DOUGLAS DYNAMICS, INC
Form 10-K
February 26, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 K

(Mark One)
Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2018
or
Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File No. 001 34728

DOUGLAS DYNAMICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	134275891
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7777 N 73rd Street	
Milwaukee, Wisconsin	53223
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (414) 354 2310

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No .

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b 2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non accelerated filer	Smaller reporting company
			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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 2 of the Exchange Act). Yes No .

At June 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting stock of the Registrant held by stockholders who were not affiliates of the Registrant was approximately $1,090 million (based upon the closing price of Registrant's Common Stock on the New York Stock Exchange on such date). At February 26, 2019, the Registrant had outstanding an aggregate of 22,700,991 shares of its Common Stock.

Documents Incorporated by Reference:

Portions of the Proxy Statement for the Registrant's Annual Meeting of Shareholders to be held on April 30, 2019, which Proxy Statement will be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year ended December 31, 2018, are incorporated into Part III.

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PART I

Forward Looking Statements

This Annual Report on Form 10 K contains "forward looking statements" made within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will" and similar expressions are intended to identify forward lookin statements. In addition, statements covering our future sales or financial performance and our plans, performance and other objectives, expectations or intentions are forward looking statements, such as statements regarding our liquidity, debt, planned capital expenditures, and adequacy of capital resources and reserves. Factors that could cause our actual results to differ materially from those expressed or implied in such forward looking statements include, but are not limited to:

- Weather conditions, particularly lack of or reduced levels of snowfall and the timing of such snowfall;
- Our inability to maintain good relationships with our distributors;
- Our inability to maintain good relationships with the original equipment manufacturers ("OEM") with whom we currently do significant business;
- Lack of available or favorable financing options for our end users, distributors or customers;
- Increases in the price of steel or other materials, including as a result of tariffs, necessary for the production of our products that cannot be passed on to our distributors;
- Increases in the price of fuel or freight;
- A significant decline in economic conditions;
- The inability of our suppliers and OEM partners to meet our volume or quality requirements;
- Inaccuracies in our estimates of future demand for our products;
- Our inability to protect or continue to build our intellectual property portfolio;
- The effects of laws and regulations and their interpretations on our business and financial conditions;
- Our inability to develop new products or improve upon existing products in response to end user needs;
- Losses due to lawsuits arising out of personal injuries associated with our products;
- Factors that could impact the future declaration and payment of dividends;
- Our inability to compete effectively against our competition; and
- Our inability to achieve the projected financial performance with the assets of Dejana Truck & Utility Equipment Company, Inc. ("Dejana") which we acquired in 2016, or the assets of Arrowhead Equipment, Inc. ("Arrowhead") which we acquired in 2017 and unexpected costs or liabilities related to such acquisitions.

We undertake no obligation to revise the forward looking statements included in this Annual Report on Form 10 K to reflect any future events or circumstances. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward looking statements. Factors in addition to those listed above that could cause or contribute to such differences are discussed in Item 1A, "Risk Factors" of the Annual Report on Form 10 K.

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Item 1. Business

Overview

Home to the best-selling brands in the industry, Douglas Dynamics, Inc. (the “Company,” “we,” “us,” “our”) is North America's premier manufacturer and upfitter of commercial work truck attachments and equipment. For more than 70 years, the Company has been innovating products that enable end-users to perform their jobs more efficiently and effectively, providing opportunities for businesses to increase profitability. Our commitment to continuous improvement enables us to consistently produce high quality products and drive shareholder value. The Douglas Dynamics portfolio of products and services is separated into two segments: First, the Work Truck Attachments segment, which includes manufactured snow and ice control attachments sold under the FISHER®, HENDERSON®, SNOWEX® and WESTERN® brands. Second, the Work Truck Solutions segment, which includes the upfit of market leading attachments and storage solutions for commercial work vehicles under the DEJANA® brand and its related sub-brands. The Work Truck Solutions segment was established as a result of the acquisition of substantially all of the assets of Dejana Truck & Utility Equipment Company, Inc. and certain entities directly or indirectly owned by Peter Paul Dejana Family Trust Dated 12/31/98 (such assets, “Dejana”) in July 2016. For additional financial information regarding our reportable business segments, see Note 16 of the Notes to Consolidated Financial Statements of this report.

In our Work Truck Attachments segment, we offer a broad product line of snowplows and sand and salt spreaders for light and heavy duty trucks that we believe to be the most complete line offered in the U.S. and Canadian markets. We also provide a full range of related parts and accessories, which generates an ancillary revenue stream throughout the lifecycle of our snow and ice control equipment. We also provide customized turnkey solutions to governmental agencies such as Departments of Transportation (“DOTs”) and municipalities. For the years ended December 31, 2018, 2017 and 2016, 84%, 86% and 88% of our net sales in our Work Truck Attachments segment were generated from sales of snow and ice control equipment, respectively, and 16%, 14% and 12% of our net sales in our Work Truck Attachments segment were generated from sales of parts and accessories, respectively. While we measure sales of parts and accessories separately from snow and ice control equipment, they are integrated with one another and are not separable.

We sell our Work Truck Attachments products through a distributor network primarily to professional snowplowers who are contracted to remove snow and ice from commercial, municipal and residential areas. We have engendered exceptional customer loyalty for our products because of our ability to satisfy the stringent demands of our customers for a high degree of quality, reliability and service. As a result, we believe our installed base is the largest in the light truck market with over 500,000 snowplows and sand and salt spreaders in service. Because sales of snowplows and sand and salt spreaders are primarily driven by the need of our core end user base to replace worn existing equipment, we believe our substantial installed base provides us with a high degree of predictable sales over any extended period of time.

We believe that our Work Truck Attachments segment has the snow and ice control industry’s most extensive distribution network worldwide, which consists of over 2,100 points of sale. Direct points of shipment are predominantly through North American truck equipment and lawn care equipment distributors. Most of our distributors are located throughout the snow belt regions in North America (primarily the Midwest, East and Northeast regions of the United States as well as all provinces of Canada). We have longstanding relationships with many of our distributors. We continually seek to grow and optimize our network by opportunistically adding high quality, well capitalized distributors in select geographic areas and by cross selling our industry leading brands within our distribution network. Since 2005, we have extended our reach to international markets, establishing distribution relationships in Northern Europe and Asia, where we believe meaningful growth opportunities exist.

Created as a result of our acquisition of Dejana, our Work Truck Solutions segment offers a complementary line of upfitting services and products. Our Work Truck Solutions products consist of truck and vehicle upfits where we attach component pieces of equipment, truck bodies, racking, and storage solutions with varying levels of complexity to a vehicle chassis, and which are typically used by end-users for work related purposes. Our Work Truck Solutions segment is a premier upfitter of Class 4 - 6 trucks and other commercial work vehicles. Additionally, we believe that our Work Truck Solutions segment is a leading specialized manufacturer of storage solutions for trucks and vans and cable pulling equipment for trucks. We believe we are a regional market leader in the truck and vehicle

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upfitting market. We believe that our Work Truck Solutions business possesses significant customer relationships comprised of over 2,000 customers across the truck equipment industry. We have longstanding relationships with many of our Work Truck Solutions customers. We continually seek to grow and strengthen our customer relationships by providing custom solutions to our customers' evolving specialty upfit needs. We are able to serve our Work Truck Solutions customers' needs through our bailment and floor plan agreements with original equipment vehicle manufacturers who supply truck chassis, on which we perform custom upfits for our customers.

We believe we are the industry's most operationally efficient manufacturer due to our vertical integration, highly variable cost structure and intense focus on lean manufacturing. We continually seek to use lean principles to reduce costs and increase the efficiency of our manufacturing operations. During the year ended December 31, 2018 we manufactured our products and upfitted vehicles in five facilities that we own in Milwaukee, Wisconsin; Rockland, Maine; Madison Heights, Michigan, Manchester, Iowa; and Huntley, Illinois. We also lease fifteen manufacturing and upfit facilities, located in Iowa, Maryland, Missouri, New Jersey, New York, Ohio, Pennsylvania, and Rhode Island. Furthermore, our manufacturing efficiency allows us to deliver desired products quickly to our customers, especially during times of sudden and unpredictable snowfall events when our customers need our products immediately.

Our Industry

Work Truck Attachments Segment.

Our Work Truck Attachments Segment participates primarily in the snow and ice control equipment industries in North America. These industries consist predominantly of domestic participants that manufacture their products in North America. The annual demand for snow and ice control equipment is driven primarily by the replacement cycle of the existing installed base, which is predominantly a function of the average life of a snowplow or spreader and is driven by usage and maintenance practices of the end user. We believe actively used snowplows are typically replaced, on average, every 9 to 12 years.

We believe that both light and heavy duty snow and ice control equipment are driven primarily by the replacement cycle of the existing installed base, which is predominantly a function of the average life of a snowplow or spreader and is driven by usage and maintenance practices of the end user. However, we believe that demand for heavy duty trucks is less elastic than light trucks. Heavy duty truck end-users typically are comprised of local governments and municipalities which plan for and execute planned replacement of equipment over time.

The primary factor influencing the replacement cycle for snow and ice control equipment for light trucks is the level, timing and location of snowfall. Sales of snow and ice control equipment in any given year and region are most heavily influenced by local snowfall levels in the prior snow season. Heavy snowfall during a given winter causes equipment usage to increase, resulting in greater wear and tear and shortened life cycles, thereby creating a need for replacement equipment and additional parts and accessories.

While snowfall levels vary within a given year and from year to year, snowfall, and the corresponding replacement cycle of snow and ice control equipment, is relatively consistent over multi year periods. The following chart depicts aggregate annual and ten year (based on the typical life of our snowplows) rolling average of the aggregate snowfall levels in 66 cities in 26 snow belt states across the Northeast, East, Midwest and Western United States where we monitor snowfall levels from 1980 to 2018. As the chart indicates, since 1984 aggregate snowfall levels in any given rolling ten year period have been fairly consistent, ranging from 2,782 to 3,345 inches.

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Note:The 10 year rolling average snowfall is not presented prior to 1984 for purposes of the calculation due to lack of snowfall data prior to 1975. Snowfall data in this chart is not adjusted for snowfall outside of the 66 cities in the 26 states reflected.

Source:National Oceanic and Atmospheric Administration's National Weather Service.

The demand for snow and ice control equipment can also be influenced by general economic conditions in the United States, as well as local economic conditions in the snow belt regions in North America. In stronger economic conditions, our end users may choose to replace or upgrade existing equipment before its useful life has ended, while in weak economic conditions, our end users may seek to extend the useful life of equipment, thereby increasing the sales of parts and accessories. However, since snow and ice control management is a non discretionary service necessary to ensure public safety and continued personal and commercial mobility in populated areas that receive snowfall, end users cannot extend the useful life of snow and ice control equipment indefinitely and must replace equipment that has become too worn, unsafe or unreliable, regardless of economic conditions. While our parts and accessories yield slightly higher gross margins than our snow and ice control equipment, they yield significantly lower revenue than equipment sales, which adversely affects our results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonality and Year to Year Variability."

Long term growth in the overall snow and ice control equipment market also results from geographic expansion of developed areas in the snow belt regions of North America (primarily the Midwest, East and Northeast regions of the United States as well as all provinces of Canada), as well as consumer demand for technological enhancements in snow and ice control equipment and related parts and accessories that improves efficiency and reliability. Continued construction in the snow belt regions in North America increases the aggregate area requiring snow and ice removal, thereby growing the market for snow and ice control equipment. In addition, the development and sale of more reliable, more efficient and more sophisticated products have contributed to an approximate 2% to 4% average unit price increase in each of the past five years.

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Work Truck Solutions Segment.

Our Work Truck Solutions Segment primarily participates in the truck and vehicle upfitting industry in the United States. This industry consists predominantly of domestic participants that upfit work trucks and vehicles. Specifically, there are regional market leaders that operate in close proximity to the original equipment vehicle manufacturers' facilities and vehicle ports of entry. In addition to the regional market leaders, there exist smaller upfit businesses. Our Work Truck Solutions segment competes against both the other regional market leaders and the smaller market participants. The annual demand for upfit vehicles is subject to the general macro-economic environment trends.

We believe our Work Truck Solutions segment is a regional market leader in the Northeast and Mid-Atlantic regions of the United States. We serve a variety of different customers that include dealers who typically sell to end-users and to large national customers who purchase fleets of upfitted vehicles. Approximately half of our revenues are derived from dealer customers, while approximately 40% of our revenues are fleet sales. Our remaining sales are derived from over the counter sales of parts and accessories.

Long term growth in the truck and vehicle upfit market will depend on technological advances in the component products and advances in the original equipment manufacturer's vehicles, as well customer demand for such products. Along with technological advancements, end-users are demanding more specialized vehicles specifically related to their unique work related needs, which we expect will further increase demand. Along with technological advancements, products become more complex in the marketplace, thus increasing the importance of the role of the truck upfitter in the value chain.

Our Competitive Strengths

We compete solely with other North American manufacturers and upfitters who do not benefit from our manufacturing efficiencies, depth and breadth of products, extensive distributor network and customer relationships. As the market leader in the industries we serve, we enjoy a set of competitive advantages versus smaller competitors, which allows us to generate robust cash flows in all market environments and to support continued investment in our products, distribution capabilities and brand regardless of annual volume fluctuations. We believe these advantages are rooted in the following competitive strengths and reinforces our industry leadership over time.

Exceptional Customer Loyalty and Brand Equity. Our brands enjoy exceptional customer loyalty and brand equity in the snow and ice control equipment and truck upfitting industries with both end users and distributors, which have been developed through over 70 years of superior innovation, productivity, reliability and support, consistently delivered year after year. We believe past brand experience, rather than price, is the key factor impacting our brands.

Broadest and Most Innovative Product Offering in Work Truck Attachments. In our Work Truck Attachments segment, we provide the industry's broadest product offering with a full range of snowplows, sand and salt spreaders and related parts and accessories. We believe we maintain the industry's largest and most advanced in house new product development program, historically introducing several new and redesigned products each year. Our broad product offering and commitment to new product development is essential to maintaining and growing our leading market share position as well as continuing to increase the profitability of our business. Meanwhile at our Work Truck Solutions segment, each upfit is customized to the specific needs of our customers.

Extensive North American Distributor Network in Work Truck Attachments. With over 2,100 points of sale at our Work Truck Attachments segment, we benefit from having what we believe to be the most extensive distributor network in the light truck and heavy duty snow and ice control equipment industry, providing a significant competitive advantage over our peers. Our distributors function not only as sales and support agents (providing access to parts and service), but also as industry partners providing real time end user information, such as retail inventory levels, changing consumer preferences or desired functionality enhancements, which we use as the basis for our product development efforts.

Leader in Operational Efficiency. We believe we are a leader in operational efficiency in our industries, resulting from our application of lean manufacturing principles and a highly variable cost structure. By utilizing lean principles, we are able to adjust production levels easily to meet fluctuating demand, while controlling costs in slower periods. This operational efficiency is supplemented by our highly variable cost structure, driven in part by our access

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to a sizable temporary workforce (comprising approximately 10 15% of our total workforce during average snowfall years), which we can quickly adjust, as needed. These manufacturing efficiencies enable us to respond rapidly to urgent customer demand during times of sudden and unpredictable snowfalls, allowing us to provide exceptional service to our existing customer base and capture new customers from competitors that we believe cannot service their customers' needs with the same speed and reliability.

Strong Cash Flow Generation. We are able to generate significant cash flow as a result of relatively consistent high profitability, low capital spending requirements and predictable timing of our working capital requirements. Our significant cash flow has allowed us to reinvest in our business, pay down long term debt, and pay substantial dividends to our stockholders.

Experienced Management Team. We believe our business benefits from an exceptional management team that is responsible for establishing our leadership in the light truck and heavy duty snow and ice control equipment and truck upfitting industries. Our senior management team, consisting of six officers as of December 31, 2018, has an average of approximately eighteen years of weather related industry experience and an average of over ten years with our company. James Janik, our Executive Chairman, has been with us for over 25 years and served as President and Chief Executive Officer from 2000 to 2018, and through his strategic vision, we have been able to expand our distributor network and grow our market leading position. On January 1, 2019, Robert McCormick became our President and Chief Executive Officer. He has been with us for over 14 years and has served in various roles, including Chief Operating Officer and Chief Financial Officer, among others.

Our Business Strategy

Our business strategy is to capitalize on our competitive strengths to maximize cash flow to pay dividends, reduce indebtedness and reinvest in our business to create stockholder value. We have also developed a management system called the Douglas Dynamics Management System ("DDMS") that is intended to assist in value creation and enhanced customer service. The building blocks of our strategy are:

Continuous Product Innovation. We believe new product innovation is critical to maintaining and growing our market leading position in the snow and ice control equipment industry. We will continue to focus on developing innovative solutions to increase productivity, ease of use, reliability, durability and serviceability of our products and on incorporating lean manufacturing concepts into our product development process, which has allowed us to reduce the overall cost of development and, more importantly, to reduce our time to market by nearly one half.

Distributor Network and Customer Optimization. At our Work Truck Attachment segment, we will continually seek opportunities to continue to expand our extensive distribution network by adding high quality, well capitalized distributors in select geographic areas and by cross selling our industry leading brands within our distribution network to ensure we maximize our ability to generate revenue while protecting our industry leading reputation, customer loyalty and brands. We will also focus on optimizing this network by providing in depth training, valuable distributor support and attractive promotional and incentive opportunities. As a result of these efforts, we believe a majority of our distributors choose to sell our products exclusively. We believe this sizable high quality network is unique in the industry, providing us with valuable insight into purchasing trends and customer preferences, and would be very difficult to replicate. At our Work Truck Solutions segment, we have well developed customer relationships resulting from being responsive to the needs of our customers. We will seek opportunities to continue to expand our customer group by increasing throughput allowing us to grow our customer base and continue to be responsive to our customers' specialized upfit needs.

Aggressive Asset Management and Profit Focus. We will continue to aggressively manage our assets in order to maximize our cash flow generation despite seasonal and annual variability in snowfall levels that affect our Work

Truck Attachments segment. We believe our ability is unique in our industry and enables us to achieve attractive margins in all snowfall environments. Key elements of our asset management and profit focus strategies include:

· employment of a highly variable cost structure, which can allow us to quickly adjust costs in response to real time changes in demand;

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- use of enterprise wide lean principles, which allow us to easily adjust production levels up or down to meet demand;
- implementation of a pre season order program, which incentivizes distributors to place orders prior to the retail selling season and thereby enables us to more efficiently utilize our assets; and
- development of a vertically integrated business model, which we believe provides us cost advantages over our competition.

Additionally, although modest, our capital expenditure requirements and operating expenses can be temporarily reduced in response to anticipated or actual lower sales in a particular year to maximize cash flow.

Flexible, Lean Enterprise Platform. We will continue to utilize lean principles to maximize the flexibility, efficiency and productivity of our manufacturing operations while reducing the associated costs, enabling us to increase distributor and end user satisfaction. For example, in an environment where shorter lead times and near perfect order fulfillment are important to our distributors, we believe our lean processes have helped us to improve our shipping performance and build a reputation for providing industry leading shipping performance.

Our Growth Opportunities

Opportunistically Seek New Products and New Markets. On July 15, 2016, we completed our acquisition of Dejana, which we believe significantly strengthens our position as a premier manufacturer and upfitter of vehicle attachments and equipment. Adding the Dejana business has diversified our revenue streams and reduced the influence of weather on the overall business going forward. On December 31, 2014, we completed our acquisition of Henderson, which gave us Henderson's full line of product offerings and access to its network of dealers. We plan to continue to evaluate other acquisition opportunities within our industry that can help us expand our distribution reach, enhance our technology and as a consequence improve the breadth and depth of our product lines. We also consider diversification opportunities in adjacent markets that complement our business model and could offer us the ability to leverage our core competencies to create stockholder value.

Increase Our Industry Leading Market Share. In our Work Truck Attachments segment, we plan to leverage our industry leading position, distribution network and new product innovation capabilities to capture market share in the North American snow and ice control equipment market, focusing our primary efforts on increasing penetration in those North American markets where we believe our overall market share is less than 50%, including the heavy duty truck market. We also plan to continue growing our presence in the snow and ice control equipment market outside of North America, particularly in Asia and Europe, which we believe could provide significant growth opportunities in the future. At our Work Truck Solutions segment, we plan to leverage our regional market leading position and utilize DDMS to further penetrate upfit markets and to grow our customer base.

Order Backlog

We had total backlog of $122.6 million and $81.3 million at December 31, 2018 and 2017, respectively. Backlog information may not be indicative of results of operations for future periods.

Employees

As of December 31, 2018, we employed 1,663 employees on a full time basis. None of our employees are represented by a union and we are not party to any collective bargaining agreements.

Financing Program

We are party to a financing program in which certain distributors may elect to finance their purchases from us through a third party financing company. We provide the third party financing company recourse against us regarding the collectability of the receivable under the program due to the fact that if the third party financing company is unable to collect from the distributor the amounts due in respect of the product financed, we would be obligated to

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repurchase any remaining inventory related to the product financed and reimburse any legal fees incurred by the financing company. During the years ended December 31, 2018, 2017 and 2016, distributors financed purchases of $8.5 million, $7.1 million and $7.6 million through this financing program, respectively. At both December 31, 2018 and December 31, 2017, there were no uncollectible outstanding receivables related to sales financed under the financing program. The amount owed by our distributors to the third party financing company under this program at December 31, 2018 and 2017 was $7.8 million and $3.4 million, respectively. We were not required to repurchase repossessed inventory for the years ended December 31, 2018, 2017 and 2016.

In the past, minimal losses have been incurred under this agreement. However, an adverse change in distributor retail sales could cause this situation to change and thereby require us to repurchase repossessed units. Any repossessed units are inspected to ensure they are current, unused product and are restocked and resold.

Intellectual Property

We maintain patents relating to snowplow mounts, assemblies, hydraulics, electronics and lighting systems, brooms, sand, salt and fertilizer spreader assemblies, reel handlers and carriers and shelving systems. Patents are valid for the longer period of 17 years from issue date or 20 years from filing date. The duration of the patents we currently possess range between less than one year and 19 years of remaining life. Our patent applications date from 1999 through 2018.

We rely on a combination of patents, trade secrets and trademarks to protect certain of the proprietary aspects of our business and technology. We hold approximately 48 U.S. registered trademarks (including the trademarks WESTERN®, FISHER®, DEJANA®, BLIZZARD®, SNOWEX®, TURFEX®, SWEEPEX®, HENDERSON® and BRINEXTREME®) 12 Canadian registered trademarks, 5 European trademarks, 70 U.S. issued patents, 10 Canadian patents and 5 Chinese and 2 Mexican trademarks.

We rely upon a combination of patents, trade secrets and trademarks to protect certain of the proprietary aspects of our business and technology. In the year ended December 31, 2017, we received a settlement resulting from an ongoing lawsuit with one of our competitors that had been previously ordered to stop using our intellectual property. Under the settlement agreement we received $1.3 million as part of defending our intellectual property. In the year ended December 31, 2016, we received a settlement resulting from an ongoing lawsuit with another competitor relating to our intellectual property. Under the settlement agreement we received $10.1 million as part of defending our intellectual property.   Our competitor has exhausted all appeals related to this matter and has paid us both awarded damages of $10.0 million and accrued interest of $0.1 million.

Raw Materials

During 2018, we experienced less favorable commodity costs compared to the prices paid for commodities in 2017 due to tariffs causing the inflation of steel prices. Historically, we have mitigated, and we currently expect to continue to mitigate, commodity cost increases in part by engaging in proactive vendor negotiations, reviewing alternative sourcing options, substituting materials, engaging in internal cost reduction efforts, and increasing prices on some of our products, all as appropriate.

Most of the components of our products are also affected by commodity cost pressures and are commercially available from a number of sources. In 2018, we experienced no significant work stoppages because of shortages of raw materials or commodities. The highest raw material and component costs are generally for steel, which we purchase from several suppliers.

Other Information

We were formed as a Delaware corporation in 2004. We maintain a website with the address www.douglasdynamics.com. We are not including the information contained on our website as part of, or incorporating it by reference into, this report. We make available free of charge (other than an investor's own Internet access charges) through our website our Annual Report on Form 10 K, quarterly reports on Form 10 Q and current reports on Form 8 K, and amendments to these reports, as soon as reasonably practicable after we electronically file

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such material with, or furnish such material to, the Securities and Exchange Commission ("SEC"). For further information regarding our geographic areas see the Summary of Significant Accounting Policies as discussed in Note 2 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10 K.

Item 1A. Risk Factors

The Company operates in an environment that involves numerous known and unknown risks and uncertainties. Our business, prospects, financial condition and operating results could be materially adversely affected by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. The risks described below highlight some of the factors that have affected, and in the future could affect our operations.

Our results of operations for our Work Truck Attachments segment and to a lesser extent our Work Truck Solutions segment depend primarily on the level, timing and location of snowfall. As a result, a decline in snowfall levels in multiple regions for an extended time could cause our results of operations to decline and adversely affect our ability to generate cash flow.

As a manufacturer through our Work Truck Attachments segment of snow and ice control equipment for both light and heavy duty trucks, and related parts and accessories, our sales depend primarily on the level, timing and location of snowfall in the regions in which we offer our products. In addition, a portion of the sales of our Work Truck Solutions segment are derived from truck upfits performed on snow and ice control equipment. A low level or lack of snowfall in any given year in any of the snow belt regions in North America (primarily the Midwest, East and Northeast regions of the United States as well as all provinces of Canada) will likely cause sales of our Work Truck Attachments products and a portion of our Work Truck Solutions products to decline in such year as well as the subsequent year, which in turn may adversely affect our results of operations and ability to generate cash flow. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonality and Year to Year Variability." A sustained period of reduced snowfall events in one or more of the geographic regions in which we offer our products could cause our results of operations to decline and adversely affect our ability to generate cash flow.

The year to year variability of our Work Truck Attachments segment can cause our results of operations and financial condition to be materially different from year to year and the seasonality of our Work Truck Attachments segment can cause our results of operations and financial condition to be materially different from quarter to quarter.

Because our Work Truck Attachments segment depends on the level, timing and location of snowfall, our results of operations vary from year to year. Additionally, because the annual snow season typically only runs from October 1 through March 31, our distributors typically purchase our Work Truck Attachments products during the second and third quarters. As a result, we operate in a seasonal business. We not only experience seasonality in our sales, but also experience seasonality in our working capital needs. Consequently, our results of operations and financial condition of our Work Truck Attachments segment can vary from year to year, as well as from quarter to quarter, which could affect our ability to generate cash flow. If we are unable to effectively manage the seasonality and year to year variability of our Work Truck Attachments segment, our results of operations, financial condition and ability to generate cash flow may be adversely affected.

If economic conditions in the United States deteriorate, or if spending by governmental agencies is limited or reduced, our results of operations, financial condition and ability to generate cash flow may be adversely affected.

Historically, demand for snow and ice control equipment for light and heavy duty trucks as well as upfitted vehicles has been influenced by general economic conditions in the United States, as well as local economic conditions in the snow belt regions in North America. Although economic conditions and spending by governmental agencies have improved from 2011 through 2018, this trend may not continue in the foreseeable future. Weakened economic conditions and limited or reduced government spending may cause both our Work Truck Attachments and Work Truck Solutions end users to delay purchases of replacement snow and ice control equipment and upfit vehicles and instead repair their existing equipment and vehicles, leading to a decrease in our sales of new equipment and upfitted vehicles. Specific to our Work Truck Attachments segment, weakened economic conditions and limited or reduced governmental spending may also cause our end users to delay their purchases of new light and heavy duty trucks.

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Because our end users tend to purchase new snow and ice control equipment concurrent with their purchase of new light or heavy duty trucks, their delay in purchasing new light or heavy duty trucks can also result in the deferral of their purchases of new snow and ice control equipment. The deferral of new equipment purchases during periods of weak economic conditions or limited or reduced government spending may negatively affect our results of operations, financial condition and ability to generate cash flow.

Weakened economic conditions or limited or reduced government spending may also cause both our Work Truck Attachments and Work Truck Solutions end users to consider price more carefully in selecting new snow and ice control equipment and upfit vehicles, respectively. Historically, considerations of quality and service have outweighed considerations of price, but in a weak economy, or an environment of constrained government spending, price may become a more important factor. Any refocus away from quality in favor of cheaper equipment could cause end users to shift away from our products to less expensive competitor products, or to shift away from our more profitable products to our less profitable products, which in turn would adversely affect our results of operations and our ability to generate cash flow.

Our failure to maintain good relationships with our customers and distributors, the loss or consolidation of our distributor base or the actions or inactions of our distributors could have an adverse effect on our results of operations and our ability to generate cash flow.

We depend on a network of truck equipment distributors to sell, install and service our products and upfitted vehicles. Nearly all of these sales and service relationships are at will, so almost all of our distributors could discontinue the sale and service of our products and upfitted vehicles at any time, and those distributors that primarily sell our products and upfitted vehicles may choose to sell competing products or vehicles at any time. Further, difficult economic or other circumstances could cause any of our distributors to discontinue their businesses. Moreover, if our distributor base were to consolidate or if any of our distributors were to discontinue their business, competition for the business of fewer distributors would intensify. If we do not maintain good relationships with our distributors and customers, or if we do not provide product or upfit offerings and pricing that meet the needs of our distributors and customers, we could lose a substantial amount of our distributor and customer base. A loss of a substantial portion of our distributor and customer base could cause our sales to decline significantly, which would have an adverse effect on our results of operations and ability to generate cash flow.

In addition, our distributors may not provide timely or adequate service to our end users. If this occurs, our brand identity and reputation may be damaged, which would have an adverse effect on our results of operations and ability to generate cash flow.

Lack of available financing options for our end users or distributors may adversely affect our sales volumes.

Our end user base in our Work Truck Attachments segment is highly concentrated among professional snowplowers, who comprise over 50% of our end users, many of whom are individual landscapers who remove snow during the winter and landscape during the rest of the year, rather than large, well capitalized corporations. These end users often depend upon credit to purchase our Work Truck Attachments products. If credit is unavailable on favorable terms or at all, these end users may not be able to purchase our Work Truck Attachments products from our distributors, which would in turn reduce sales and adversely affect our results of operations and ability to generate cash flow.

In addition, because our distributors, like our end users, rely on credit to purchase our products, if our distributors are not able to obtain credit, or access credit on favorable terms, we may experience delays in payment or nonpayment for delivered products. Further, if our distributors are unable to obtain credit or access credit on favorable terms, they could experience financial difficulties or bankruptcy and cease purchases of our products altogether. Thus, if financing is unavailable on favorable terms or at all, our results of operations and ability to generate cash flow would be adversely affected.

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The price of steel, a commodity necessary to manufacture our products, is highly variable. If the price of steel increases, our gross margins could decline.

Steel is a significant raw material used to manufacture our products. During 2018, 2017 and 2016, our raw steel purchases were approximately 10%, 10% and 12% of our revenue, respectively. The steel industry is highly cyclical in nature, and steel prices have been volatile in recent years and may remain volatile in the future. Steel prices are influenced by numerous factors beyond our control, including general economic conditions domestically and internationally, the availability of raw materials, competition, labor costs, freight and transportation costs, production costs, tariffs and other trade restrictions. Steel prices are volatile and may increase as a result of increased demand from the automobile and consumer durable sectors. If the price of steel increases, our variable costs may increase. We may not be able to mitigate these increased costs through the implementation of permanent price increases or temporary invoice surcharges, especially if economic conditions are weak and our distributors and end users become more price sensitive. If we are unable to successfully mitigate such cost increases in the future, our gross margins could decline.

If petroleum prices increase, our results of operations could be adversely affected.

Petroleum prices have fluctuated significantly in recent years. Prices and availability of petroleum products are subject to political, economic and market factors that are outside of our control. Political events in petroleum producing regions as well as hurricanes and other weather related events may cause the price of fuel to increase. If the price of fuel increases, the demand for our products may decline and transportation and freight costs may increase, which would adversely affect our financial condition and results of operations.

We depend on outside suppliers and original equipment manufacturers who may be unable to meet our volume and quality requirements, and we may be unable to obtain alternative sources.

We purchase certain components essential to our snowplows and sand and salt spreaders from outside suppliers, including off shore sources. We also have OEM partners that supply truck chassis used in our truck upfitting operations across both segments. Most of our key supply arrangements can be discontinued at any time. A supplier may encounter delays in the production and delivery of such products and components or may supply us with products and components that do not meet our quality, quantity or cost requirements. In addition, as was the case in 2018, an OEM may encounter difficulties and may be unable to deliver truck chassis according to our production needs, which resulted in a deferral of sales from 2018 to future periods. Additionally, a supplier may be forced to discontinue operations. Any discontinuation or interruption in the availability of quality products, components or truck chassis from one or more of our suppliers may result in increased production costs, delays in the delivery of our products and lost end user sales, which could have an adverse effect on our business and financial condition.

We have continued to increase the number of our off shore suppliers. Our increased reliance on off shore sourcing may cause our business to be more susceptible to the impact of natural disasters, war and other factors that may disrupt the transportation systems or shipping lines used by our suppliers, a weakening of the dollar over an extended period of time and other uncontrollable factors such as changes in foreign regulation, tariffs or economic conditions. In addition, reliance on off shore suppliers may make it more difficult for us to respond to sudden changes in demand because of the longer lead time to obtain components from off shore sources. We may be unable to mitigate this risk by stocking sufficient materials to satisfy any sudden or prolonged surges in demand for our products. If we cannot satisfy demand for our products in a timely manner, our sales could suffer as distributors can cancel purchase orders without penalty until shipment.

We do not sell our products under long term purchase contracts, and sales of our products are significantly impacted by factors outside of our control; therefore, our ability to estimate demand is limited.

We do not enter into long term purchase contracts with our distributors and the purchase orders we receive may be cancelled without penalty until shipment. Therefore, our ability to accurately predict future demand for our products is limited. Nonetheless, we attempt to estimate demand for our products for purposes of planning our annual production levels and our long term product development and new product introductions. We base our estimates of demand on our own market assessment, snowfall figures, quarterly field inventory surveys and regular communications with our distributors. Because wide fluctuations in the level, timing and location of snowfall,

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economic conditions and other factors may occur, each of which is out of our control, our estimates of demand may not be accurate. Underestimating demand could result in procuring an insufficient amount of materials necessary for the production of our products, which may result in increased production costs, delays in product delivery, missed sale opportunities and a decrease in customer satisfaction. Overestimating demand could result in the procurement of excessive supplies, which could result in increased inventory and associated carrying costs.

If we are unable to enforce, maintain or continue to build our intellectual property portfolio, or if others invalidate our intellectual property rights, our competitive position may be harmed.

Our patents relate to snowplow mounts, assemblies, hydraulics, electronics and lighting systems, brooms, sand, salt and fertilizer spreader assemblies, reel handlers and carriers and shelving systems. Patents are valid for the longer period of 17 years from issue date or 20 years from filing date. The duration of the patents we currently possess range between less than one year and 19 years of remaining life. Our patent applications date from 1999 through 2018.

We rely on a combination of patents, trade secrets and trademarks to protect certain of the proprietary aspects of our business and technology. We hold approximately 48 U.S. registered trademarks (including the trademarks WESTERN®, FISHER®, DEJANA®, BLIZZARD®, SNOWEX®, TURFEX®, SWEEPEX®, HENDERSON® and BRINEXTREME®) 12 Canadian registered trademarks, 5 European trademarks, 70 U.S. issued patents, 10 Canadian patents and 5 Chinese and 2 Mexican trademarks. Although we work diligently to protect our intellectual property rights, monitoring the unauthorized use of our intellectual property is difficult, and the steps we have taken may not prevent unauthorized use by others. In addition, in the event a third party challenges the validity of our intellectual property rights, a court may determine that our intellectual property rights may not be valid or enforceable. An adverse determination with respect to our intellectual property rights may harm our business prospects and reputation. Third parties may design around our patents or may independently develop technology similar to our trade secrets. The failure to adequately build, maintain and enforce our intellectual property portfolio could impair the strength of our technology and our brands, and harm our competitive position. Although we have no reason to believe that our intellectual property rights are vulnerable, previously undiscovered intellectual property could be used to invalidate our rights.

If we are unable to develop new products or improve upon our existing products on a timely basis, it could have an adverse effect on our business and financial condition.

We believe that our future success depends, in part, on our ability to develop on a timely basis new technologically advanced products or improve upon our existing products in innovative ways that meet or exceed our competitors' product and upfit offerings. Continuous product innovation ensures that our consumers have access to the latest products and features when they consider buying snow and ice control equipment and truck upfits. Maintaining our market position will require us to continue to invest in research and development and sales and marketing. Product development requires significant financial, technological and other resources. We may be unsuccessful in making the technological advances necessary to develop new products or improve our existing products to maintain our market position. Industry standards, end user expectations or other products may emerge that could render one or more of our products less desirable or obsolete. If any of these events occur, it could cause decreases in sales, a failure to realize premium pricing and an adverse effect on our business and financial condition.

We face competition from other companies in our industry, and if we are unable to compete effectively with these companies, it could have an adverse effect on our sales and profitability. Price competition among our distributors and customers could negatively affect our market share.

In our Work Truck Attachments segment, we primarily compete with regional manufacturers of snow and ice control equipment for light and heavy duty trucks. While we are the most geographically diverse company in our industry, we may face increasing competition in the markets in which we operate. Additionally, in our Work Truck Solutions segment, we compete with other market leaders in the truck upfit industry. In saturated markets, price competition may lead to a decrease in our market share or a compression of our margins, both of which would affect our profitability. Moreover, current or future competitors may grow their market share and develop superior service and may have or may develop greater financial resources, lower costs, superior technology or more favorable operating conditions than we maintain. As a result, competitive pressures we face may cause price reductions for our products, which would affect our profitability or result in decreased sales and operating income. Additionally, saturation of the

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markets in which we compete or channel conflicts among our brands and shifts in consumer preferences may increase these competitive pressures or may result in increased competition among our distributors and affect our sales and profitability. In addition, price competition among the distributors that sell our products could lead to significant margin erosion among our distributors, which could in turn result in compressed margins or loss of market share for us. Management believes that, after ourselves, the next largest competitors in the market for snow and ice control equipment for light trucks are The Toro Company (the manufacturer of the Boss brand of snow and ice control equipment) and Meyer Products LLC, and accordingly represent our primary competitors for light truck market share for our Work Truck Attachments segment. Management believes that, after ourselves, the next largest competitors in the market for snow and ice control equipment for heavy trucks are Monroe and Viking, and accordingly represent our primary competitors for heavy truck market share for our Work Truck Attachments segment. Management believes that, other regional market leaders in the truck upfitting industry are Knapheide, Reading, Palfleet and Autotruck, and accordingly represent our primary competitors for market share for our Work Truck Solutions segment.

We are subject to complex laws and regulations, including environmental and safety regulations that can adversely affect the cost, manner or feasibility of doing business.

Our operations are subject to certain federal, state and local laws and regulations relating to, among other things, the generation, storage, handling, emission, transportation, disposal and discharge of hazardous and non hazardous substances and materials into the environment, the manufacturing of motor vehicle accessories and employee health and safety. We cannot be certain that existing and future laws and regulations and their interpretations will not harm our business or financial condition. We currently make and may be required to make large and unanticipated capital expenditures to comply with environmental and other regulations, such as:

- Applicable motor vehicle safety standards established by the National Highway Traffic Safety Administration;
- Reclamation and remediation and other environmental protection; and
- Standards for workplace safety established by the Occupational Safety and Health Administration.

While we monitor our compliance with applicable laws and regulations and attempt to budget for anticipated costs associated with compliance, we cannot predict the future cost of such compliance. In 2018, the amount expended for such compliance was insignificant, but we could incur material expenses in the future in the event of future legislation changes or unforeseen events, such as a workplace accident or environmental discharge, or if we otherwise discover we are in non compliance with an applicable regulation. In addition, under these laws and regulations, we could be liable for:

- Product liability claims;
- Personal injuries;
- Investigation and remediation of environmental contamination and other governmental sanctions such as fines and penalties; and
- Other environmental damages.

Our operations could be significantly delayed or curtailed and our costs of operations could significantly increase as a result of regulatory requirements, restrictions or claims. We are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations.

Financial market conditions could have a negative impact on the return on plan assets for our pension plans, which may require additional funding and negatively impact our cash flows.

Our pension expense and required contributions to our pension plan are directly affected by the value of plan assets, the projected rate of return on plan assets, the actual rate of return on plan assets and the actuarial assumptions

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we use to measure the defined benefit pension plan obligations. The funding status of our pension plans is impacted by the financial markets. As of December 31, 2018, our pension plans were underfunded by approximately $2.1 million. In 2018, contributions to our defined benefit pension plans were approximately $7.0 million. If plan assets perform below expectations, future pension expense and funding obligations will increase, which would have a negative impact on our cash flows. Moreover, under the Pension Protection Act of 2006, it is possible that losses of asset values may necessitate accelerated funding of our pension plans in the future to meet minimum federal government requirements.

The statements regarding our industry, market positions and market share in this filing are based on our management's estimates and assumptions. While we believe such statements are reasonable, such statements have not been independently verified.

Information contained in this Annual Report on Form 10 K concerning the snow and ice control equipment and truck upfitting industries, our general expectations concerning these industries and our market positions and other market share data regarding the industries are based on estimates our management prepared using end user surveys, anecdotal data from our distributors and distributors that carry our competitors' products, our results of operations and management's past experience, and on assumptions made, based on our management's knowledge of this industry, all of which we believe to be reasonable. These estimates and assumptions are inherently subject to uncertainties, especially given the year to year variability of snowfall and the difficulty of obtaining precise information about our competitors, and may prove to be inaccurate. In addition, we have not independently verified the information from any third party source and thus cannot guarantee its accuracy or completeness, although management also believes such information to be reasonable. Our actual operating results may vary significantly if our estimates and outlook concerning the industry, snowfall patterns, our market positions or our market shares turn out to be incorrect.

We are subject to product liability claims, product quality issues, and other litigation from time to time that could adversely affect our operating results or financial condition.

The manufacture, sale and usage of our products expose us to a risk of product liability claims. If our products are defective or used incorrectly by our end users, injury may result, giving rise to product liability claims against us. If a product liability claim or series of claims is brought against us for uninsured liabilities or in excess of our insurance coverage, and it is ultimately determined that we are liable, our business and financial condition could suffer. Any losses that we may suffer from any liability claims, and the effect that any product liability litigation may have upon the reputation and marketability of our products, may divert management's attention from other matters and may have a negative impact on our business and operating results. Additionally, we could experience a material design or manufacturing failure in our products, a quality system failure or other safety issues, or heightened regulatory scrutiny that could warrant a recall of some of our products. A recall of some of our products could also result in increased product liability claims. Any of these issues could also result in loss of market share, reduced sales, and higher warranty expense.

We are heavily dependent on our senior management team.

Our continued success depends on the retention, recruitment and continued contributions of key management, finance, sales and marketing personnel, some of whom could be difficult to replace. Our success is largely dependent upon our senior management team. The loss of any one or more of such persons could have an adverse effect on our business and financial condition.

Our indebtedness could adversely affect our operations, including our ability to perform our obligations and generate cash flow.

As of December 31, 2018, we had approximately $279.3 million of senior secured indebtedness, no outstanding borrowings under our revolving credit facility and $94.6 million of borrowing availability under the

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revolving credit facility. We may also be able to incur substantial indebtedness in the future, including senior indebtedness, which may or may not be secured.

Our indebtedness could have important consequences, including the following:

- We could have difficulty satisfying our debt obligations, and if we fail to comply with these requirements, an event of default could result;
- We may be required to dedicate a substantial portion of our cash flow from operations to required payments on indebtedness, thereby reducing the cash flow available to pay dividends or fund working capital, capital expenditures and other general corporate activities;
- Covenants relating to our indebtedness may restrict our ability to make distributions to our stockholders;
- Covenants relating to our indebtedness may limit our ability to obtain additional financing for working capital, capital expenditures and other general corporate activities, which may limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- We may be more vulnerable to general adverse economic and industry conditions;
- We may be placed at a competitive disadvantage compared to our competitors with less debt; and
- We may have difficulty repaying or refinancing our obligations under our senior credit facilities on their respective maturity dates.

If any of these consequences occur, our financial condition, results of operations and ability to generate cash flow could be adversely affected. This, in turn, could negatively affect the market price of our common stock, and we may need to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any refinancing would be possible, that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds that may be realized from those sales, or that additional financing could be obtained on acceptable terms, if at all.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly and could impose adverse consequences.

Certain of our borrowings, including our term loan and any revolving borrowings under our senior credit facilities, are at variable rates of interest and expose us to interest rate risk. In addition, the interest rate on any revolving borrowings is subject to an increase in the interest rate if the average daily availability under our revolving credit facility falls below a certain threshold. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows would correspondingly decrease.

Our senior credit facilities impose restrictions on us, which may also prevent us from capitalizing on business opportunities and taking certain corporate actions. One of these facilities also includes minimum availability requirements, which if unsatisfied, could result in liquidity events that may jeopardize our business.

Our senior credit facilities contain, and future debt instruments to which we may become subject may contain, covenants that limit our ability to engage in activities that could otherwise benefit our company. Under the credit facilities, these covenants include restrictions on our ability to:

- incur, assume or permit to exist additional indebtedness or contingent obligations;
- incur liens and engage in sale and leaseback transactions;

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- make loans and investments in excess of agreed upon amounts;
- declare dividends, make payments or redeem or repurchase capital stock in excess of agreed upon amounts and subject to certain other limitations;
- engage in mergers, acquisitions and other business combinations;
- prepay, redeem or purchase certain indebtedness or amend or alter the terms of our indebtedness;
- sell assets;
- make further negative pledges;
- create restrictions on distributions by subsidiaries;
- change our fiscal year;
  - engage in activities other than, among other things, incurring the debt under our new senior credit facilities and the activities related thereto, holding our ownership interest in Douglas Dynamics, LLC, making restricted payments, including dividends, permitted by our senior credit facilities and conducting activities related to our status as a public company;
- amend or waive rights under certain agreements;
- transact with affiliates or our stockholders; and
- alter the business that we conduct.

Our amended revolving credit facility also includes limitations on capital expenditures and requires that if we fail to maintain the greater of $12,500,000 and 12.5% of the revolving commitments in borrowing availability, we must comply with a fixed charge coverage ratio test. In addition, if a liquidity event occurs because our borrowing availability is less than the greater of $15,000,000 and 15% of the aggregate revolving commitments (or an event of default occurs and is continuing), subject to certain limited cure rights, all proceeds of our accounts receivable and other collateral will be applied to reduce obligations under our amended revolving credit facility, jeopardizing our ability to meet other obligations. Our ability to comply with the covenants contained in our senior credit facilities or in the agreements governing our future indebtedness, and our ability to avoid liquidity events, may be affected by events, or our future performance, which are subject to factors beyond our control, including prevailing economic, financial, industry and weather conditions, such as the level, timing and location of snowfall and general economic conditions in the snowbelt regions of North America. A failure to comply with these covenants could result in a default under our senior credit facilities, which could prevent us from paying dividends, borrowing additional amounts and using proceeds of our inventory and accounts receivable, and also permit the lenders to accelerate the payment of such debt. If any of our debt is accelerated or if a liquidity event (or event of default) occurs that results in collateral proceeds being applied to reduce such debt, we may not have sufficient funds available to repay such debt and our other obligations, in which case, our business could be halted and such lenders could proceed against any collateral securing that debt. Further, if the lenders accelerate the payment of the indebtedness under our senior credit facilities, our assets may not be sufficient to repay in full the indebtedness under our senior credit facilities and our other indebtedness, if any. We cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs to pursue available business opportunities or react to changes in our business and the industry in which we operate.

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Provisions of Delaware law and our charter documents could delay or prevent an acquisition of us, even if the acquisition would be beneficial to you.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. These provisions include:

- the absence of cumulative voting in the election of our directors, which means that the holders of a majority of our common stock may elect all of the directors standing for election;
- the ability of our Board of Directors to issue preferred stock with voting rights or with rights senior to those of our common stock without any further vote or action by the holders of our common stock;
- the division of our Board of Directors into three separate classes serving staggered three year terms;
- the ability of our stockholders to remove our directors is limited to cause and only by the vote of at least $66^2/_3$% of the outstanding shares of our common stock;
- the prohibition on our stockholders from acting by written consent and calling special meetings;
- the requirement that our stockholders provide advance notice when nominating our directors or proposing business to be considered by the stockholders at an annual meeting of stockholders; and
- the requirement that our stockholders must obtain a $66^2/_3$% vote to amend or repeal certain provisions of our certificate of incorporation.

We are also subject to Section 203 of the Delaware General Corporation Law, which, subject to certain exceptions, prohibits us from engaging in any business combination with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder. This provision, together with the provisions discussed above, could also make it more difficult for you and our other stockholders to elect directors and take other corporate actions, and could limit the price that investors might be willing to pay in the future for shares of our common stock.

Our dividend policy may limit our ability to pursue growth opportunities.

If we continue to pay dividends at the level contemplated by our dividend policy, as in effect on the date of this filing, or if we increase the level of our dividend payments in the future, we may not retain a sufficient amount of cash to finance growth opportunities, meet any large unanticipated liquidity requirements or fund our operations in the event of a significant business downturn. In addition, because a significant portion of cash available will be distributed to holders of our common stock under our dividend policy, our ability to pursue any material expansion of our business, including through acquisitions, increased capital spending or other increases of our expenditures, will depend more than it otherwise would on our ability to obtain third party financing. We cannot assure you that such financing will be available to us at all, or at an acceptable cost. If we are unable to take timely advantage of growth opportunities, our future financial condition and competitive position may be harmed, which in turn may adversely affect the market price of our common stock.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and that of our customers, suppliers and business partners, as well as personally identifiable information of our customers and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to malicious attacks or breached due to employee error, malfeasance or other disruptions, including as a result of rollouts of new systems. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access,

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disclosure or other loss of information could result in legal claims or proceedings and/or regulatory penalties, disrupt our operations, damage our reputation, and/or cause a loss of confidence in our products and services, which could adversely affect our business.

We may be unable to identify, complete or benefit from strategic transactions.

Our long term growth strategy includes building value for our company through a variety of methods. These methods may include acquisition of, investment in, or joint ventures involving, complementary businesses. We cannot assure that we will be able to identify suitable parties for these transactions. If we are unable to identify suitable parties for strategic transactions we may not be able to capitalize on market opportunities with existing and new customers, which could inhibit our ability to gain market share. Even if we identify suitable parties to participate in these transactions, we cannot assure that we will be able to make them on commercially acceptable terms, if at all.

In 2017, we acquired Arrowhead. In July 2016, we acquired Dejana. We may not be able to achieve the projected financial performance or incur unexpected costs or liabilities as a result of these transactions. In addition, if in the future we acquire another company or its assets, it may be difficult to assimilate the acquired businesses, products, services, technologies and personnel into our operations. These difficulties could disrupt our ongoing business, distract our management and workforce, increase our expenses and adversely affect our operating results and ability to compete and gain market share. Mergers and acquisitions are inherently risky and are subject to many factors outside our control. No assurance can be given that any future acquisitions will be successful and will not materially adversely affect our business, operating results, or financial condition. In addition, we may incur debt or be required to issue equity securities to pay for future acquisitions or investments. The issuance of any equity securities could be dilutive to our stockholders. We also may need to make further investments to support any acquired company and may have difficulty identifying and acquiring appropriate resources. If we divest or otherwise exit certain portions of our business in connection with a strategic transaction, we may be required to record additional expenses, and our estimates with respect to the useful life and ultimate recoverability of our carrying basis of assets, including goodwill and purchased intangible assets, could change.

If we fail to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, or if we fail to successfully integrate acquired businesses into our internal controls processes and procedures, it could have a material adverse effect on our business or stock price.

Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require annual assessment of U.S. public companies' internal control over financial reporting. The standards that must be met for management to assess the internal control over financial reporting as effective are complex, and require significant documentation, testing and possible remediation. We expect that our internal control over financial reporting will continue to evolve as our business develops. If and when we acquire new businesses, we will be required to integrate those acquired businesses into our consolidated internal controls processes and procedures and determine whether our consolidated internal control environment is effective. If we acquire businesses that are private companies at the time of acquisition and which are not previously subject to the Sarbanes-Oxley Act of 2002 or other similar regulations requiring effective internal controls over financial reporting, it may be more likely that we identify deficiencies or material weaknesses in the internal controls of such acquired businesses.

Although we are committed to continue to improve our internal control processes and we will continue to diligently review our internal control over financial reporting in order to ensure compliance with Section 404 requirements, our control system can provide only reasonable, not absolute, assurance that its objectives will be met. Therefore, we cannot be certain that in the future material weaknesses or significant deficiencies will not occur. Material weaknesses or significant deficiencies could result in misstatements of our results of operations, restatements of our consolidated financial statements, a decline in our stock price, or other material adverse effects on our business.

Item 1B. Unresolved Staff Comments

Not applicable.

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Item 2. Properties

Our significant facilities by location, ownership, and function as of December 31, 2018 are as follows:

Location	Ownership	Products / Use
Milwaukee, Wisconsin	Owned	Corporate headquarters, Work Truck Attachments
Albany, New York	Leased	Work Truck Solutions
Baltimore, Maryland (1)	Leased	Work Truck Solutions
Bucyrus, Ohio	Leased	Work Truck Attachments
Chalfont, Pennsylvania	Leased	Work Truck Solutions
Cinnaminson, New Jersey	Leased	Work Truck Solutions
Fulton, Missouri	Leased	Work Truck Attachments
Huntley, Illinois	Owned	Work Truck Attachments
Kansas City, Missouri	Leased	Work Truck Solutions
Kenvil, New Jersey	Leased	Work Truck Attachments
Kings Park, New York (1)	Leased	Work Truck Solutions
Madison Heights, Michigan	Owned	Work Truck Attachments
Manchester, Iowa	Owned	Work Truck Attachments
Manchester, Iowa	Leased	Work Truck Attachments
Queensbury, New York	Leased	Work Truck Solutions
Rockland, Maine	Owned	Work Truck Attachments
Smithfield, Rhode Island	Leased	Work Truck Solutions
Watertown, New York	Leased	Work Truck Attachments
China	Leased	Sourcing Office

(1) – Two facilities.

Item 3. Legal Proceedings

In the ordinary course of business, we are engaged in various litigation primarily including product liability and intellectual property disputes. However, management does not believe that any current litigation is material to our operations or financial position. In addition, we are not currently party to any environmental related claims or legal matters. We had litigation proceeds of $1.3 million in the year ended December 31, 2017 due to a settlement related to the successful conclusion of a patent infringement lawsuit against Meyer Products, LLC. We had litigation proceeds of $10.1 million in the year ended December 31, 2016 due to a settlement related to the successful conclusion of a patent infringement lawsuit against Buyers Products Company.

Item 4. Mine Safety Disclosures

Not applicable.

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Executive Officers of the Registrant

On January 1, 2019, James L. Janik became Executive Chairman of the Company. Also on January 1, 2019, Robert McCormick became President and Chief Executive Officer of the Company and a member of the Company's Board of Directors.

Our executive officers as of February 26, 2019 were as follows:

Name	Age	Position
Robert McCormick	58	President and Chief Executive Officer
James Janik	62	Executive Chairman
Sarah Lauber	47	Chief Financial Officer & Secretary
Keith Hagelin	58	President, Commercial Snow & Ice
Jonathon Sievert	43	President, Municipal Snow & Ice
Andrew Dejana	58	President, Dejana Truck & Utility Equipment

Robert McCormick has been serving as our President and Chief Executive Officer and as director since January 2019. Previously, Mr. McCormick served as our Chief Operating Officer from August 2017 until January 2019. Prior to becoming Chief Operating Officer, Mr. McCormick served as our Executive Vice President and Chief Financial Officer from September 2004 through August 2017, as our Secretary from May 2005 through August 2017, as our Assistant Secretary from September 2004 to May 2005 and as our Treasurer from September 2004 through December 2010. Prior to joining us, Mr. McCormick served as President and Chief Executive Officer of Xymox Technology Inc. from 2001 to 2004. Prior to that, Mr. McCormick served in various capacities in the Newell Rubbermaid Corporation, including President from 2000 to 2001 and Vice President Group Controller from 1997 to 2000.

James Janik has been serving as our Executive Chairman since January 2019 and as a director since 2004. Mr. Janik became our Chairman of the Board in 2014. Mr. Janik previously served as our President and Chief Executive Officer from 2004 until January 2019. Mr. Janik also served as President and Chief Executive Officer of Douglas Dynamics Incorporated, the entity that previously operated our business, from 2000 to 2004. Mr. Janik was Director of Sales of our Western Products division from 1992 to 1994, General Manager of our Western Products division from 1994 to 2000 and Vice President of Marketing and Sales from 1998 to 2000. Prior to joining us, Mr. Janik was the Vice President of Marketing and Sales of Sunlite Plastics Inc., a custom extruder of thermoplastic materials, for two years. During the 11 prior years, Mr. Janik held a number of key marketing, sales and production management positions for John Deere Company.

Sarah Lauber has been serving as our Chief Financial Officer and Secretary since August 2017. Prior to joining us, Ms. Lauber served as Senior Vice President and Chief Financial Officer of Jason Industries, Inc., a global industrial manufacturing company, since January 2016 and as Jason Industries' Chief Financial Officer since 2015. Prior to joining Jason Industries, Ms. Lauber served as Senior Vice President, Financial Planning and Analysis at Regal Beloit Corporation, a manufacturer of electric motors, electric motion controls, power generation and power transmission products, from 2011 until 2015. Ms. Lauber previously was employed by A.O. Smith Corporation's Electrical Products Company ("EPC") from 2002 until 2011 and held various roles, the latest of which was Chief Financial Officer from 2006 until EPC was acquired by Regal Beloit in 2011.

Keith Hagelin has been serving as our President, Commercial Snow & Ice since June 2017. Prior to this role, he served as our Senior Vice President, Operations since September 2013 and our Vice President, Operations since 2009, having previously spent 14 years in progressive roles with us, including Plant Manager and General Manager—Rockland and most recently Vice President of Manufacturing from 2007 to 2009. Prior to joining Douglas, he spent 13 years at Raytheon Corporation in various manufacturing, production and new product development roles.

Jonathon Sievert has been serving as our President, Municipal Snow & Ice, since March, 2017. Prior to his role as President, Municipal Snow & Ice, Mr. Sievert served as our Senior Vice President, Operations, Municipal Snow & Ice, since July 2015. Mr. Sievert served as our Director, Operational Excellence, Douglas Dynamics from

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October 2012 through July 2015 and Business Unit Manager, Commercial Snow & Ice from January 2009 through October 2012. During the prior 10 years, Mr. Sievert served as Director of Operations for Cole Manufacturing Inc.

Andrew Dejana has been serving as President of Dejana Truck & Utility Equipment since the Company acquired Dejana in 2016. For the 29 years prior, Mr. Dejana served as Vice President of Dejana where he was responsible for developing all aspects of the business including quoting, sales, purchasing, manufacturing and operations. Mr. Dejana was also instrumental in developing strategic OEM partnerships that included bailment pool and ship-thru distribution channels and expanded Dejana's footprint in the Northeast and which has grown to become one of the country's largest commercial truck upfitters.

Executive officers are elected by, and serve at the discretion of, the Board of Directors. There are no family relationships between any of our directors or executive officers.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Common Stock has been traded on the New York Stock Exchange since the second quarter of 2010 under the symbol "PLOW."

At February 26, 2019, there were 60 registered record holders of our Common Stock.

In accordance with our dividend policy, dividends are declared and paid quarterly at the discretion of the board of directors. Additionally, special dividends may be declared and paid at the discretion of the board of directors. We paid quarterly dividends to the holders of our Common Stock in 2017 and 2018.

Item 12 of this Annual Report on Form 10-K contains certain information relating to the Company's equity compensation plans.

The following information in this Item 5 of this Annual Report on Form 10 K is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934, as amended (the "Exchange Act") or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act, except to the extent we specifically incorporate it by reference into such a filing.

The graph set forth below compares the cumulative total stockholder return on our common stock between January 1, 2014 and December 31, 2018, with the cumulative total return of The Dow Jones Industrial Average and

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Russell 2000 Index. This graph assumes the investment of $100 on January 1, 2014 in our common stock, the Dow Jones Industrial Average and Russell 2000 Index, and assumes the reinvestment of dividends.

We did not sell any equity securities during 2018 in offerings that were not registered under the Securities Act.

Item 6. Selected Consolidated Financial Data

The following table sets forth our selected historical consolidated financial data for the periods and at the dates indicated. The selected historical consolidated financial data as of December 31, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018 are derived from our audited consolidated financial statements.

The selected historical consolidated financial data as of December 2014, 2015 and 2016 and for the years ended December 31, 2014 and 2015 is derived from our historical financial statements not included in this Annual Report on Form 10 K.

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The selected consolidated financial data presented below should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this document.

	As of December 31,				
	2014	2015	2016	2017	2018
	(in thousands)				
Selected Balance Sheet Data					
Cash and cash equivalents	$ 24,195	$ 36,844	$ 18,609	$ 36,875	$ 27,820
Total current assets	135,517	163,089	176,435	198,113	199,095
Total assets	470,954	497,012	666,173	685,176	676,193
Total current liabilities	45,694	41,733	51,392	80,783	79,068
Total debt	188,100	186,472	313,588	310,830	278,081
Total liabilities	297,665	296,516	445,710	428,498	393,437
Total shareholders' equity	173,289	200,496	220,463	256,678	282,756

	For the year ended December 31, (1)				
	2014	2015	2016	2017	2018
	(in thousands, except per share data)				
Consolidated Statement of Operations Data					
Total sales	$ 303,511	$ 400,408	$ 416,268	$ 474,927	$ 524,067
Gross profit	116,326	132,863	133,974	143,086	154,890
Income from operations (2)	72,100	78,418	69,808	70,808	73,460
Income tax expense (benefit)	22,036	22,087	24,687	(2,409)	11,854
Net income	39,961	44,176	39,009	55,324	43,905
Net income per basic share	$ 1.78	$ 1.95	$ 1.71	$ 2.42	$ 1.91
Net income per diluted share	$ 1.77	$ 1.94	$ 1.70	$ 2.40	$ 1.89
Cash dividends paid per common share	$ 0.87	$ 0.89	$ 0.94	$ 0.96	$ 1.06

(1) Amounts include the results of operations of Henderson, which we acquired in 2014, and Dejana, which we acquired in 2016.

(2) As discussed in Note 1 to the Consolidated Financial Statements, certain reclassifications have been made to the prior period financial statements to conform to the 2018 presentation. In March 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-07, Compensation-Retirement Benefits, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU requires that an employer report the service cost component in the same line items as other compensation costs arising from services rendered by the pertinent employees during the period. The Company adopted ASU No. 2017-07 during the quarter ended March 31, 2018 and applied it retrospectively. The adoption resulted in the reclassification of other net benefit costs from Selling, General and Administrative Expense to Other Expense, Net on the Consolidated Statements of Income of $717 for the year ended December 31, 2017, $690 for the year ended December 31, 2016, $1,067 for the year ended December 31, 2015 and ($117) for the year ended December 31, 2014. The presentation in the table above has been updated to conform with the current year

presentation.

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	For the year ended December 31,				
	2014	2015	2016	2017	2018
	(in thousands)				
Other Data					
Adjusted EBITDA	$ 87,932	$ 96,536	$ 91,447	$ 90,927	$ 96,443
Capital expenditures	$ 5,254	$ 10,009	$ 9,830	$ 8,380	$ 9,848

See “Non GAAP Financial Measures” section in Item 7 below for a definition of Adjusted EBITDA.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations for the years ended December 31, 2016, 2017 and 2018 should be read together with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10 K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report on Form 10 K, including information with respect to our plans and strategies for our business, includes forward looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of this Annual Report on Form 10 K for a discussion of important factors that could cause actual results to differ materially from the results described in, or implied by, the forward looking statements contained in this Annual Report on Form 10 K.

Results of Operations

Operating Segments

The Company's two current reportable business segments are described below.

Work Truck Attachments. The Work Truck Attachments segment includes snow and ice management attachments sold under the FISHER®, WESTERN®, HENDERSON® and SNOWEX® brands. This segment consists of our operations that, prior to our acquisition of Dejana, were our single operating segment, consisting of the manufacture and sale of snow and ice control products. As described under "Seasonality and Year-To- Year Variability," the Work Truck Attachments segment is seasonal and, as a result, its results of operations can vary from quarter-to-quarter and from year-to-year.

Work Truck Solutions. The Work Truck Solutions segment, which was created as a result of the Dejana acquisition, includes the premier truck upfit of market leading attachments and storage solutions for commercial work vehicles under the DEJANA® brand and its related sub-brands.

See Note 16 to the Consolidated Financial Statements for information concerning individual segment performance for the years ended December 31, 2018, December 31, 2017 and December 31, 2016, respectively.

Overview

Although we diversified and expanded our portfolio with the acquisition of Dejana during the year ended December 31, 2016, snowfall is still the primary factor in evaluating our business results due to its significant impact on the results of operations of our Work Truck Attachments segment and a portion of our Work Truck Solutions segment. We typically compare the snowfall level in a given period both to the snowfall level in the prior season and to those snowfall levels we consider to be average. References to "average snowfall" levels below refer to the aggregate average inches of snowfall recorded in 66 cities in 26 snow belt states in the United States during the annual snow season, from October 1 through March 31, from 1980 to 2018. During this period, snowfall averaged 3,043 inches, with the low in such period being 1,794 inches and the high being 4,502 inches.

During the six month snow season ended March 31, 2018, snowfall was 3,335 inches, which was 9.6% higher than average. During the six month snow season ended March 31, 2017, we experienced snowfall that was 5.4% lower than average. During the six-month snow season ended March 31, 2016, we experienced snowfall that was 25.8% lower than average. We believe the average snowfall in the year ended December 31, 2018 was the largest driver that positively impacted our business in 2018. We believe other factors had a positive impact, including positively trending light truck sales in 2018, the continued successful integration of Dejana. In 2018, we encountered chassis availability issues with certain of our OEM partners, which negatively impacted our business.

The following table sets forth, for the periods presented, the consolidated statements of income of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In the table below and throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations," consolidated statements of income data for the years ended December 31, 2016, 2017 and 2018 have been derived from our audited consolidated financial statements. The information contained in the table below should

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be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10 K.

	For the year ended December 31,		
	2016	2017	2018
	(in thousands)		
Net sales	$ 416,268	$ 474,927	$ 524,067
Cost of sales	282,294	331,841	369,177
Gross profit	133,974	143,086	154,890
Selling, general, and administrative expense	53,570	60,877	69,958
Intangibles amortization	10,596	11,401	11,472
Income from operations	69,808	70,808	73,460
Interest expense, net	(15,195)	(18,336)	(16,943)
Litigation proceeds	10,050	1,275	-
Other expense, net	(967)	(832)	(758)
Income before taxes	63,696	52,915	55,759
Income tax expense (benefit)	24,687	(2,409)	11,854
Net income	$ 39,009	$ 55,324	$ 43,905

The following table sets forth, for the periods indicated, the percentage of certain items in our consolidated statement of income data, relative to net sales:

	For the year ended December 31,		
	2016	2017	2018
Net sales	100.0%	100.0%	100.0%
Cost of sales	67.8%	69.9%	70.4%
Gross profit	32.2%	30.1%	29.6%
Selling, general, and administrative expense	13.0%	12.8%	13.3%
Intangibles amortization	2.5%	2.4%	2.2%
Income from operations	16.7%	14.9%	14.1%
Interest expense, net	(3.7%)	(3.9%)	(3.2%)
Litigation proceeds	2.4%	0.3%	0.0%
Other expense, net	(0.1%)	(0.2%)	(0.1%)
Income before taxes	15.3%	11.1%	10.8%
Income tax expense (benefit)	5.9%	(0.5)%	2.3%
Net income	9.4%	11.6%	8.5%

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net Sales. Net sales were $524.1 million for the year ended December 31, 2018 compared to $474.9 million in 2017, an increase of $49.2 million, or 10.4%. Net sales increased for the year ended December 31, 2018 primarily due to snowfall levels near historical averages in the snow season ended March 31, 2018, an increase compared to below average snowfall levels during the prior snow season. Additionally, the increase in sales was due to increased volume at our Work Truck Solutions segment and higher pricing across both segments. This increase was partially offset by chassis supply availability issues in both segments. See below for a discussion of net sales for each of our segments.

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	For the year ended December 31,	
	2017	2018
Net sales		
Work Truck Attachments	$ 350,564	$ 379,636
Work Truck Solutions	137,770	154,064
Corporate & Eliminations	(13,407)	(9,633)
	$ 474,927	$ 524,067

Net sales at our Work Truck Attachment segment were $379.6 million for the year ended December 31, 2018 compared to $350.6 million in the year ended December 31, 2017, an increase of $29.0 million primarily due to higher levels of snowfall in the snow season ended March 31, 2018 compared to the snow season ended March 31, 2017. Snowfall during the snow season ended March 31, 2018 were near historical averages, an increase compared to the snow season ended March 31, 2017, which saw below average snowfall levels. Strong sales for our commercial products were slightly offset by sales decreases in our municipal products, due to ongoing chassis supply availability issues.

Net sales at our Work Truck Solutions segment were $154.1 million for the year ended December 31, 2018 compared to $137.8 million in the year ended December 31, 2017, an increase of $16.3 million due primarily to increased demand from generally favorable macro-economic conditions and the inclusion of incremental sales from additional facilities of $5.3 million in the year ended December 31, 2018 versus 2017.

Cost of Sales. Cost of sales was $369.2 million for the year ended December 31, 2018 compared to $331.8 million in 2017, an increase of $37.4 million, or 11.3%. Cost of sales as a percentage of net sales increased from 69.9% for the year ended December 31, 2017 to 70.4% for the year ended December 31, 2018. The increase in cost of sales in the year ended December 31, 2018 when compared to the year ended December 31, 2017 was primarily due to higher cost of sales as a percentage of sales for Work Truck Solutions products, growth in lower margin product lines, and inflation.

Gross Profit. Gross profit was $154.9 million for the year ended December 31, 2018 compared to $143.1 million in 2017, an increase of $11.8 million, or 8.2%, due to the increase in net sales described above under "—Net Sales." As a percentage of net sales, gross profit decreased from 30.1% for the year ended December 31, 2017 to 29.6% for the corresponding period in 2018, as a result of the factors discussed above under "—Cost of Sales."

Selling, General and Administrative Expense. Selling, general and administrative expenses, including intangible asset amortization, were $81.4 million for the year ended December 31, 2018 compared to $72.3 million for the year ended December 31, 2017, an increase of $9.1 million, or 12.6%. The increase compared to the year ended December 31, 2017 was primarily due to an increase in variable compensation of $3.5 million due to improved operating results, higher stock compensation expense of $1.1 million related to plan design changes, increased discretionary spending including $0.9 million related to advertising and promotions as a result of a return to average snowfall levels, as well as increased costs related to headcount and wages. In addition, there were decreases in earnout expense of $0.9 million in the year ended December 31, 2018 compared to $1.8 million in the year ended December 31, 2017 driven by the earnout valuation adjustments in the respective periods. As a percentage of net sales, selling, general and administrative expenses, including intangibles amortization, increased from 15.2% for the year ended December 31, 2017 to 15.5% for the corresponding period in 2018 due to the factors noted above.

Interest Expense. Interest expense was $16.9 million for the year ended December 31, 2018 compared to $18.3 million in the corresponding period in 2017. The decrease in interest expense for the year ended December 31, 2018 was due to $1.6 million of financing costs that were expensed in the year ended December 31, 2017 related to the amendments to its Term Loan Credit Agreement to decrease the interest rate margins that apply to the term loan facility, which were completed in February 2017 and August 2017. Additionally, the Company had a more favorable interest rate in 2018 due to the debt refinances, as well as a lower debt balance from repayments of $33.1 million in 2018. This decrease was partially offset by increased interest on higher revolver borrowings in 2018 compared to 2017.

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Litigation Proceeds. Litigation proceeds were $1.3 million year ended December 31, 2017 due to a settlement related to the successful conclusion of a patent infringement lawsuit against Meyer Products, LLC.

Income Tax Expense (Benefit). Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The largest item affecting the deferred taxes is the difference between book and tax amortization of goodwill and other intangible amortization. Our effective combined federal and state tax rate for 2018 was 21.3% compared to (4.6%) for 2017. The effective tax rate for the year ended December 31, 2017 is significantly lower than 2018 primarily due to the revaluation of the deferred tax assets and liabilities in 2017 resulting from the passage of the Tax Cuts and Jobs Act ("The Act"). As a result of the reduction in the U.S. corporate income tax rate from 35.0% to 21.0% under the Act, the Company recorded a reduction to its net deferred tax liability of $22.5 million, and a corresponding decrease to income tax expense in the Company's Consolidated Statement of Operations for the year ended December 31, 2017. Contributing to the tax rate for the year ended December 31, 2018 was the release of reserves for uncertain tax positions of $1.3 million. The Company also made a voluntary pension funding payment in the year ended December 31, 2018 of $7.0 million which was deducted in the Company's tax returns for the year ended December 31, 2017 reducing taxable income for that period. The increased pension funding deduction resulted in a tax benefit of $0.7 million, also decreasing the tax rate for the year ended December 31, 2018 as this deduction was not included in the provision recorded at December 31, 2017. Without these items, the Company's tax rate would have been approximately 25.0% in the year ended December 31, 2018.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of The Tax Reform Act. As of the date of this Annual Report, we have recorded all known enactment-date income tax effects of the Act. These adjustments have been recorded as a component of income tax expense and include the revaluation of deferred tax assets and liabilities. In the year ended December 31, 2018, the Company did not have any material tax accounting adjustments to the provisional estimate recorded in the financial statements for the year ended December 31, 2017, the first measurement period under SAB 118 and amounts are now complete.

Net Income. Net income for the year ended December 31, 2018 was $43.9 million compared to net income of $55.3 million for 2017, a decrease of $11.4 million. This decrease was driven by the factors described above.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net Sales. Net sales were $474.9 million for the year ended December 31, 2017 compared to $416.3 million in 2016, an increase of $58.6 million, or 14.1%. Net sales increased for the year ended December 31, 2017 due to a full year of sales for the Work Truck Solutions segment in 2017 of $137.8 million, compared to a partial year in 2016 of $65.0 million as a result of the Dejana acquisition. This increase was partially offset by a decrease in Work Truck Attachments net sales of $10.1 million for the year ended December 31, 2017, due primarily to below average levels of snowfall in the snow season ended March 31, 2017. Additionally, sales for the year ended December 31, 2017 were negatively impacted by chassis supply availability issues in both segments and by dealer softness in Work Truck Solutions.

Cost of Sales. Cost of sales was $331.8 million for the year ended December 31, 2017 compared to $282.3 million in 2016, an increase of $49.5 million, or 17.5%. Cost of sales as a percentage of net sales increased from 67.8% for the year ended December 31, 2016 to 69.9% for the year ended December 31, 2017. The increase in cost of sales in the year ended December 31, 2017 when compared to the year ended December 31, 2016 was driven by the inclusion of a full year of cost of sales attributable to the Work Truck Solutions segment in 2017 of $108.3 million compared to a partial year in 2016 of $51.0 million. The increase in cost of sales as a percentage of sales were primarily due to higher cost of sales as a percentage of sales for Work Truck Solutions products, in addition to a lower margin channel mix for the segment.   The increase was also a result of increasing marginal production costs due to decreased volume for the Work Truck Attachment segment.

Gross Profit. Gross profit was $143.1 million for the year ended December 31, 2017 compared to $134.0 million in 2016, an increase of $9.1 million, or 6.8%, due to the increase in net sales described above under

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"—Net Sales." As a percentage of net sales, gross profit decreased from 32.2% for the year ended December 31, 2016 to 30.1% for the corresponding period in 2017, as a result of the factors discussed above under "—Cost of Sales."

Selling, General and Administrative Expense. Selling, general and administrative expenses, including intangible asset amortization, were $72.3 million for the year ended December 31, 2017 compared to $64.2 million for the year ended December 31, 2016, an increase of $8.1 million, or 12.6%. The increase compared to the year ended December 31, 2016 was primarily due to the inclusion of full year of selling, general and administrative expenses attributable to the Work Truck Solutions segment in 2017 of $19.6 million, compared to a partial year in 2016 of $11.0 million. Intangible amortization expense increased $0.8 million due to the inclusion of a full year of the additional intangible assets recognized as a result of the Dejana acquisition in 2017. Slightly offsetting these increases were decreases in earnout expense of $1.8 million driven by Dejana not meeting performance goals in 2017. As a percentage of net sales, selling, general and administrative expenses, including intangibles amortization, decreased from 15.5% for the year ended December 31, 2016 to 15.2% for the year ended December 31, 2017, respectively due to the factors noted above.

Interest Expense. Interest expense was $18.3 million for the year ended December 31, 2017 compared to $15.2 million in the corresponding period in 2016. The increase in interest expense for the year ended December 31, 2017 was due to the incremental $130.0 million in borrowings under the Company's term loan used to finance the Dejana acquisition. Additionally, the Company incurred $1.6 million of financing costs that were expensed in the year ended December 31, 2017 related to the amendments to its Term Loan Credit Agreement to decrease the interest rate margins that apply to the term loan facility, which were completed in February 2017 and August 2017.

Litigation Proceeds. Litigation proceeds were $1.3 million year ended December 31, 2017 due to a settlement related to the successful conclusion of a patent infringement lawsuit against Meyer Products, LLC. Litigation proceeds were $10.1 million year ended December 31, 2016 due to a settlement related to the successful conclusion of a patent infringement lawsuit against Buyers Products Company. Under the settlement agreement, the Company received a non-recurring payment of $10.1 million.

Income Tax Expense (Benefit). Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The largest item affecting the deferred taxes is the difference between book and tax amortization of goodwill and other intangible amortization. Our effective combined federal and state tax rate for 2017 was (4.55%) compared to 38.8% for 2016. The effective tax rate for the year ended December 31, 2017 is significantly lower than 2016 primarily due to the revaluation of the deferred tax assets and liabilities in 2017 resulting from the passage of the Act as discussed further below. Excluding The Act, our effective tax rate would have been 37.9% for the full year 2017. The effective rate for the full year of 2017 was lower than 2016 due to excess stock compensation benefit recognized in 2017.

On December 22, 2017, the President of the United States signed into law The Act, amends the Internal Revenue Code to reduce tax rates and modify policies, credits and deductions for individuals and businesses. For businesses, The Act reduces the corporate federal tax rate from a maximum of 35.0 percent to a flat 21.0 percent rate and transitions from a worldwide tax system to a territorial tax system. The Act also adds many new provisions including changes to bonus depreciation, the deduction for executive compensation and interest expense, and a deduction for foreign-derived intangible income (FDII). Over the long term, the Company generally expects to benefit from the lower statutory rates provided by the Act and is currently assessing all other aspects relevant to the Company, most of which do not apply until 2018. The only material item that impacts the Company for 2017 is the reduction in the deferred tax rate.

As a result of the reduction in the U.S. corporate income tax rate from 35.0 percent to 21.0 percent under the Act, the Company has recorded a provisional reduction to its net deferred tax liability of $22.5 million, and a corresponding decrease to income tax expense in the Company's Consolidated Statement of Operations for the year ended December 31, 2017.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of

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The Act. The Company has recognized the provisional tax impacts related to the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017.

Net Income. Net income for the year ended December 31, 2017 was $55.3 million compared to net income of $39.0 million for 2016, an increase of $16.3 million. This increase was driven by the factors described above, the main driver being changes resulting from The Act.

Discussion of Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. These estimates and assumptions are often based on judgments that we believe to be reasonable under the circumstances at the time made, but all such estimates and assumptions are inherently uncertain and unpredictable. Actual results may differ from those estimates and assumptions, and it is possible that other professionals, applying their own judgment to the same facts and circumstances, could develop and support alternative estimates and assumptions that would result in material changes to our operating results and financial condition. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances.

The most significant accounting estimates inherent in the preparation of our financial statements include estimates used in the determination of liabilities related to pension obligations, revenue recognition, and impairment assessment of goodwill.

We believe the following are the critical accounting policies that affect our financial condition and results of operations.

Defined Benefit Pension Obligation

As discussed in Note 12 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10 K, the pension benefit obligation and related pension expense or income of our pension plans are calculated in accordance with Accounting Standards Codification (“ASC”) 715 30, Defined Benefit Plans Pension, and are impacted by certain actuarial assumptions, including the discount rate and the expected rate of return on plan assets. Rates are evaluated on an annual basis considering such factors as market interest rates and historical asset performance. Actuarial valuations for 2018 used a discount rate of 3.6% for both our hourly and salary pension plans and an expected long term rate of return on plan assets of 6.5% for the hourly plan and 5.8% for the salaried plan. Meanwhile, actuarial valuations for 2017 used a discount rate of 4.2% for both our hourly and salary pension plans and an expected long term rate of return on plan assets of 6.5%. Our discount rate reflects the expected future cash flow based upon our funding valuation assumptions and participant data at the beginning of the plan year. The expected future cash flow was discounted by the Principal Financial Group’s yield curve for the month preceding the 2018 year end.

In estimating the expected return on plan assets, we analyze historical and expected returns for multiple asset classes. The overall rate for each asset class was developed by combining a long term inflation component, the risk free real rate of return, and the associated risk premium. A weighted average rate was then developed based upon those overall rates and the target asset allocation of the plan. Changes in the discount rate and return on assets can have a significant effect on the funded status of our pension plans, shareholders’ equity and related expense. We cannot predict these changes in discount rates or investment returns and, therefore, cannot reasonably estimate whether the impact in subsequent years will be significant. The funded status of our pension plans is the difference between the projected benefit obligation and the fair value of its plan assets. The projected benefit obligation is the actuarial present value of all benefits expected to be earned by our employees' service adjusted for future wage increases. At December 31, 2018, our pension obligation status was $2.1 million underfunded.

Our funding policy for our pension plans is to contribute amounts at least equal to the minimum annual amount required by applicable regulations. We contributed approximately $7.0 million to our pension plans in 2018 and have no required minimum payments in 2019 as a result of the $7.0 million payment in 2018. See Note 12 to our

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audited consolidated financial statements included elsewhere in this Annual Report on Form 10 K for a more detailed description of our pension plans.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. We adopted ASC 606 using the modified retrospective method as of January 1, 2018. This approach was applied to all contracts not completed as of the date of initial application. Upon adoption, we recognized the cumulative effect of adopting this guidance as an adjustment to the opening balance of retained earnings of $0.4 million.

As discussed in Note 3 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10 K, the adoption of Topic 606 did not have a significant impact on the Work Truck Attachments segment. In the Work Truck Solutions segment, the standard changed the timing of revenue for truck upfits of customer-owned chassis from a point in time to over time. This change in timing of revenue recognition increased revenue by $0.3 million in the year ended December 31, 2018.

Work Truck Attachments Segment Revenue Recognition

We recognize revenue upon shipment of equipment to the customer. Additionally, we perform upfitting services within the Work Truck Attachments segment. For upfit sales, customers are billed separately for the truck chassis by the chassis manufacturer. We only records sales for the amount of the upfit, excluding the truck chassis. We act as a garage keeper and never take ownership or title to the truck chassis and do not pay interest associated with the truck chassis while on its premises within the Work Truck Attachments segment.

Within the Work Truck Attachments segment, we offer a variety of discounts and sales incentives to our distributors. The estimated liability for sales discounts and allowances is recorded at the time of sale as a reduction of net sales using the expected value method. The liability is estimated based on the costs of the program, the planned duration of the program and historical experience.

Work Truck Solutions Segment Revenue Recognition

The Work Truck Solutions segment primarily participates in the truck and vehicle upfitting industry in the United States. Customers are billed separately for the truck chassis by the chassis manufacturer. We only record sales for the amount of the upfit, excluding the truck chassis. We obtain the truck chassis from the truck chassis manufacturer through either our floor plan agreement with a financial institution or bailment pool agreement with the truck chassis manufacturer. Additionally, in some instances we upfit chassis which are owned by the end customer. For truck chassis acquired through the floor plan agreement, we hold title to the vehicle from the time the chassis is received by us until the completion of the upfit. Under the bailment pool agreement, we do not take title to the truck chassis, but rather only hold the truck chassis on consignment. We pay interest on both of these arrangements. We record revenue in the same manner net of the value of the truck chassis in both the floor plan and bailment pool agreements. We do not set the price for the truck chassis, are not responsible for the billing of the chassis and do not have inventory risk in either the bailment pool or floor plan agreements.

Revenues from the sales of the Work Truck Solutions products are recognized net of the truck chassis with the selling price to the customer recorded as sales and the manufacturing and upfit cost of the product recorded as cost of sales. In these cases, we act as an agent as we do not have inventory or pricing control over the truck chassis. Within the Work Truck Solutions segment, we also sell certain third-party products for which we act as an agent. These sales do not meet the criteria for gross sales recognition, and thus are recognized on a net basis at the time of sale. Under net sales recognition, the cost paid to the third-party service provider is recorded as a reduction to sales, resulting in net sales being equal to the gross profit on the transaction.

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See Note 3 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 10 K for a more detailed description revenue recognition policies.

Goodwill

We perform an annual impairment test for goodwill and more frequently if an event or circumstances indicate that an impairment loss has been incurred. Conditions that would trigger an impairment assessment include, but are not limited to, a significant adverse change in legal factors or business climate that could affect the value of an asset. The amount of goodwill impairment is determined by the amount the carrying value of the reporting unit exceeds its fair value. We have determined we have three reporting units, and all significant decisions are made on a company-wide basis by our chief operating decision maker. The fair value of the reporting unit is estimated by using an income and market approach. The estimated fair value is compared with our aggregate carrying value. If our fair value is greater than the carrying amount, there is no impairment. If our carrying amount is greater than the fair value, an impairment loss is recognized equal to the difference. Annual impairment tests conducted by us on December 31, 2018, 2017 and 2016 resulted in no adjustment to the carrying value of our goodwill.

Our goodwill balances could be impaired in future periods. A number of factors, many of which we have no ability to control, could affect our financial condition, operating results and business prospects and could cause actual results to differ from the estimates and assumptions we employed. These factors include:

- a prolonged global economic crisis;
- a decrease in the demand for our products;
- the inability to develop new and enhanced products and services in a timely manner;
- a significant adverse change in legal factors or in the business climate;
- delays by our supplier and OEM partners in the production and delivery of products and components;
- an adverse action or assessment by a regulator; and
- successful efforts by our competitors to gain market share in our markets.

At December 31, 2018, our Work Truck Solutions segment had goodwill of $80.1 million, an estimated fair market value of $218.5 million and an estimated carrying value of $190.6 million. Thus, the fair value exceeded the carrying value by approximately 15%. If we are unable to attain the financial projections used in the income approach used in calculating the fair value, or if there are significant market conditions impacting the market approach, including the factors noted above, our Work Truck Solutions segment goodwill could be at risk of impairment. We have initiated a comprehensive strategic plan which is focused on reducing expenses and improving margins over the next two years at Work Truck Solutions. If the cost savings and other initiatives in this plan do not materialize, or if we experience delays by our supplier and OEM partners in the production and delivery of chassis, which could negatively affect our financial results, the Work Truck Solutions segment goodwill may be impaired. There were no indicators of impairment subsequent to the December 31, 2018 impairment test.

Liquidity and Capital Resources

Our principal sources of cash have been and we expect will continue to be cash from operations and borrowings under our senior credit facilities.

Our primary uses of cash are to provide working capital, meet debt service requirements, finance capital expenditures, pay dividends under our dividend policy and support our growth, including through potential acquisitions, and for other general corporate purposes. For a description of the seasonality of our working capital rates see "—Seasonality and Year To Year Variability."

Our Board of Directors has adopted a dividend policy that reflects an intention to distribute to our stockholders a regular quarterly cash dividend. The declaration and payment of these dividends to holders of our

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common stock is at the discretion of our Board of Directors and depends upon many factors, including our financial condition and earnings, legal requirements, taxes and other factors our Board of Directors may deem to be relevant. The terms of our indebtedness may also restrict us from paying cash dividends on our common stock under certain circumstances. As a result of this dividend policy, we may not have significant cash available to meet any large unanticipated liquidity requirements. As a result, we may not retain a sufficient amount of cash to fund our operations or to finance unanticipated capital expenditures or growth opportunities, including acquisitions. Our Board of Directors may, however, amend, revoke or suspend our dividend policy at any time and for any reason.

As of December 31, 2018, we had liquidity comprised of approximately $27.8 million in cash and cash equivalents and borrowing availability of approximately $94.6 million under our revolving credit facility. Borrowing availability under our revolving credit facility is governed by a borrowing base, the calculation of which includes cash on hand. Accordingly, use of cash on hand may also result in a reduction in the amount available for borrowing under our revolving credit facility. Furthermore, our revolving credit facility requires us to maintain at least $15.0 million of borrowing availability. We expect that cash on hand, cash generated from operations, as well as available credit under our senior credit facilities will provide adequate funds for the purposes described above for at least the next 12 months.

Cash Flow Analysis

Set forth below is summary cash flow information for each of the years ended December 31, 2016, 2017 and 2018.

	Year ended December 31,		
Cash Flows (in thousands)	2016	2017	2018
Net cash provided by operating activities	$ 69,920	$ 66,354	$ 58,181
Net cash used in investing activities	(191,174)	(14,948)	(9,690)
Net cash provided by (used in) financing activities	103,019	(33,140)	(57,546)
Increase (Decrease) in cash	$ (18,235)	$ 18,266	$ (9,055)

Sources and Uses of Cash

During the three year periods described above, net cash provided by operating activities was used for funding capital investment, paying dividends, paying interest on our senior credit facilities, and funding working capital requirements during our pre season shipping period. Additionally, cash from operations was used to fund a portion of the acquisition of Dejana.

The following table shows our cash and cash equivalents and inventories at December 31, 2016, 2017 and 2018.

	December 31,		
	2016	2017	2018
	(in thousands)		
Cash and cash equivalents	$ 18,609	$ 36,875	$ 27,820
Inventories	70,871	71,524	81,996

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Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

We had cash and cash equivalents of $27.8 million at December 31, 2018 compared to cash and cash equivalents of $36.9 million at December 31, 2017. The table below sets forth a summary of the significant sources and uses of cash for the periods presented.

	Year ended December 31,			
Cash Flows (in thousands)	2017	2018	Change	
Net cash provided by operating activities	$ 66,354	$ 58,181	$ (8,173)	(12.3%)
Net cash used in investing activities	(14,948)	(9,690)	5,258	35.2%
Net cash used in financing activities	(33,140)	(57,546)	(24,406)	(73.6%)
Increase (Decrease) in cash	$ 18,266	$ (9,055)	$ (27,321)	149.6%

Net cash provided by operating activities decreased $8.2 million from the year ended December 31, 2017 to the year ended December 31, 2018. The decrease in cash provided by operating activities was due to $23.2 million in unfavorable working capital changes offset by a $15.0 million increase in net income adjusted for reconciling items. The largest drivers negatively impacting cash flows was a $7.0 million contribution to our pension plans during the year ended December 31, 2018, a decrease in lawsuit proceeds of $1.3 million received in 2017, as well as the build-up of inventory in anticipation of tariffs and rising prices.

Net cash used in investing activities decreased $5.3 million for the year ended December 31, 2018, compared to the corresponding period in 2017. This decrease was due to the $7.4 million cash outflow in 2017 for the Arrowhead acquisition. Slightly offsetting this decrease in cash used in investing activities was an increase in capital expenditures in 2018 as compared to 2017 by $2.1 million.

Net cash used in financing activities increased $24.4 million for the year ended December 31, 2018 as compared to 2017. The increase in cash used in financing activities was primarily the result of $33.1 million of payments on our debt that occurred in the year ended December 31, 2018. This was partially offset by an earnout payment to the former owners of Dejana of $5.5 million in the year ended December 31, 2017 with no corresponding payment in 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

We had cash and cash equivalents of $36.9 million at December 31, 2017 compared to cash and cash equivalents of $18.6 million at December 31, 2016. The table below sets forth a summary of the significant sources and uses of cash for the periods presented.

	Year ended December 31,			
Cash Flows (in thousands)	2016	2017	Change	
Net cash provided by operating activities	$ 69,920	$ 66,354	$ (3,566)	(5.1%)
Net cash used in investing activities	(191,174)	(14,948)	176,226	92.2%
Net cash provided by (used in) financing activities	103,019	(33,140)	(136,159)	132.2%
Increase (Decrease) in cash	$ (18,235)	$ 18,266	$ 36,501	200.2%

Net cash provided by operating activities decreased $3.6 million from the year ended December 31, 2016 to the year ended December 31, 2017. The decrease in cash provided by operating activities was due to $2.4 million in unfavorable working capital changes and a $1.1 million decrease in net income adjusted for reconciling items. The largest driver negatively impacting cash flows was the decrease in lawsuit proceeds of $8.8 million, offset by a decrease in taxes paid of $9.8 million.

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Net cash used in investing activities decreased $176.2 million for the year ended December 31, 2017, compared to the corresponding period in 2016. This decrease was due to the $181.3 million in cash outflow in 2016 for the Dejana acquisition, compared to $7.4 million in cash outflow in 2017 for the Arrowhead acquisition. Slightly offsetting this increase in cash used in investing activities was a decrease in capital expenditures in 2017 as compared to 2016 by $2.3 million.

Net cash provided by (used in) financing activities decreased $136.2 million for the year ended December 31, 2017 as compared to 2016. The decrease in cash provided by financing activities was largely due to a $128.7 million net increase in 2016 resulting from borrowing and payments of long term debt. The net increase in 2016 was a result of the Company amending and restating its senior credit facility to fund the Dejana acquisition, which included borrowings of long term debt of $129.4 million. This increase was partially offset by current year principal payments on our debt of $2.6 million. In conjunction with amending the Company’s senior credit facility, $2.3 million in financing costs were paid in 2016. We also paid dividends of $21.5 million in the year ended December 31, 2016, compared to dividends paid of $22.0 million in the year ended December 31, 2017. In addition, we made a payment to the former owners of Dejana of $5.5 million in the year ended December 31, 2017 with no corresponding payment in the prior year.

Non GAAP Financial Measures

This Annual Report on Form 10 K contains financial information calculated other than in accordance with U.S. generally accepted accounting principles (“GAAP”).

These non GAAP measures include:

· Free cash flow; and
· Adjusted EBITDA; and
· Adjusted net income and earnings per share.

These non GAAP disclosures should not be construed as an alternative to the reported results determined in accordance with GAAP.

Net cash provided by operating activities was $58.2 million in the year ended December 31, 2018 as compared to $66.4 million in the year ended December 31, 2017. Free cash flow (as defined below) for the year ended December 31, 2018 was $48.5 million compared to $58.8 million in 2017, a decrease in free cash flow of $10.3 million, or 17.5%. The decrease in free cash flow is primarily a result of a decrease in cash provided by operating activities of $8.2 million and an increase in capital expenditures of $2.1 million, as discussed above under “Liquidity and Capital Resources.” Free cash flow for the year ended December 31, 2017 was $58.8 million compared to $60.1 million in 2016, a decrease in free cash flow of $1.3 million, or 2.2%. The decrease in free cash flow is primarily a result of a decrease in cash provided by operating activities of $3.6 million slightly offset by a decrease in capital expenditures of $2.3 million.

Free cash flow is a non GAAP financial measure, which we define as net cash provided by operating activities less capital expenditures. Free cash flow should be evaluated in addition to, and not considered a substitute for, other financial measures such as net income and cash flow provided by operations. We believe that free cash flow provides investors with a useful tool to evaluate our ability to generate additional cash flow from our business operations.

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The following table reconciles net cash provided by operating activities, a GAAP measure, to free cash flow, a non GAAP measure.

	For the year ended December 31,		
	2016	2017	2018
	(in thousands)		
Net cash provided by operating activities	$ 69,920	$ 66,354	$ 58,181
Acquisition of property and equipment	(9,830)	(7,563)	(9,690)
Free cash flow	$ 60,090	$ 58,791	$ 48,491

Adjusted EBITDA represents net income before interest, taxes, depreciation and amortization, as further adjusted for certain charges consisting of unrelated legal and consulting fees, stock based compensation, severance, loss on extinguishment of debt, loss on disposal of fixed assets related to facility relocations, litigation proceeds and certain purchase accounting expenses. We use, and we believe our investors benefit from the presentation of Adjusted EBITDA in evaluating our operating performance because it provides us and our investors with additional tools to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations. In addition, we believe that Adjusted EBITDA is useful to investors and other external users of our consolidated financial statements in evaluating our operating performance as compared to that of other companies, because it allows them to measure a company's operating performance without regard to items such as interest expense, taxes, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets and liabilities, capital structure and the method by which assets were acquired. Our management also uses Adjusted EBITDA for planning purposes, including the preparation of our annual operating budget and financial projections. Management also uses Adjusted EBITDA to evaluate our ability to make certain payments, including dividends, in compliance with our senior credit facilities, which is determined based on a calculation of "Consolidated Adjusted EBITDA" that is substantially similar to Adjusted EBITDA.

Adjusted EBITDA has limitations as an analytical tool. As a result, you should not consider it in isolation, or as a substitute for net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our indebtedness;
- Although depreciation and amortization are non cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Other companies, including other companies in our industry, may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure; and
- Adjusted EBITDA does not reflect tax obligations whether current or deferred.

Adjusted EBITDA for the year ended December 31, 2018 was $96.4 million compared to $90.9 million in 2017, an increase of $5.5 million, or 6.1%. Adjusted EBITDA for the year ended December 31, 2017 was $90.9 million compared to $91.4 million in 2016, a decrease of $0.5 million, or 0.5%. In addition to the specific changes resulting from the adjustments, the changes to Adjusted EBITDA for the periods discussed resulted from factors discussed above under “—Results of Operations.”

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The following table presents a reconciliation of net income, the most comparable GAAP financial measure, to Adjusted EBITDA, for each of the periods indicated.

	For the year ended December 31,				
	2014	2015	2016	2017	2018
	(in thousands)				
Net income	$ 39,961	$ 44,176	$ 39,009	$ 55,324	$ 43,905
Interest expense—net	8,129	10,895	15,195	18,336	16,943
Income tax expense (benefit)	22,036	22,087	24,687	(2,409)	11,854
Depreciation expense	3,422	4,919	6,146	7,183	7,613
Amortization	5,803	7,362	10,596	11,401	11,472
EBITDA	79,351	89,439	95,633	89,835	91,787
Stock based compensation	2,868	3,275	2,898	3,500	4,550
Litigation proceeds	-	-	(10,050)	(1,275)	-
Loss on extinguishment of debt	1,870	-	-	-	-
Purchase accounting (1)	945	2,613	(1,003)	(1,786)	(900)
Other charges (2)	2,898	1,212	3,969	653	1,006
Adjusted EBITDA	$ 87,932	$ 96,539	$ 91,447	$ 90,927	$ 96,443

(1) Reflects $945 in earn out compensation related to TrynEx in the year ended 2014. Reflects $335 in earn out compensation expense related to TrynEx in the year ended December 31, 2015. Reflects $322 and $1,956 in earn out compensation expense related to Henderson and inventory step up related to Henderson included in cost of sales in the year ended December 31, 2015. Reflects ($1,301) and $173 in earn out compensation expense (benefit) related to TrynEx and Dejana, respectively in the year ended December 31, 2016. Reflects $125 in inventory step up related to Dejana included in cost of sales in the year ended December 31, 2016. Reflects $1,786 in reversal of earn-out compensation related to Dejana in the year ended December 31, 2017. Reflects $900 in reversal of earn-out compensation related to Dejana in the year ended December 31, 2018.

(2) Reflects expenses and accrual reversals for one time, unrelated legal, severance and consulting fees and loss on disposal of fixed assets related to facility relocation for the periods presented.

The following table presents Adjusted EBITDA by segment for the years ended December 31, 2018 and 2017.

	For the year ended December 31,	
	2017	2018
Adjusted EBITDA		
Work Truck Attachments	$ 90,287	$ 95,766
Work Truck Solutions	14,155	12,710
Corporate & Eliminations	(13,515)	(12,033)
	$ 90,927	$ 96,443

Adjusted EBITDA at our Work Truck Attachment segment were $95.8 million for the year ended December 31, 2018 compared to $90.3 million in the year ended December 31, 2017, an increase of $5.5 million primarily due to higher levels of snowfall in the snow season ended March 31, 2018 compared to the snow season ended March 31, 2017. Strong demand for our commercial products were slightly offset by ongoing chassis supply availability issues impacting our municipal products.

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Adjusted EBITDA at our Work Truck Solutions segment were $12.7 million for the year ended December 31, 2018 compared to $14.2 million in the year ended December 31, 2017, a decrease of $1.5 million due several factors including material inflation and higher variable compensation and benefits, slightly offset by planned favorable pricing reductions on purchases from Work Truck Attachments in the year ended December 31, 2018.

Adjusted Net Income and Adjusted Earnings Per Share (calculated on a diluted basis) represents net income and earnings per share (as defined by GAAP), excluding the impact of stock based compensation, severance, litigation proceeds, non-cash purchase accounting adjustments, tax reform and certain charges related to certain unrelated legal fees and consulting fees, net of their income tax impact. Management believes that Adjusted Net Income and Adjusted Earnings Per Share are useful in assessing our financial performance by eliminating expenses and income that are not reflective of the underlying business performance. We believe that the presentation of adjusted net income for the periods presented allows investors to make meaningful comparisons of our operating performance between periods and to view our business from the same perspective as our management. Because the excluded items are not predictable or consistent, management does not consider them when evaluating our performance or when making decisions regarding allocation of resources.

	For the year ended December 31,			
	2015	2016	2017	2018
	(in thousands, except per share amounts)			
Net income (GAAP)	$ 44,176	$ 39,009	$ 55,324	$ 43,905
Adjustments:				
- Purchase accounting (1)	2,613	(1,003)	(1,786)	(900)
- Stock based compensation	3,275	2,898	3,500	4,550
- Litigation proceeds	-	(10,050)	(1,275)	-
- Other charges (2)	1,212	3,969	653	1,006
- Tax reform (3)	-	-	(22,452)	-
Tax effect on adjustments	(2,697)	1,592	(415)	(1,164)
Adjusted net income (non-GAAP)	$ 48,579	$ 36,415	$ 33,549	$ 47,397
Weighted average common shares outstanding assuming dilution	22,341,775	22,480,679	22,587,648	22,704,856
Adjusted earnings per common share - dilutive (non-GAAP)	$ 2.13	$ 1.58	$ 1.45	$ 2.04
GAAP diluted earnings per share	$ 1.94	$ 1.70	$ 2.40	$ 1.89
Adjustments net of income taxes:				
- Purchase accounting	0.07	(0.03)	(0.05)	(0.03)
- Stock based compensation	0.09	0.07	0.09	0.15
- Litigation proceeds	-	(0.27)	(0.04)	-
- Other charges	0.03	0.11	0.02	0.03
- Tax reform	-	-	(0.97)	-
Adjusted earnings per common share - dilutive (non-GAAP)	$ 2.13	$ 1.58	$ 1.45	$ 2.04

(1) Reflects $335 in earn out compensation expense related to TrynEx in the year ended December 31, 2015. Reflects $322 and $1,956 in earn out compensation expense related to Henderson and inventory step up related to Henderson included in cost of sales in the year ended December 31, 2015. Reflects ($1,301) and $173 in earn out compensation expense (benefit) related to TrynEx and Dejana, respectively in the year ended December 31, 2016. Reflects $125 in inventory step up related to Dejana included in cost of sales in the year ended December 31, 2016. Reflects $1,786 in reversal of earn-out compensation related to Dejana in the year ended December 31, 2017. Reflects $900 in reversal of earn-out compensation related to Dejana in the year ended December 31, 2018.

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(2) Reflects expenses and accrual reversals for one time, unrelated legal and consulting fees and loss on disposal of fixed assets related to facility relocation for the periods presented.
(3) Reflects one-time benefit associated with U.S. tax reform.

Future Obligations and Commitments

Contractual Obligations

We are subject to certain contractual obligations, including long term debt and related interest. We have net unrecognized tax benefits of $1.5 million as of December 31, 2018. However, we cannot make a reasonably reliable estimate of the period of potential cash settlement of the underlying liabilities; therefore, we have not included unrecognized tax benefits in calculating the obligations set forth in the following table of significant contractual obligations as of December 31, 2018.

(Dollars in thousands)	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term debt (1)	$ 278,081	$ 32,749	$ 245,332	$ -	$ -
Operating leases - related parties (2)	15,540	2,250	4,500	4,380	4,410
Operating leases - third parties (3)	8,050	2,009	3,018	1,523	1,500
Interest on long-term debt (4)	34,495	11,629	22,866	-	-
Total contracted cash obligations (5)	$ 336,166	$ 48,637	$ 275,716	$ 5,903	$ 5,910

(1) Long term debt obligation is presented net of discount of $1.2 million at December 31, 2018.
(2) Relates to nine operating leases at Dejana upfitting and manufacturing facilities with related party affiliates.
(3) Relates to real estate and equipment operating leases with third parties, including five operating leases for Henderson installation and distribution locations and two operating leases for Dejana locations.
(4) Assumes all debt will remain outstanding until maturity. Interest payments were calculated using interest rates in effect as of December 31, 2018.
(5) Pension obligations are excluded from this table as we are unable to estimate the timing of payments related to these obligations. The minimum required contribution to our pension plans was $0.1 million in 2018, and we are not required to make any minimum payments in 2019 as a result of $7.0 million in voluntary pension payments made in 2018.

Senior Credit Facilities

On July 15, 2016, we amended our senior credit facilities to, among other things, (i) provide for an incremental senior secured term loan facility in the aggregate principal amount of $130.0 million to finance the acquisition of Dejana; (ii) permit us to enter into floor plan financing arrangements in an aggregate amount not to exceed $20.0 million; (iii) revise the calculation of excess cash flow in determining the amount of mandatory prepayments under the agreement for the term loan facility (the "Term Loan Credit Agreement") to reduce the amount of excess cash flow by the cash portion of the purchase price of a permitted acquisition paid during any fiscal year, net of any proceeds of any related financings with respect to such purchase price and any sales of capital assets used to finance such purchase price; and (iv) extend the final maturity date of the revolving credit facility from December 31, 2019 to June 30, 2021.

On February 8, 2017, we amended our Term Loan Credit Agreement to, among other things, (i) convert the existing senior secured term loan facilities into a consolidated senior secured term loan facility in the aggregate

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principal amount of $315.5 million; and (ii) decrease the interest rate margins that apply to the term loan facility from 3.25% to 2.50% for ABR Loans (as defined in the Term Loan Credit Agreement) and from 4.25% to 3.50% for Eurodollar Rate Loans (as defined in the Term Loan Credit Agreement).

On August 17, 2017, we amended our Term Loan Credit Agreement to, among other things, (i) replace the existing senior secured term loan facility with a new senior secured term loan facility in the aggregate principal amount of $314.0 million; and (ii) decrease the interest rate margins that apply to the term loan facility from 2.50% to 2.00% for ABR Loans (as defined in the Term Loan Credit Agreement) and from 3.50% to 3.00% for Eurodollar Rate Loans (as defined in the Term Loan Credit Agreement).

Prior to the 2017 amendments, our senior credit facilities consisted of a $190.0 million term loan facility and a $100.0 million revolving credit facility with a group of banks, of which $10.0 million was available in the form of letters of credit and $5.0 million was available for the issuance of short-term swing line loans. After the amendments, our senior credit facility consists of a $314.0 million term loan facility and the original $100.0 million revolving credit facility, of which $10.0 million is available in the form of letters of credit and $5.0 million is available for the issuance of short-term swingline loans.

The Term Loan Credit Agreement provides for a senior secured term loan facility in the aggregate principal amount of $314.0 million and generally bears interest (at our election) at either (i) 2.00% per annum plus the greatest of (a) the Prime Rate (as defined in the Term Loan Credit Agreement) in effect on such day, (b) the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers plus 0.50% and (c) 1.00% plus the greater of (1) the LIBOR for a one month interest period multiplied by the Statutory Reserve Rate (as defined in the Term Loan Credit Agreement) and (2) 1.00% or (ii) 3.00% per annum plus the greater of (a) the LIBOR for the applicable interest period multiplied by the Statutory Reserve Rate and (b) 1.00%. The Term Loan Credit Agreement also allows us to request the establishment of one or more additional term loan commitments in an aggregate amount not in excess of $80.0 million subject to specified terms and conditions, which amount may be further increased so long as the First Lien Debt Ratio (as defined in the Term Loan Credit Agreement) is not greater than 3.25 to 1.00.

The agreement for the revolving credit facility (the “Revolving Credit Agreement”) provides that we have the option to select whether borrowings will bear interest at either (i) a margin ranging from 1.50% to 2.00% per annum, depending on the utilization of the facility, plus the LIBOR for the applicable interest period multiplied by the Statutory Reserve Rate (as defined in the Revolving Credit Agreement) or (ii) a margin ranging from 0.50% to 1.00% per annum, depending on the utilization of the facility, plus the greatest of (a) the Prime Rate (as defined in the Revolving Credit Agreement) in effect on such day, (b) the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers plus 0.50% and (c) the LIBOR for a one month interest period multiplied by the Statutory Reserve Rate plus 1%. The maturity date for the Revolving Credit Agreement is June 30, 2021, and our term loan amortizes in nominal amounts quarterly with the balance payable on December 31, 2021.

The term loan was originally issued at a $1.9 million discount and the incremental term loan was issued at a $0.7 million discount both of which are being amortized over the term of the term loan. We incurred $2.3 million in financing costs in conjunction with the amendment, of which $2.1 million relates to the term loan and $0.2 million related to the revolving line of credit, which are included as deferred financing costs as a reduction to Long – Term Debt on the Consolidated Balance Sheet.

The amendments to the term loan facility in 2017 did not result in a significant debt modification under ASC 470-50. Additionally, the Company expensed as incurred approximately $1.6 million in costs with third parties directly related to the amendment in the year ended December 31, 2017.

At December 31, 2018, we had outstanding borrowings under the term loan of $278.1 million, no outstanding borrowings on the revolving credit facility and remaining borrowing availability of $94.6 million.

Our senior credit facilities include certain negative and operating covenants, including restrictions on our ability to pay dividends, and other customary covenants, representations and warranties and events of default. The senior credit facilities entered into and recorded by our subsidiaries significantly restrict our subsidiaries from paying dividends and otherwise transferring assets to the Company. The terms of our revolving credit facility specifically restrict subsidiaries from paying dividends if a minimum availability under the revolving credit facility is not maintained, and both senior credit facilities restrict subsidiaries from paying dividends above certain levels or at all if an event of default has occurred. These restrictions would affect us indirectly since we rely principally on distributions from subsidiaries to have funds available for the payment of dividends. In addition, our revolving credit facility includes a requirement that, subject to certain exceptions, capital expenditures may not exceed $12.5 million in any calendar year (plus the unused portion of permitted capital expenditures from the preceding year subject to a $12.5 million cap and a separate one-time $15.0 million capital expenditures to be used for the consolidation of facilities and costs associated with the acquiring and/or development and construction of one new manufacturing facility) and, if certain minimum availability under the revolving credit facility is not maintained, that we comply with a monthly minimum fixed charge coverage ratio test of 1.0:1.0. Compliance with the fixed charge coverage ratio test is subject to certain cure rights under our revolving credit facility. At December 31, 2018, we were in compliance with the respective covenants. The credit facilities are collateralized by substantially all assets of the Company.

In accordance with the senior credit facilities, we are required to make additional principal prepayments over the above scheduled payments under certain conditions. This includes, in the case of the term loan facility, 100% of the net cash proceeds of certain asset sales, certain insurance or condemnation events, certain debt issuances, and, within 150 days of the end of the fiscal year, 50% of excess cash flow, as defined, including a deduction for certain distributions (which percentage is reduced to 0% upon the achievement of certain leverage ratio thresholds), for any fiscal year. Excess cash flow is defined in the senior credit facilities as consolidated adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) plus a working capital adjustment less the sum of repayments of debt and capital expenditures subject to certain adjustments, interest and taxes paid in cash, management fees and certain restricted payments (including dividends or distributions). Working capital adjustment is defined in the senior credit facilities as the change in working capital, defined as current assets excluding cash and cash equivalents less current liabilities excluding current portion of long term debt. As of December 31, 2018, we were not required to make an excess cash flow payment. We made a voluntary payment of $30.0 million on our debt on February 13, 2019. As of December 31, 2017, we were required to make an excess cash flow payment of $11.3 million, which we paid on January 31, 2018 along with a voluntary payment of $18.7 million.

We entered into interest rate swap agreements on February 20, 2015 to reduce our exposure to interest rate volatility. The three interest rate swap agreements have notional amounts of $45.0 million, $90.0 million and $135.0 million effective for the periods December 31, 2015 through March 29, 2018, March 29, 2018 through March 31, 2020 and March 31, 2020 through June 30, 2021, respectively. On February 5, 2018, the Company entered into additional interest rate swap agreements to reduce its exposure to interest rate volatility. The two interest rate swap agreements have notional amounts of $50.0 million and $150.0 million effective for the periods December 31, 2018 through June 30, 2021 and June 30, 2021 through December 10, 2021, respectively. The interest rates swaps are accounted for as cash flow hedges. The interest rate swaps' negative fair value at December 31, 2018 was $2.0 million, of which $0.1 million and $1.9 million are included in Accrued expenses and other current liabilities and Other long-term liabilities on the Consolidated Balance Sheet, respectively. The interest rate swaps' negative fair value at December 31, 2017 was $2.2 million, of which $0.6 million and $1.6 million are included in Accrued expenses and other current liabilities and Other long-term liabilities on the Consolidated Balance Sheet, respectively. We have counterparty credit risk resulting from the interest rate swap, which we monitor on an on-going basis. This risk lies with one global financial institution. Under the interest rate swap agreement, effective as of December 31, 2015, we either received or made payments on a monthly basis based on the differential between 1.860% and LIBOR (with a LIBOR floor of 1.0%). Under the interest rate swap agreement, effective as of March 29, 2018, we will either receive or make payments on a monthly basis based on the differential between 2.670% and LIBOR (with a LIBOR floor of 1.0%). Under the interest rate swap agreement, effective as of March 31, 2020, we will either receive or make payments on a monthly basis based on the differential between 2.918% and LIBOR (with a LIBOR floor of 1.0%). Under the interest rate swap agreement effective as of December 31, 2018, we will either receive or make payments on a monthly basis based on the differential between 2.613% and LIBOR. Under the interest rate swap agreement effective as of June 30, 2021, we will either receive or make payments on a monthly basis based on the differential between 2.793% and LIBOR.

We receive on consignment truck chassis on which we perform upfitting service installations under "bailment pool" arrangements with major truck manufacturers. We never receive title to the truck chassis. The aggregate value of all bailment pool chassis on hand as of December 31, 2018 was $15.2 million. The aggregate value of all bailment

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pool chassis on hand as of December 31, 2017 was $17.4 million. We are responsible to the manufacturer for interest on chassis held for upfitting. Interest rates vary depending on the number of days in the bailment pool. As of December 31, 2018, rates were based on prime (5.50% at December 31, 2018) plus a margin ranging from 0% to 8%. During 2018, we incurred $0.1 million in interest on the bailment pool arrangement. During 2017, we incurred $0.2 million in interest on the bailment pool arrangement.

We have a floor plan line of credit for up to $20.0 million with a financial institution. The current terms of the line of credit are contained in a credit agreement dated July 15, 2016 and expires on July 31, 2017, which we renewed through December 31, 2018. Under the floor plan agreement, we receive truck chassis and title on upfitting service installations. Upon upfit completion, the title transfers from us to the dealer customer. The note bears interest at an adjusted LIBOR rate, plus an applicable rate of 1.75%. The obligation under the floor plan agreement as of December 31, 2018 and December 31, 2017 is $4.2 million and $7.7 million, respectively. During 2018, we incurred $0.2 million in interest on the floor plan arrangements. During 2017, we incurred $0.2 million in interest on the floor plan arrangements.

Deductibility of Intangible and Goodwill Expense

We possess a favorable tax structure where annual tax deductible intangible and goodwill amortization expense may be utilized in the event we have sufficient taxable income to utilize such benefit. As we have recently acquired businesses possessing significant intangible assets and goodwill, we have created a favorable tax structure where income tax expense is greater than book amortization expense. We expect the deductibility of intangible assets and goodwill amortization expense to exceed book by approximately $8.4 million in the year ended December 31, 2019 if we have the taxable income to utilize such benefit.

Impact of Inflation

We do not believe that inflation risk is material to our business or our financial condition, results of operations or cash flows at this time. Historically, we have experienced normal raw material, labor and fringe benefit inflation. To date we have been able to fully offset this inflation by providing higher value products, which command higher prices. In previous years, including in 2018 as a result of inflationary pressures due to tariffs, we have experienced significant increases in steel costs, but have been able to mitigate the effects of these increases through both temporary and permanent steel surcharges. See “Risk Factors—”. The price of steel, a commodity necessary to manufacture our products, is highly variable. If the price of steel increases, our gross margins could decline.

Off Balance Sheet Arrangements

We are not party to any off balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Seasonality and Year To Year Variability

While our Work Truck Solutions segment has limited seasonality and variability, our Work Truck Attachments segment is seasonal and also varies from year to year. Consequently, our Work Truck Attachments segment results of operations and financial condition vary from quarter to quarter and from year to year as well. In addition, because of this seasonality and variability, our Work Truck Attachments segment results of operations for any quarter may not be indicative of results of operations that may be achieved for a subsequent quarter or the full year, and may not be similar to results of operations experienced in prior years.

Sales of our Work Truck Attachments segment products are significantly impacted by the level, timing and location of snowfall, with sales in any given year and region most heavily influenced by snowfall levels in the prior snow season (which we consider to begin in October and end in March) in that region. This is due to the fact that end user demand for our Work Truck Attachments products is driven primarily by the condition of their snow and ice control equipment, and in the case of professional snowplowers, by their financial ability to purchase new or replacement snow and ice control equipment, both of which are significantly affected by snowfall levels. Heavy

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snowfall during a given winter causes usage of our Work Truck Attachments products to increase, resulting in greater wear and tear to our products and a shortening of their life cycles, thereby creating a need for replacement snow and ice control equipment and related parts and accessories. In addition, when there is a heavy snowfall in a given winter, the increased income our professional snowplowers generate from their professional snowplow activities provides them with increased purchasing power to purchase replacement snow and ice control equipment prior to the following winter. To a lesser extent, sales of our Work Truck Attachments products are influenced by the timing of snowfall in a given winter. Because an early snowfall can be viewed as a sign of a heavy upcoming snow season, our Work Truck Attachments segment's end users may respond to an early snowfall by purchasing replacement snow and ice control equipment during the current season rather than delaying purchases until after the season is over when most purchases are typically made by end users.

We attempt to manage the seasonal impact of snowfall on our Work Truck Attachments segment revenues in part through our pre season sales program, which involves actively soliciting and encouraging pre season distributor orders in the second and third quarters by offering our distributors a combination of pricing, payment and freight incentives during this period. These pre season sales incentives encourage our distributors to re stock their inventory during the second and third quarters in anticipation of the peak fourth quarter retail sales period by offering favorable pre season pricing and payment deferral until the fourth quarter. As a result, we tend to generate our greatest volume of sales (an average of over two thirds over the last ten years) during the second and third quarters, providing us with manufacturing visibility for the remainder of the year. By contrast, our revenue and operating results tend to be lowest during the first quarter as management believes our end users prefer to wait until the beginning of a snow season to purchase new equipment and as our distributors sell off inventory and wait for our pre season sales incentive period to re stock inventory. Fourth quarter sales vary from year to year as they are primarily driven by the level, timing and location of snowfall during the quarter. This is because most of our fourth quarter sales and shipments consist of re orders by distributors seeking to restock inventory to meet immediate customer needs caused by snowfall during the winter months.

Our Work Truck Attachments segment revenue and operating results tend to be lowest during the first quarter, during which period we typically experience negative earnings as the snow season draws to a close. Our Work Truck Attachments segment first quarter revenue has varied from approximately $36.4 million to approximately $53.9 million between 2014 and 2018. During the last five year period, net income (loss) during the first quarter has varied from a net income of approximately $5.3 million to a net loss of approximately $0.2 million, with an average net income of $1.7 million.

While our Work Truck Attachments monthly working capital has averaged approximately $101.0 million from 2016 to 2018, because of the seasonality of our sales, we experience seasonality in our working capital needs as well. In the first quarter we require capital as we are generally required to build our inventory in anticipation of our second and third quarter sales seasons. During the second and third quarters, our working capital requirements rise as our accounts receivables increase as a result of the sale and shipment of products ordered through our pre season sales program and we continue to build inventory. Working capital requirements peak towards the end of the third quarter (reaching an average peak of approximately $133.0 million over the prior three years) and then begin to decline through the fourth quarter through a reduction in accounts receivables (as it is in the fourth quarter that we receive a majority of the payments for previously shipped products).

We also attempt to manage the impact of seasonality and year to year variability on our business costs through the effective management of our assets. See "Business—Our Business Strategy—Aggressive Asset Management and Profit Focus." Our asset management and profit focus strategies include:

- the employment of a highly variable cost structure facilitated by a core group of workers that we supplement with a temporary workforce as sales volumes dictate, which allows us to adjust costs on an as needed basis in response to changing demand;

· our enterprise wide lean concept, which allows us to adjust production levels up or down to meet demand;

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· the pre season order program described above, which incentivizes distributors to place orders prior to the retail selling season; and
· a vertically integrated business model.

These asset management and profit focus strategies, among other management tools, allow us to adjust fixed overhead and sales, general and administrative expenditures to account for the year to year variability of our sales volumes. Management currently estimates that consolidated annual fixed overhead expenses generally range from approximately $50.0 million in low sales volume years to approximately $65.0 million in high sales volume years. Further, management currently estimates that consolidated annual sales, general and administrative expenses other than amortization generally approximate $70.0 million, but can be reduced to approximately $60.0 million to maximize cash flow in low sales volume years, and can increase to approximately $80.0 million to maintain customer service and responsiveness in high sales volume years.

Additionally, although modest, our annual capital expenditure requirements, which are normally budgeted at $12.0 million, can be temporarily reduced by up to approximately 40% in response to actual or anticipated decreases in sales volumes. If we are unsuccessful in our asset management initiatives, the seasonality and year to year variability effects on our business may be compounded and in turn our results of operations and financial condition may suffer.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures About Market Risk

We do not use financial instruments for speculative trading purposes, and do not hold any derivative financial instruments that could expose us to significant market risk. Our primary market risk exposures are changes in interest rates and steel price fluctuations.

Interest Rate Risk

We are exposed to market risk primarily from changes in interest rates. Our borrowings, including our term loan and any revolving borrowings under our senior credit facilities, are at variable rates of interest and expose us to interest rate risk. In addition, the interest rate on any revolving borrowings is subject to an increase in the interest rate based on our average daily availability under our revolving credit facility.

As of December 31, 2018, we had outstanding borrowings under our term loan of $278.1 million. A hypothetical interest rate change of 1%, 1.5% and 2% on our term loan would have changed interest incurred for the year ended December 31, 2018 by $1.1 million, $2.1 million and $3.1 million, respectively. We entered into three interest rate swap agreements in 2015 with notional amounts of $45.0 million, $90.0 million and $135.0 million effective for the periods December 31, 2015 through March 29, 2018; March 29, 2018 through March 31, 2020; and March 31, 2020 through June 30, 2021, respectively. We entered into two interest rate swap agreements in 2018 with notional amounts of $50.0 million and $150.0 million effective for the periods December 31, 2018 through June 30, 2021 and June 30, 2021 through December 10, 2021, respectively. We entered into these interest rate swap agreements to hedge the variability in future cash flows associated with our variable-term loans. We have counterparty credit risk resulting from the interest rate swaps, which we monitor on an on-going basis. This risk lies with one global financial institution. Under the interest rate swap agreement, effective as of December 31, 2015, we either received or made payments on a monthly basis based on the differential between 1.860% and LIBOR (with a LIBOR floor of 1.0%). Under the interest rate swap agreement, effective as of March 29, 2018, we will either receive or make payments on a monthly basis based on the differential between 2.670% and LIBOR (with a LIBOR floor of 1.0%). Under the interest rate swap agreement, effective as of March 31, 2020, we will either receive or make payments on a monthly basis based on the differential between 2.918% and LIBOR (with a LIBOR floor of 1.0%). Under the interest rate swap agreement effective as of December 31, 2018, the Company will either receive or make payments on a monthly basis based on the differential between 2.613% and LIBOR. Under the interest rate swap agreement effective as of June 30, 2021, the Company will either receive or make payments on a monthly basis based on the differential between 2.793% and LIBOR. The interest rate swaps' negative fair value at December 31,

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2018 was $2.0 million, of which $0.1 million and $1.9 million are included in Accrued expenses and other current liabilities and Other long-term liabilities on the Consolidated Balance Sheet, respectively.

As of December 31, 2018, we had no outstanding borrowings under our revolving credit facility. A hypothetical interest rate change of 1%, 1.5% and 2% on our revolving credit facility would have changed interest incurred for the year ended December 31, 2018 by $0.1 million, $0.1 million and $0.2 million, respectively.

Commodity Price Risk

In the normal course of business, we are exposed to market risk related to our purchase of steel, the primary commodity upon which our manufacturing depends. While steel is typically available from numerous suppliers, the price of steel is a commodity subject to fluctuations that apply across broad spectrums of the steel market. We do not use any derivative or hedging instruments to manage the price risk. If the price of steel increases, including as a result of tariffs, our variable costs could also increase. While historically we have successfully mitigated these increased costs through the implementation of either permanent price increases and/or temporary invoice surcharges, in the future we may not be able to successfully mitigate these costs, which could cause our gross margins to decline. If our costs for steel were to increase by $1.00 in a period in which we were not able to pass any of this increase onto our distributors, our gross margins would decline by $1.00 in that period.

Item 8. Financial Statements and Supplementary Data

The financial statements are included in this report beginning on page F 2.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

As disclosed in our current report on Form 8-K filed on December 23, 2016, we changed our independent registered public accounting firm effective for the fiscal year ended December 31, 2017. There were no disagreements or reportable events related to the change in accountants.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (the "Evaluation") as of the last day of the period covered by this report.

Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2018. Disclosure controls and procedures are defined by Rules 13a 15(e) and 15d 15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

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Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of our published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control—Integrated Framework (2013 framework). Based on its assessment, management believes that, as of December 31, 2018, our internal control over financial reporting was effective based on those criteria.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10 K and, as part of its audit, has issued an attestation report, included herein, on the effectiveness of our internal control over financial reporting at December 31, 2018.

Management’s Report on Internal Control Over Financial Reporting

During the last fiscal quarter of the period covered by this report, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect such controls.

Item 9B. Other Information

On February 19, 2019, the Board of Directors of the Company approved amended and restated employment agreements for each of Robert M. McCormick and James L. Janik. The Company and the executives entered into the amended and restated employment agreements on February 22, 2019, and the forms of each are filed with this Form 10-K as Exhibit 10.47 and Exhibit 10.48. The primary purpose of the amended and restated employment agreements was to consolidate the various amendments to each executive’s employment agreement and to remove outdated provisions that no were no longer effective given the passage of time. The amended and restated employment agreements also modify some provisions to ensure consistency with employment agreements with the Company’s other executive officers. The amended and restated employment agreements do not contain any material substantive changes from the employment agreements previously in effect for either Mr. McCormick or Mr. Janik.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information included under the captions “Election of Directors,” “Board of Directors and Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s definitive proxy statement, which is expected to be filed pursuant to Regulation 14A within 120 days following the end of the fiscal year covered by this report (the “Proxy Statement”), is hereby incorporated by reference. The information required by Item 10 with respect to our Executive Officers is included in Part I of this Annual Report on Form 10 K.

We have adopted a Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer and principal accounting officer, as well as all of our employees. We have posted a copy of the Code of Business Conduct and Ethics on our website at www.douglasdynamics.com. The Code of Business Conduct and Ethics is also available in print to any stockholder who requests it in writing from the Corporate Secretary at 7777 North 73rd Street, Milwaukee, Wisconsin 53223. We intend to post on our website any amendments to, or waivers (with respect to our principal executive officer, principal financial officer and controller) from, the Code of

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Business Conduct and Ethics within four business days of any such amendment or waiver. We are not including the information contained on our website as part of, or incorporating it by reference into, this report.

Item 11. Executive Compensation

The information required in Item 11 is incorporated by reference to the information in the Proxy Statement under the captions "Corporate Governance—Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis", "Executive Compensation," "Director Compensation" and "Compensation Committee Report."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required in Item 12 is incorporated by reference to the information in the Proxy Statement under the captions "Corporate Governance—Significant Stockholders" and "—Executive Officers and Directors."

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information with respect to compensation plans under which equity securities of the Company are authorized for issuance as of December 31, 2018.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted - average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column)
Equity Compensation plans approved by security holders (1):			
2010 Stock Incentive Plan (2):	61,703	$ -	930,545
Equity compensation plans not approved by security holders	-	-	-
Total	61,703	$ -	930,545

(1) Excludes 267,891 shares of restricted stock previously granted under the 2010 Stock Incentive Plan.
(2) Calculated excluding the 61,703 securities shown as to be issued upon exercise of outstanding options, warrants and rights under the 2010 Stock Incentive Plan in column (a), which are subject to performance share unit awards and have no exercise price.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required in Item 13 is incorporated by reference to the information in the Proxy Statement under the caption "Corporate Governance."

Item 14. Principal Accounting Fees and Services

The information required in Item 14 is incorporated by reference to the information in the Proxy Statement under the caption “Ratification of Appointment of Independent Registered Public Accounting Firm.”

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:
(1) Consolidated Financial Statements:
See "Index to Consolidated Financial Statements" on page F 1, the Reports of Independent Registered Public Accounting Firm on page F 2 through F 4 and the Consolidated Financial Statements beginning on page F 5, all of which are incorporated herein by reference.

(2) Financial Statement Schedules:
All schedules have been omitted because the information required in these schedules is included in the Notes to the Consolidated Financial Statements.

(3) Exhibits:
See "Exhibit Index" of this Form 10 K, beginning on the following page.

Item 16. Form 10-K Summary

Not applicable

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Exhibit Index

Exhibit Number	Title
2.1	Asset Purchase Agreement, dated May 6, 2013 by and between Acquisition Tango LLC, TrynEx, Inc. and shareholders of TrynEx, Inc. named therein [Incorporated by reference to Exhibit 2.1 to Douglas Dynamics, Inc.'s Current Report on Form 8 K filed May 6, 2013 (File No. 001 34728)].
2.2	First Amendment, dated August 6, 2013, to the Asset Purchase Agreement dated May 6, 2013 by and between TrynEx International LLC, Apex International, Inc. and shareholders of Apex International, Inc. named therein [Incorporated by reference to Exhibit 2.1 to Douglas Dynamics, Inc.'s Current Report on Form 8 K filed August 5, 2013 (File No. 001 34728)].
2.3	Merger Agreement, dated November 24, 2014, among Douglas Dynamics, Inc., DDIZ Acquisition, Inc., Henderson Enterprises Group, Inc. and the stockholder representative named therein [Incorporated by reference to Exhibit 2.1 to Douglas Dynamics, Inc.'s Current Report on Form 8-K filed November 25, 2014 (File No. 001-34728)].
2.4	Asset Purchase Agreement, dated June 15, 2016, among Acquisition Delta LLC, Peter Paul Dejana Family Trust Dated 12/31/98, Dejana Truck & Utility Equipment Company, Inc. and Andrew Dejana (as Appointed Agent) [Incorporated by reference to Exhibit 2.1 to Douglas Dynamics, Inc.'s Current Report on Form 8-K filed on June 20, 2016 (File No. 001-34728)].
2.5	First Amendment, dated February 27, 2017, to the Asset Purchase Agreement, dated June 15, 2016, among Acquisition Delta LLC, Peter Paul Dejana Family Trust Dated 12/31/98, Dejana Truck & Utility Equipment Company, Inc. and Andrew Dejana (as Appointed Agent) [Incorporated by reference to Exhibit 2.1 to Douglas Dynamics, Inc.'s Current Report on Form 8-K filed on March 1, 2017 (File No. 001-34728)].
2.6	Second Amendment, dated September 20, 2017, to the Asset Purchase Agreement, dated June 15, 2016 and amended on February 27, 2017, among Dejana Truck & Utility Equipment Company, LLC (formerly known as Acquisition Delta LLC), Peter Paul Dejana Family Trust 12/31/98, Peteco Kings Park Inc. (formerly known as Dejana Truck & Utility Equipment Company, Inc.) and Andrew Dejana, as appointed agent [Incorporated by reference to Exhibit 2.1 to Douglas Dynamics, Inc.'s Current Report on Form 8-K filed on September 26, 2017 (File No. 001-34728)].
3.1	Fourth Amended and Restated Certificate of Incorporation of Douglas Dynamics, Inc. [Incorporated by reference to Exhibit 3.3 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
3.2	Fourth Amended and Restated Bylaws of Douglas Dynamics, Inc. [Incorporated by reference to Exhibit 3.2 to Douglas Dynamics, Inc.'s Current Report on Form 8-K filed on January 4, 2019 (File No. 001-34728)].
10.1	Second Amended and Restated Credit and Guaranty Agreement, dated as of December 31, 2014, among Douglas Dynamics, L.L.C., Douglas Dynamics Finance Company, Fisher, LLC, Trynex International LLC, Henderson Enterprises Group, Inc. (as successor by merger to DDIZ Acquisition, Inc.), and Henderson Products, Inc., as borrowers, Douglas Dynamics, Inc., as guarantor, the banks and financial institutions listed therein, as lenders, J.P. Morgan Securities LLC and Wells Fargo Bank, N.A., as joint bookrunners and joint lead arrangers, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and Wells Fargo Bank, N.A., as syndication agent [Incorporated by reference to Exhibit 10.1 to Douglas Dynamics, Inc.'s Current Report on Form 8 K filed January 6, 2015 (File No. 001 34728)].
10.2	ABL Amendment, dated as of July 15, 2016, to the Second Amended and Restated Credit and Guaranty Agreement, dated as of December 31, 2014, among Douglas Dynamics, L.L.C., Douglas Dynamics

Finance Company, Fisher, LLC, Trynex International LLC, Henderson Enterprises Group, Inc., Henderson Products, Inc., and Acquisition Delta LLC as borrowers, Douglas Dynamics, Inc., as guarantor, the banks and financial institutions listed therein, as lenders, J.P. Morgan Securities LLC and Wells Fargo Bank, N.A., as joint bookrunners and joint lead arrangers, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and Wells Fargo Bank, N.A., as syndication agent [Incorporated by reference to Exhibit 10.1 to Douglas Dynamics, Inc.'s Current Report on Form 8-K filed on July 21, 2016 (File No. 001-34728)].

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Exhibit Number	Title
10.3	Amended and Restated Credit and Guaranty Agreement, dated as of December 31, 2014, among Douglas Dynamics, L.L.C., as borrower, Douglas Dynamics, Inc., Douglas Dynamics Finance Company, Fisher, LLC, Trynex International LLC, Henderson Enterprises Group, Inc. (as successor by merger to DDIZ Acquisition, Inc.), and Henderson Products, Inc., as guarantors, the banks and financial institutions listed therein, as lenders, J.P. Morgan Securities LLC and Wells Fargo Bank, N.A., as joint bookrunners and joint lead arrangers, JPMorgan Chase Bank, N.A., as collateral agent and administrative agent, and Wells Fargo Bank, N.A., as syndication agent [Incorporated by reference to Exhibit 10.2 to Douglas Dynamics, Inc.'s Current Report on Form 8 K filed January 6, 2015 (File No. 001 34728)].
10.4	Term Loan Joinder Agreement and Amendment, dated as of July 15, 2016, to the Amended and Restated Credit and Guaranty Agreement, dated as of December 31, 2014, among Douglas Dynamics, L.L.C., as borrower, Douglas Dynamics, Inc., Douglas Dynamics Finance Company, Fisher, LLC, Trynex International LLC, Henderson Enterprises Group, Inc., Henderson Products, Inc., and Acquisition Delta LLC as guarantors, the banks and financial institutions listed therein, as lenders, J.P. Morgan Securities LLC and Wells Fargo Bank, N.A., as joint bookrunners and joint lead arrangers, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, and Wells Fargo Bank, N.A., as syndication agent [Incorporated by reference to Exhibit 10.2 to Douglas Dynamics, Inc.'s Current Report on Form 8-K filed on July 21, 2016 (File No. 001-34728)].
10.5	Third Amendment, dated as of February 8, 2017, among Douglas Dynamics, L.L.C., as borrower, Douglas Dynamics, Inc., Douglas Dynamics Finance Company, Fisher, LLC, Trynex International LLC, Henderson Enterprises Group, Inc., Henderson Products, Inc., and Dejana Truck & Utility Equipment Company, LLC as guarantors, JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent, the banks and financial institutions party thereto and JPMorgan Chase Bank, N.A, as the additional term B lender [Incorporated by reference to Exhibit 10.1 to Douglas Dynamics, Inc.'s Current Report on Form 8-K filed on February 13, 2017 (File No. 001-34728)].
10.6	2017 Replacement Term Loan Amendment, dated as of August 17, 2017, among Douglas Dynamics, L.L.C., as borrower, Douglas Dynamics, Inc., Douglas Dynamics Finance Company, Fisher, LLC, Trynex International LLC, Henderson Enterprises Group, Inc., Henderson Products, Inc., and Dejana Truck & Utility Equipment Company, LLC as guarantors, JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent, and the banks and financial institutions party thereto [Incorporated by reference to Exhibit 10.1 to Douglas Dynamics, Inc.'s Current Report on Form 8-K filed on August 18, 2017 (File No. 001-34728)].
10.7#	Employment Agreement between Robert McCormick and Douglas Dynamics, Inc., dated September 7, 2004, as amended by that certain amendment, dated as of October 1, 2008 [Incorporated by reference to Exhibit 10.5 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.8#	Form of Amendment No. 2 to Employment Agreement between Robert McCormick and Douglas Dynamics, Inc. [Incorporated by reference to Exhibit 10.6 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.9#	Amendment No. 3 to Employment Agreement between Robert McCormick and Douglas Dynamics, Inc., dated June 14, 2010 [Incorporated by reference to Exhibit 10.1 to Douglas Dynamics, Inc.'s Form 10-Q for the quarterly period ended March 31, 2010 (File No. 001-34728)].
10.10#	Amendment No. 4 to Employment Agreement between Robert McCormick and Douglas Dynamics, Inc., dated January 1, 2019 [Incorporated by reference to Exhibit 10.2 to Douglas Dynamics, Inc.'s Current Report on Form 8-K filed on January 4, 2019 (File No. 001-34728)].
10.11#	Employment Agreement between James L. Janik and Douglas Dynamics, Inc., dated March 30, 2004 [Incorporated by reference to Exhibit 10.7 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1

	(Registration No. 333 164590)].
10.12#	Form of Amendment No. 1 to Employment Agreement between James L. Janik and Douglas Dynamics, Inc. [Incorporated by reference to Exhibit 10.8 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.13#	Amendment No. 2 to Employment Agreement between James L. Janik and Douglas Dynamics, Inc., dated January 1, 2019 [Incorporated by reference to Exhibit 10.1 to Douglas Dunamics, Inc.'s Current Report on Form 8-K filed on January 4, 2019 (File No. 001-34728)].

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Exhibit Number	Title
10.14#	Employment Agreement between Mark Adamson and Douglas Dynamics, Inc., dated August 27, 2007 [Incorporated by reference to Exhibit 10.9 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.15#	Form of Amendment No. 1 to Employment Agreement between Mark Adamson and Douglas Dynamics, Inc. [Incorporated by reference to Exhibit 10.10 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.16#	Employment Agreement between Sarah C. Lauber and Douglas Dynamics, LLC, effective August 28, 2017 [Incorporated by reference to Exhibit 10.1 to Douglas Dynamics, Inc.'s Current Report on Form 8-K filed on August 23, 2017 (File No. 001-34728)].
10.17#	Letter Agreement between Keith Hagelin and Douglas Dynamics, Inc., dated June 14, 2010 [Incorporated by reference to Exhibit 10.2 to Douglas Dynamics, Inc.'s Form 10-Q for the quarterly period ended March 31, 2010 filed with the Securities and Exchange Commission on June 17, 2010 (File No. 001-34728)].
10.18#	Douglas Dynamics, Inc. Amended and Restated 2004 Stock Incentive Plan [Incorporated by reference to Exhibit 10.16 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.19#	Form of Amended and Restated Management Incentive Option Agreement under Douglas Dynamics, Inc. Amended and Restated 2004 Stock Incentive Plan [Incorporated by reference to Exhibit 10.18 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.20#	Form of Management Non Qualified Stock Option Agreement under Douglas Dynamics, Inc. 2004 Stock Incentive Plan [Incorporated by reference to Exhibit 10.19 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.21#	Form of Amended and Restated Management Non Qualified Option Agreement under Douglas Dynamics, Inc. Amended and Restated 2004 Stock Incentive Plan [Incorporated by reference to Exhibit 10.20 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.22#	Form of Non Employee Director Non Qualified Option Agreement under Douglas Dynamics, Inc. 2004 Stock Incentive Plan [Incorporated by reference to Exhibit 10.21 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.23#	Form of Amended and Restated Non Employee Director Non Qualified Option Agreement under Douglas Dynamics, Inc. Amended and Restated 2004 Stock Incentive Plan [Incorporated by reference to Exhibit 10.22 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.24#	Amended and Restated Management Incentive Option Agreement under Douglas Dynamics, Inc. 2004 Stock Incentive Plan between Douglas Dynamics, Inc. and James L. Janik, dated March 31, 2004 [Incorporated by reference to Exhibit 10.23 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.25#	Form of Second Amended and Restated Management Incentive Option Agreement under Douglas Dynamics, Inc. Amended and Restated 2004 Stock Incentive Plan between Douglas Dynamics, Inc. and James L. Janik [Incorporated by reference to Exhibit 10.24 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.26#	Amended and Restated Non Qualified Option Agreement under Douglas Dynamics, Inc. 2004 Stock Incentive Plan between Douglas Dynamics, Inc. and James L. Janik, dated March 31, 2004 [Incorporated by reference to Exhibit 10.25 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.27#	Form of Second Amended and Restated Non Qualified Option Agreement under Douglas Dynamics, Inc. Amended and Restated 2004 Stock Incentive Plan between Douglas Dynamics, Inc. and James L. Janik

	[Incorporated by reference to Exhibit 10.26 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.28#	Form of Amended and Restated Deferred Stock Unit Agreement [Incorporated by reference to Exhibit 10.27 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].

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Exhibit Number	Title
10.29#	Douglas Dynamics, Inc. Annual Incentive Plan [Incorporated by reference to Exhibit 10.1 to Douglas Dynamics, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2016 (File No. 001-34728)].
10.30#	Douglas Dynamics, Inc. Amended and Restated 2010 Stock Incentive Plan [Incorporated by reference to Exhibit 10.2 to Douglas Dynamics, Inc.'s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2016 (File No. 001-34728)].
10.31#	Form of Restricted Stock Agreement under Douglas Dynamics, Inc. 2010 Stock Incentive Plan [Incorporated by reference to Exhibit 10.33 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.32#	Alternative Form of Restricted Stock Agreement under Douglas Dynamics, Inc. 2010 Stock Incentive Plan [Incorporated by reference to Exhibit 10.34 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.33#	Form of Restricted Stock Units Agreement under Douglas Dynamics, Inc. 2010 Stock Incentive Plan [Incorporated by reference to Exhibit 10.35 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.34#	Form of Nonqualified Stock Option Agreement under Douglas Dynamics, Inc. 2010 Stock Incentive Plan [Incorporated by reference to Exhibit 10.36 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.35#	Form of Incentive Stock Option Agreement under 2010 Stock Incentive Plan [Incorporated by reference to Exhibit 10.37 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.36#	Form of Restricted Stock Grant Notice and Standard Terms and Conditions under the Douglas Dynamics, Inc. 2010 Stock Incentive Plan [Incorporated by reference to Exhibit 10.1 to Douglas Dynamics, Inc.'s Current Report on Form 8 K filed December 30, 2010 (File No. 001 34728)].
10.37#	Form of Restricted Stock Unit Grant Notice and Standard Terms and Conditions under the Douglas Dynamics, Inc. 2010 Stock Incentive Plan [Incorporated by reference to Exhibit 10.2 to Douglas Dynamics, Inc.'s Current Report on Form 8 K filed December 30, 2010 (File No. 001 34728)].
10.38#	Form of Nonemployee Director Restricted Stock Unit Grant Notice and Standard Terms and Conditions under the Douglas Dynamics, Inc. 2010 Stock Incentive Plan [Incorporated by reference to Exhibit 10.3 to Douglas Dynamics, Inc.'s Current Report on Form 8 K filed December 30, 2010 (File No. 001 34728)].
10.39#	Form of Director and Officer Indemnification Agreement [Incorporated by reference to Exhibit 10.43 to Douglas Dynamics, Inc.'s Registration Statement on Form S 1 (Registration No. 333 164590)].
10.40#	Douglas Dynamics Nonqualified Deferred Compensation Plan [Incorporated by reference to Exhibit 10.34 to Douglas Dynamics, Inc.'s Annual Report on Form 10 K for the period ending December 31, 2011 (File No. 001-34728)].
10.41#	Form of Restricted Stock Unit Agreement under Douglas Dynamics, Inc. 2010 Stock Incentive Plan. [Incorporated by reference to Exhibit 10.36 to Douglas Dynamics, Inc.'s Annual Report on Form 10 K for the period ending December 31, 2012 (File No. 001-34728)].
10.42#	Form of Performance Share Unit Agreement under Douglas Dynamics, Inc. 2010 Stock Incentive Plan. [Incorporated by reference to Exhibit 10.37 to Douglas Dynamics, Inc.'s Annual Report on Form 10 K for the period ending December 31, 2012 (File No. 001-34728)].
10.43#	Form of Nonemployee Director Restricted Stock Unit Grant Notice and Standard Terms and Conditions under Douglas Dynamics, Inc. 2010 Stock Incentive Plan. [Incorporated by reference to Exhibit 10.4 to Douglas Dynamics, Inc.'s Quarterly Report on Form 10 Q for the Quarterly Period Ended March 31, 2013 (File No. 001 34728)].
10.44#	

	Form of Grant Notice for Performance Share Units under the Douglas Dynamics, Inc. 2010 Stock Incentive Plan, effective February 19, 2018 [Incorporated by reference to Exhibit 10.41 to Douglas Dynamics, Inc.'s Annual Report on Form 10-K for the period ending December 31, 2018].
10.45#	Form of Grant Notice for Restricted Stock Units under the Douglas Dynamics, Inc. 2010 Stock Incentive Plan, effective February 19, 2018 [Incorporated by reference to Exhibit 10.42 to Douglas Dynamics, Inc.'s Annual Report on Form 10-K for the period ending December 31, 2018].

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Exhibit Number	Title
10.46#	Employment Agreement between Andrew Dejana and Dejana Truck & Utility Equipment Company, LLC, effective July 15, 2016 [Incorporated by reference to Exhibit 10.43 to Douglas Dynamics, Inc.'s Annual Report on Form 10-K for the period ending December 31, 2018].
10.47#*	Amended and Restated Employment Agreement between James L. Janik and Douglas Dynamics, LLC, effective February 22, 2019.
10.48#*	Amended and Restated Employment Agreement between Robert M. McCormick and Douglas Dynamics, LLC, effective February 22, 2019.
10.49#*	Form of Nonemployee Director Restricted Stock Unit Grant Notice and Standard Terms and Conditions under the Douglas Dynamics, Inc. 2010 Stock Incentive Plan, effective February 19, 2019.
21.1*	Subsidiaries of Douglas Dynamics, Inc.
23.1*	Consent of Deloitte & Touche LLP.
23.2*	Consent of Ernst & Young LLP.
31.1*	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2*	Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1*	Certification of the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
99.1	Proxy Statement for the 2019 Annual Meeting of Stockholders [To be filed with the Securities and Exchange Commission under Regulation 14A within 120 days after December 31, 2018; except to the extent specifically incorporated by reference, the Proxy Statement for the 2019 Annual Meeting of Stockholders shall not be deemed to be filed with the Securities and Exchange Commission as part of this Annual Report on Form 10 K]
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

#A management contract or compensatory plan or arrangement.

*Filed herewith.

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Signature

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 26th day of February, 2019.

DOUGLAS DYNAMICS, INC.

By: /s/ Robert McCormick
Robert McCormick
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on February 26, 2019.

/s/ Robert McCormick	President and Chief Executive Officer
Robert McCormick	(Principal Executive Officer) and Director
/s/ Sarah Lauber	Chief Financial Officer & Secretary
Sarah Lauber	(Principal Financial Officer)
/s/ Jon J. Sisulak Jon J. Sisulak	Corporate Controller, Assistant Secretary
/s/ James L. Janik James L. Janik	Executive Chairman and Director
/s/ Margaret S. Dano Margaret S. Dano	Director
/s/ Kenneth W. Krueger Kenneth W. Krueger	Director
/s/ James L. Packard James L. Packard	Director

/s/ James D. Staley James D. Staley	Director
/s/ Donald W. Sturdivant Donald W. Sturdivant	Director

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Douglas Dynamics, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Douglas Dynamics, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows, for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

Basis for Opinions

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting

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includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin

February 26, 2019

We have served as the Company's auditor since 2017.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Douglas Dynamics, Inc.

We have audited the accompanying consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows of Douglas Dynamics, Inc (the Company) for the year ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, consolidated results of operations and cash flows of Douglas Dynamics, Inc for the year ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Milwaukee, Wisconsin

March 13, 2017, except for Note 1, as to which the date is February 26, 2019

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DOUGLAS DYNAMICS, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars In Thousands, Except Per Share Data)

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 27,820	$ 36,875
Accounts receivable, net	81,485	79,120
Inventories	81,996	71,524
Inventories - truck chassis floor plan	4,204	7,711
Prepaid and other current assets	3,590	2,883
Total current assets	199,095	198,113
Property, plant and equipment, net	55,195	53,962
Goodwill	241,006	241,006
Other intangible assets, net	174,678	186,150
Other long-term assets	6,219	5,945
Total assets	$ 676,193	$ 685,176
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 18,703	$ 16,323
Accrued expenses and other current liabilities	23,306	21,004
Floor plan obligations	4,204	7,711
Income tax payable	106	2,996
Current portion of long-term debt	32,749	32,749
Total current liabilities	79,068	80,783
Retiree health benefit obligation	6,240	6,809
Pension obligation	2,129	9,761
Deferred income taxes	48,198	39,269
Long-term debt, less current portion	242,946	274,872
Other long-term liabilities	14,856	17,004
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Common Stock, par value $0.01, 200,000,000 shares authorized, 22,700,991 and 22,590,897 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively	227	226
Additional paid-in capital	151,813	147,287
Retained earnings	136,765	115,737
Accumulated other comprehensive loss, net of tax	(6,049)	(6,572)
Total shareholders' equity	282,756	256,678
Total liabilities and shareholders' equity	$ 676,193	$ 685,176

See accompanying Notes to Consolidated Financial Statements

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DOUGLAS DYNAMICS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data)

	Years ended December 31,		
	2018	2017	2016
Net sales	$ 524,067	$ 474,927	$ 416,268
Cost of sales	369,177	331,841	282,294
Gross profit	154,890	143,086	133,974
Selling, general, and administrative expense	69,958	60,877	53,570
Intangibles amortization	11,472	11,401	10,596
Income from operations	73,460	70,808	69,808
Interest expense, net	(16,943)	(18,336)	(15,195)
Litigation proceeds	-	1,275	10,050
Other expense, net	(758)	(832)	(967)
Income before taxes	55,759	52,915	63,696
Income tax expense (benefit)	11,854	(2,409)	24,687
Net income	$ 43,905	$ 55,324	$ 39,009
Earnings per share:			
Basic earnings per common share attributable to common shareholders	$ 1.91	$ 2.42	$ 1.71
Earnings per common share assuming dilution attributable to common shareholders	$ 1.89	$ 2.40	$ 1.70
Cash dividends declared and paid per share	$ 1.06	$ 0.96	$ 0.94

See accompanying Notes to Consolidated Financial Statements

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DOUGLAS DYNAMICS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Years ended December 31,		
	2018	2017	2016
Net income	$ 43,905	$ 55,324	$ 39,009
Other comprehensive income (loss):			
Adjustment for pension and postretirement benefit liability, net of tax of ($558) in 2018, ($140) in 2017 and $147 in 2016	1,568	233	(231)
Adjustment for interest rate swap, net of tax of ($64) in 2018, $88 in 2017 and $225 in 2016	84	(133)	(258)
Total other comprehensive income (loss), net of tax	1,652	100	(489)
Comprehensive income	$ 45,557	$ 55,424	$ 38,520

See accompanying Notes to Consolidated Financial Statements

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DOUGLAS DYNAMICS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars In Thousands)

	Common Stock Shares	Dollars	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2015	22,387,797	$ 224	$ 141,626	$ 64,829	$ (6,183)	$ 200,496
Net income	—	—	—	39,009	—	39,009
Dividends paid	—	—	—	(21,451)	—	(21,451)
Adjustment for pension and postretirement benefit liability, net of tax of $147	—	—	—	—	(231)	(231)
Adjustment for interest rate swap, net of tax of $225	—	—	—	—	(258)	(258)
Stock based compensation	113,843	1	2,897	—	—	2,898
Balance at December 31, 2016	22,501,640	$ 225	$ 144,523	$ 82,387	$ (6,672)	$ 220,463
Net income	—	—	—	55,324	—	55,324
Dividends paid	—	—	—	(21,974)	—	(21,974)
Prior period adjustment	—	—	187	—	—	187
Adjustment for pension and postretirement benefit liability, net of tax of ($140)	—	—	—	—	233	233
Adjustment for interest rate swap, net of tax of $88	—	—	—	—	(133)	(133)
Shares withheld on restricted stock vesting	—	—	(923)	—	—	(923)
Stock based compensation	89,257	1	3,500	—	—	3,501
Balance at December 31, 2017	22,590,897	$ 226	$ 147,287	$ 115,737	$ (6,572)	$ 256,678
Net income	—	—	—	43,905	—	43,905
Dividends paid	—	—	—	(24,383)	—	(24,383)
Impact due to adoption of ASC 2014-09 (revenue recognition)	—	—	—	377	—	377
Adoption of ASU 2018-02	—	—	—	1,129	(1,129)	-
Adjustment for pension and postretirement benefit liability, net of tax of ($558)	—	—	—	—	1,568	1,568
Adjustment for interest rate swap, net of tax of ($64)	—	—	—	—	84	84
Shares withheld on restricted stock vesting	—	—	(23)	—	—	(23)
Stock based compensation	110,094	1	4,549	—	—	4,550

Balance at December 31, 2018	22,700,991	$ 227	$ 151,813	$ 136,765	$ (6,049)	$ 282,756

See accompanying Notes to Consolidated Financial Statements

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DOUGLAS DYNAMICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)