

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): January 1, 2017

SPARTAN MOTORS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan
(State or Other Jurisdiction
of Incorporation)

0-13611
(Commission File No.)

38-2078923
(IRS Employer
Identification No.)

1541 Reynolds Road, Charlotte, Michigan
(Address of Principal Executive Offices)

48813
(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))
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Explanatory Note

On January 5, 2017, Spartan Motors, Inc. filed a Current Report on Form 8-K to report that its wholly owned subsidiary, Spartan Motors USA, Inc., had completed its acquisition of essentially all of the assets and certain liabilities of Smeal Fire Apparatus Co., Smeal Properties, Inc., Ladder Tower Co., and U.S. Tanker Co. (collectively, "Smeal") pursuant to an Asset Purchase Agreement dated December 12, 2016 (the "Purchase Agreement"). This amendment is being filed to amend and supplement Item 9.01 of the Form 8-K filed on January 5, 2017 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 Smeal Fire Apparatus Co. and Subsidiaries for the years ended December 31, 2016 and 2015, the six months ended December 31, 2014 and the year ended June 30, 2014.

(b) Pro Forma Financial Information

Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2016 and Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2016.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
23.1	Consent of independent auditor.
99.1	Audited financial statements for Smeal Fire Apparatus Co. and Subsidiaries for the years ended December 31, 2016 and 2015.
99.2	Audited financial statements for Smeal Fire Apparatus Co. and Subsidiaries for the six months ended December 31, 2014 and the year ended June 30, 2014.
99.3	Unaudited pro forma condensed combined balance sheet as of December 31, 2016, and unaudited pro forma condensed combined statement of operations for the year ended December 31, 2016.

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: March 16, 2017

/s/ Frederick J. Sohm

By: Frederick J. Sohm

Its: Chief Financial Officer

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 March 1, 2017, relating to our audit of the consolidated financial statements of Smeal Fire Apparatus Co. and Subsidiaries as of and for the years ended December 31, 2016 and 2015, and our report dated March 25, 2015 relating to our audit of the consolidated financial statements of Smeal Fire Apparatus Co. and Subsidiaries as of and for the six months ended December 31, 2014 and the year ended June 30, 2014 included in this Current Report on Form 8-K/A.

/s/ Lutz & Company, P.C.
Omaha, Nebraska
March 16, 2017

Smeal Fire Apparatus Co. and Subsidiaries

**Consolidated Financial Statements and
Independent Auditors' Report**

December 31, 2016 and 2015



Smeal Fire Apparatus Co. and Subsidiaries

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Smeal Fire Apparatus Co. and Subsidiaries
Snyder, Nebraska

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Smeal Fire Apparatus Co. and Subsidiaries which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Smeal Fire Apparatus Co. and Subsidiaries as of December 31, 2016 and 2015, and the consolidated results of their operations and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lutz & Company, P.C.

March 1, 2017

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Balance Sheets

December 31, 2016 and 2015

ASSETS (Note 3)		
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,825,051	\$ 3,307,294
Receivables		
Trade Accounts, Less Allowance of Doubtful		
Accounts of \$91,945 and \$0, Respectively	686,329	477,090
Other	135,550	131,124
Inventories (Note 2)	45,534,683	39,275,222
Other Investments (Note 7)	160,152	209,427
Prepaid Expenses	980,728	956,619
Total Current Assets	51,322,493	44,356,776
PROPERTY AND EQUIPMENT		
Land	45,418	45,418
Buildings and Improvements	4,644,501	4,225,431
Plant Machinery and Equipment	6,046,475	5,367,211
Office Furniture and Equipment	2,657,384	2,169,767
Vehicles	455,809	499,926
Total Cost	13,849,587	12,307,753
Less Accumulated Depreciation	7,044,551	6,011,570
Net Book Value	6,805,036	6,296,183
OTHER ASSETS		
Deposits (Note 6)	80,300	54,281
Goodwill, Net of Accumulated Amortization		
of \$365,700 and \$219,420, Respectively	1,097,100	1,243,380
Total Other Assets	1,177,400	1,297,661
TOTAL ASSETS	\$ 59,304,929	\$ 51,950,620

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Balance Sheets

December 31, 2016 and 2015

LIABILITIES	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Revolving Bank Line of Credit	\$ 2,600,000	\$ -
Accounts Payable	11,005,937	5,858,873
Customer Prepayments	27,981,755	25,249,142
Accrued Salaries, Wages and Bonuses	1,458,098	874,851
Taxes Accrued and Withheld	181,369	117,752
Accrued Warranty Expense	500,000	500,000
Deferred Compensation Payable (Note 7)	160,152	209,427
Other Accrued Expenses (Note 6)	1,059,281	10,531
Total Current Liabilities	44,946,592	32,820,376
LONG-TERM LIABILITIES		
Other Long-Term Liabilities	125,000	-
Total Liabilities	45,071,592	32,820,376
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY		
COMMON STOCK (Notes 4 and 6)		
\$1 Par Value, Authorized, 10,000 Shares		
Issued and Outstanding, 4,206 and 4,211 Shares, Respectively	4,206	4,211
PAID IN CAPITAL	2,405,763	2,448,402
RETAINED EARNINGS	13,960,628	18,820,035
LESS: Note Receivable, Issuance of Common Stock (Note 4)	(2,137,260)	(2,142,404)
Total Stockholders' Equity	14,233,337	19,130,244
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 59,304,929	\$ 51,950,620

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Statements of Operations

Years Ended December 31, 2016 and 2015

	2016		2015	
	Amount	Percent	Amount	Percent
SALES				
Chassis	\$ 33,760,197	35.67%	\$ 30,383,530	34.27%
Aerial Trucks and OEM Aerial Devices	25,021,829	26.44%	22,909,572	25.84%
Pumper Trucks	32,462,284	34.30%	31,520,970	35.55%
Parts, Refurbs, Repairs, and Other	3,391,599	3.58%	3,840,805	4.33%
Total Sales	94,635,909	100.00%	88,654,877	100.00%
COST OF SALES				
Chassis	33,370,338	35.26%	29,961,797	33.80%
Direct Materials	35,137,153	37.13%	31,155,669	35.14%
Direct Labor	11,445,905	12.09%	8,456,315	9.54%
Manufacturing Costs	10,997,836	11.62%	13,957,079	15.74%
Total Costs of Sales	90,951,232	96.11%	83,530,860	94.22%
GROSS PROFIT	3,684,677	3.89%	5,124,017	5.78%
OPERATING EXPENSES	8,385,537	8.86%	8,502,358	9.59%
Loss from Operations	(4,700,860)	-4.97%	(3,378,341)	-3.81%
OTHER INCOME AND EXPENSE				
Interest Income	117,365	0.12%	171,569	0.19%
Interest Expense	(405,691)	-0.43%	(168,764)	-0.19%
Gain on Sale of Property and Equipment	10,043	0.01%	14,307	0.02%
Other Income	119,736	0.13%	421,677	0.48%
Total Other Income and Expense	(158,547)	-0.17%	438,789	0.49%
NET LOSS	\$ (4,859,407)	-5.13%	\$ (2,939,552)	-3.32%

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2016 and 2015

	Common Stock	Paid In Capital	Retained Earnings	Note Receivable, Issuance of Common Stock	Total Stockholders' Equity
BALANCES, December 31, 2014	\$ 3,867	\$ 306,342	\$ 21,987,753	\$ -	\$ 22,297,962
Note Receivable, Issuance of Common Stock (Note 4)	344	2,136,916	-	(2,137,260)	-
Interest Accrued on Note Receivable, Issuance of Common Stock	-	5,144	-	(5,144)	-
Net Loss	-	-	(2,939,552)	-	(2,939,552)
Distributions to Stockholders	-	-	(228,166)	-	(228,166)
BALANCES, December 31, 2015	4,211	2,448,402	18,820,035	(2,142,404)	19,130,244
Redemption of Common Stock (Note 6)	(5)	(37,495)	-	-	(37,500)
Interest Forgiven on Note Receivable, Issuance of Common Stock (Note 4)	-	(5,144)	-	5,144	-
Net Loss	-	-	(4,859,407)	-	(4,859,407)
BALANCES, December 31, 2016	\$ 4,206	\$ 2,405,763	\$ 13,960,628	\$ (2,137,260)	\$ 14,233,337

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (4,859,407)	\$ (2,939,552)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities		
Depreciation and Amortization	1,198,092	892,507
Increase (Decrease) in Deferred Compensation Payable	(49,275)	2,714
Gain on Sale of Property and Equipment	(10,043)	(14,307)
Increase in LIFO Reserve	523,523	672,775
Changes in Current Assets and Current Liabilities		
Decrease (Increase) in Trade Accounts Receivable	(209,239)	108,214
Increase in Other Receivables	(4,426)	(34,694)
Increase in Inventories	(6,782,984)	(13,752,642)
Increase in Prepaid Expenses	(24,109)	(394,846)
Increase in Deposits	(26,019)	(12,920)
Increase in Accounts Payable	5,147,064	2,465,734
Increase in Customer Prepayments	2,732,613	10,196,173
Increase in Accrued Salaries, Wages and Bonuses	583,447	175,405
Increase in Taxes Accrued and Withheld	63,617	3,553
Decrease in Profit Sharing Payable	-	(21,340)
Increase in Accrued Warranty	-	50,000
Increase (Decrease) in Other Current Liabilities	1,048,750	(8,481)
Increase in Other Long-Term Liabilities	125,000	-
Net Cash Used In Operating Activities	(543,396)	(2,611,707)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,589,122)	(2,162,011)
Proceeds from Sale of Property and Equipment	38,500	14,307
Decrease in Income Tax Deposit	-	815,670
Decrease (Increase) in Other Investments	49,275	(2,714)
Net Cash Used in Investing Activities	(1,501,347)	(1,334,748)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of Common Stock	(37,500)	-
Net Advances on Line of Credit	2,600,000	-
Distributions to Stockholders	-	(228,166)
Net Cash Provided by (Used in) Financing Activities	2,562,500	(228,166)
Net Increase (Decrease) in Cash and Cash Equivalents	517,757	(4,174,621)
Cash and Cash Equivalents, Beginning of Year	3,307,294	7,481,915
Cash and Cash Equivalents, End of Year	\$ 3,825,051	\$ 3,307,294

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Statements of Cash Flows - Continued

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 423,324	\$ 169,607
NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of Note Receivable for Common Stock	\$ -	\$ 2,137,260
Interest Accrued (Forgiven) on Note Receivable, Issuance of Common Stock	(5,144)	5,144

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

1. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements is set forth below.

Principles of Consolidation

The consolidated financial statements include the accounts of Smeal Fire Apparatus Co. and its wholly owned subsidiaries Smeal Properties, Inc., Ladder Tower Co., and U.S. Tanker Co., collectively the "Company". All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Business

The Company manufactures and sells fire trucks, aerial ladders and related equipment to customers located throughout the United States and Canada.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

The costs of advertising are expensed as incurred. Advertising costs were approximately \$336,000 and \$474,000 the years ended December 31, 2016 and 2015, respectively.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all investments with an original maturity of three months or less to be cash and cash equivalents.

Trade Accounts Receivable

Trade accounts receivable are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding accounts by management. Receivables are written off when deemed uncollectible. Recoveries of trade accounts receivable previously written off are recorded when received.

Inventories

Inventories for the Company are valued at the lower of cost or market using the last-in, first-out (LIFO) method (See Note 2).

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

Depreciation is computed using both straight-line and accelerated methods over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	39
Plant Machinery and Equipment	7
Office Furniture and Equipment	3 - 7
Vehicles	5

Goodwill

Goodwill represents the carrying amount of the cost in excess of net assets acquired. The Company follows FASB Accounting Standards Update 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*, which allows the Company to amortize goodwill prospectively on a straight-line basis up to 10 years. Management believes this method more accurately reflects its periodic results of operations and elected to amortize its existing goodwill over 10 years, which represents the estimated useful life. Amortization expense of \$146,280 was recorded for the years ended December 31, 2016 and 2015, in the accompanying consolidated statements of operations. The Company will continue to review goodwill for possible impairment when a triggering event has occurred. Amortization expense over the next five years is anticipated to be \$146,280 annually.

Concentration of Credit Risk

The Company has two financial instruments that potentially subject the Company to credit risk.

The Company maintains bank accounts in which the balances sometimes exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. At December 31, 2016 and 2015, there were cash balances in excess of FDIC limits at the bank of approximately \$4,608,000 and \$4,256,000, respectively.

The Company's trade accounts receivable are also subject to credit risk.

Customer Prepayments

Customer prepayments are recorded as a liability upon receipt and are recognized as revenues in accordance with the Company's revenue recognition policy.

Accrued Warranty Expense

The Company accrues estimated future warranty claims based on historical experience.

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Revenue Recognition

The Company recognizes revenue from the sale of fire trucks and aerial ladders when title and risks of ownership are transferred to the customer, which generally is upon payment and customer acceptance of the unit as built. Revenue from sales of related equipment is recognized when the related equipment has been shipped.

Income Taxes

The Company, with the consent of its stockholders elected under the Internal Revenue Code to be taxed as an S corporation. Accordingly, taxable income, deductions and credits flow through to the stockholders each year as earned and are reported on their personal income tax returns. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements of the Company.

The Company adopted the provisions of FASB Codification Topic 740-10 related to uncertain income tax positions. As a result of the Company being taxed as an S corporation, management believes there are no uncertain income tax positions taken which would require the Company to reflect a liability for unrecognized tax benefits on the accompanying consolidated balance sheets.

The Company generally makes tax related cash distributions to its stockholders in amounts sufficient to cover any income taxes they are required to pay on the Company's taxable income.

Management believes the Company is no longer subject to income tax examinations by federal, state, or local tax authorities for years prior to 2013.

Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statements to conform to the 2016 presentation.

Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date, but before the consolidated financial statements are available to be issued and may require potential recognition or disclosure in the consolidated financial statements. Management has considered such events or transactions through March 1, 2017. See note 8 for a description of a subsequent event.

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

2. Inventories

Inventories at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Chassis	\$ 14,063,376	\$ 14,864,511
Demos	3,782,835	3,005,588
Finished Goods	15,008,379	8,626,604
Raw Materials	9,739,969	9,086,639
Work-In Process	12,466,899	12,695,132
	<u>55,061,458</u>	<u>48,278,474</u>
LIFO Reserve	<u>(9,526,775)</u>	<u>(9,003,252)</u>
Total Inventories	<u>\$ 45,534,683</u>	<u>\$ 39,275,222</u>

Net earnings would have been \$523,523 higher and \$672,775 higher for the years ended December 31, 2016 and 2015, respectively, if all inventories would have been valued using the first-in, first-out (FIFO) method.

3. Financing Arrangements

The Company's financing arrangement consists of a \$10,000,000 revolving bank line of credit, expiring April 2017, with interest payable at the bank's index rate (the bank's index rate was 3.75% at December 31, 2016) with a floor of 4.75%, payable monthly. Maximum borrowings under this line of credit are limited to a borrowing base calculation. This line of credit is collateralized by substantially all assets of the Company. There was \$2,600,000 outstanding against this line of credit at December 31, 2016, and \$0 outstanding against a similar \$6,000,000 line of credit at December 31, 2015.

The Company also has available an irrevocable standby letter of credit in the amount of \$2,000,000, which renews automatically until terminated, subject to the same interest rate and collateral as the revolving bank line of credit noted above.

4. Note Receivable, Issuance of Common Stock

Note Receivable, Issuance of Common Stock consists of an amount due to the Company for the issuance of common stock to an individual. This note is collateralized by the common stock issued and bears interest at .48%, which is forgiven annually if the individual is employed on the last day of the year. The principal balance plus accrued interest is due in July 2021.

The transaction for this stock issuance during 2015 (Note 6) was done at fair market value at the time of sale, as determined by a third party valuation. The note balance, including principal and accrued interest, was \$2,137,260 and \$2,142,404 at December 31, 2016 and 2015, respectively. Interest on these notes is credited to additional paid in capital as it is earned.

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

5. **401(k) Profit Sharing Plan**

The Company maintains a 401(k) profit sharing plan which covers substantially all employees upon the completion of one year of employment, 1,000 hours of service and attainment of 18 years of age. The Company's contribution to the plan consists of a match equal to 100% of the first 3% of voluntary salary deferral contributions plus 50% of the next 2% of eligible participant compensation and an additional discretionary amount determined each year by the Company. The Company's contributions were approximately \$447,000 and \$396,000 for the years ended December 31, 2016 and 2015, respectively.

6. **Commitments and Contingencies**

Customer Penalties

The Company has contracts with certain customers that contain penalty clauses for delays relating to the delivery of final trucks. Production during the year was behind schedule, resulting in late delivery of trucks, including trucks in deferred and WIP inventory at year end. These penalties have traditionally been negotiated with customers upon delivery, with some minimal payouts being made. Consistent with past practices and experience, penalties are recognized when paid.

Captive Insurance

The Company is a member of a captive insurance group. The Company made an initial investment in the captive insurance group of \$36,000, which is accounted for on the cost basis. The group provides workers compensation insurance which requires a certain level of self-insurance. At December 31, 2016 the Company estimates its maximum exposure to self-insurance liability is limited to \$132,869 and is collateralized by an irrevocable standby letter of credit in that amount. Management is presently not aware of any un-asserted general liability claims which would have material adverse impact on the accompanying financial statements.

Self-Insured Health Claims Payable

The Company is self-insured under its employee group health insurance program. In connection therewith, excess loss insurance coverage is maintained by the Company. The coverage provides for payment by the insurance carrier when individual benefits exceed the contracted annual deductible amount of \$100,000 per individual, with unlimited maximum reimbursement per employee after the deductible is reached. Management is presently not aware of any un-asserted general liability or group health claims, which would have a material adverse impact on the accompanying consolidated financial statements. The Company has accrued approximately \$900,000 for possible outstanding claims for the year ended December 31, 2016, which is included in other accrued expenses on the consolidated balance sheet. No amounts were accrued for the year ended December 31, 2015.

Legal Proceedings

The Company is party to certain legal proceedings arising in the ordinary course of its business. In the opinion of management and its legal counsel, disposition of these matters will not materially affect the Company's consolidated financial position or consolidated results of operations.

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Stockholder Agreements

The Company and its stockholders have entered into an agreement which restricts the stockholders from selling their shares to any entity other than the Company or remaining stockholders unless approved by the Company and its stockholders. The Company and remaining stockholders have the first and second option, respectively, to purchase the shares, except in the case of death, whereby the Company is required to purchase the shares, at net book value.

Employee Stock Purchase Plan

The Company established an Employee Stock Purchase Plan to grant certain Company executives with awards to purchase Company stock. These awards are granted by a committee comprised of the board of directors of the Company. Awards granted under the Plan allow executive(s) to purchase Company stock at a price specified by the committee (not less than 75% of the fair market value of the stock), within 12 months of the award grant. No shares were granted during 2016. During 2015, the Company granted 344 shares to an employee for a total purchase price of \$2,137,260 which was financed through a note with the Company (Note 4).

7. Deferred Compensation

The Company has created the Smeal Fire Apparatus Co. Incentive Plan (the "Plan") to establish nonqualified deferred compensation arrangements with certain key employees. Contributions to the Plan are determined each year by the Company at its discretion. The Plan requires the Company to invest contributions in principal protection and fixed income investments, which are recorded as other investments on the Company's consolidated balance sheets. In addition, the Company is required to maintain separate deferred incentive compensation accounts on behalf of each participant to reflect the value of the deferred benefits, which are recorded as deferred compensation payable on the Company's consolidated balance sheets. Each participant's deferred incentive compensation account is allocated on an annual basis a portion of the Company's contribution to the Plan plus or minus their portion of the changes in market value of the investments. Deferred benefits are payable no later than one year after the employee's retirement, resignation, disability or death in installments over a period of three years unless the employee submits written request for a lump sum payment at least one year prior to such occurrence. The Company made no contributions to the Plan for the years ended December 31, 2016 and 2015. This Plan was terminated with the asset sale described in Note 8. Payouts to all employees in the Plan occurred in 2017.

8. Subsequent Event

On December 13, 2016, the Company signed a letter of intent to sell substantially all assets of the Company to a third party. The sale was completed on January 3, 2017.

Lutz

Smeal Fire Apparatus Co. and Subsidiaries

**Consolidated Financial Statements and
Independent Auditors' Report**

December 31, 2014 and June 30, 2014

Smeal Fire Apparatus Co. and Subsidiaries

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Smeal Fire Apparatus Co. and Subsidiaries
Snyder, Nebraska

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Smeal Fire Apparatus Co. and Subsidiaries which comprise the consolidated balance sheets as of December 31, 2014 and June 30, 2014, and the related consolidated statements of operations, stockholders' equity, and cash flows for the six months ended December 31, 2014 and the year ended June 30, 2014 and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Smeal Fire Apparatus Co. and Subsidiaries as of December 31, 2014 and June 30, 2014, and the consolidated results of their operations and their consolidated cash flows for the six months ended December 31, 2014 and the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Lutz & Company, P.C.

March 26, 2015

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Balance Sheets

December 31, 2014 and June 30, 2014

ASSETS (Note 4)	December 31, 2014	June 30, 2014
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,481,915	\$ 6,974,359
Receivables		
Trade Accounts	585,304	736,860
Other	96,430	14,549
Inventories (Note 2)	26,195,355	24,126,719
Prepaid Expenses	561,773	247,865
Income Tax Deposit (Note 3)	815,670	-
Total Current Assets	35,736,447	32,100,352
PROPERTY AND EQUIPMENT		
Land	45,418	45,418
Buildings and Improvements	3,660,222	3,514,236
Plant Machinery and Equipment	4,783,919	4,243,748
Office Furniture and Equipment	1,225,425	891,352
Vehicles	499,926	424,988
Total Cost	10,214,910	9,119,742
Less Accumulated Depreciation	5,334,511	5,109,638
Net Book Value	4,880,399	4,010,104
OTHER ASSETS		
Income Tax Deposit (Note 3)	-	815,670
Deposits	41,361	-
Other Investments (Note 7)	206,713	203,570
Goodwill, Net of Accumulated Amortization of \$73,140 and \$0, Respectively (Note 8)	1,389,660	-
Total Other Assets	1,637,734	1,019,240
TOTAL ASSETS	\$ 42,254,580	\$ 37,129,696

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Balance Sheets

December 31, 2014 and June 30, 2014

LIABILITIES	December 31, 2014	June 30, 2014
CURRENT LIABILITIES		
Accounts Payable	\$ 3,393,139	\$ 2,755,184
Customer Prepayments	15,052,969	8,820,200
Accrued Salaries, Wages and Bonuses	699,246	447,875
Taxes Accrued and Withheld	109,713	99,858
Profit Sharing Payable (Note 5)	21,340	26,300
Accrued Warranty Expense	450,000	450,000
Other Accrued Expenses	23,498	-
Total Current Liabilities	19,749,905	12,599,417
LONG-TERM LIABILITIES		
Deferred Compensation Payable (Note 7)	206,713	203,570
Total Liabilities	19,956,618	12,802,987
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY		
COMMON STOCK (Note 6)		
\$1 Par Value, Authorized, 10,000 Shares Issued and Outstanding, 3,867 and 3,828 Shares, Respectively	3,867	3,828
PAID IN CAPITAL	306,342	56,381
RETAINED EARNINGS	21,987,753	24,266,500
Total Stockholders' Equity	22,297,962	24,326,709
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 42,254,580	\$ 37,129,696

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Statements of Operations

Six Months Ended December 31, 2014 and the Year Ended June 30, 2014

	December 31, <u>2014</u>	June 30, <u>2014</u>
SALES		
Chassis	\$ 13,808,421	\$ 21,218,497
Aerial Trucks and OEM Aerial Devices	4,694,863	25,489,078
Pumper Trucks	14,394,510	13,355,316
Parts, Refurbs, Repairs, and Other	1,396,197	2,483,098
Total Sales	34,293,991	62,545,989
COST OF SALES		
Chassis	13,646,377	21,021,726
Direct Materials	10,826,007	20,934,968
Direct Labor	3,317,767	5,339,737
Manufacturing Costs	6,051,055	8,842,911
Total Costs of Sales	33,841,206	56,139,342
GROSS PROFIT	452,785	6,406,647
OPERATING EXPENSES	3,816,254	5,453,322
Income (Loss) from Operations	(3,363,469)	953,325
OTHER INCOME AND EXPENSE		
Interest Income	81,623	191,819
Interest Expense	(31,104)	(74,775)
Rental Income, Net	-	125,499
Gain on Sale of Property and Equipment	1,166,448	279,798
Other Income	95,921	197,597
Total Other Income and Expense	1,312,888	719,938
NET INCOME (LOSS)	\$ (2,050,581)	\$ 1,673,263

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Statements of Stockholders' Equity

Six Months Ended December 31, 2014 and the Year Ended June 30, 2014

	<u>Common Stock</u>	<u>Paid In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
BALANCES, June 30, 2013	\$ 3,828	\$ 56,381	\$ 24,468,957	\$ 24,529,166
Net Income	-	-	1,673,263	1,673,263
Distributions to Stockholders	-	-	(1,875,720)	(1,875,720)
BALANCES, June 30, 2014	3,828	56,381	24,266,500	24,326,709
Net Loss	-	-	(2,050,581)	(2,050,581)
Capital Contributions (Note 6)	39	249,961	-	250,000
Distributions to Stockholders	-	-	(228,166)	(228,166)
BALANCES, December 31, 2014	\$ 3,867	\$ 306,342	\$ 21,987,753	\$ 22,297,962

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Statements of Cash Flows

Six Months Ended December 31, 2014 and the Year Ended June 30, 2014

	December 31, 2014	June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ (2,050,581)	\$ 1,673,263
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation and Amortization	348,737	410,336
Increase in Deferred Compensation Payable	3,143	7,935
Gain on Sale of Property and Equipment	(1,166,448)	(279,798)
Changes in Current Assets and Current Liabilities		
Decrease (Increase) in Trade Accounts Receivable	576,307	(523,127)
Increase in Other Receivables	(81,881)	(5,313)
Decrease in Inventories	1,227,094	4,069,540
Increase in Prepaid Expenses	(313,908)	(130,863)
Increase in Deposits	(41,361)	-
Decrease in Accounts Payable	(277,868)	(1,439,793)
Increase (Decrease) in Customer Prepayments	3,528,114	(3,131,735)
Increase (Decrease) in Accrued Salaries, Wages and Bonuses	216,593	(144,431)
Increase (Decrease) in Taxes Accrued and Withheld	9,855	(18,569)
Decrease in Profit Sharing Payable	(4,960)	(85,367)
Increase in Other Current Liabilities	23,498	-
Net Cash Provided by Operating Activities	1,996,334	402,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(842,096)	(258,656)
Proceeds from Sale of Property and Equipment	1,470,102	423,815
Decrease in Income Tax Deposit	-	661,208
Cash Paid to Acquire Iconic American Trucks, LLC	-	(1,750,000)
Net Cash Paid to Acquire U.S. Tanker-Fire Apparatus, LLC	(2,135,475)	-
Increase in Other Investments	(3,143)	(7,935)
Net Cash Used in Investing Activities	(1,510,612)	(931,568)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the Issuance of Common Stock	250,000	-
Distributions to Stockholders	(228,166)	(1,875,720)
Net Cash Provided by (Used in) Financing Activities	21,834	(1,875,720)
Net Increase (Decrease) in Cash and Cash Equivalents	507,556	(2,405,210)
Cash and Cash Equivalents, Beginning of Year	6,974,359	9,379,569
Cash and Cash Equivalents, End of Year	\$ 7,481,915	\$ 6,974,359
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 31,171	\$ 74,759

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Consolidated Statements of Cash Flows - Continued

Six Months Ended December 31, 2014 and the Year Ended June 30, 2014

NONCASH INVESTING AND FINANCING ACTIVITIES

	December 31, 2014	June 30, 2014
<u>Acquisition of Iconic American Trucks, LLC</u>		
Inventory	\$ -	\$ 1,460,350
Property and Equipment	-	389,650
Warranty Reserve	-	(100,000)
Cash Paid to Acquire Iconic American Trucks, LLC	\$ -	\$ 1,750,000
<u>Acquisition of U.S. Tanker Fire-Apparatus, LLC</u>		
Trade Accounts Receivable	\$ 424,751	\$ -
Inventories	3,295,730	-
Property and Equipment	607,450	-
Goodwill	1,462,800	-
Accounts Payable	(915,823)	-
Customer Prepayments	(2,704,655)	-
Other Payables	(34,778)	-
Net Cash Paid to Acquire U.S. Tanker Fire-Apparatus, LLC	\$ 2,135,475	\$ -

See Notes to Consolidated Financial Statements.

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2014 and June 30, 2014

1. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements is set forth below.

Principles of Consolidation

The consolidated financial statements include the accounts of Smeal Fire Apparatus Co. and its wholly owned subsidiaries Smeal Properties, Inc., Ladder Tower Co., and effective July 1, 2014, U.S. Tanker Co., collectively (the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Business

The Company manufactures and sells fire trucks, aerial ladders and related equipment to customers located throughout the United States and Canada.

Effective July 1, 2014, the Board of Directors authorized a change in the Company's Articles of Incorporation to change from a fiscal period ending on June 30, to December 31. In accordance with this change, the consolidated statements of operations, stockholders' equity, and cash flows for the period ended December 31, 2014 cover a period of six months whereas those statements cover a full fiscal year (twelve months) for the preceding comparative financial statements.

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.

Advertising Costs

The cost of advertising is expensed as incurred. Advertising costs were approximately \$231,000 and \$357,000 for the six months December 31, 2014 and the year ended June 30, 2014, respectively.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all investments with an original maturity of three months or less to be cash and cash equivalents.

Trade Accounts Receivable

The Company considers trade accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2014 and June 30, 2014

Inventories

Inventories for Smeal Fire Apparatus Co. are valued at the lower of cost or market using the last-in, first-out (LIFO) method. Inventories for its wholly owned subsidiaries Ladder Tower Co., and U.S. Tanker Co., are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

Depreciation is computed using both straight-line and accelerated methods over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	39
Plant Machinery and Equipment	5 - 7
Office Furniture and Equipment	3 - 7
Vehicles	5

Goodwill

Goodwill represents the carrying amount of the cost in excess of net assets acquired. Effective July 1, 2014, the Company adopted FASB Accounting Standards Update 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*, which allows the Company to amortize goodwill prospectively on a straight-line basis up to 10 years. Management has elected to amortize its existing goodwill over 10 years, which represents the estimated useful life. Amortization expense of \$73,140 was recorded for the six months ended December 31, 2014 in the accompanying consolidated statements of operations. The Company will continue to review goodwill for possible impairment when a triggering event has occurred. Amortization expense over the next five years is anticipated to be \$146,280 annually. The Company's goodwill at December 31, 2014 consists of \$1,462,800 related to the purchase of US Tanker Fire-Apparatus, LLC (Note 8), and accumulated amortization of \$73,140. No goodwill was recorded on the consolidated balance sheet as of June 30, 2014:

Concentration of Credit Risk

The Company has two financial instruments that potentially subject the Company to credit risk. The Company maintains bank accounts in which the balances sometimes exceed federally insured limits. The Company's trade accounts receivable are also subject to credit risk.

Customer Prepayments

Customer prepayments are recorded as a liability upon receipt and are recognized as revenues in accordance with the Company's revenue recognition policy.

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2014 and June 30, 2014

Accrued Warranty Expense

The Company accrues estimated future warranty claims based on historical experience.

Revenue Recognition

The Company recognizes revenue from the sale of fire trucks and aerial ladders when title and risks of ownership are transferred to the customer, which generally is upon payment and customer acceptance of the unit as built. Revenue from sales of related equipment is recognized when the related equipment has been shipped.

Income Taxes

The Company, with the consent of its stockholders elected under the Internal Revenue Code to be taxed as an S corporation. Accordingly, taxable income, deductions and credits flow through to the stockholders each year as earned and are reported on their personal income tax returns. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements of the Company.

The Company adopted the provisions of FASB Codification Topic 740-10 related to uncertain income tax positions. As a result of the Company being taxed as an S corporation, management believes there are no uncertain income tax positions taken which would require the Company to reflect a liability for unrecognized tax benefits on the accompanying consolidated balance sheets.

The Company generally makes tax related cash distributions to its stockholders in amounts sufficient to cover any income taxes they are required to pay on the Company's taxable income.

The Company reports certain expenses differently for financial statement purposes than for income tax return purposes. At December 31, 2014 and June 30, 2014 there were net accumulated temporary differences of approximately \$189,000 and \$293,000 respectively, which will decrease income for tax return purposes in the future as they reverse.

The Company is no longer subject to income tax examinations by federal, state, or local tax authorities for years before December 31, 2011.

Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are available to be issued and may require potential recognition or disclosure in the consolidated financial statements. Management has considered such events or transactions through March 26, 2015, noting no items requiring disclosure.

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2014 and June 30, 2014

2. Inventories

Inventories at December 31 and June 30, respectively, consist of the following:

	December 31, 2014	June 30, 2014
Chassis	\$ 5,717,503	\$ 6,711,615
Demos	5,302,227	6,605,249
Finished Goods	9,082,442	6,285,708
Raw Materials	7,451,928	7,191,239
Work-In Process	6,971,732	5,666,582
	<u>34,525,832</u>	<u>32,460,393</u>
LIFO Reserve	<u>(8,330,477)</u>	<u>(8,333,674)</u>
Total Inventories	<u>\$ 26,195,355</u>	<u>\$ 24,126,719</u>

Net earnings would have been \$3,197 lower and \$40,120 higher for the six months ended December 31, 2014 and the year ended June 30, 2014, respectively, if all inventories would have been valued using the first-in, first-out (FIFO) method.

3. Income Tax Deposit

Income tax legislation requires certain fiscal year S Corporations to either adopt a calendar year end or make income tax deposits. The Company made necessary noninterest bearing deposits as a result of this requirement. Effective July 1, 2014, the Company elected to change to a calendar year end. All deposits previously made and outstanding will be refunded to the Company subsequent to December 31, 2014, and no further income tax deposits will be made.

4. Financing Arrangements

The Company's financing arrangement consists of an \$3,000,000 revolving bank line of credit, expiring October 2015 with interest at the bank's index rate (the bank's index rate was 3.25% at June 30, 2014) but not less than 5.0% and payable monthly. Maximum borrowings under this line of credit are limited to a borrowing base calculation. This line of credit is collateralized by substantially all assets of the Company. There were no amounts outstanding against this line or a similar line for the years ended December 31, 2014 and June 30, 2014, respectively.

The Company also has available to it a \$1,000,000 irrevocable standby letter of credit with automatic renewal until terminated, subject to the same interest rate and collateral as the revolving bank line of credit noted above.

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2014 and June 30, 2014

5. 401(k) Profit Sharing Plan

The Company maintains a 401(k) profit sharing plan which covers substantially all employees upon the completion of one year of employment, 1,000 hours of service and attainment of 18 years of age. The Company's contribution to the plan consists of a match equal to 100% of the first 3% of voluntary salary deferral contributions plus 50% of the next 2% of eligible participant compensation and an additional discretionary amount determined each year by the Company. The Company's 401(k) profit sharing costs were approximately \$132,000 and \$281,000 for the six months ended December 31, 2014 and the year ended June 30, 2014, respectively.

6. Commitments and Contingencies

Legal Proceedings

The Company is party to certain legal proceedings arising in the ordinary course of its business. In the opinion of management and its legal counsel, disposition of these matters will not materially affect the Company's consolidated financial position or consolidated results of operations.

Stockholder Agreements

The Company and its stockholders have entered into an agreement which restricts the stockholders from selling their shares to any entity other than the Company or remaining stockholders unless approved by the Company and its stockholders. The Company and remaining stockholders have the first and second option, respectively, to purchase the shares, except in the case of death, whereby the Company is required to purchase the shares, at net book value.

Employee Stock Purchase Plan

Effective June 30, 2014, the Company established an Employee Stock Purchase Plan to grant certain Company executives with awards to purchase Company stock. These awards are granted by a committee comprised of the board of directors of the Company. Awards granted under the Plan allow executive(s) to purchase Company stock at a price specified by the committee (not less than 75% of the fair market value of the stock), within 12 months of the award grant. For the six months ended December 31, 2014, the Company granted 39 shares to an employee, for a total purchase price of \$250,000. No awards were granted for the year ended June 30, 2014.

7. Deferred Compensation

The Company has created the Smeal Fire Apparatus Co. Incentive Plan (the "Plan") to establish nonqualified deferred compensation arrangements with certain key employees. Contributions to the Plan are determined each year by the Company at its discretion. The Plan requires the Company to invest contributions in principal protection and fixed income investments, which are recorded as other investments on the Company's consolidated balance sheets. In addition, the Company is required to maintain separate deferred incentive compensation accounts on behalf of each participant to reflect the value of the deferred benefits, which are recorded as deferred compensation payable on the Company's consolidated balance sheets. Each participant's deferred incentive compensation account is allocated on an annual basis a portion of the Company's contribution to the Plan plus or minus their portion of the changes in market value of the investments. Deferred benefits are payable no later than one year after the employee's retirement, resignation, disability or death in Installments over a period of three years unless the employee submits

Smeal Fire Apparatus Co. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2014 and June 30, 2014

written request for a lump sum payment at least one year prior to such occurrence. The Company made no contributions to the Plan for the six months ended December 31, 2014 or the year ended June 30, 2014.

8. Business Acquisitions

Acquisition of Iconic American Trucks, LLC

On June 9, 2014, Ladder Tower Co. (wholly owned subsidiary of Smeal Fire Apparatus Co.) acquired certain assets of Iconic American Trucks, LLC for a total purchase price of \$1,750,000. The assets purchased included inventory, along with property and equipment. A warranty reserve liability was also recorded with the purchase. The purchase price was equal to the fair value of the net assets, resulting in no goodwill being recorded.

Acquisition of U.S. Tanker Fire-Apparatus, LLC

On July 1, 2014, US Tanker Co. (wholly owned subsidiary of Smeal Fire Apparatus Co.) acquired substantially all of the assets of U.S. Tanker Fire-Apparatus, LLC for a total purchase price of \$2,135,475. The assets purchased included inventories, trade accounts receivable, property and equipment, and various prepaid assets. Liabilities assumed were accounts payable, customer prepayments, and other payables. The purchase price was greater than the fair value of the net assets, resulting in goodwill of \$1,462,000 being included on the accompanying consolidated balance sheets.

On January 1, 2017, Spartan Motors USA, Inc., a wholly-owned subsidiary of Spartan Motors, Inc. (the “Company” or “Spartan”), completed its acquisition of essentially all of the assets and certain liabilities of Smeal Fire Apparatus Co., Smeal Properties, Inc., Ladder Tower Co., and U.S. Tanker Co. (collectively, “Smeal”) pursuant to an Asset Purchase Agreement dated December 12, 2016 (the “Purchase Agreement”). The assets acquired consist of the assets used by Smeal in the operation of its business designing, manufacturing, and distributing vehicles, components, and apparatus for the fire service industry.

The following Unaudited Pro Forma Condensed Combined Financial Information was 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 December 31, 2016, with respect to the Unaudited Pro Forma Condensed Combined Balance Sheet, and as of January 1, 2016, with respect to the Unaudited Pro Forma Condensed Combined Statements of Operations.

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 Financial Statements 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 Financial Statements, 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 Financial Statements.

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements, the separate historical financial statements of Spartan Motors, Inc. included in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission on March 3, 2017, and the separate historical financial statements of Smeal Fire Apparatus Co. and Subsidiaries included within this report as Exhibit 99.1 for the years ended December 31, 2016 and 2015 and 99.2 for the six months ended December 31, 2014 and the year ended June 30, 2014.

The Pro Forma Condensed Combined Financial Statements 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 Financial Statements 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 Smeal’s accounting and business practices, and any changes identified may impact the future combined operating results.

Unaudited Pro Forma Condensed Combined Balance Sheet
(amounts in thousands, except per share data)

	Historical		Pro Forma	
	Spartan December 31, 2016	Smeal December 31, 2016	Adjustments	Combined December 31, 2016
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 32,041	\$ 3,825	\$ -	\$ 35,866
Accounts receivable, net	65,441	822	5,835 A	64,602
			(99) B	
			(7,397) C	
Inventories	58,896	45,535	(5,498) A	103,824
			9,527 D	
			(4,636) E	
Income taxes receivable	1,287	-	-	1,287
Other current assets	4,526	1,141	(78) A	5,429
			(160) F	
Total current assets	<u>162,191</u>	<u>51,323</u>	<u>(2,506)</u>	<u>211,008</u>
Property, plant and equipment, net	53,116	6,805	(762) G	59,159
Goodwill	15,961	1,097	(1,097) H	25,183
			9,222 H	
Intangible assets, net	6,385		3,900 I	10,285
Other assets	2,331	80	-	2,411
Net deferred tax asset	3,310	-	-	3,310
TOTAL ASSETS	<u>\$ 243,294</u>	<u>\$ 59,305</u>	<u>\$ 8,757</u>	<u>\$ 311,356</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 31,336	\$ 11,006	\$ 226 A	\$ 35,171
			(7,397) C	
Accrued warranty	19,334	500	1,400 J	21,234
Accrued compensation and related taxes	13,188	1,458	-	14,646
Deposits from customers	16,142	27,982	(2,260) A	41,864
Other current liabilities and accrued expenses	7,659	1,400	(1,043) K	7,971
			(45) A	
Current portion of long-term debt	65	2,600	(2,600) L	65
Total current liabilities	<u>87,724</u>	<u>44,946</u>	<u>(11,719)</u>	<u>120,951</u>
Other non-current liabilities	2,544	125	2,370 M	4,879
			(160) F	
Long-term debt, less current portion	74	-	32,500 N	32,574
Total liabilities	<u>90,342</u>	<u>45,071</u>	<u>22,991</u>	<u>158,404</u>
Shareholders' equity:				
Preferred stock, no par value; 2,000 shares authorized (none issued)	-	-	-	-
Common stock, \$0.01 par value; 40,000 shares authorized; 34,383 and 34,271 outstanding	344	4	(4) O	344
Additional paid in capital	76,837	269	(269) O	76,837
Retained earnings	76,428	13,961	(13,961) O	76,428
Total Spartan Motors, Inc. shareholders' equity	<u>153,609</u>	<u>14,234</u>	<u>(14,234)</u>	<u>153,609</u>
Non-controlling interest	(657)			(657)
Total shareholders' equity	<u>152,952</u>	<u>14,234</u>	<u>(14,234)</u>	<u>152,952</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 243,294</u>	<u>\$ 59,305</u>	<u>\$ 8,757</u>	<u>\$ 311,356</u>

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, 2016
(amounts in thousands, except per share data)

	<u>Historical</u>		<u>Pro Forma</u>	
	<u>Spartan Motors, Inc.</u>	<u>Smeal Fire Apparatus Co., Inc.</u>	<u>Adjustments</u>	<u>Combined</u>
Revenue	\$ 590,777	\$ 94,636	\$ (30,748) P	\$ 656,292
Cost of products sold	518,113	90,951	1,627 Q (30,748) P 1,606 Q (453) R 644 S (524) T	579,589
Restructuring charges	136	-	-	136
Gross profit	72,528	3,685	354	76,567
Selling, general and administrative	62,944	8,386	(132) U (742) R 384 S (882) V	69,958
Restructuring charges	959	-	-	959
Total operating expenses	63,903	8,386	(1,372)	70,917
Operating income (loss)	8,625	(4,701)	1,726	5,650
Interest expense and other	78	(159)	288 W (698) X	(491)
Income (loss) before income taxes	8,703	(4,860)	1,316	5,159
Taxes	100	-	102 Y	202
Net earnings (loss)	8,603	(4,860)	1,214	4,957
Less: net earnings (loss) attributable to non-controlling interest	(7)	-	-	(7)
Net earnings (loss) attributable to Spartan Motors, Inc.	<u>\$ 8,610</u>	<u>\$ (4,860)</u>	<u>\$ 1,214</u>	<u>\$ 4,964</u>
Basic and diluted net earnings (loss) per share	\$ 0.25			\$ 0.14
Basic and diluted weighted average common shares outstanding	34,405			34,405

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 January 1, 2017, Spartan Motors USA, Inc., a wholly-owned subsidiary of Spartan Motors, Inc. (the "Company"), completed its acquisition of essentially all of the assets and certain liabilities of Smeal Fire Apparatus Co., Smeal Properties, Inc., Ladder Tower Co., and U.S. Tanker Co. (collectively, "Smeal") pursuant to an Asset Purchase Agreement dated December 12, 2016 (the "Purchase Agreement"). The assets acquired consist of the assets used by Smeal in the operation of its business designing, manufacturing, and distributing vehicles, components, and apparatus for the fire service industry.

The consideration paid by the Company at closing consisted of \$32,497 paid in cash and the forgiveness of certain liabilities owed by Smeal to the Company in the amount of \$7,397. Pursuant to the Purchase Agreement, the consideration is subject to a final working capital adjustment. In addition, pursuant to the Purchase Agreement, the Company will be required to make a subsequent tax gross-up payment, which is not expected to exceed \$2,400.

Smeal has been a significant chassis customer of the Company. The price paid pursuant to the Purchase Agreement was the subject of arm's length negotiation between Smeal and the Company.

The cash consideration was funded primarily through borrowings from the Company's existing \$100,000 line of credit, as set forth in the Second Amended and Restated Credit Agreement, dated as of October 31, 2016, by and among the Company and its affiliates, as borrowers; certain lenders; Wells Fargo Bank, National Association, as Administrative Agent; and Wells Fargo Securities, LLC, as Sole Lead Arranger and Sole Bookrunner.

The aggregate cost of the acquisition was approximately \$42,264, inclusive of the fair value of potential estimated additional contingent consideration related to a tax gross-up payment. We have allocated the aggregate purchase price to Smeal's net tangible and identifiable intangible assets based on their estimated fair values. The excess of the aggregate cost over the net estimated fair value of the tangible and identifiable intangible assets and liabilities assumed will be recorded as goodwill. The purchase price allocation reflected in the Unaudited Pro Forma Combined Condensed Financial Statements 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 Financial Statements, although these amounts represent management's current best estimate of fair value. Below is a summary of the allocation of the aggregate cost of the acquisition:

Cash	\$ 3,825
Accounts receivable	6,558
Inventory	44,928
Other current assets	903
Property, plant and equipment	6,043
Intangible assets	3,900
Goodwill	9,222
Other assets	80
Total assets acquired	<u>75,459</u>
Accounts payable	3,861
Customer prepayments	25,722
Other liabilities	3,612
Total liabilities assumed	<u>33,195</u>
Total fair value of net assets acquired	42,264
Less cash acquired	<u>(3,825)</u>
Total consideration, less cash acquired	<u>\$ 38,439</u>

The acquired intangible assets consist of a trade name and unpatented technology, with estimated fair values of \$2,400 and \$1,500, respectively, at January 1, 2017. The unpatented technology will be amortized over its estimated useful life of 10 years. The trade name was determined to have an indefinite life and therefore is not amortizable.

Note 2 Pro Forma Adjustments

The pro forma adjustments included in the Unaudited Pro Forma Condensed Combined Financial Statements, including certain adjustments that were made to the historical presentation of Smeal to conform to the financial statement presentation and accounting policies of Spartan, are as follows:

Balance Sheet

- A Represents adjustment of historical Smeal inventory, accounts receivable, accounts payable and deposits from customers to align with Spartan's revenue recognition policy. Spartan considers title and risk of loss to have passed, and revenue to be recognizable, when the product has passed customer inspection and has been delivered to the customer. Smeal considered title to have passed, and revenue to be recognizable, only when the manufacturer's statement of origin was issued to the customer, which was generally upon receipt of payment in full for the product.
 - B Represents the elimination of historical Smeal accounts receivable that were not acquired.
 - C Represents the elimination of historical Smeal payable to Spartan Motors USA, Inc.
 - D Represents the elimination of historical Smeal LIFO inventory reserve to align with Spartan's accounting policy as Spartan does not utilize LIFO.
 - E Represents the adjustment of historical Smeal inventories to estimated fair value.
 - F Represents the elimination of historical Smeal asset and liability related to deferred compensation and other that were excluded from the acquisition.
 - G Represents adjustment of historical Smeal property, plant, and equipment to estimated fair value.
 - H Represents the elimination of historical Smeal goodwill of \$1,097 and the estimated additional goodwill from the purchase price allocation of \$9,222.
 - I Represents the adjustment to estimated fair value of intangible assets separately identifiable from goodwill as of the acquisition date.
 - J Represents adjustment of historical Smeal warranty liability to estimated fair value.
 - K Represents adjustment of historical Smeal Accrued compensation and related taxes for health insurance and other liabilities not assumed in the acquisition.
 - L Represents the retirement of Smeal's bank debt as part of the asset acquisition.
 - M Represents the estimated fair value of the contingent liability to the former owners of Smeal.
 - N Represents borrowings under Spartan's credit agreement to fund the Smeal acquisition.
 - O Represents the elimination of Smeal's historical shareholders' equity.
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Statement of Operations

- P Adjustment to eliminate Spartan chassis sales to Smeal. Sales of chassis to Smeal, which was previously a third party customer, become intercompany sales as a result of the acquisition.
- Q Adjustment to historical Smeal revenue recognition to align with Spartan's accounting policies. Spartan considers title and risk of loss to have passed, and revenue to be recognizable, when the product has passed customer inspection and has been delivered to the customer. Smeal considered title to have passed, and revenue to be recognizable, only when the manufacturer's statement of origin was issued to the customer, which was generally upon receipt of payment in full for the product.
- R Adjustment to reverse Smeal historical depreciation and amortization expense.
- S Adjustment to add depreciation expense relating to estimated fair value of acquired assets over their remaining useful lives.
- T Impact of adjusting LIFO inventory to FIFO to align with Spartan's accounting policy as Spartan does not utilize LIFO.
- U Reversal of 2016 Smeal accrual for severance as excluded from the acquisition.
- V Reversal of acquisition expenses incurred in 2016, which are not ongoing expenses.
- W Reversal of interest expense incurred by Smeal (net of interest income).
- X Addition of interest expense on borrowing to fund acquisition (at rates in effect January through December 2016).
- Y Income tax impact of Smeal acquisition when consolidated with Spartan Motors, Inc.