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Supplementary Information:

INDEPENDENT AUDITOR'S REPORT

To the Members of
Fortress Resources, LLC

We have audited the accompanying financial statements of Fortress Resources, LLC (the Company), which comprise the balance sheet as of December 31, 2017, and the related statement of operations, member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KSJG, LLP

October 16, 2019

KSJG, LLP
100 Spectrum Center Drive, Suite 1000, Irvine, California 92618

FORTRESS RESOURCES, LLC

Balance Sheet
December 31, 2017

ASSETS

Current assets:		
Cash and cash equivalents	$	135,283
Accounts receivable		3,802,767
Other receivables		103,423
Inventory (Note 2)		5,361,340
Prepaid expenses		57,473
Total current assets		9,460,286
Property and equipment (Note 3):		5,659,266
Less: accumulated depreciation		(1,234,972)
Net property and equipment		4,424,294
Other assets:		
Deposits		19,342
Intangible assets (net of accumulated amortization of $179,193) (Note 4)		145,604
Total assets	$	14,049,526

(Balance sheet continued on the following page)

FORTRESS RESOURCES, LLC

Balance Sheet
(Continued)
December 31, 2017

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Accounts payable	$	2,624,517
Accrued liabilities (Note 6)		744,896
Credit facility (Note 8)		3,800,000
Current portion of forward purchase contract (Note 7)		150,000
Current portion of capital lease obligations (Note 9)		28,456
Current portion of long-term debt (Note 10)		403,824
Customer deposits		175,944
Total current liabilities		7,927,637
Assets floored through financial institution (Note 5)		11,341,238
Flooring liability through financial institution (Note 5)		(11,341,238)
		--
Long term liabilities:		
Forward purchase contract (Note 7)		1,046,533
Capital lease obligations (Note 9)		55,116
Long-term debt (Note 10)		1,206,304
Total liabilities		10,235,590
Commitments and contingencies (Note 11)		
Members' equity		3,813,936
	$	14,049,526

See accompanying notes to financial statements

FORTRESS RESOURCES, LLC

Statement of Operations
Year Ended December 31, 2017

		Percentage of Sales
Sales	$ 33,663,054	100.0%
Cost of sales:		
Purchases	14,462,076	43.0
Direct labor	4,254,609	12.6
Sub-contract labor	398,977	1.2
Manufacturing expenses	6,732,437	20.0
	25,848,099	76.8
Gross profit	7,814,955	23.2
Operating expenses:		
Selling expenses	3,856,992	11.5
General and administrative expenses	1,751,045	5.2
	5,608,037	16.7
Operating income	2,206,918	6.5
Other (expenses):		
Interest (expense)	(1,132,169)	(3.4)
Other (expense)	(1,053,312)	(3.1)
(Loss) on sale of assets	(187,702)	(0.6)
Total other (expenses)	(2,373,183)	(7.1)
(Loss) before income taxes	(166,265)	(0.6)
Provision for income taxes	25,215	0.1
Net (loss)	$ (191,480)	(0.7)%

See accompanying notes to financial statements

FORTRESS RESOURCES, LLC

Statement of Members' Equity
Year Ended December 31, 2017

		Members' Equity
Balance at December 31, 2016	$	4,885,916
Distributions to members		(880,500)
Net (loss) for the year ended December 31, 2017		(191,480)
Balance at December 31, 2017	$	3,813,936

See accompanying notes to financial statements

FORTRESS RESOURCES, LLC

Statement of Cash Flows
Year Ended December 31, 2017

Cash flows from operating activities:		
Net (loss)	$	(191,480)
Adjustments to reconcile net (loss) to net cash (applied to) operating activities:		
Depreciation		380,663
Amortization		24,769
Loss on disposal of property and equipment		187,702
Reduction in forward purchase contract obligation		(145,663)
(Increase) decrease in:		
Accounts receivable		(1,568,390)
Other receivables		203,845
Member advances		26,147
Inventory		(1,953,751)
Prepaid expenses		116,416
Deposits		19,268
Increase (decrease) in:		
Accounts payable		1,287,762
Accrued liabilities		144,954
Customer deposits		15,323
Net cash (applied to) operating activities		(1,452,435)
Cash flows from investing activities:		
Acquisition of property and equipment		(1,688,255)
Proceeds from sale of property and equipment		20,410
Net cash (applied to) investing activities		(1,667,845)

(Statements of cash flows continued on the following page)

FORTRESS RESOURCES, LLC

Statement of Cash Flows
(Continued)
Year Ended December 31, 2017

Cash flows from financing activities:		
Net activity on line of credit		2,500,000
Proceeds from issuance of long-term debt		1,862,805
Principal repayments of long-term debt		(317,435)
Principal repayments on capital leases		(29,958)
Distributions to members		(880,500)
Net cash provided by financing activities		3,134,912
Net increase in cash and cash equivalents		14,632
Cash and cash equivalents at beginning of year		120,651
Cash and cash equivalents at end of year	$	135,283
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$	1,094,786
Income taxes	$	25,215

Supplemental disclosure of non-cash financing activities:

During the year ended December 31, 2017, the Company acquired property and equipment totaling $69,865 by entering into capital lease obligations.

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - Fortress Resources, LLC (the Company) was organized under the laws of the State of California as a limited liability company on June 28, 2009. It operates as a manufacturer and installer of utility bodies and flatbeds for trucks. The Company sells principally within California, Arizona, Nevada, and Texas at both retail and wholesale levels.

Cash and Cash Equivalents - The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

The Company maintains bank accounts with a major banking institution in which the deposits are guaranteed by the Federal Deposit Insurance Corporation. At times throughout the year, deposits may exceed insured limits.

Accounts Receivable – Accounts receivable are reported at net realizable value. The amount of accounts receivable in the balance sheets approximates fair value. The Company evaluates its accounts receivable on a regular basis for collectability and provides for an allowance for potential losses as deemed necessary. Due to the rarity of losses recorded, the Company did not record an allowance for doubtful accounts as of December 31, 2017.

Inventory - Inventory is stated at the lower of average cost (first-in, first-out) or market value. Inventory cost includes materials, direct labor, freight costs, and an allocable portion of direct and indirect manufacturing overhead.

Property and Equipment - Property and equipment are stated at cost. Depreciation and amortization expenses are calculated on the straight-line method. The depreciation and amortization methods are designed to amortize the cost of the assets over their estimated useful lives, in years, of the respective assets as follows:

Autos and trucks	5 - 10
Computer equipment	3 - 10
Furniture and fixtures	10 - 15
Machinery and equipment	5 - 20

Leasehold improvements are amortized over the life of the lease or the estimated useful life of the asset, whichever is shorter.

(Note 1 continued on the following page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued) - Maintenance and repairs are charged to expense as incurred. Renewals and improvements of a major nature are capitalized. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in income.

Intangible Assets - The Company has elected to amortize its intangibles on a straight-line basis over the estimated useful life of the underlying asset. Amortization expense for the year ended December 31, 2017 was $24,769.

Long-Lived Assets - The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company determined that no impairment loss needs to be recognized for the year ended December 31, 2017.

Forward Purchase Contract - The Company has entered into an agreement with a vendor whereby the Company received a sum of money in exchange for a commitment to purchase a minimum amount of materials, exclusively from the vendor, at a fixed price over a period of time. In the event the Company terminates the agreement early or does not meet the minimum required amount of purchases under the agreement, a ratable portion of the funds received by the Company in advance, must be refunded to the vendor. Due to this agreement being a non- marketable, closed contract between the Company and the vendor, the corresponding liability associated with the contract in the accompanying balance sheet is reported at the actual amount that would be required to be refunded to the vendor as of December 31, 2017.

Revenue Recognition - Per agreements with the respective companies, the Company recognizes a sale and corresponding cost of goods sold only on the improvement or addition it makes to its General Motors and Chrysler Group inventory and not on the sale and cost of goods sold on the actual vehicles. The General Motors and Chrysler Group agreements began August 1, 2013 and June 24, 2010, respectively, each expiring five years from their commencement. The Chrysler Group agreement contains an automatic annual renewal clause that takes effect if neither party terminates the agreement. Both the Chrysler Group and General Motors agreements were renewed in July 2018, each expiring five years from commencement.

(Note 1 continued on the following page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued) - With regards to Ford Motor Company, the Company has a signed bailment agreement which does not pass title of Ford inventory to the Company. Instead, the Company takes possession of Ford inventories, makes improvements and additions, then transfers the title to dealerships within the Ford Motor Company network. The Company recognizes sales and corresponding cost of goods sold on only the improvements and additions it makes to the Ford Motor Company inventory; but not on the sale and cost of goods sold on the actual vehicles. The Ford agreement began on August 12, 2009 and ends when either party elects to terminate it.

Advertising expense - Advertising costs are expensed as incurred. Total advertising expense for the year ended December 31, 2017 amounted to $16,259.

Income Taxes - The Company is treated as a partnership for federal and state income tax purposes. Consequently, income taxes are not payable by, or provided for, the Company. Members are taxed individually on their share of the Company's taxable income.

The Company files income tax returns in the U.S. federal jurisdiction, California, Arizona, and Texas. The Company is no longer subject to U.S. federal, state, or local income tax examinations by taxing authorities for years before 2014. As a matter of course, various taxing authorities, including the IRS, could audit the Company. There were no tax years under examination by major tax jurisdictions as of December 31, 2017. The Company believes that its tax positions comply with applicable tax law and that it has adequately provided for these matters.

It is continuing policy of the Company to account for interest and penalties associated with income tax obligations as a component of income tax expense. During the year ended December 31, 2017, the Company recognized no interest and no penalties as part of the provision for income taxes in the Statement of Operations.

There was no recognition of uncertain tax positions required at December 31, 2017.

Presentation of Taxes Collected from Customers - Sales tax is imposed on most of the Company's sales to nonexempt customers. The Company collects the taxes from customers and remits the entire amounts to the appropriate governmental authority. The Company's accounting policy is to exclude the taxes collected and remitted from revenues and expenses.

(Note 1 continued on the following page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Warranty Policy - In general, the Company guarantees most of its products for three years. Calculations for estimated amounts of future warranty obligations are performed on an annual basis and any adjustments made are expensed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*: Topic 842. Under Topic 842, lessees will be required to recognize the following for substantially all leases:

- A lease liability, which is a lessee‘s obligation to make lease payments arising from a lease, measured on a discounted basis; and

- A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

Management is currently assessing the impact of Topic 842 on the financial statements. Topic 842 is effective for the Company’s fiscal year ended December 31, 2020.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers:* Topic 606. Under Topic 606, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Management is currently assessing the impact of Topic 606 on the financial statements. Topic 606 is effective for the Company’s fiscal year ended December 31, 2019.

Subsequent Events - The Company evaluated subsequent events through October 16, 2019, the date these financial statements were available to be issued. Other than the events discussed in Note 11, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2 - INVENTORY

Inventory consists of the following at December 31, 2017:

Raw materials	$	2,756,016
Work-in-process		259,132
Finished goods		2,346,192
	$	5,361,340

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017:

Autos and trucks	$	336,061
Computer equipment		79,113
Furniture and fixtures		14,199
Machinery and equipment		2,766,014
Leasehold improvements		2,463,879
		5,659,266
Less: accumulated depreciation		(1,234,972)
	$	4,424,294

Depreciation expense for the year ended December 31, 2017 was $380,663.

NOTE 4 - INTANGIBLE ASSETS

Intangible assets are comprised of two main purchases made by the Company. The first purchase was of the Royal Truck Body, Inc. trademark and patents that Royal Truck Body, Inc. had in its custody in 2009. The amount paid for these assets was $324,797, including acquisition costs. The Company has elected to amortize these assets over 15 years. Total accumulated amortization related to these assets at December 31, 2017 was $179,193.

NOTE 5 - FLOORING ARRANGEMENTS

General Motors - The Company has signed a "Special Manufacturer Converters Agreement" with General Motors. Ally Financial has extended a flooring allowance of up to $20,931,000. Under terms of the agreements, the Company agrees to sell and purchase vehicles under a restrictive purchase agreement. Under terms of this agreement, the Company purchases chassis from General Motors Company and is restricted to selling to dealers within the General Motors dealership network. Ally Financial finances all General Motors purchases and provides the Company a 6.25% financing rate. General Motors provides the Company with a $360 support credit per unit to offset the Ally Financial flooring charge.

The "Special Manufacturer Converters Agreement" expires in July 31, 2018 and is concurrent with the agreement with Ally Financial and all chassis in the possession of the Company are secured.

The balance outstanding at December 31, 2017 was $10,220,161.

Chrysler Group, LLC - The Company has an arrangement with Chrysler Group, LLC. Under the terms of the agreement the Company will receive chassis from Chrysler and later will transfer the title to the Chrysler dealer and invoice the dealer for the Company's added value items. This agreement expires in August 2018. At December 31, 2017, the balance was $1,121,077. Subsequent to year end, Chase Bank and Chrysler Group, LLC signed a "New Vehicle Financing Commitment". Under terms of the agreement, Chase Bank will subsume the responsibilities of Ally Financial and will finance the Company's purchases from Chrysler Group, LLC.

The flooring arrangements with Ally Bank, General Motors, and Chrysler Group, LLC are used exclusively to obtain the chassis collateralized by the arrangements and not to finance the general operations of the Company. Due to the inseparable nature of the collateralized assets and the liabilities, the offsetting amounts have been reported together on the balance sheet at December 31, 2017.

(Note 5 continued on the following page)

NOTE 5 - FLOORING ARRANGEMENTS (Continued)

Ford Motor Company - The Company has a "Ford Authorized Converter Pool" arrangement with Ford Motor Company. Under the terms of this agreement, no chassis are financed; instead, the arrangement treats the chassis as bailment, meaning no passing of title (ownership) has taken place. However, if after 90 days the Company still has the chassis, then the Company is obligated to pay Ford Motor Company a storage fee based upon days held at the prime rate plus a percentage based on the number of days outstanding.

Relating to the various arrangements outlined above, total interest paid during the year ended December 31, 2017 was $937,447.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31, 2017:

Insurance	$	15,761
Interest		89,654
Rebates		202,100
Salaries, wages and payroll taxes		395,243
Sales tax		9,258
Warranty reserve		32,880
	$	744,896

NOTE 7 – FORWARD PURCHASE CONTRACT

In May 2016, the Company entered into an agreement with a vendor in order to establish an exclusive purchase obligation with the vendor. The Company committed to purchase 100% of its paint product from the vendor for the next five years, with total gross purchases amounting to at least $5,000,000 during the contract period. In exchange, the Company receives fixed pricing on paint and received a one-time cash payment in the amount of $1,500,000. In the event the Company does not purchase at least $5,000,000 of paint by the end of the 5 years, or if the agreement is prematurely terminated by the Company, a portion of the $1,500,000 payment will be refunded to the vendor in proportion to the purchase shortfall. As of December 31, 2017, total cumulative purchases made under the terms of the agreement was $1,011,558, and the corresponding liability associated with the vendor purchase obligation was $1,196,533.

NOTE 8 – CREDIT FACILITY

In August 2017 the Company amended its credit facility with a major banking institution. With the exception of assets financed or owned by General Motors Company, Ford Motor Company, and Chrysler Group, LLC (through a subordination agreement), substantially all assets are secured by this agreement (except for those cross-collateralized under flooring arrangements) (Note 5). Under the terms of the revolving line of credit portion of the agreement, the Company can borrow up to a maximum of $4,000,000 (limited to 85% of eligible accounts receivable plus 50% of eligible inventory or $1,500,000, whichever is less). There were $3,800,000 in borrowings outstanding at December 31, 2017. Interest is charged at a rate of the Bank's Prime Rate plus .25% (the Prime Rate at December 31, 2017 was 4.50%) or the applicable LIBOR plus 2.50%. The revolving line of credit portion of the agreement is set to expire in August 2018.

Amounts outstanding under the credit facility are guaranteed by the Company's principal member and a trust controlled by the Company's principal member. Under the terms of the line of credit agreement, the Company is subject to certain financial covenants. These covenants include a minimum level of tangible net worth, a maximum leverage ratio, a minimum quick ratio, and a minimum debt service coverage ratio.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

Capital lease obligations at December 31, 2017 consist of the following:

Four capital leases with financing institutions secured by the underlying machinery and equipment with interest rates ranging from 4.00% to 6.15%, payable in monthly installments ranging from $607 to $1,053 per month, including interest, with maturities through October 2022.	$	83,572
Less: current portion		(28,456)
	$	55,116

Future minimum payments under the capital leases at December 31, 2017 are as follows:

Years ending December 31:		
2018	$	32,985
2019		16,109
2020		16,109
2021		16,109
2022		12,082
Total		93,394
Less: amounts representing interest		(9,822)
Present value of net minimum lease payments	$	83,572

(Note 9 continued on the following page)

NOTE 9 - CAPITAL LEASE OBLIGATIONS (Continued)

The following is an analysis of the leased equipment under capital leases at December 31, 2017, which is included in property and equipment (Note 3):

Equipment	$	163,934
Less: accumulated depreciation		(58,832)
	$	105,102

Depreciation expense on equipment under capital leases for the year ended December 31, 2017 was $18,554.

NOTE 10 - LONG-TERM DEBT

Long-term debt is summarized as follows at December 31, 2017:

Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $690 including interest at 5.35%. The note is scheduled to mature on September 17, 2018.	$	6,073
Note payable to bank secured by equipment and inventory, payable in monthly installments of $30,057 plus interest at a rate of 4.75%. This note is scheduled to mature in March 2022 and is not guaranteed by the Company's principal member or a trust controlled by the Company's principal member.		1,526,261
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $1,049 including interest at 4.97%. The note is scheduled to mature in April 2020.		26,772
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $677 including interest at 0.10%. The note is scheduled to mature in April 2020.		18,261
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $816 including interest at 1.90%. The note is scheduled to mature in January 2020.		20,000
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $689 including interest at 2.99%. The note is scheduled to mature in July 2019.		12,761
		1,610,128
Less: current portion		(403,824)
	$	1,206,304

(Note 10 continued on the following page)

NOTE 10 - LONG-TERM DEBT (Continued)

The annual aggregate maturities of long-term debt are as follows:

Years ending December 31:		
2018	$	403,824
2019		395,313
2020		366,780
2021		360,683
2022		83,528
	$	1,610,128

NOTE 11 - COMMITMENTS AND CONTINGENCIES WITH RELATED AND UNRELATED PARTIES AND SUBSEQUENT EVENTS

Operating Leases – During 2017, the Company entered into a lease agreement for its manufacturing headquarters in Carson, California with an affiliate through common ownership. The agreement is set to expire in September 2026, with four long-term options to extend for periods of at least 10 years. The amended agreement includes a cancellation option for the Company to terminate the lease in September 2026, or during the extension period, at the time the debt on the property is paid in full by the affiliate through common ownership. Total rent expense related to the aforementioned lease was $887,500 for the year ended December 31, 2017.

The Company also has non-cancelable operating lease agreements on other facilities located in various cities throughout California, Arizona, and Texas. Under these agreements, the Company is obligated to pay expenses incidental to leasing. Two of these agreements operate on a month- to-month basis, with monthly payments ranging from $338 to $6,000. The remaining leases have monthly base rents ranging from $7,000 to $21,626 and are set to expire on various dates through July 2027.

The Company has non-cancelable operating lease agreements on two vehicles. The agreements are set to expire on various dates though September 2019. The lease agreements provide for monthly payments ranging from $300 to $1,497.

The Company recorded rent expense on the aforementioned lease agreements with unrelated parties of $799,798 during the year ended December 31, 2017.

The following is a schedule of future minimum rental payments under all leases:

	Building Leases	Vehicle Leases	Total
Years ending December 31:			
2018	$ 1,621,692	$ 21,564	$ 1,643,256
2019	1,533,475	17,964	1,551,439
2020	1,150,050	13,473	1,163,523
2021	1,153,253	--	1,153,253
2022	1,155,459	--	1,155,459
Thereafter	4,429,945	--	4,429,945
	$ 11,043,874	$ 53,001	$ 11,096,875

(Note 11 continued on the following page)

NOTE 11 - COMMITMENTS AND CONTINGENCIES WITH RELATED AND UNRELATED PARTIES AND SUBSEQUENT EVENTS (Continued)

Subsequent Events – Subsequent to year end, the Company signed a new lease agreement which increased its monthly rent expense at its main facility in Carson, California from $88,750 per month to $135,000 per month. In October 2018, the Company signed an amended lease agreement to exercise the first option term for an additional 10 years. The schedule above reflects this change.

In July 2018, the Company amended its credit facility with a major banking institution. With the exception of assets financed or owned by General Motors Company, Ford Motor Company, and Chrysler Group, LLC (through a subordination agreement), substantially all assets are secured by this agreement (except for those cross-collateralized under flooring arrangements) (Note 5). Under the terms of the revolving line of credit portion of the agreement, the Company can borrow up to a maximum of $5,000,000 (limited to 85% of eligible accounts receivable plus 50% of inventory, or $2,250,000, whichever is less). The amended credit facility is set to expire in August 2020.

In September 2018, the General Motors “Special Manufacturer Converters Agreement” was renewed. The new agreement is underwritten by Chase Bank, who extended a flooring allowance of up to $25,000,000 with a financing rate of 4.80%. Additionally, in August 2018, Chase Bank and Chrysler Group, LLC signed a “New Vehicle Financing Commitment”. Under terms of the agreement, Chase Bank will finance the Company’s purchases from Chrysler Group, LLC. The new commitment expires in August 2019.

Subsequent to year end, the Company entered into two long term debt agreements for the purchase of equipment (Note 10). The first agreement was entered into in April 2018. The terms of the agreement require monthly interest free payments of $528 through the date of maturity in March 2022. The second agreement, signed in September 2018, requires monthly payments of $531 per month with interest assessed at 5.14%. The agreement matures in August 2022.

Warranties - The Company records a reserve for warranties for expected warranty expense to be incurred during the warranty period, which is based on historical cost compared to sales volume. The warranty reserve is included in accrued liabilities and the related expense incurred for warranties is included in cost of sales.

(Note 11 continued on the following page)

NOTE 11 - COMMITMENTS AND CONTINGENCIES WITH RELATED AND UNRELATED PARTIES AND SUBSEQUENT EVENTS (Continued)

The following is a reconciliation of the changes in the Company's reserve for warranties for the year ended December 31, 2017:

Reserve for warranties at beginning of year	$	26,146
Payments made		(43,325)
Additions to warranty reserve		50,059
Reserve for warranties at end of year	$	32,880

NOTE 12 – DEALER INCENTIVES

The Company receives dealer marketing allowances from Ford Motor Company ranging from $100 to $200 per released unit, and from General Motors Company ranging from $100 to $250 per released unit. During the year ended December 31, 2017, the Company received marketing allowances totaling $333,400, which have been net against selling expenses in the accompanying Statement of Operations.

FORTRESS RESOURCES, LLC

Supplementary Information

Manufacturing Expenses
Year Ended December 31, 2017

		Percentage of Sales
Consulting	$ 176,860	0.5%
Depreciation	315,786	0.9
Education/seminars	4,691	--
Emission fees	8,604	--
Employee benefits	1,199	--
Equipment gas and oil	119,027	0.4
Equipment rental	39,937	0.1
Equipment repairs	49,443	0.1
Freight in	178,423	0.5
General maintenance	134,583	0.4
In-house damage repair	30,153	0.1
Indirect wages	1,267,658	3.8
Insurance - general	253,856	0.8
Insurance - group	225,650	0.7
Insurance - worker's comp	192,184	0.6
Material testing	2,090	--
Miscellaneous	8,151	--
Paint supplies	483,002	1.4
Payroll taxes	287,712	0.9
Property taxes	129,702	0.4
Rent	894,062	2.6
Rubbish removal	72,616	0.2
Security	70,539	0.2
Shop supplies	454,195	1.3
Small tools	19,347	0.1
Telephone	7,166	--
Temporary labor burden	828,775	2.5
Travel and auto	3,644	--
Uniforms	30,217	0.1
Utilities	355,379	1.1
Warranty	52,306	0.2
Weight certificate	35,480	0.1
	$ 6,732,437	20.0%

FORTRESS RESOURCES, LLC

Supplementary Information

Selling Expenses
Year Ended December 31, 2017

		Percentage of Sales
Advertising	$ 16,259	--%
Business promotion	197,237	0.6
Dealer	1,000	--
Depreciation	53,949	0.2
Education/seminars	156	--
Freight out	(8,416)	--
Insurance - group	92,286	0.3
Insurance - worker's comp	17,911	0.1
Marketing allowances	(333,400)	(1.0)
Marketing incentive	8,000	--
Meals and entertainment	42,653	0.1
Outside commissions	29,516	0.1
Payroll taxes	148,728	0.4
Rent	780,826	2.4
Sales expense	33,792	0.1
Sales salaries and commissions	2,331,148	6.9
Telephone	79,155	0.2
Temp labor burden	58,970	0.2
Travel and auto	307,222	0.9
	$ 3,856,992	11.5%

FORTRESS RESOURCES, LLC

Supplementary Information

General and Administrative Expenses
Year Ended December 31, 2017

		Percentage of Sales
Accounting	$ 35,280	0.1%
Amortization expense	24,769	0.1
Bad debt	4,222	--
Bank charges	82,905	0.3
Consulting	103,974	0.3
Depreciation	10,928	--
Dues and subscriptions	81,717	0.2
Education/seminars	3,329	--
Employee benefits	55,410	0.2
Insurance - group	51,849	0.2
Insurance - worker's comp	7,887	--
IT support	37,531	0.1
Legal	38,109	0.1
Meals and entertainment	1,278	--
Office expense	61,195	0.2
Office salaries	947,399	2.8
Office supplies	46,434	0.1
Payroll taxes	62,712	0.2
Postage	5,300	--
Rent	12,410	--
Taxes and licenses	26,600	0.1
Telephone	21,238	0.1
Travel and auto	28,569	0.1
	$ 1,751,045	5.2%

Schedule 4

FORTRESS RESOURCES, LLC

Supplementary Information

Other Income and Expenses
Year Ended December 31, 2017

			Percentage of Sales
Sale of scrap	$	17,061	0.1%
Miscellaneous (expense)		(172,705)	(0.5)
(Loss) on sale of assets		(187,702)	(0.6)
Interest (expense)		(1,132,169)	(3.4)
Penalties		(1,130)	--
Factory moving expense		(896,538)	(2.7)
	$	(2,373,183)	(7.1)%

ACCOUNTING + CONSULTING

FORTRESS RESOURCES, LLC

Financial Statements
and
Supplementary Information
Year Ended December 31, 2018
(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Fortress Resources, LLC

We have audited the accompanying financial statements of Fortress Resources, LLC (the Company), which comprise the balance sheet as of December 31, 2018, and the related statement of operations, members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2017 financial statements were reviewed by us and our report thereon, dated April 2, 2018, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KSJG, LLP

April 18, 2019

KSJG, LLP
100 Spectrum Center Drive, Suite 1000, Irvine, California 92618

FORTRESS RESOURCES, LLC

Balance Sheet
December 31, 2018

ASSETS

Current assets:		
Cash and cash equivalents	$	569,157
Accounts receivable		3,754,788
Other receivables		181,632
Inventory (Note 2)		5,911,113
Prepaid expenses		39,401
Total current assets		10,456,091
Property and equipment (Note 3):		5,967,213
Less: accumulated depreciation		(1,524,332)
Net property and equipment		4,442,881
Other assets:		
Deposits		70,118
Intangible assets (net of accumulated amortization of $201,593) (Note 4)		123,204
Total assets	$	15,092,294

(Balance sheet continued on the following page)

FORTRESS RESOURCES, LLC

Balance Sheet
(Continued)
December 31, 2018

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:		
Accounts payable	$	1,530,788
Accrued liabilities (Note 6)		411,438
Current portion of forward purchase contract (Note 7)		150,000
Current portion of capital lease obligations (Note 9)		25,377
Current portion of long-term debt (Note 10)		407,051
Customer deposits		167,456
Total current liabilities		2,692,110
Assets floored through financial institution (Note 5)		9,091,430
Flooring liability through financial institution (Note 5)		(9,091,430)
		--
Long term liabilities:		
Forward purchase contract (Note 7)		901,861
Capital lease obligations (Note 9)		75,613
Long-term debt (Note 10)		842,664
Total liabilities		4,512,248
Commitments and contingencies (Note 11)		
Members' equity		10,580,046
	$	15,092,294

See accompanying notes to financial statements

FORTRESS RESOURCES, LLC

Statement of Operations
Year Ended December 31, 2018

			Percentage of Sales
Sales	$	41,645,947	100.0%
Cost of sales:			
Purchases		17,229,162	41.4
Direct labor		4,363,319	10.5
Sub-contract labor		372,850	0.9
Manufacturing expenses		7,005,247	16.8
		28,970,578	69.6
Gross profit		12,675,369	30.4
Operating expenses:			
Selling expenses		3,450,014	8.3
General and administrative expenses		2,039,502	4.9
		5,489,516	13.2
Operating income		7,185,853	17.2
Other income (expenses):			
Interest (expense)		(655,121)	(1.6)
Interest income		581,286	1.4
Other (expense)		(145,875)	(0.4)
(Loss) on sale of assets		(22,462)	(0.1)
Total other (expenses)		(242,172)	(0.7)
Income before income taxes		6,943,681	16.5
Provision for income taxes		9,975	--
Net income	$	6,933,706	16.5%

See accompanying notes to financial statements

FORTRESS RESOURCES, LLC

Statement of Members' Equity
Year Ended December 31, 2018

		Members' Equity
Balance at December 31, 2017	$	3,916,340
Distributions to members		(370,000)
Contributions from members		100,000
Net income for the year ended December 31, 2018		6,933,706
Balance at December 31, 2018	$	10,580,046

See accompanying notes to financial statements

FORTRESS RESOURCES, LLC

Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:		
Net income	$	6,933,706
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		398,842
Amortization		22,400
Loss on disposal of property and equipment		22,462
Reduction in forward purchase contract obligation		(144,672)
(Increase) decrease in:		
Accounts receivable		47,979
Other receivables		(78,209)
Inventory		(549,773)
Prepaid expenses		(23,531)
Deposits		(9,173)
Increase (decrease) in:		
Accounts payable		(1,093,729)
Accrued liabilities		(231,054)
Customer deposits		(8,488)
Net cash provided by operating activities		5,286,760
Cash flows from investing activities:		
Acquisition of property and equipment		(388,841)
Net cash (applied to) investing activities		(388,841)

(Statement of cash flows continued on the following page)

FORTRESS RESOURCES, LLC

Statement of Cash Flows
(Continued)
Year Ended December 31, 2018

Cash flows from financing activities:		
Net activity on line of credit		(3,800,000)
Proceeds from issuance of long-term debt		48,322
Principal repayments of long-term debt		(408,735)
Principal repayments on capital leases		(33,632)
Contributions from members		100,000
Distributions to members		(370,000)
Net cash (applied to) financing activities		(4,464,045)
Net increase in cash and cash equivalents		433,874
Cash and cash equivalents at beginning of year		135,283
Cash and cash equivalents at end of year	$	569,157
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$	707,932

Supplemental disclosure of non-cash financing activities:

During the year ended December 31, 2018, the Company acquired property and equipment totaling $51,050 by entering into capital lease obligations.

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - Fortress Resources, LLC (the Company) was organized under the laws of the State of California as a limited liability company on June 28, 2009. It operates as a manufacturer and installer of utility bodies and flatbeds for trucks. The Company sells principally within California, Arizona, Nevada, and Texas at both retail and wholesale levels.

Cash and Cash Equivalents - The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

The Company maintains bank accounts with a major banking institution in which the deposits are guaranteed by the Federal Deposit Insurance Corporation. At times throughout the year, deposits may exceed insured limits.

Accounts Receivable – Accounts receivable are reported at net realizable value. The amount of accounts receivable in the balance sheet approximates fair value. The Company evaluates its accounts receivable on a regular basis for collectability and provides for an allowance for potential losses as deemed necessary. Due to the rarity of losses recorded, the Company did not record an allowance for doubtful accounts as of December 31, 2018.

Inventory - Inventory is stated at the lower of average cost (first-in, first-out) or market value. Inventory cost includes materials, direct labor, freight costs, and an allocable portion of direct and indirect manufacturing overhead.

Property and Equipment - Property and equipment are stated at cost. Depreciation and amortization expenses are calculated on the straight-line method. The depreciation and amortization methods are designed to amortize the cost of the assets over their estimated useful lives, in year, of the respective assets as follows:

Autos and trucks	5 - 10
Computer equipment	3 - 10
Furniture and fixtures	10 - 15
Machinery and equipment	5 - 20

Leasehold improvements are amortized over the life of the lease or the estimated useful life of the asset, whichever is shorter.

(Note 1 continued on the following page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued) - Maintenance and repairs are charged to expense as incurred. Renewals and improvements of a major nature are capitalized. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in income.

Intangible Assets - The Company has elected to amortize its intangibles on a straight-line basis over the estimated useful life of the underlying asset. Amortization expense for the year ended December 31, 2018 was $22,400.

Long-Lived Assets - The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company determined that no impairment loss needs to be recognized for the year ended December 31, 2018.

Forward Purchase Contract - The Company has entered into an agreement with a vendor whereby the Company received a sum of money in exchange for a commitment to purchase a minimum amount of materials, exclusively from the vendor, at a fixed price over a period of time. In the event the Company terminates the agreement early or does not meet the minimum required amount of purchases under the agreement, a ratable portion of the funds received by the Company in advance, must be refunded to the vendor. Due to this agreement being a non- marketable, closed contract between the Company and the vendor, the corresponding liability associated with the contract in the accompanying balance sheet is reported at the actual amount that would be required to be refunded to the vendor as of December 31, 2018.

Revenue Recognition - Per agreements with the respective companies, the Company recognizes a sale and corresponding cost of goods sold only on the improvement or addition it makes to its General Motors and Chrysler Group inventory and not on the sale and cost of goods sold on the actual vehicles. The General Motors and Chrysler Group agreements began August 1, 2013 and June 24, 2010, respectively, each expiring five years from their commencement. The Chrysler Group agreement contains an automatic annual renewal clause that takes effect if neither party terminates the agreement. The General Motors agreement was renewed in July 2018, expiring five year from commencement.

(Note 1 continued on the following page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued) - With regards to Ford Motor Company, the Company has a signed bailment agreement which does not pass title of Ford inventory to the Company. Instead, the Company takes possession of Ford inventories, makes improvements and additions, then transfers the title to dealerships within the Ford Motor Company network. The Company recognizes sales and corresponding cost of goods sold on only the improvements and additions it makes to the Ford Motor Company inventory; but not on the sale and cost of goods sold on the actual vehicles. The Ford agreement began on August 12, 2009 and ends when either party elects to terminate it.

Advertising expense - Advertising costs are expensed as incurred. Total advertising expense for the year ended December 31, 2018 amounted to $27,172.

Income Taxes - The Company is treated as a partnership for federal and state income tax purposes. Consequently, income taxes are not payable by, or provided for, the Company. Members are taxed individually on their share of the Company's taxable income.

The Company files income tax returns in the U.S. federal jurisdiction, California, Arizona, and Texas. The Company is no longer subject to U.S. federal, state, or local income tax examinations by taxing authorities for years before 2014. As a matter of course, various taxing authorities, including the IRS, could audit the Company. There were no tax years under examination by major tax jurisdictions as of December 31, 2018. The Company believes that its tax positions comply with applicable tax law and that it has adequately provided for these matters.

It is continuing policy of the Company to account for interest and penalties associated with income tax obligations as a component of income tax expense. During the year ended December 31, 2018, the Company recognized no interest and no penalties as part of the provision for income taxes in the Statements of Operations.

There was no recognition of uncertain tax positions required at December 31, 2018.

Presentation of Taxes Collected from Customers - Sales tax is imposed on most of the Company's sales to nonexempt customers. The Company collects the taxes from customers and remits the entire amounts to the appropriate governmental authority. The Company's accounting policy is to exclude the taxes collected and remitted from revenues and expenses.

(Note 1 continued on the following page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Warranty Policy - In general, the Company guarantees most of its products for three years. Calculations for estimated amounts of future warranty obligations are performed on an annual basis and any adjustments made are expensed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*: Topic 842. Under Topic 842, lessees will be required to recognize the following for substantially all leases:

- A lease liability, which is a lessee‘s obligation to make lease payments arising from a lease, measured on a discounted basis; and

- A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

Management is currently assessing the impact of Topic 842 on the financial statements. Topic 842 is effective for the Company’s fiscal year ended December 31, 2020.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers:* Topic 606. Under Topic 606, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Management is currently assessing the impact of Topic 606 on the financial statements. Topic 606 is effective for the Company’s fiscal year ended December 31, 2019.

Subsequent Events - The Company evaluated subsequent events through April 18, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2 - INVENTORY

Inventory consists of the following at December 31, 2018:

Raw materials	$	2,962,147
Work-in-process		345,799
Finished goods		2,603,167
	$	5,911,113

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018:

Autos and trucks	$	384,383
Computer equipment		85,137
Furniture and fixtures		14,199
Machinery and equipment		2,991,953
Leasehold improvements		2,491,541
		5,967,213
Less: accumulated depreciation		(1,524,332)
	$	4,442,881

Depreciation expense for the year ended December 31, 2018 was $398,842.

NOTE 4 - INTANGIBLE ASSETS

Intangible assets are comprised of two main purchases made by the Company. The first purchase was of the Royal Truck Body, Inc. trademark and patents that Royal Truck Body, Inc. had in its custody in 2009. The amount paid for these assets was $324,797, including acquisition costs. The Company has elected to amortize these assets over 15 year. Total accumulated amortization related to these assets at December 31, 2018 was $201,593.

NOTE 5 - FLOORING ARRANGEMENTS

General Motors - The Company has been operating under a "Special Manufacturer Converters Agreement" with General Motors. The agreement was renewed in September 2018 with substantially the same terms. Prior to September 2018, the agreement was underwritten by Ally Financial, who extended a flooring allowance of up to $20,931,000 with a financing rate of 6.25%. Upon the renewal, the agreement was underwritten by Chase Bank, who extended a flooring allowance of up to $25,000,000 with a financing rate of 4.80%. Under terms of the agreement, the Company agrees to purchase chassis from General Motors Company and is restricted to selling the vehicles to dealers within the General Motors dealership network. General Motors provides the Company with a $360 support credit per unit to offset the flooring finance charges.

The balance outstanding at December 31, 2018 was $6,216,096. Included in the amount outstanding at December 31, 2018 is $1,314,790 in cash. This amount is for General Motors & RAM over-payments during the time of the transition from Ally Financial to Chase Bank, for chassis that are unrecognized on the Chase bank flooring arrangement. Until the VIN numbers are researched and cleared the cash assets and corresponding liability are included in the total flooring liability on the accompanying balance sheet for presentation purposes.

Chrysler Group, LLC - The Company has an arrangement with Chrysler Group, LLC. Under the terms of the agreement the Company will receive chassis from Chrysler and later will transfer the title to the Chrysler dealer and invoice the dealer for the Company's added value items. This agreement expires in August, 2019. At December 31, 2018, the balance was $2,875,334. Chase Bank and Chrysler Group, LLC have signed a "New Vehicle Financing Commitment". Under terms of the agreement, Chase Bank will finance the Company's purchases from Chrysler Group, LLC.

The flooring arrangements with Chase Bank, General Motors, and Chrysler Group, LLC are used exclusively to obtain the chassis collateralized by the arrangements and not to finance the general operations of the Company. Due to the inseparable nature of the collateralized assets and the liabilities, the offsetting amounts have been reported together on the balance sheet at December 31, 2018.

(Note 5 continued on the following page)

NOTE 5 - FLOORING ARRANGEMENTS (Continued)

Ford Motor Company - The Company has a "Ford Authorized Converter Pool" arrangement with Ford Motor Company. Under the terms of this agreement, no chassis are financed; instead, the arrangement treats the chassis as bailment, meaning no passing of title (ownership) has taken place. However, if after 90 days the Company still has the chassis, then the Company is obligated to pay Ford Motor Company a storage fee based upon days held at the prime rate plus a percentage based on the number of days outstanding.

Relating to the various arrangements outlined above, total interest paid during the year ended December 31, 2018 was $480,699.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31, 2018:

Insurance	$	9,024
Interest		36,843
Salaries, wages and payroll taxes		254,317
Sales tax		13,346
Warranty reserve		97,908
	$	411,438

NOTE 7 – FORWARD PURCHASE CONTRACT

In May 2016, the Company entered into an agreement with a vendor in order to establish an exclusive purchase obligation with the vendor. The Company committed to purchase 100% of its paint product from the vendor for the next five years, with total gross purchases amounting to at least $5,000,000 during the period of time. In exchange, the Company receives fixed pricing on paint and received a one-time cash payment in the amount of $1,500,000. In the event the Company does not purchase at least $5,000,000 of paint by the end of the 5 years, or if the agreement is prematurely terminated by the Company, a portion of the $1,500,000 payment will be refunded to the vendor in proportion to the purchase shortfall. As of December 31, 2018 total cumulative purchases made under the terms of the agreement were $1,493,796 and the corresponding liability associated with the vendor purchase obligation was $1,051,861.

NOTE 8 – CREDIT FACILITY

In July 2018 the Company amended its credit facility with a major banking institution. With the exception of assets financed or owned by General Motors Company, Ford Motor Company, and Chrysler Group, LLC (through a subordination agreement), substantially all assets are secured by this agreement (except for those cross-collateralized under flooring arrangements) (Note 5). Under the terms of the revolving line of credit portion of the agreement, the Company can borrow up to a maximum of $5,000,000 (limited to 85%, of eligible accounts receivable plus 50% of inventory, or $2,250,000, whichever is less). As of December 31, 2018, the Company had no outstanding borrowings on the revolving line of credit. There was $3,800,000 in borrowings outstanding at December 31, 2017. Interest is charged at a rate of the Bank's Prime Rate minus .25% (the Prime Rate at December 31, 2018 was 5.25%) or the applicable LIBOR plus 2.25%. In July 2018, the credit facility was renewed and amended to increase the minimum borrowing base, update the covenants, and to extend the expiration date to August 2020.

Under the terms of the credit facility, the Company is subject to certain financial covenants. These covenants include a minimum level of tangible net worth, a maximum leverage ratio, and a minimum quick ratio.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

Capital lease obligations at December 31, 2018 consist of the following:

Four capital leases with financing institutions secured by the underlying machinery and equipment with interest rates ranging from 4.91% to 6.15%, payable in monthly installments ranging from $568 to $677 per month, including interest, with maturities through October 2022.	$	100,990
Less: current portion		(25,377)
		75,613

Future minimum payments under the capital leases at December 31, 2018 are as follows:

Years ending December 31:		
2019	$	30,184
2020		30,184
2021		30,184
2022		19,212
Total		109,764
Less: amounts representing interest		(8,774)
Present value of net minimum lease payments	$	100,990

The following is an analysis of the leased equipment under capital leases at December 31, 2018, which is included in property and equipment (Note 3):

Equipment	$	120,916
Less: accumulated depreciation		(10,732)
	$	110,184

Depreciation expense on equipment under capital leases for the year ended December 31, 2018 was $9,277.

NOTE 10 - LONG-TERM DEBT

Long-term debt is summarized as follows at December 31, 2018:

Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $690 including interest at 5.35%. The note matured in September 2018.	$ --
Note payable to bank secured by equipment and inventory, payable in monthly installments of $30,057 plus interest at a rate of 4.75%. This note is scheduled to mature in March 2022 and is not guaranteed by the Company's principal member or a trust controlled by the Company's principal member.	1,165,578
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $1,049 including interest at 4.97%. The note is scheduled to mature in April 2020.	16,205
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $677 including interest at 0.10%. The note is scheduled to mature in April 2020.	10,826
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $816 including interest at 1.90%. The note is scheduled to mature in January 2020.	10,501
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $689 including interest at 2.99%. The note is scheduled to mature in July 2019.	4,774
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $528. No interest is charged on the balance. The note is scheduled to mature in March 2022.	20,584
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $531 including interest at 5.14%. The note is scheduled to mature in August 2022.	21,247
	1,249,715
Less: current portion	(407,051)
	$ 842,664

(Note 10 continued on the following page)

NOTE 10 - LONG-TERM DEBT (Continued)

The annual aggregate maturities of long-term debt are as follows:

Years ending December 31:		
2019	$	407,051
2020		380,381
2021		373,005
2022		89,278
	$	1,249,715

NOTE 11 - COMMITMENTS AND CONTINGENCIES WITH RELATED AND UNRELATED PARTIES

Operating Leases – During 2017, the Company entered into a lease agreement for its manufacturing headquarters in Carson, California with an affiliate through common ownership. In January 2018, the lease agreement was amended to increase the monthly rent from $88,750 to $135,000. The agreement is set to expire in September 2026, with four long-term options to extend for periods of at least 10 years. In October 2018 the Company signed an amended lease agreement to exercise the first option term for an additional 10 years. The amended agreement includes a cancellation option for the Company to terminate the lease in September 2026, or during the extension period, at the time the debt on the property is paid in full by the affiliate through common ownership. Total rent expense related to the aforementioned lease was
$1,620,000 for the year ended December 31, 2018.

The Company also has non-cancelable operating lease agreements on other facilities located in various cities throughout California, Arizona, and Texas. Under these agreements, the Company is obligated to pay expenses incidental to leasing. Two of these agreements operate on a month- to-month basis, with monthly payments ranging from $338 to $6,000. The remaining leases have monthly base rents ranging from $7,000 to $21,626 and are set to expire on various dates through July 2027.

The Company has a non-cancelable operating lease agreement on a vehicle. The agreement is set to expire in September 2019. The lease agreement provides for monthly payments of $1,497.

The Company recorded rent expense on the aforementioned lease agreements with unrelated parties of $642,590 during the year ended December 31, 2018.

(Note 11 continued on the following page)

NOTE 11 - COMMITMENTS AND CONTINGENCIES WITH RELATED AND UNRELATED PARTIES (Continued)

The following is a schedule of future minimum rental payments under all leases:

	Building Leases	Vehicle Leases	Total
Years ending December 31:			
2019	$ 2,115,300	$ 13,473	$ 2,128,773
2020	1,795,050	--	1,795,050
2021	1,791,503	--	1,791,503
2022	1,953,459	--	1,953,459
2023	1,955,720	--	1,955,720
Thereafter	5,466,726	--	5,466,726
	$ 15,077,758	$ 13,473	$ 15,091,231

Warranties - The Company records a reserve for warranties for expected warranty expense to be incurred during the warranty period, which is based on historical cost compared to sales volume. The warranty reserve is included in accrued liabilities and the related expense incurred for warranties is included in cost of sales.

The following is a reconciliation of the changes in the Company's reserve for warranties for the year ended December 31, 2018:

Reserve for warranties at beginning of year	$ 32,880
Payments made	(115,652)
Additions to warranty reserve	180,680
Reserve for warranties at end of year	$ 97,908

NOTE 12 – DEALER INCENTIVES

The Company receives dealer marketing allowances from Ford Motor Company ranging from $100 to $200 per released unit, and from General Motors Company ranging from $100 to $250 per released unit. During the year ended December 31, 2018, the Company received marketing allowances totaling $500,945, which have been net against selling expenses in the accompanying Statements of Operations.

Schedule 1

FORTRESS RESOURCES, LLC

Supplementary Information

Manufacturing Expenses
Year Ended December 31, 2018

		Percentage of Sales
Consulting	$ 101,097	0.2%
Depreciation	333,939	0.8
Education/seminars	5,329	--
Emission fees	11,065	--
Employee benefits	30,826	0.1
Equipment gas and oil	67,711	0.2
Equipment rental	40,685	0.1
Equipment repairs	25,318	0.1
Freight in	180,413	0.4
Freight out	623	--
General maintenance	137,572	0.3
In-house damage repair	28,192	0.1
Indirect wages	1,567,221	3.8
Insurance - general	330,068	0.8
Insurance - group	253,018	0.6
Insurance - worker's comp	211,232	0.5
Material testing	4,560	--
Miscellaneous	23,871	0.1
Paint supplies	231,476	0.6
Payroll taxes	356,388	0.9
Property taxes	221,617	0.5
Rent	1,221,587	2.8
Research and development	2,888	--
Rubbish removal	79,808	0.2
Security	56,725	0.1
Shop supplies	275,566	0.7
Small tools	31,390	0.1
Telephone	14,744	--
Temporary labor burden	606,269	1.5
Travel and auto	8,582	--
Uniforms	40,016	0.1
Utilities	340,755	0.8
Warranty	141,113	0.3
Weight certificate	23,583	0.1
	$ 7,005,247	16.8%

Schedule 2

FORTRESS RESOURCES, LLC

Supplementary Information

Selling Expenses
Year Ended December 31, 2018

			Percentage of Sales
Advertising	$	27,172	0.1%
Business promotion		177,392	0.4
Depreciation		55,744	0.1
Education/seminars		453	--
Freight out		(57,535)	(0.1)
Insurance - group		134,424	0.3
Insurance - worker's comp		18,849	--
Marketing allowances		(500,945)	(1.2)
Meals and entertainment		31,370	0.1
Outside commissions		25,800	0.1
Payroll taxes		173,921	0.4
Rent		1,027,540	2.4
Sales expense		11,372	--
Sales salaries and commissions		1,922,145	4.6
Telephone		65,671	0.2
Temp labor burden		22,215	0.1
Travel and auto		314,426	0.8
	$	3,450,014	8.3%

Schedule 3

FORTRESS RESOURCES, LLC

Supplementary Information

General and Administrative Expenses
Year Ended December 31, 2018

			Percentage of Sales
Accounting	$	55,948	0.1%
Amortization expense		22,400	0.1
Bad debt		3,952	--
Bank charges		88,604	0.4
Consulting		58,025	0.1
Depreciation		9,159	--
Donations		2,190	--
Dues and subscriptions		64,939	0.2
Education/seminars		941	--
Employee benefits		32,600	0.1
Insurance - group		37,768	0.1
Insurance - worker's comp		6,903	--
IT support		37,842	0.1
Legal		60,295	0.1
Meals and entertainment		485	--
Office expense		64,808	0.2
Office salaries		1,294,816	3.1
Office supplies		56,950	0.1
Payroll taxes		59,878	0.1
Postage		5,312	--
Rent		13,463	--
Taxes and licenses		12,282	--
Telephone		21,441	0.1
Temporary labor burden		8,799	--
Travel and auto		19,702	--
	$	2,039,502	4.9%

Schedule 4

FORTRESS RESOURCES, LLC

Supplementary Information

Other Income and Expenses
Year Ended December 31, 2018

		Percentage of Sales
Sale of scrap	$ 47,768	0.1%
Miscellaneous income	13,923	--
(Loss) on sale of assets	(22,462)	(0.1)
Interest (expense)	(655,121)	(1.6)
Interest income	581,286	1.4
Penalties	(315)	--
Factory moving expense	(207,251)	(0.5)
	$ (242,172)	(0.7)%

Exhibit 99.2

FORTRESS RESOURCES, LLC

Condensed Financial Statements
Condensed Balance Sheets as of June 30, 2019 and December 31, 2018
Condensed Statements of Operations for the Three and Six Months Ended June 30, 2019 and 2018
Condensed Statements of Members' Equity and Cash Flows for the Six Months Ended June 30, 2019 and 2018

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FORTRESS RESOURCES, LLC

Condensed Balance Sheets
June 30, 2019 and December 31, 2018 (Unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 114,149	$ 569,157
Accounts receivable	4,298,564	3,754,788
Other receivables	119,593	181,632
Member advances	151,977	-
Inventory (Note 2)	7,436,187	5,911,113
Prepaid expenses	11,053	39,401
Total current assets	12,131,523	10,456,091
Property and equipment	6,129,671	5,967,213
Less: accumulated depreciation	(1,701,224)	(1,524,332)
Net property and equipment	4,428,447	4,442,881
Other assets:		
Deposits	83,852	70,118
Intangible assets (net of accumulated amortization of $212,793 and $201,593, respectively)	112,004	123,204
Total assets	$ 16,755,826	$ 15,092,294

(Condensed balance sheets continued on the following page)

FORTRESS RESOURCES, LLC

Condensed Balance Sheets
(Continued)
June 30, 2019 and December 31, 2018 (Unaudited)

	June 30, 2019	December 31, 2018
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,701,556	$ 1,530,788
Accrued liabilities	556,318	411,438
Credit facility (Note 3)	600,000	-
Current portion of forward purchase contract	150,000	150,000
Current portion of capital lease obligations (Note 4)	43,923	25,377
Current portion of long-term debt (Note 5)	401,712	407,051
Customer deposits	264,216	167,456
Total current liabilities	3,717,725	2,692,110
Assets floored through financial institution	5,920,258	9,091,430
Flooring liability through financial institution	(5,920,258)	(9,091,430)
	-	-
Long term liabilities:		
Forward purchase contract	831,908	901,861
Capital lease obligations (Note 4)	109,369	75,613
Long-term debt (Note 5)	642,911	842,664
Total long-term liabilities	1,584,188	1,820,138
Total liabilities	5,301,913	4,512,248
Commitments and contingencies (Note 6)		
Members' equity	11,453,913	10,580,046
	$ 16,755,826	$ 15,092,294

See accompanying notes to condensed financial statements

FORTRESS RESOURCES, LLC

Condensed Statements of Operations
Three and Six Months Ended June 30, 2019 and 2018 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Sales	$ 12,534,629	$ 10,010,506	$ 23,967,479	$ 19,656,258
Cost of sales:				
Purchases	5,341,400	4,258,418	10,193,706	8,353,045
Direct labor	1,229,871	1,073,581	2,464,654	2,132,627
Sub-contract labor	100,062	88,866	171,371	183,074
Manufacturing expenses	1,819,765	1,776,195	3,609,117	3,563,406
	8,491,098	7,197,060	16,438,848	14,232,152
Gross profit	4,043,531	2,813,446	7,528,631	5,424,106
Operating expenses:				
Selling expenses	553,599	475,647	1,858,015	1,695,646
General and administrative expenses	946,461	785,373	1,072,318	986,867
	1,500,060	1,261,020	2,930,333	2,682,513
Operating income	2,543,471	1,552,426	4,598,298	2,741,593
Other income (expenses):				
Interest income	-	-	9,596	-
Interest (expense)	(24,750)	(19,241)	(38,234)	(77,817)
Other (expense)	(85,981)	(25,734)	(74,341)	(32,041)
(Loss) on sale of assets	(462)	-	(462)	-
Total other (expenses)	(111,193)	(44,975)	(103,441)	(109,858)
Income before income taxes	2,432,278	1,507,451	4,494,857	2,631,735
Provision for income taxes	11,790	20,000	12,590	20,000
Net income	$ 2,420,488	$ 1,487,451	$ 4,482,267	$ 2,611,735

See accompanying notes to condensed financial statements

FORTRESS RESOURCES, LLC

Condensed Statements of Members' Equity
Six Months Ended June 30, 2019 and 2018 (Unaudited)

		Members' Equity
Balance at December 31, 2017	$	3,916,340
Distributions to members		(270,000)
Contributions from members		100,000
Net income for the 6 months ended June 30, 2018		2,611,735
Balance at June 30, 2018	$	6,358,075
Balance at December 31, 2018	$	10,580,046
Distributions to members		(4,535,000)
Contributions from members		926,600
Net income for the 6 months ended June 30, 2019		4,482,267
Balance at June 30, 2019	$	11,453,913

See accompanying notes to condensed financial statements

FORTRESS RESOURCES, LLC

Condensed Statements of Cash Flows
Six Months Ended June 30, 2019 and 2018 (Unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net income	$ 4,482,267	$ 2,611,735
Adjustments to reconcile net income to net cash provided by (applied to) operating activities:		
Depreciation	202,364	211,817
Amortization	11,200	11,200
Loss on disposal of property and equipment	462	-
Reduction in forward purchase contract obligation	(69,953)	(57,000)
(Increase) decrease in:		
Accounts receivable	(543,776)	258,541
Other receivables	62,039	(76,589)
Member advances	(151,977)	(72,649)
Inventory	(1,525,074)	170,646
Prepaid expenses	28,348	(31,265)
Deposits	(13,734)	23,395
Increase (decrease) in:		
Accounts payable	170,768	(892,823)
Accrued liabilities	144,880	(226,573)
Customer deposits	96,760	95,137
Net cash provided by operating activities	2,894,574	2,025,572
Cash flows from investing activities:		
Acquisition of property and equipment	(114,741)	(59,432)
Proceeds from sale of property and equipment	600	-
Net cash (applied to) investing activities	(114,141)	(59,432)

(Condensed statements of cash flows continued on the following page)

FORTRESS RESOURCES, LLC

Condensed Statements of Cash Flows
(Continued)
Six Months Ended June 30, 2019 and 2018 (Unaudited)

	Six Months Ended June 30,	
	2019	**2018**
Cash flows from financing activities:		
Net activity on line of credit	600,000	(1,400,000)
Proceeds from issuance of long-term debt	-	25,335
Principal repayments of long-term debt	(205,092)	(204,373)
Principal repayments on capital leases	(21,949)	(20,510)
Contributions from members	926,600	100,000
Distributions to members	(4,535,000)	(270,000)
Net cash (applied to) financing activities	(3,235,441)	(1,769,548)
Net (decrease) increase in cash and cash equivalents	(455,008)	196,592
Cash and cash equivalents at beginning of period	569,157	135,283
Cash and cash equivalents at end of period	$ 114,149	$ 331,875

Supplemental disclosure of non-cash financing activities:

During the six months ended June 30, 2019 and 2018, the Company acquired property and equipment totaling $74,251 and $24,668 respectively, by entering into capital lease obligations.

See accompanying notes to condensed financial statements

Notes to Condensed Financial Statements

NOTE 1 – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For a description of key accounting policies followed, refer to the notes to the Fortress Resources, LLC (the “Company”, “we”, “our” or “us”) financial statements for the year ended December 31, 2018. Refer to the Revenue Recognition and Adoption of New Accounting Policy section below for the adoption of a new revenue recognition accounting standard in the first quarter of 2019.

The Company was organized under the laws of the State of California as a limited liability company on June 28, 2009, is a leading California-based designer, manufacturer and installer of service truck bodies and accessories. The Company manufactures and assembles truck body options for various trades, service truck bodies, stake body trucks, contractor trucks, and dump bed trucks. The Company is the largest service body company in the western United States with their principal facility in Carson, California. The Company has additional manufacturing, assembly, and service space in branch locations in Union City and Roseville, California; Mesa, Arizona; and Dallas and Weatherford, Texas.

The accompanying unaudited interim condensed financial statements reflect all normal and recurring adjustments that are necessary for the fair presentation of our financial position as of June 30, 2019 and December 31, 2018, the results of operations, members’ equity, and cash flows for the three and six-month periods ended June 30, 2019. These condensed financial statements should be read in conjunction with the audited financial statements and footnotes for the year ended December 31, 2018.

The results of operations for the three and six months ended June 30, 2019 are not necessarily indicative of the results expected for the full year.

The Company is required to disclose the fair value of its financial instruments in accordance with Financial Accounting Standards Board (“FASB”) Codification relating to “Disclosures about Fair Values of Financial Instruments.” The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, forward purchase contract and variable rate debt instruments approximate their fair value at June 30, 2019 and December 31, 2018.

(Note 1 continued on the following page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers:* Topic 606. Under Topic 606, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The company has adopted the provisions of Topic 606 as of and for the period ended June 30, 2019. However, management has determined that the impact of adopting the provisions of Topic 606 is immaterial for the periods reported.

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 is intended to introduce a revised approach to the recognition and measurement of credit losses, emphasizing an updated model based on expected losses rather than incurred losses. The provisions of this standard are effective for the Company's fiscal year ended December 31, 2022 and early adoption is permitted. Management believes that the adoption of the provisions of ASU 2016-13 will not have a material impact on The Company's financial position, results of operations or cash flows.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*: Topic 842. Under Topic 842, lessees will be required to recognize the following for substantially all leases:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and

- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Management is currently assessing the impact of Topic 842 on the financial statements. The date of adoption of Topic 842 was amended to be effective for the Company's fiscal year ended December 31, 2021.

Revenue Recognition and Adoption of New Accounting Policy – Per agreements with the certain automotive manufacturers and dealers, the Company recognizes a sale and corresponding cost of goods sold only on the improvement or addition it makes to its General Motors and Chrysler Group inventory and not on the sale and cost of goods sold on the actual vehicles. The General Motors and Chrysler Group agreements began August 1, 2013 and June 24, 2010, respectively, each expiring five years from their commencement. The Chrysler Group agreement contains an automatic annual renewal clause that takes effect if neither party terminates the agreement. The General Motors agreement was renewed in July 2018, expiring five years from commencement.

(Note 1 continued on the following page)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Adoption of New Accounting Policy (Continued) – With regards to Ford Motor Company, the Company has a signed bailment agreement which does not pass title of Ford inventory to the Company. Instead, the Company takes possession of Ford inventories, makes improvements and additions, then transfers the title to dealerships within the Ford Motor Company network. The Company recognizes sales and corresponding cost of goods sold on only the improvements and additions it makes to the Ford Motor Company inventory; but not on the sale and cost of goods sold on the actual vehicles. The Ford agreement began on August 12, 2009 and ends when either party elects to terminate it.

Essentially all of the Company's revenue is generated through contracts with our customers. The Company may recognize revenue over time or at a point in time when or as obligations under the terms of a contract with its customer are satisfied, depending on the terms and features of the contract and the products supplied. The contracts generally do not have any significant variable consideration. The collectability of consideration on the contract is reasonably assured before revenue is recognized. On certain vehicles, payment may be received in advance of us satisfying our performance obligations. Such payments are recorded in Customer deposits on the Condensed Balance Sheets. The corresponding performance obligations are generally satisfied within one year of the contract inception. In such cases, we have elected to apply the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component. The financing impact on contracts that contain performance obligations that are not expected to be satisfied within one year are expected to be immaterial to our condensed financial statements.

The Company adopted Topic 606 with a date of initial application of January 1, 2019. As a result, the Company changed its adopted policies for revenue recognition as detailed above. Prior to the adoption of Topic 606, the Company recognized revenue in accordance with prevailing GAAP. Accordingly, revenue was recognized when title to the product and risk of ownership passed to the buyer. In certain instances, risk of ownership and title passed when the product had been completed in accordance with purchase order specifications and had been tendered for delivery to the customer. All sales were shown net of returns, discounts and sales incentive programs, which historically have not been significant. The collectability of any related receivable was reasonably assured before revenue was recognized.

The Company applied Topic 606 using the cumulative effect method to all contracts not completed at the date of initial application by recognizing the cumulative effect of initially applying ASC 606 as an adjustment to the opening balance of members' equity at January 1, 2019. Therefore, the comparative information has not been adjusted and continues to be reported under prior revenue recognition guidance.

NOTE 2 - INVENTORY

Inventory consists of the following at June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Raw materials	$ 4,080,766	$ 2,962,147
Work-in-process	305,192	345,799
Finished goods	3,050,229	2,603,167
	$ 7,436,187	$ 5,911,113

NOTE 3 – CREDIT FACILITY

In July 2018, the Company amended its credit facility with a major banking institution. With the exception of assets financed or owned by General Motors Company, Ford Motor Company, and Chrysler Group, LLC (through a subordination agreement), substantially all assets are secured by this agreement (except for those cross-collateralized under flooring arrangements). Under the terms of the revolving line of credit portion of the agreement, the Company can borrow up to a maximum of $5,000,000 (limited to 85%, of eligible accounts receivable plus 50% of inventory, or $2,250,000, whichever is less). As of June 30, 2019, the Company had borrowings on the line of credit totaling $600,000. The Company had no outstanding borrowings on the revolving line of credit as of December 31, 2018. Interest is charged at a rate of the Bank's prime rate minus .25% (the effective rate charged at June 30, 2019 and December 31, 2018 was 5.25%) or the applicable LIBOR plus 2.25%. In July 2018, the credit facility was renewed and amended to increase the minimum borrowing base, update the covenants, and to extend the expiration date to August 2020.

Under the terms of the credit facility, the Company is subject to certain financial covenants. These covenants include a minimum level of tangible net worth, a maximum leverage ratio, and a minimum quick ratio.

NOTE 4 - CAPITAL LEASE OBLIGATIONS

Capital lease obligations at June 30, 2019 and December 31, 2018 consist of the following:

	June 30, 2019	December 31, 2018
Four capital leases with financing institutions secured by the underlying machinery and equipment with interest rates ranging from 3.42% to 6.15%, payable in monthly installments ranging from $568 to $1,089 per month, including interest, with maturities through March 2023.	$ 153,292	$ 100,990
Less: current portion	(43,923)	(25,377)
	$ 109,369	$ 75,613

The following is an analysis of the leased equipment under capital leases at June 30, 2019 and December 31, 2018, which is included in property and equipment:

	June 30, 2019	December 31, 2018
Equipment	$ 195,167	$ 120,916
Less: accumulated depreciation	(19,152)	(10,732)
	$ 176,015	$ 110,184

Depreciation expense on equipment under capital leases for the three months ended June 30, 2019 and 2018 was $4,210 and $3,020, respectively, and for the six months ended June 30, 2019 and 2018 was $6,045 and $8,420, respectively.

NOTE 5 - LONG-TERM DEBT

Long-term debt is summarized as follows as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Note payable to bank secured by equipment and inventory, payable in monthly installments of $30,057 plus interest at a rate of 4.75%. This note is scheduled to mature in March 2022 and is not guaranteed by the Company's principal member or a trust controlled by the Company's principal member.	$ 985,236	$ 1,165,578
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $1,049 including interest at 4.97%. The note is scheduled to mature in April 2020.	10,254	16,205
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $677 including interest at 0.10%. The note is scheduled to mature in April 2020.	6,768	10,826
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $816 including interest at 1.90%. The note is scheduled to mature in January 2020.	5,681	10,501
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $689 including interest at 2.99%. The note is scheduled to mature in July 2019.	687	4,774
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $528. No interest is charged on the balance. The note is scheduled to mature in March 2022.	17,418	20,584
Note payable to a financing institution secured by the underlying auto, payable in monthly installments of $531 including interest at 5.14%. The note is scheduled to mature in August 2022.	18,579	21,247
	1,044,623	1,249,715
Less: current portion	(401,712)	(407,051)
	$ 642,911	$ 842,664

NOTE 6 - COMMITMENTS AND CONTINGENCIES WITH RELATED AND UNRELATED PARTIES

Operating Leases – During 2017, the Company entered into a lease agreement for its manufacturing headquarters in Carson, California with an affiliate through common ownership. In January 2018, the lease agreement was amended to increase the monthly rent from $88,750 to $135,000. The agreement is set to expire in September 2026, with four long-term options to extend for periods of at least 10 years. In October 2018, the Company signed an amended lease agreement to exercise the first option term for an additional 10 years. The amended agreement includes a cancellation option for the Company to terminate the lease in September 2026, or during the extension period, at the time the debt on the property is paid in full by the affiliate through common ownership. Total rent expense related to the aforementioned lease for the three months ended June 30, 2019 and 2018 was $405,000, and for the six months ended June 30, 2019 and 2018 was $810,000.

The Company also has non-cancelable operating lease agreements on other facilities located in various cities throughout California, Arizona, and Texas. Under these agreements, the Company is obligated to pay expenses incidental to leasing. Two of these agreements operate on a month-to-month basis, with monthly payments ranging from $338 to $6,000. The remaining leases have monthly base rents ranging from $7,000 to $22,275 and are set to expire on various dates through July 2027.

The Company has a non-cancelable operating lease agreement on a vehicle. The agreement is set to expire in September 2019. The lease agreement provides for monthly payments of $1,497.

The Company recorded rent expense on the aforementioned lease agreements with unrelated parties of $154,300 and $160,650 for the three months ended June 30, 2019 and 2018, respectively, and $308,590 and $321,295, respectively, for the six months ended June 30, 2019 and 2018.

(Note 6 continued on the following page)

NOTE 6 - COMMITMENTS AND CONTINGENCIES WITH RELATED AND UNRELATED PARTIES (Continued)

The following is a schedule of future minimum rental payments under all leases:

	Building Leases	Vehicle Leases	Total
Years ending December 31:			
2019	$ 1,092,353	$ 4,491	$ 1,096,844
2020	1,920,308	-	1,920,308
2021	1,920,518	-	1,920,518
2022	2,018,920	-	2,018,920
2023	1,955,720	-	1,955,720
Thereafter	5,466,725	-	5,466,725
	$ 14,374,544	$ 4,491	$ 14,379,035

(a) Excluding the six months ended June 30, 2019.

Warranties - The Company records a reserve for warranties for expected warranty expense to be incurred during the warranty period, which is based on historical cost compared to sales volume. The warranty reserve is included in accrued liabilities and the related expense incurred for warranties is included in cost of sales.

The following is a reconciliation of the changes in the Company's reserve for warranties for the six months ended June 30, 2019 and the year ended December 31, 2018:

	June 30, 2019	December 31, 2018
Reserve for warranties at beginning of period	$ 97,908	$ 32,880
Payments made	(170,000)	(115,652)
Additions to warranty reserve	170,000	180,680
Reserve for warranties at end of period	$ 97,908	$ 97,908

NOTE 7 – SUBSEQUENT EVENTS

The Company evaluated subsequent events through November 21, 2019, the date these condensed financial statements were available to be issued. Other than the event discussed below, there were no material subsequent events that required recognition or additional disclosure in these condensed financial statements.

On September 9, 2019, the Company was acquired by Spartan Motors, Inc., a niche market leader in specialty manufacturing and assembly for the commercial vehicle (including last-mile delivery, specialty service and vocation-specific up-fit segments), emergency response and recreational vehicle industries.

On September 9, 2019, Spartan Motors, Inc (the “Company”), completed the acquisition of Fortress Resources, LLC D/B/A Royal Truck Body (“Royal”) pursuant to which the Company acquired all the outstanding equity interests of Royal through the Company’s wholly-owned subsidiary, Spartan Motors USA, Inc. (dollar amounts in thousands). The purchase was completed pursuant to the terms and conditions of a Unit Purchase Agreement, dated September 9, 2019, entered into by and among Spartan Motors USA, Inc., Royal, the owners of Royal, and Dudley D. DeZonia (the “Purchase Agreement”). The Company paid $90,081 in cash. The purchase price is subject to certain customary post-closing adjustments. The acquisition was financed using $90,081 borrowed from our existing $175,000 line of credit, as set forth in the Second Amended and Restated Credit Agreement, dated as of August 8, 2018. The Purchase Agreement was filed with the Securities and Exchange Commission (the “SEC”) as an exhibit to the Company’s Current Report on Form 10-Q filed on November 12, 2019.

The following Unaudited Pro Forma Condensed Combined Statements of Operations were prepared using the purchase method of accounting, with Spartan Motors, Inc. being the acquiring entity, and reflects estimates and assumptions deemed appropriate by Company management to give effect to the acquisition as if it had been completed effective as of January 1, 2018.

The historical financial statements have been adjusted to give effect to pro forma events that are directly attributable to the acquisition and the long-term debt incurred by the Company at the time of the acquisition. The adjustments are factually supportable and, with respect to the Unaudited Pro Forma Condensed Combined Statements of Operations, are expected to have a continuing impact on the results of the Company after the acquisition. The purchase price allocation reflected in the following Unaudited Pro Forma Combined Condensed Statements of Operations is preliminary in nature as the final, actual purchase price and certain valuations have not been finalized. The final purchase price and the final purchase price allocation may differ materially from the preliminary amounts utilized in the following Unaudited Pro Forma Condensed Combined Statements of Operations, although these amounts represent management’s current best estimate of fair value. The pro forma adjustments are described in the accompanying Notes to the Unaudited Pro Forma Combined Condensed Statements of Operations.

The Unaudited Pro Forma Condensed Combined Statements of Operations should be read in conjunction with the accompanying Notes to the Unaudited Pro Forma Condensed Combined Statements of Operations, the separate historical financial statements of Spartan Motors, Inc. included in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on March 5, 2019, and the separate historical financial statements of Royal included within this report as Exhibit 99.1 as of and for the year ended December 31, 2018 and as of and for the year ended December 31, 2017.

The Pro Forma Condensed Combined Statements of Operations are unaudited, presented for illustrative purposes only and are not necessarily indicative of the financial condition or results of operations that actually would have been realized had the acquisition been completed on the dates indicated above. Additionally, the Unaudited Pro Forma Condensed Combined Statements of Operations do not purport to project the future financial condition or results of operations of the combined company, and do not include the effects of potential operating synergies or cost savings related to the acquisition. Additionally, management has not completed a full evaluation of Royal’s accounting and business practices, and any changes identified may impact the future combined operating results.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the six months ended June 30, 2019
(amounts in thousands, except per share data)

	Historical		Pro Forma		
	Spartan Motors, Inc.	**Royal**	**Adjustments**		**Combined**
Revenue	$ 481,899	$ 23,967	$ 194	A	$ 506,060
Cost of products sold	430,446	16,439	132	A	477,144
			315	B	
			(188)	C	
Restructuring charges	55	-	-		55
Gross profit	51,398	7,528	(65)		58,861
Selling, general and administrative	46,163	2,930	(15)	C	50,664
			264	D	
			(11)	E	
			1,333	F	
Restructuring charges	128	-	-		128
Total operating expenses	46,291	2,930	1,571		50,792
Operating income	5,107	4,598	(1,636)		8,069
Interest expense and other	795	(103)	40	G	(769)
			(1,492)	H	
			(9)	G	
Income before income taxes	5,902	4,495	(3,097)		7,300
Taxes	1,076	13	318	I	1,407
Net earnings	4,826	4,482	(3,415)		5,893
Less: net loss attributable to non-controlling interest	75	-	-		75
Net earnings attributable to Spartan Motors, Inc.	$ 4,901	$ 4,482	$ (3,415)		$ 5,968
Basic net earnings per share	$ 0.14				$ 0.17
Diluted net earnings per share	$ 0.14				$ 0.17
Basic weighted average common shares outstanding	35,308				35,308
Diluted weighted average common shares outstanding	35,312				35,312

See Accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements

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

	Historical		Pro Forma		
	Spartan Motors, Inc.	Royal	Adjustments		Combined
Revenue	$ 816,164	$ 41,646	$ 164	A	$ 857,974
Cost of products sold	717,607	28,971	111	A	746,355
			(334)	C	
Restructuring charges	302	-	-		302
Gross profit	98,255	12,675	387		111,317
Selling, general and administrative	80,713	5,490	(65)	C	89,308
			527	D	
			(22)	E	
			2,665	F	
Restructuring charges	1,429	-	-		1,429
Total operating expenses	82,142	5,490	3,105		90,737
Operating income	16,113	7,185	(2,718)		20,580
Interest expense and other	1,160	(242)	174	G	(1,892)
			(2,984)	H	
Income before income taxes	17,273	6,943	(5,528)		18,688
Taxes	2,261	10	363	I	2,634
Net earnings	15,012	6,933	(5,891)		16,054
Less: net loss attributable to non-controlling interest	-	-	-		-
Net earnings attributable to Spartan Motors, Inc.	$ 15,012	$ 6,933	$ (5,891)		$ 16,054
Basic net earnings per share	$ 0.43				$ 0.46
Diluted net earnings per share	$ 0.43				$ 0.46
Basic weighted average common shares outstanding	35,187				35,187
Diluted weighted average common shares outstanding	35,187				35,187

See Accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements
(dollar amounts in thousands)

Note 1 Description of the Transaction and Basis of Presentation

On September 9, 2019, the Company, completed the acquisition of Fortress Resources, LLC D/B/A Royal Truck Body (“Royal”) pursuant to which the Company acquired all the outstanding equity interests of Royal through the Company’s wholly-owned subsidiary, Spartan Motors USA, Inc. The Company paid $90,081 in cash. The purchase price is subject to certain customary post-closing adjustments. The acquisition was financed using $90,081 borrowed from our existing $175,000 line of credit, as set forth in the Second Amended and Restated Credit Agreement, dated as of August 8, 2018. The Purchase Agreement was filed with the Securities and Exchange Commission as an exhibit to the Company’s Current Report on Form 10-Q filed on November 12, 2019 (“Company's Form 10-Q”). This acquisition was accounted for using the acquisition method of accounting with the preliminary purchase price allocated to the assets purchased and liabilities assumed based upon their fair values at the date of acquisition. Details are included in the Company's Form 10-Q.

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 Royal to conform to the financial statement presentation and accounting policies of Spartan, are as follows:

Statement of Operations

A Represents adjustment of historical Royal revenue to reflect the implementation of ASC 606.
B Adjustment to lease expense due to the implementation of ASC 842. Implementation of ASC 842 occurred on 1/1/2019.
C Reversal of Royal historical depreciation expense.
D Adjustment to add depreciation expense relating to estimated fair value of acquired fixed assets over their remaining useful lives.
E Reversal of Royal historical amortization expense related to prior intangible assets.
F Adjustment to add amortization expense relating to estimated fair value of acquired intangible assets over their remaining useful lives.
G Reversal of interest expense incurred by Royal (net of interest income).
H Addition of interest expense on borrowing to fund acquisition (at rates in effect at acquisition date of September 9, 2019).
I Income tax impact of Royal acquisition when consolidated with Spartan Motors, Inc.