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

FORM 8-K/A

AMENDMENT NO. 1 TO

CURRENT REPORT

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

Date of Report
(Date of earliest
event reported): **December 31, 2014**

DOUGLAS DYNAMICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-34728**	**134275891**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

7777 North 73rd Street, Milwaukee, Wisconsin 53223
(Address of principal executive offices, including zip code)

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

Not Applicable
(Former name or former address, if changed since last report)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

This Amendment No. 1 on Form 8-K/A amends the Current Report on Form 8-K of Douglas Dynamics, Inc. (the "Company") dated December 31, 2014 (the "Initial 8-K") to file the historical financial statements and pro forma financial information referred to in Item 9.01(a) and (b), respectively, relating to the Company's acquisition of all of the outstanding shares of Henderson Enterprises Group, Inc. ("Enterprises") on December 31, 2014. The Company hereby amends Item 9.01 of the Initial 8-K to provide in its entirety as follows:

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

(1) The historical audited consolidated financial statements of Enterprises and Subsidiary as of and for the years ended December 31, 2013 and 2012, are filed as Exhibit 99.2 to this Current Report on Form 8-K/A, and are incorporated by reference herein.

(2) The historical unaudited financial statements of Enterprises and Subsidiary as of October 4, 2014 and for the periods ended October 4, 2014 and September 28, 2013 are filed as Exhibit 99.3 to this Current Report on Form 8-K/A, and are incorporated by reference herein.

(3) The consent of McGladrey LLP, Enterprises' independent auditor, is attached as Exhibit 23.1 to this Current Report on Form 8-K/A.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined financial information of the Company for the year ended December 31, 2013 and as of and for the nine months ended September 30, 2014 is filed as Exhibit 99.4 to this Current Report on Form 8-K/A.

(c) Not applicable.

(d) Exhibits. The following exhibits are being filed herewith:

(2.1) Merger Agreement, dated November 24, 2014, among Douglas Dynamics, Inc., DDIZ Acquisition, Inc., Henderson Enterprises Group, Inc. and the stockholder representative named therein.*

(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.*

(10.2) 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.*

(23.1) Consent of McGladrey LLP.

(99.1) Press release dated December 31, 2014.*

(99.2) Audited Consolidated Financial Statements of Henderson Enterprises Group, Inc. and Subsidiary as of and for the years ended December 31, 2013 and 2012.

(99.3) Unaudited financial statements of Henderson Enterprises Group, Inc. and Subsidiary as of October 4, 2014 and for the periods ended October 4, 2014 and September 28, 2013.

(99.4) Unaudited pro forma condensed combined financial information of Douglas Dynamics, Inc. for the year ended December 31, 2013 and as of and for the nine months ended September 30, 2014.

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*Previously filed.

SIGNATURES

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

DOUGLAS DYNAMICS, INC.

Date: March 9, 2015

By: /s/ Robert McCormick
Robert McCormick
Executive Vice President, Chief Financial Officer and Secretary

DOUGLAS DYNAMICS, INC.

Exhibit Index to Amendment No. 1 to Current Report on Form 8-K
Dated December 31, 2014

Exhibit Number	
(2.1)	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].*
(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.*
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*Previously filed.

Exhibit 23.1

Consent of Independent Auditor

We consent to the incorporation by reference in the following Registration Statements:

- Registration Statement (Form S-8 No. 333-169342) pertaining to the Amended and Restated 2010 Stock Incentive Plan of Douglas Dynamics, Inc.;
- Registration Statement (Form S-8 No. 333-184781) pertaining to the Douglas Dynamics, L.L.C. 401(k) Plan

of our report dated March 10, 2014, relating to our audit of the consolidated financial statements of Henderson Enterprises Group, Inc. and Subsidiary as of and for the years ended December 31, 2013 and 2012, included in this Amendment No. 1 on Form 8-K/A of Douglas Dynamics, Inc.

/s/ McGladrey LLP

Cedar Rapids, Iowa
March 9, 2015

Henderson Enterprises Group, Inc.
and Subsidiary
(Henderson Products, Inc.)

Consolidated Financial Report
December 31, 2013

Contents

McGladrey LLP

McGladrey

Independent Auditor's Report

To the Board of Directors
Henderson Enterprises Group, Inc. and Subsidiary
Manchester, Iowa

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Henderson Enterprises Group, Inc. and Subsidiary which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Henderson Enterprises Group, Inc. and Subsidiary as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Cedar Rapids, Iowa
March 10, 2014

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Consolidated Balance Sheets
December 31, 2013 and 2012

Assets		**2013**		**2012**
Current Assets:				
Cash	$	86,202	$	6,988
Accounts receivable, less allowance for doubtful accounts 2013 $118,990; 2012 $85,536		9,113,489		9,308,684
Other receivables		580,156		79,300
Inventories		11,074,217		12,286,535
Prepaid expenses		233,879		344,358
Deferred income taxes		459,000		—
Total current assets		21,546,943		22,025,865
Property and Equipment:				
Land		80,000		80,000
Building and improvements		1,774,558		1,327,132
Vehicles		651,085		498,216
Machinery and equipment		5,200,698		4,449,436
Office furniture and equipment		98,285		78,049
		7,804,626		6,432,833
Less accumulated depreciation		2,008,534		1,319,938
		5,796,092		5,112,895
Intangibles and Other Assets:				
Goodwill		7,105,133		7,105,133
Other intangibles		1,719,872		2,953,627
Other assets		—		50,000
		8,825,005		10,108,760
Deferred Income Taxes		907,000		1,011,000
	$	37,075,040	$	38,258,520

See Notes to Consolidated Financial Statements.

Liabilities and Stockholders' Equity		**2013**		**2012**
Current Liabilities:				
Current maturities of long-term debt	$	2,220,981	$	7,355,365
Excess of outstanding checks over bank balance		415,800		1,508,400
Accounts payable		4,850,714		4,265,882
Accrued expenses		4,488,992		1,256,926
Deferred income taxes		—		8,000
Total current liabilities		11,976,487		14,394,573
Long-Term Liabilities, long-term debt, less current maturities		8,808,865		8,173,984
Total liabilities		20,785,352		22,568,557
Commitments (Notes 6 and 8)				
Stockholders' Equity:				
Common stock, $0.01 par value; authorized 1,000,000 shares, issued shares 2013 603,824; 2012 653,824		6,038		6,538
Additional paid-in capital		12,344,569		13,875,684
Retained earnings		3,939,081		1,807,741
		16,289,688		15,689,963
	$	37,075,040	$	38,258,520

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Consolidated Statements of Income
Years Ended December 31, 2013 and 2012

		2013		**2012**
Net sales and service	$	72,980,130	$	66,760,971
Cost of goods sold		55,879,634		53,292,941
Gross profit		17,100,496		13,468,030

Operating expenses	**12,668,142**	9,527,790
Operating income	**4,432,354**	3,940,240
Nonoperating income (expense):		
Interest	**(1,152,140)**	(1,895,533)
Other	**21,186**	2,021
Income before income taxes	**3,301,400**	2,046,728
Federal and state income taxes	**1,170,060**	783,037
Net income	**$ 2,131,340**	$ 1,263,691

See Notes to Consolidated Financial Statements.

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2013 and 2012

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance, December 31, 2011	$ 6,500	$ 13,730,857	$ 544,050	$ 14,281,407
Net income	—	—	1,263,691	1,263,691
Stock compensation related to stock options	—	68,385	—	68,385
Exercise of 3,824 stock options	38	76,442	—	76,480
Balance, December 31, 2012	6,538	13,875,684	1,807,741	15,689,963
Net income	—	—	2,131,340	2,131,340
Stock compensation related to stock options	—	68,385	—	68,385
Repurchase 50,000 shares of common stock for retirement	(500)	(1,599,500)	—	(1,600,000)
Balance, December 31, 2013	**$ 6,038**	**$ 12,344,569**	**$ 3,939,081**	**$ 16,289,688**

See Notes to Consolidated Financial Statements.

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities:		
Net income	**$ 2,131,340**	$ 1,263,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**727,219**	540,275
Amortization	**1,308,300**	1,385,754
Gain on sale of property and equipment	**(10,780)**	—
Deferred income taxes	**(363,000)**	272,000
Stock option expense	**68,385**	68,385
Noncash interest expense on shareholder debt	**170,449**	477,550
Noncash interest for debt issuance cost	**138,643**	160,922
Changes in assets and liabilities:		
Decrease in accounts receivable	**195,195**	2,044,589
Decrease (increase) in other receivables	**(500,856)**	27,567
(Increase) decrease in inventories	**1,212,318**	(2,666,540)
(Increase) decrease in prepaid expenses	**110,479**	(99,203)
Increase (decrease) in accounts payable and accrued liabilities	**3,816,898**	(1,931,329)
Net cash provided by operating activities	**9,004,590**	1,543,661
Cash Flows from Investing Activities:		
Purchase of equipment and improvements	**(1,438,501)**	(1,761,599)
Proceeds from sale of property and equipment	**38,865**	—
Purchase of assets of BrineXtreme, LLC	**—**	(2,260,874)
Net cash (used in) investing activities	**(1,399,636)**	(4,022,473)
Cash Flows from Financing Activities:		
Proceeds (payments) on revolving credit loan agreement, net	**(4,855,368)**	1,320,259
Payments on long-term debt	**(12,394,578)**	(1,050,000)
Proceeds from long-term debt	**12,600,000**	2,500,000

	2013	2012
Proceeds for capital leases	**—**	60,540
Payments on capital leases	**(20,006)**	(15,968)
Stock option exercise cash paid	**—**	76,480
Repurchase common stock for retirement	**(1,600,000)**	—
Debt issuance costs	**(163,188)**	—
(Decrease) in excess of outstanding checks over bank balance	**(1,092,600)**	(420,408)
Net cash provided by (used in) financing activities	**(7,525,740)**	2,470,903
Net increase (decrease) in cash	**79,214**	(7,909)
Cash:		
Beginning of year	**6,988**	14,897
End of year	**$ 86,202**	$ 6,988

(Continued)

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2013 and 2012

	2013	2012
Supplemental Disclosures of Cash Flow Information:		
Cash payments for:		
Interest	**$ 1,068,779**	$ 1,257,061
Income tax (net of refunds)	**669,888**	1,312,843
Supplemental Disclosures of Investing and Financing Activities:		
Assets and liabilities acquired:		
Inventories		$ 160,874
Property and equipment		45,000
Customer relationships		55,000
Order backlog		125,000
Technology and patents		775,000
Trade names and trademarks		69,000
Noncompete		24,000
Other assets		50,000
Goodwill		957,000
Total cash consideration paid		$ 2,260,874

See Notes to Consolidated Financial Statements.

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: Henderson Enterprises Group, Inc. (Company) is headquartered in Manchester, Iowa. The Company, through its wholly-owned subsidiary, Henderson Products, Inc., is engaged in the manufacturing, installation and selling of heavy duty truck equipment in the North American municipal and construction markets.

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

Significant estimates: The allowance for doubtful accounts, recoverability of long-term assets and valuation of goodwill, self-insurance and obsolete inventory involve certain estimates made by management. These estimates are reviewed by management routinely and it is reasonably possible that circumstances that existed at December 31, 2013, may change in the near-term future and that effect could be material to the consolidated financial statements.

A summary of the Company's significant accounting policies are as follows:

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Henderson Products, Inc. All material intercompany accounts and transactions have been eliminated in the consolidation.

Accounts receivables: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. A trade receivable is considered to be past due if the invoice is outstanding past the stated due date. The provision for bad debts charged to expenses was $53,521 and $41,966 for the years ended December 31, 2013 and 2012, respectively.

Inventories: Inventories are valued at the lower of cost (first-in, first-out method) or market.

Property and equipment: Property and equipment are stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:

	Years
Building and improvements	40 years
Vehicles	3 - 5 years
Machinery and equipment	3 - 10 years
Office furniture and equipment	10 years

Revenue recognition policy: Revenue is recognized at the time of shipment. Service revenue is recognized when the service is performed. Shipping and handling charges to customers are included in revenue. Shipping and handling costs incurred by the Company are included in cost of goods sold.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Estimated warranty claims: The Company sells its products with a warranty that provides for repairs and replacements of any defective parts for a period of one year after delivery to the original user or 18 months after the actual invoice whichever comes first. At the time of the sale, the Company accrues an estimate of the cost of providing the warranty based on prior experience.

Changes in the Company's product warranty liability for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Balance, beginning	$ 389,501	$ 430,452
Warranty expense	369,281	288,824
Payments for items under warranty	(154,304)	(329,775)
Balance, ending	$ 604,478	$ 389,501

Income tax matters: Deferred income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and net operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. The temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes along with any associated interest and penalties that would be payable to the taxing authorities upon examination, if any. With a few exceptions, the Company is not subject to U.S. federal, or state and local income tax examinations by tax authorities for years before 2010. As of and for the years ended December 31, 2013 and 2012, the Company had no uncertain tax positions that are required to be recorded as a liability.

Stock-based compensation: The Company has a stock-based employee compensation plan, which is more fully described in Note 12. The Company accounts for its stock-based compensation in accordance with *Compensation-Stock Compensation.* The Company measures the cost of employee services received in exchange for equity instruments based on the grant-date fair value of those instruments and recorded compensation expense over the related vesting period.

Reclassification: Certain items on the consolidated balance sheet for the year ending December 31, 2012 were reclassified with no effect on the consolidated statement stockholders' equity to be consistent with the classification used on the December 31, 2013 financial statements.

Subsequent events: The Company has evaluated subsequent events through March 10, 2014, the date on which the financial statements were available to be issued. Management has determined that no events or transactions have occurred through that date that required additional recognition of disclosure in the financial statements.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Asset impairment assessments: The Company periodically evaluates the carrying value of long-lived assets to be held and used, including, but not limited to, capital assets and intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is less than its carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value would be determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost to dispose.

Goodwill: The Company records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. Provision of *Intangibles-Goodwill and Other*, prescribes a two-step process for impairment testing of goodwill, which is performed annually, as well as when an event triggering impairment may have occurred. The first step tests for impairment, while the second step, if necessary, measures the impairment. The Company has elected to perform its annual analysis as of December 31 each year. No indicators of impairment were indentified for the years ended December 31, 2013 and 2012.

Changes in the carrying amount of goodwill for the years ended December 31, 2013 and 2012 are as follows:

2013	2012

Balance, beginning	$	7,105,133	$	6,148,133
Acquired during the year		—		957,000
Balance, ending	$	7,105,133	$	7,105,133

Other intangibles: The Company classifies intangible assets as definite-lived or indefinite-lived intangible assets. Definite-lived intangibles include customer list, trade name and trademarks, and debt issuance costs. Customer list, non-compete and trade name and trademarks are amortized over the estimated useful life using a method that reflects an appropriate allocation of the costs of the assets to earnings in proportion to the amount of economic benefits obtained by the Company in each reporting period. The determination of the expected life depends upon the use and underlying characteristics of the intangible asset. Customer relationship and patent and technology are amortized on a double declining basis. Debt issuance costs are amortized over the life of the debt agreements based on the interest method. The Company periodically reviews the appropriateness of the amortization periods related to the definite-lived assets. These assets are stated at amortized cost.

The following intangibles are being amortized over the periods indicated below:

	Years
Customer list	7
Trade name & trademarks	5 - 7
Debt issuance costs	3 - 5
Patent and technology	5
Customer relationship	5
Noncompete agreement	3

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Estimated aggregate amortization expense, based on the current carrying value of intangible assets is as follows:

Year ending December 31:		
2014	$	1,123,683
2015		285,535
2016		214,396
2017		79,008
2018		9,857
Thereafter		7,393
	$	1,719,872

The future amortization expense is an estimate. Actual amounts may change from such estimated amounts due to additional intangible asset acquisitions, potential impairments, accelerated amortization or other events.

Advertising: The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2013 and 2012 was $76,835 and $56,333, respectively.

Research and development: Research and development costs are expensed as incurred. Research and development expense for the years ended December 31, 2013 and 2012 was $37,513 and $2,900, respectively.

Patent cost: The Company follows the policy of expensing legal costs related to internally developing patents. Expenses for the years ended December 31, 2013 and 2012 was approximately $44,979 and $29,000, respectively.

Recently issued accounting pronouncement: The FASB issued Accounting Standards Update related to *Intangibles - Goodwill and Other: Accounting for Goodwill*. This statement introduces an accounting alternative for private companies that simplifies and reduces the costs associated with the subsequent accounting for goodwill. While the statement is not effective until annual periods beginning after December 15, 2014 and interim periods within annual periods beginning after December 15, 2015, early adoption is permitted. As such, private companies may elect the accounting alternative to account for goodwill in their 2013 financial statements as long as those statements have not yet been made available for issuance. The Company is currently evaluating which option it will utilize in its consolidated financial statements.

Note 2. Other Intangibles

Other intangibles as of December 31, 2013 and 2012 were as follows:

		Cost		Accumulated Amortization		Net
				2013		
Customer list	$	7,710,000	$	(6,915,865)	$	794,135
Trade name and trademarks		823,000		(452,154)		370,846
Patent and technology		775,000		(356,500)		418,500
Noncompete agreement		24,000		(10,000)		14,000

Debt issuance cost	163,188	(40,797)	122,391
	$ 9,495,188	$ (7,775,316)	$ 1,719,872

	2012		
Customer list	$ 7,710,000	$ (6,062,136)	$ 1,647,864
Trade name and trademarks	823,000	(334,583)	488,417
Patent and technology	775,000	(77,500)	697,500
Noncompete agreement	24,000	(2,000)	22,000
Debt issuance cost	614,831	(516,985)	97,846
	$ 9,946,831	$ (6,993,204)	$ 2,953,627

Note 3. Inventories

Inventories as of December 31, 2013 and 2012 consisted of the following:

	2013	2012
Raw material	$ 7,078,783	$ 8,415,888
Work in process	1,663,140	2,285,945
Finished goods	2,521,992	1,742,486
	11,263,915	12,444,319
Obsolete inventory reserve	(189,698)	(157,784)
	$ 11,074,217	$ 12,286,535

Note 4. Pledged Assets and Long-Term Debt

Long-term debt as of December 31, 2013 and 2012 and the terms and collateral as of December 31, 2013 are as follows:

	2013	2012
The Company has a revolving credit loan agreement with a bank, which expires March 26, 2016. Total available borrowings are the lesser of a borrowing base which is tied to certain accounts receivable and inventories or $9,500,000, less amounts currently borrowed. Total additional amount available under this revolving credit loan agreement at December 31, 2013 was $9,500,000. Depending on the ratio of total debt to EBITDA (as defined), advances under the revolving credit loan agreement bear interest at an interest rate ranging from 2.25% to 3.00%. A fee of 0.35% to 0.50% is charged on the unused portion of the revolving credit loan agreement. (A)	$ —	$ 4,855,365
Senior subordinated note, paid off in 2013.	—	8,129,412
Senior subordinated notes payable to stockholders, due in full in September 2016. Borrowings bear interest at 17%, of which 12% is payable quarterly in March, June, September and December of each year and the remaining 5% interest is deferred and accrues on the notes. (B)	1,655,282	—
Term note of $2,500,000, paid off in 2013.	—	2,500,000
Term note of $11,000,000 with the principal payment due in full March 26, 2016 per agreement with bank. Quarterly payments of $550,000. If total debt to EBITDA is greater than 2.5 the interest rate is 3%. If it is greater than 2 but less than 2.5 the interest rate is 2.75%. If it is greater than 1.5 but less than 2 the interest rate is 2.5%. Less than 1.5 the interest rate is 2.25%. The effective rate of 2.25% as of December 31, 2013. (A)	9,350,000	—
Capital leases	24,564	44,572
	11,029,846	15,529,349
Less current maturities	2,220,981	7,355,365
Long-term debt	$ 8,808,865	$ 8,173,984

(A) These agreements contain various restrictive covenants including, among others, ones related to the maintenance of certain levels of debt to EBITDA, certain levels of fixed charge coverage and a minimum EBITDA level. In addition, these notes are collateralized by substantially all of the Company's assets.

(B) These notes are collateralized by substantially all of the Company's assets and is subordinated to the bank financing.

Note 4. Pledged Assets and Long-Term Debt (Continued)

Maturities of long-term debt at December 31, 2013, are as follows:

Year ending December 31:		
2014	$	2,220,981
2015		2,203,583
2016		6,605,282
	$	11,029,846

Note 5. Income Tax Matters

The Company's total deferred income tax assets and deferred income tax liabilities as of December 31, 2013 and 2012 are as follows:

	2013	2012
Deferred tax assets:		
Accounts receivable	$ 26,000	$ 13,000
Inventory	3,000	—
Intangible assets	1,635,000	1,565,000
Compensation related	315,000	289,000
Accrued expenses	464,000	66,000
	2,443,000	1,933,000
Deferred tax liabilities:		
Inventory	—	(9,000)
Property and equipment	(1,043,000)	(843,000)
Prepaid expenses	(34,000)	(78,000)
	(1,077,000)	(930,000)
	$ 1,366,000	$ 1,003,000

The deferred tax amounts mentioned above have been classified on the accompanying balance sheet as of December 31, 2013 and 2012 as follows:

	2013	2012
Current assets	$ 459,000	$ —
Current liabilities	—	(8,000)
Long-term assets	907,000	1,011,000
	$ 1,366,000	$ 1,003,000

Note 5. Income Tax Matters (Continued)

The provision for income taxes charged to operations for the years ended December 31, 2013 and 2012 consists of the following:

	2013	2012
Current tax expense	$ 1,533,060	$ 511,037
Deferred tax	(363,000)	272,000
	$ 1,170,060	$ 783,037

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision of income taxes. The sources and tax effects of the differences are as follows:

	2013	2012
Computed "expected" tax	$ 1,122,476	$ 695,888
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal benefit	86,862	53,511
Nondeductible items	29,221	25,546
Domestic manufacturers' deduction	(87,050)	(8,229)
Other	18,551	16,321
	$ 1,170,060	$ 783,037

Note 6. Related Party Transactions

On December 3, 2009, the Company entered into a management agreement with a company which has common ownership. The agreement provides that management of the company will render consulting, advisory and other special services and expertise to the Company. The Company expensed $650,330 and $397,838 in management fees for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, the accrued management fee totaled none and $87,504, respectively.

The Company expensed $533,459 and $1,432,649 in related party interest expense for the years ended December 31, 2013 and 2012, respectively.

Note 7. Defined Contribution Retirement Plan

The Company sponsors a 401(k) retirement plan (Plan) which covers substantially all employees meeting certain eligibility requirements. Eligible employees may contribute up to the maximum amount of pretax annual compensation provided by law for this type of plan. The Company may elect to make discretionary matching contributions. The Company matches 50% of the first 6% of the eligible employee contributions. The Company's expense for the years ended December 31, 2013 and 2012 was approximately $283,000 and $271,000, respectively.

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Notes to Consolidated Financial Statements

Note 8. Lease Commitments and Total Rental Expense

The Company leases office and plant equipment under various cancellable and noncancellable agreements that require various minimum annual rentals and expire at various dates through 2024.

The total minimum rental commitment as of December 31, 2013, under the leases is $1,043,670 that is due as follows:

During the year ending December 31:		
2014	$	416,196
2015		138,374
2016		96,828
2017		49,992
2018		50,492
Thereafter		291,788
	$	1,043,670

The rental expense for the years ended December 31, 2013 and 2012 totaled approximately $571,000 and $521,000, respectively.

Note 9. Stockholders' Equity

Under the terms of the Company's stockholder agreement dated December 3, 2009, the Company and its stockholders have the right of first refusal to purchase the common stock issued and outstanding.

If there is a stockholder triggering event, as defined in the agreement, the Company has the option to purchase all of the stock owned by such stockholder for fair market value.

Note 10. Commitments and Contingencies

The Company is primarily self-insured for medical benefits for its employees and dependents with stop loss coverage of $40,000 per covered person annually. In addition, the Company has an aggregate stop loss of 125% of expected paid claims. The Company recorded a liability of $306,926 and $274,370 based on known and estimated medical claims outstanding as of December 31, 2013 and 2012, respectively, which is presented in accrued liabilities on the accompanying consolidated balance sheets.

Note 11. Major Customer

A major customer is defined as one with net sales comprising greater than 10% of the Company's total net sales. Net sales for the years ended December 31, 2013 and 2012 and the trade receivable amount due from this major customer as of December 31, 2013 and 2012, are as follows:

	2013		2012	
Customer	**Net Sales**	**Trade Receivables**	**Net Sales**	**Trade Receivables**
A	$ 11,102,279	$ 72	$ 10,906,225	$ 727,234

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Notes to Consolidated Financial Statements

Note 12. Stock Options

In 2009, the Company adopted the Henderson Enterprises Group, Inc. 2009 Stock Option Plan (Plan) a stock option plan reserving an aggregate of 114,700 shares of the Company's common stock for issuance under the Plan. The price for each option shall be the fair market value of the Company's stock at the date the option is granted as determined by the Board of Directors. There were no stock option grants during the years ended December 31, 2013 and 2012.

The Company has recorded stock compensation expense of $68,385 for the years ended December 31, 2013 and 2012. As of December 31, 2013 and 2012 there is $199,454 and $267,839, respectively of unrecognized option compensation expense related to nonvested stock options. This amount will be recorded as expense through 2016.

A summary of the option activity for the years ended December 31, 2013 and 2012 is presented below:

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2011	101,319.00	$ 20
Options granted	—	—
Option exercised	(3,824.00)	20
Options cancelled	(1,911.00)	20
Balance, December 31, 2012	95,584.00	20

Options granted	—		—
Option exercised	—		20
Options cancelled	—		20
Vested and expected to vest at December 31, 2013	95,584.00	$	20
Vested and exercisable at December 31, 2013	76,401.00	$	20

Note 13. Business Acquisition

Pursuant to an asset purchase agreement dated October 12, 2012, certain assets of BrineXtreme, LLC were acquired by the Company for $2,260,874. BrineXtreme is engaged in the development and manufacture of brine makers that accurately makes a salt brine to a specific percentage concentration to be applied to roadways during winter weather. This acquisition allows the Company to sell the brine maker along with the sales of their ice control product line using an established network of dealers. The transaction has been accounted for as a purchase. The purchase price was funded by a loan for $2,500,000. Under the purchase method of accounting, the purchase price is allocated to the assets acquired and liabilities assumed based upon fair values. The Company incurred transactions costs of $183,218.

Note 13. Business Acquisition (Continued)

The following table summarizes the consideration paid and the amounts of assets acquired and liabilities assumed as of acquisition date:

Cash consideration	$	2,260,874
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Inventories		160,874
Property and equipment		45,000
Customer relationships		55,000
Order backlog		125,000
Technology and patents		775,000
Trade names and trademarks		69,000
Noncompete		24,000
Other assets		50,000
Goodwill		957,000
	$	2,260,874

All goodwill recognized is expected to be deductible for income tax purposes.

In conjunction with the asset purchase agreement, the Company signed a three year employment agreement with the former owner of BrineXtreme. The former owner of BrineXtreme is eligible for a sales commission of 5% of gross revenue related to sales of BrineXtreme product from October 12, 2012 through December 31, 2017. This 5% sales commission is limited to a maximum amount of $1,150,000 and is dependent on employment through the three years of the employment agreement. The Company is recognizing the estimated sales commission over the three year term of the employment agreement. Commission expense related to this agreement for the years ending 2013 and 2012 was $383,328 and $68,888, respectively.

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Consolidated Balance Sheets

Assets	(Unaudited) October 4, 2014	(Audited) December 31, 2013
Current Assets:		
Cash	$ 310,605	$ 86,202
Accounts receivable, less allowance for doubtful accounts 2014 $145,032; 2013 $118,990	11,324,537	9,113,489
Other receivables	46,462	580,156
Inventories	17,257,893	11,074,217
Prepaid expenses	310,455	233,879
Deferred income taxes	459,000	459,000
Total current assets	29,708,952	21,546,943
Property and Equipment:		
Land	80,000	80,000
Building and improvements	2,090,143	1,774,558
Vehicles	763,941	651,085
Machinery and equipment	6,129,940	5,200,698
Office furniture and equipment	164,076	98,285
	9,228,100	7,804,626
Less accumulated depreciation	2,635,105	2,008,534
	6,592,995	5,796,092
Intangibles and Other Assets:		
Goodwill	7,105,133	7,105,133
Other intangibles	824,989	1,719,872
	7,930,122	8,825,005
Deferred Income Taxes	907,000	907,000
	$ 45,139,069	$ 37,075,040

See Notes to Consolidated Financial Statements.

Liabilities and Stockholders' Equity	(Unaudited) October 4, 2014	(Audited) December 31, 2013
Current Liabilities:		
Current maturities of long-term debt	$ 2,208,928	$ 2,220,981
Excess of outstanding checks over bank balance	1,526,157	415,800
Accounts payable	6,516,938	4,850,714
Accrued expenses	4,120,759	4,488,992
Total current liabilities	14,372,782	11,976,487
Long-Term Liabilities, long-term debt, less current maturities	11,789,357	8,808,865
Total liabilities	26,162,139	20,785,352
Commitments (Notes 5, 7 and 9)		
Stockholders' Equity:		
Common stock, $0.01 par value; authorized 1,000,000 shares, 608,921 shares issued as of October 4, 2014; 603,824 as of December 31, 2013	6,089	6,038
Additional paid-in capital	12,497,623	12,344,569
Retained earnings	6,473,218	3,939,081
	18,976,930	16,289,688
	$ 45,139,069	$ 37,075,040

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Consolidated Statements of Income
Periods Ended October 4, 2014 and September 28, 2013
(Unaudited)

	2014	2013
Net sales and service	$ 56,320,245	$ 53,618,015
Cost of goods sold	42,545,293	41,403,715
Gross profit	13,774,952	12,214,300

Operating expenses	**9,281,369**	8,902,388
Operating income	**4,493,583**	3,311,912
Nonoperating income (expense):		
Interest	**(540,242)**	(957,148)
Other	**6,474**	20,311
Income before income taxes	**3,959,815**	2,375,075
Federal and state income taxes	**1,425,678**	877,187
Net income	**$ 2,534,137**	$ 1,497,888

See Notes to Consolidated Financial Statements.

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Consolidated Statement of Stockholders' Equity
Period Ended October 4, 2014
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance, December 31, 2013	$ 6,038	$ 12,344,569	$ 3,939,081	$ 16,289,688
Net income	—	—	2,534,137	2,534,137
Exercise of stock options of 5,097 shares of common stock	51	101,889	—	101,940
Stock compensation related to stock options	—	51,165	—	51,165
Balance, October 4, 2014	$ 6,089	$ 12,497,623	$ 6,473,218	$ 18,976,930

See Notes to Consolidated Financial Statements.

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Consolidated Statements of Cash Flows
Periods Ended October 4, 2014 and September 28, 2013
(Unaudited)

	2014	2013
Cash Flows from Operating Activities:		
Net income	**$ 2,534,137**	$ 1,497,888
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	**640,473**	528,215
Amortization	**854,086**	993,726
Gain on sale of property and equipment	**(4,254)**	(10,780)
Stock option expense	**51,165**	51,300
Noncash interest expense on shareholder debt	**63,559**	149,568
Noncash interest for debt issuance cost	**40,797**	125,044
Changes in assets and liabilities:		
(Increase) in accounts receivable	**(2,211,048)**	(3,942,220)
Decrease (increase) in other receivables	**533,694**	(17,439)
(Increase) decrease in inventories	**(6,183,676)**	1,093,300
(Increase) decrease in prepaid expenses	**(76,576)**	152,038
Increase in accounts payable and accrued liabilities	**1,297,991**	2,345,853
Net cash provided by (used in) operating activities	**(2,459,652)**	2,966,493
Cash Flows from Investing Activities:		
Purchase of equipment and improvements	**(1,444,630)**	(888,796)
Proceeds from sale of property and equipment	**11,508**	38,865
Net cash (used in) investing activities	**(1,433,122)**	(849,931)
Cash Flows from Financing Activities:		
Proceeds (payments) on revolving credit loan agreement, net	**4,570,515**	(1,110,119)
Payments on long-term debt	**(1,650,000)**	(3,050,000)
Proceeds from long-term debt	—	11,000,000
Payments on subordinated debt	—	(8,244,578)
Proceeds from subordinated debt	—	1,600,000
Payments on capital leases	**(15,635)**	(14,917)
Repurchase common stock for retirement	—	(1,600,000)
Stock option exercise cash paid	**101,940**	—
Debt issuance costs	—	(163,188)

Increase (decrease) in excess of outstanding checks over bank balance	**1,110,357**	(426,718)
Net cash provided by (used in) financing activities	**4,117,177**	(2,009,520)
Net increase in cash	**224,403**	107,042
Cash:		
Beginning of year	**86,202**	6,988
Period ended	**$ 310,605**	$ 114,030
Supplemental Disclosures of Cash Flow Information:		
Cash payments for:		
Interest	**$ 673,306**	$ 632,595
Income tax (net of refunds)	**643,293**	385,189

See Notes to Consolidated Financial Statements.

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: Henderson Enterprises Group, Inc. (Company) is headquartered in Manchester, Iowa. The Company, through its wholly-owned subsidiary, Henderson Products, Inc., is engaged in the manufacturing, installation and selling of heavy duty truck equipment in the North American municipal and construction markets.

Presentation: The consolidated balance sheet as of December 31, 2013 was audited as of that date, but all of the information and notes as of December 31, 2013 required by GAAP have not been repeated here. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2013.

A summary of the Company's significant accounting policies are as follows:

Unaudited interim financial information: The accompanying interim consolidated balance sheet as of October 4, 2014, the consolidated statements of income and cash flows for the period from January 1, 2014 to October 4, 2014 ("period ended October 4, 2014") and for the period from January 1, 2013 to September 28, 2013 ("period ended September 28, 2013") and the consolidated statement of stockholders' equity for the period ended October 4, 2014 are unaudited. The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. In the opinion of management, these financial statements contain all normal and recurring adjustments considered necessary to present fairly the financial position as of October 4, 2014 and its results of operations and cash flows for the period ended October 4, 2014 and September 28, 2013. The results for the period ended October 4, 2014 is not necessarily indicative of the results to be expected for the full year. The information contained in these notes to the consolidated financial statements relating to the interim periods ended October 4, 2014 and September 28, 2013 are unaudited.

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

Significant estimates: The allowance for doubtful accounts, recoverability of long-term assets and valuation of goodwill, self-insurance and obsolete inventory involve certain estimates made by management. These estimates are reviewed by management routinely and it is reasonably possible that circumstances that existed at October 4, 2014, may change in the near-term future and that effect could be material to the consolidated financial statements.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Henderson Products, Inc. All material intercompany accounts and transactions have been eliminated in the consolidation.

Periods ended: The Company's policy is to close its interim books on the last Saturday closest to month end.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Accounts receivables: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. A trade receivable is considered to be past due if the invoice is outstanding past the stated due date. The provision for bad debts charged to expenses was $4,500 and $29,500 for the periods ended October 4, 2014 and September 28, 2013, respectively.

Inventories: Inventories are valued at the lower of cost (first-in, first-out method) or market.

Property and equipment: Property and equipment are stated at cost. Depreciation is computed by the straight-line method over the following estimated useful lives:

	Years
Building and improvements	40 years
Vehicles	3 - 5 years
Machinery and equipment	3 - 10 years
Office furniture and equipment	10 years

Revenue recognition policy: Revenue is recognized at the time of shipment. Service revenue is recognized when the service is performed. Shipping and handling charges to customers are included in revenue. Shipping and handling costs incurred by the Company are included in cost of goods sold.

Estimated warranty claims: The Company sells its products with a warranty that provides for repairs and replacements of any defective parts for a period of one year after delivery to the original user or 18 months after the actual invoice whichever comes first. At the time of the sale, the Company accrues an estimate of the cost of providing the warranty based on prior experience.

Changes in the Company's product warranty liability for the period ended October 4, 2014, are as follows:

Balance, beginning	$	604,478
Warranty expense		592,782
Payments for items under warranty		(625,956)
Balance, ending	$	571,304

Income tax matters: Deferred income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and net operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. The temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes along with any associated interest and penalties that would be payable to the taxing authorities upon examination, if any. With a few exceptions, the Company is not subject to U.S. federal, or state and local income tax examinations by tax authorities for years before 2010. As of and for the period ended October 4, 2014 the Company had no uncertain tax positions that are required to be recorded as a liability.

Stock-based compensation: The Company has a stock-based employee compensation plan, which is more fully described in Note 11. The Company accounts for its stock-based compensation in accordance with *Compensation-Stock Compensation.* The Company measures the cost of employee services received in exchange for equity instruments based on the grant-date fair value of those instruments and recorded compensation expense over the related vesting period.

Subsequent events: The Company has evaluated subsequent events through [opinion date], the date on which the financial statements were available to be issued. Management has determined that no events or transactions have occurred through that date that required additional recognition of disclosure in the financial statements.

Asset impairment assessments: The Company periodically evaluates the carrying value of long-lived assets to be held and used, including, but not limited to, capital assets and intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is less than its carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value would be determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost to dispose.

Goodwill: The Company records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. Provision of *Intangibles-Goodwill and Other*, prescribes a two-step process for impairment testing of goodwill, which is performed annually, as well as when an event triggering impairment may have occurred. The first step tests for impairment, while the second step, if necessary, measures the impairment. The Company has elected to perform its annual analysis as of December 31 each year.

Other intangibles: The Company classifies intangible assets as definite-lived or indefinite-lived intangible assets. Definite-lived intangibles include customer list, trade name and trademarks, and debt issuance costs. Customer list, non-compete and trade name and trademarks are amortized over the estimated useful life using a method that reflects an appropriate allocation of the costs of the assets to earnings in proportion to the amount of economic benefits obtained by the Company in each reporting period. The determination of the expected life depends upon the use and underlying characteristics of the intangible asset. Customer relationship and patent and technology are amortized on a double declining basis. Debt issuance costs are amortized over the life of the debt agreements based on the interest method. The Company periodically reviews the appropriateness of the amortization periods related to the definite-lived assets. These assets are stated at amortized cost.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The following intangibles are being amortized over the periods indicated below:

	Years
Customer list	7
Trade name & trademarks	5 - 7
Debt issuance costs	3 - 5
Patent and technology	5
Customer relationship	5
Noncompete agreement	3

Advertising: The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the period ended October 4, 2014 and September 28, 2013 was $63,689 and $52,783, respectively.

Research and development: Research and development costs are expensed as incurred. Research and development expense for the period ended October 4, 2014 and September 28, 2013 was $48,704 and $1,736, respectively.

Patent cost: The Company follows the policy of expensing legal costs related to internally developing patents. Expenses for the period ended October 4, 2014 and September 28, 2013 was approximately $12,000 and $51,000, respectively.

Note 2. Other Intangibles

Other intangibles as of October 4, 2014 were as follows:

	Cost	Accumulated Amortization	Net
Customer list	$ 7,710,000	$ (7,550,222)	$ 159,778
Trade name and trademarks	823,000	(540,333)	282,667
Patent and technology	775,000	(482,050)	292,950
Noncompete agreement	24,000	(16,000)	8,000
Debt issuance cost	163,188	(81,594)	81,594
	$ 9,495,188	$ (8,670,199)	$ 824,989

Note 3. Inventories

Inventories as of October 4, 2014 consisted of the following:

Raw material	$ 11,214,799
Work in process	2,307,174
Finished goods	4,183,391
	17,705,364
Obsolete inventory reserve	(447,471)
	$ 17,257,893

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Notes to Consolidated Financial Statements

Note 4. Pledged Assets and Long-Term Debt

Long-term debt as of October 4, 2014 and the terms and collateral as of October 4, 2014 are as follows:

The Company has a revolving credit loan agreement with a bank, which expires March 26, 2016. Total available borrowings are the lesser of a borrowing base which is tied to certain accounts receivable and inventories or $9,500,000, less amounts currently borrowed. Total additional amount available under this revolving credit loan agreement at October 4, 2014 was $4,929,485. Depending on the ratio of total debt to EBITDA (as defined), advances under the revolving credit loan agreement bear interest at an interest rate ranging from 2.25% to 3.00%. A fee of 0.35% to 0.50% is charged on the unused portion of the revolving credit loan agreement. (A)	$ 4,570,515
Senior subordinated notes payable to stockholders, due in full in September 2016. Borrowings bear interest at 17%, of which 12% is payable quarterly in March, June, September and December of each year and the remaining 5% interest is deferred and accrues on the notes. (B)	1,718,842
Term note of $11,000,000 with the principal payment due in full March 26, 2016 per agreement with bank. Quarterly payments of $550,000. If total debt to EBITDA is greater than 2.5 the interest rate is 3%. If it is greater than 2 but less than 2.5 the interest rate is 2.75%. If it is greater than 1.5 but less than 2 the interest rate is 2.5%. Less than 1.5 the interest rate is 2.25%. The effective rate of 2.75% as of October 4, 2014. (A)	7,700,000
Capital leases	8,928
	13,998,285
Less current maturities	2,208,928
Long-term debt	$ 11,789,357

(A) These agreements contain various restrictive covenants including, among others, ones related to the maintenance of certain levels of debt to EBITDA, certain levels of fixed charge coverage and a minimum EBITDA level. In addition, these notes are collateralized by substantially all of the Company's assets.

(B) These notes are collateralized by substantially all of the Company's assets and is subordinated to the bank financing.

Henderson Enterprises Group, Inc. and Subsidiary
(Henderson Products, Inc.)

Notes to Consolidated Financial Statements

Note 5. Related Party Transactions

On December 3, 2009, the Company entered into a management agreement with a company which has common ownership. The agreement provides that management of the company will render consulting, advisory and other special services and expertise to the Company. The Company expensed $502,465 and $476,349 in management fees for the periods ended October 4, 2014 and September 28, 2013, respectively. As of October 4, 2014, the accrued management fee totaled none.

The Company expensed $216,102 and $462,454 in related party interest expense for the period ended October 4, 2014 and September 28, 2013, respectively.

Note 6. Defined Contribution Retirement Plan

The Company sponsors a 401(k) retirement plan (Plan) which covers substantially all employees meeting certain eligibility requirements. Eligible employees may contribute up to the maximum amount of pretax annual compensation provided by law for this type of plan. The Company may elect to make discretionary matching contributions. The Company matches 50% of the first 6% of the eligible employee contributions. The Company's expense for the period ended October 4, 2014 and September 28, 2013 was approximately $236,000 and $206,000, respectively.

Note 7. Total Rental Expense

The Company leases office and plant equipment under various cancellable and noncancellable agreements that require various minimum annual rentals and expire at various dates through 2024.

The rental expense for the period ended October 4, 2014 and September 28, 2013 totaled approximately $435,000 and $428,000, respectively.

Note 8. Stockholders' Equity

Under the terms of the Company's stockholder agreement dated December 3, 2009, the Company and its stockholders have the right of first refusal to purchase the common stock issued and outstanding.

If there is a stockholder triggering event, as defined in the agreement, the Company has the option to purchase all of the stock owned by such stockholder for fair market value.

Note 9. Commitments and Contingencies

The Company is primarily self-insured for medical benefits for its employees and dependents with stop loss coverage of $40,000 per covered person annually. In addition, the Company has an aggregate stop loss of 125% of expected paid claims. The Company recorded a liability of $375,210 based on known and estimated medical claims outstanding as of October 4, 2014, which is presented in accrued liabilities on the accompanying consolidated balance sheets.

Note 10. Major Customer

A major customer is defined as one with net sales comprising greater than 10% of the Company's total net sales. Net sales for the period ended October 4, 2014 and September 28, 2013 and the trade receivable amount due from this major customer as of October 4, 2014 are approximately as follows:

	2014		2013
Customer	Net Sales	Trade Receivables	Net Sales
A	$ 7,802,000	$ 3,543,000	$ 10,492,000

Note 11. Stock Options

In 2009, the Company adopted the Henderson Enterprises Group, Inc. 2009 Stock Option Plan (Plan) a stock option plan reserving an aggregate of 114,700 shares of the Company's common stock for issuance under the Plan. The price for each option shall be the fair market value of the Company's stock at the date the option is granted as determined by the Board of Directors. There were no stock option grants during the period ended October 4, 2014 and September 28, 2013.

The Company has recorded stock compensation expense of $51,165 and $51,300 for the period ended October 4, 2014 and September 28, 2013. As of October 4, 2014 there is $148,167 of unrecognized option compensation expense related to nonvested stock options. This amount will be recorded as expense through 2016.

As of October 4, 2014 there were 87,938 shares vested and expected to vest. As of October 4, 2014 there were 76,401 shares vested and exercisable. The weighted average exercise price was $20.

Note 12. Sale of the Company

On November 24, 2014, pursuant to the terms of a Merger Agreement, dated November 24, 2014, Douglas Dynamics, Inc. acquired 100% of the outstanding common stock and stock options to purchase common stock for a purchase price of approximately $95 million in cash, subject to working capital, cash and other adjustments.

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION
(Dollars in thousands except per share amounts)

On December 31, 2014, Douglas Dynamics, Inc. (the 'Company")acquired all of the outstanding common stock of Henderson Enterprises Group, Inc. ("Henderson") for the purpose of expanding its current market presence in the snow and ice segment. Total consideration was $98,676 including a working capital adjustment of $4,688 and an outstanding payable to a former Henderson shareholder of $3,340. The purchase price was funded through available cash resources and the Company entered into an Amended and Restated Credit and Guaranty Agreement (the "Term Loan Credit Agreement") with 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. The Term Loan Credit Agreement was an amendment and restatement of an existing Credit and Guaranty Agreement, dated as of April 18, 2011. At the same time, the Company entered into a Second Amended and Restated Credit and Guaranty Agreement (the "Revolving Credit Agreement") with the banks and financial institutions listed in the Revolving Credit Agreement, 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.

Henderson is the leading North American manufacturer of customized, turnkey snow and ice control solutions for heavy-duty trucks focused on state Departments of Transportation (DOT), counties, and municipalities. Henderson's diverse product portfolio includes ice control equipment, snow plows, dump bodies, muni-bodies, and replacement parts.

Set forth below is the Company's unaudited pro forma condensed combined balance sheet as of September 30, 2014, reflecting the Merger and the impact of the Company's Amended and Restated Term Loan Credit Agreement which was used to fund the Henderson merger (collectively, the "Transactions") as if the Transactions had taken place on September 30, 2014, and the Company's unaudited pro forma condensed consolidated statements of income for the nine months ended September 30, 2014 and the fiscal year ended December 31, 2013, reflecting the Transactions as if they had taken place on January 1, 2013.

The historical consolidated financial information of Henderson has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the Transactions, (2) factually supportable, and (3) with respect to the statement of income, expected to have a continuing impact on the combined results. There were no material transactions between the Company and Henderson during the periods presented in the unaudited pro forma condensed combined financial statements that needed to be eliminated.

The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes thereto. In addition, the unaudited pro forma condensed combined financial information was based on and should be read in conjunction with the:

- Separate historical financial statements of Henderson as of and for the period ended October 4, 2014 and the related notes and the separate historical financial statements of Henderson for the year ended December 31, 2013 and related notes, included as an exhibit to this Current Report on Form 8-K/A; and
- Separate historical financial statements of the Company as of and for the nine months ended September 30, 2014 and the related notes included in its Quarterly Report on Form 10-Q and separate historical financial statements of the Company for the year ended December 31, 2013 and the related notes included in its Annual Report on Form 10-K;

The Unaudited Pro Forma Combined Condensed Financial Information has been prepared using the acquisition method of accounting under U.S. generally accepted accounting principles. The Unaudited Pro Forma Combined Condensed Financial Information will differ from the final acquisition accounting for a number of reasons, including the fact that the Company's estimates of fair value are preliminary and subject to change when the formal valuation and other studies are finalized. The adjustments that may occur to the preliminary estimates could have a material impact on the accompanying Unaudited Pro Forma Combined Condensed Financial Information.

The Unaudited Pro Forma Combined Condensed Financial Information is presented for information purposes only. It has been prepared in accordance with the regulations of the Securities and Exchange Commission and is not necessarily indicative of what the Company's financial position or results of operations actually would have been had it completed the acquisition at the dates indicated, nor does it purport to project the future financial position or operating results of the combined company.

The finalization of the Company's purchase accounting assessment will result in changes in the valuation of assets and liabilities acquired which could be material. The Company will finalize the purchase price allocation as soon as practicable within the measurement period in accordance with Accounting Standards Codification ("ASC") Topic 805-10, "Business Combinations — Overall" ("ASC 805-10"), but in no event later than one year following the merger date. The purchase price allocation for Henderson and the pro forma adjustments are preliminary and based on information available to date, and are subject to revision as additional information becomes available. The actual adjustments described herein were made as of the closing date of the Merger and are expected to change based upon the finalization of appraisals and other valuation studies the Company will obtain. Revisions to the preliminary purchase price could materially change the pro forma amounts of total assets, total liabilities, stockholders' equity, depreciation and amortization and income tax expense.

The unaudited pro forma condensed combined financial information does not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the merger; any costs to combine the operations of the Company and Henderson; or any costs necessary to achieve these cost savings, operating synergies and potential revenue enhancements.

Douglas Dynamics, Inc.
Unaudited Pro Forma Combined Condensed Balance Sheet

(Dollars in thousands)	As of September 30, 2014 Douglas Dynamics, Inc. (unaudited)	As of October 4, 2014 Henderson Enterprises Group, Inc. (unaudited)	Pro Forma Adjustments (Note 1 & 2)	Pro Forma Combined
Assets				
Current assets:				
Cash and cash equivalents	$ 4,289	$ 311	$ (4,600)	$ —
Accounts receivable, net	96,569	11,325	—	107,894
Inventories	36,418	17,258	1,956	55,632
Deferred income taxes	4,141	459	55	4,655
Prepaid and other current assets	1,539	356	—	1,895
Total current assets	142,956	29,709	(2,589)	170,076
Property, plant, and equipment, net	25,639	6,593	4,255	36,487
Goodwill	113,132	7,105	46,817	167,054
Other intangible assets, net	119,074	743	16,647	136,464
Deferred financing costs, net	1,782	82	—	1,864
Other long-term assets	1,806	—	74	1,880
Total assets	$ 404,389	$ 44,232	$ 65,204	$ 513,825

Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	4,967	8,043	—	13,010
Accrued expenses and other current liabilities	20,397	4,121	—	24,518
Income taxes payable	609	—	—	609
Short term borrowings	33,500	—	18,137	51,637
Current portion of long-term debt	971	2,209	(1,551)	1,629
Total current liabilities	60,444	14,373	16,586	91,403
Retiree health benefit obligation	4,866	—	—	4,866
Pension obligation	6,029	—	—	6,029
Deferred income taxes	49,088	(907)	3,773	51,954
Deferred compensation	588	—	—	588
Long-term debt, less current portion	109,295	11,789	65,387	186,471
Other long-term liabilities	4,428	—	248	4,676
Stockholders' equity:				
Common Stock, par value $0.01, 200,000,000 shares authorized, 22,282,628 shares issued and outstanding at September 30, 2014	223	6	(6)	223
Additional paid-in capital	137,543	12,498	(12,498)	137,543
Retained Earnings	32,703	6,473	(8,286)	30,890
Accumulated other comprehensive loss, net of tax	(818)	—	—	(818)
Total shareholders' equity	169,651	18,977	(20,790)	167,838
Total liabilities and stockholders' equity	$ 404,389	$ 44,232	$ 65,204	$ 513,825

Douglas Dynamics, Inc.
Unaudited Pro Forma Combined Condensed Statement of Operations
For the Nine Months Ended

(In thousands except per share amounts)	September 30, 2014 Douglas Dynamics, Inc. (unaudited)	October 4, 2014 Henderson Enterprises Group, Inc. (unaudited)	Pro Forma Adjustments (Note 3)	Pro Forma Combined
Net sales	$ 203,457	$ 56,320	$ —	$ 259,777
Cost of sales	125,827	42,545	148	168,520
Gross profit	77,630	13,775	(148)	91,257
Selling, general, and administrative expense	25,757	8,386	(729)	33,414
Intangibles amortization	4,348	854	193	5,395
Impairment of assets held for sale	67	—	—	67
Income from operations	47,458	4,535	388	52,381
Interest expense, net	(6,007)	(581)	(2,569)	(9,157)
Other expense, net	(136)	6	—	(130)
Income before income taxes	41,315	3,960	(2,181)	43,094
Income tax expense	14,385	1,426	(829)	14,982
Net income	$ 26,930	$ 2,534	$ (1,352)	$ 28,112
Less: Net income attributable to participating securities	397			414
Net income attributable to common shareholders	$ 26,533	$		$ 27,698
Earnings per share:				
Weighted average number of common shares outstanding:				
Basic	22,158,690			22,158,690
Diluted	22,178,688			22,178,688
Basic earnings per common share attributable to common shareholders	$ 1.20			$ 1.25
Earnings per common share assuming dilution attributable to common shareholders	$ 1.19			$ 1.24
Cash dividends declared and paid per share	$ 0.65			$ 0.65

Douglas Dynamics, Inc.
Unaudited Pro Forma Combined Condensed Statement of Operations
For the Fiscal Year Ended December 31, 2013

(In thousands except per share amounts)	Douglas Dynamics, Inc. (audited)	Henderson Enterprises Group, Inc. (audited)	Pro Forma Adjustments (Note 3)	Pro Forma Combined (unaudited)
Net sales	$ 194,320	$ 72,980	$ —	$ 267,300
Cost of sales	128,670	55,880	2,280	186,830

Gross profit	65,650	17,100	(2,280)	80,470
Selling, general, and administrative expense	31,872	11,360	(1,336)	41,896
Intangibles amortization	5,625	1,308	88	7,021
Impairment of assets held for sale	647	—	—	647
Income from operations	27,506	4,432	(1,032)	30,906
Interest expense, net	(8,328)	(1,152)	(3,048)	(12,528)
Other expense, net	(161)	21	—	(140)
Income before income taxes	19,017	3,301	(4,080)	18,238
Income tax expense	7,378	1,170	(1,550)	6,998
Net income	$ 11,639	$ 2,131	$ (2,530)	$ 11,240
Less: Net income attributable to participating securities	179			173
Net income attributable to common shareholders	$ 11,460			$ 11,067
Earnings per share:				
Weighted average number of common shares outstanding:				
Basic	22,029,374			22,029,374
Diluted	22,067,174			22,067,174
Basic earnings per common share attributable to common shareholders	$ 0.52			$ 0.50
Earnings per common share assuming dilution attributable to common shareholders	$ 0.51			$ 0.49
Cash dividends declared and paid per share	$ 0.84			$ 0.84

Note 1 Preliminary Purchase Consideration Allocation

The final purchase consideration amount is pending, based on the final agreement of the adjustment to the cash consideration related to the level of net working capital transferred at closing. The preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed is based on the estimated fair values at the date of acquisition. The fair values of the assets and liabilities included in the table below are preliminary and subject to change as we are currently in the process of obtaining third-party valuations.

The excess of the purchase consideration over the net tangible and identifiable intangible assets is reflected as goodwill. As the transaction was a taxable stock acquisition for U.S. federal income tax purposes, only the previously existing intangible assets and goodwill will be deductible for tax purposes. The amount allocated to intangible assets and goodwill for tax purposes is not expected to be tax deductible as a result of the Company not making an election under Section 338(h)(10) of the Internal Revenue Code.

The following table summarizes the preliminary estimates of fair value of the assets acquired and the liabilities assumed if the acquisition of Henderson had taken place on September 30, 2014.

(In thousands)	**September 30, 2014**
Cash and cash equivalents	$ 311
Accounts receivable	11,325
Inventories	19,214
Deferred income taxes - current	514
Prepaid expenses and other current assets	356
Property, plant and equipment	10,848
Goodwill	53,922
Intangible assets	17,390
Other assets - long term	74
Accounts payable and other current liabilities	$ (12,164)
Deferred income taxes - long term	(2,866)
Other liabilities - long-term	(248)
Total	$ 98,676

The goodwill for the acquisition is a result of acquiring and retaining the existing workforces and expected synergies from integrating the operations into the Company. The Company only expects to be able to deduct unamortized intangible assets and goodwill that existed at the time of the acquisition of $4,218 as only the existing goodwill and intangible assets are deductible as a result of not making an election under Section 338(h)(10) of the Internal Revenue Code. The remaining useful lives of intangible assets and goodwill for income tax purposes is 12.2 and 10.3 years, respectively. For book purposes, the acquired intangible assets include customer relationships of $8,300 being amortized over 15 years, patents of $3,200 being amortized over 10 years non-compete agreements of $2,100 being amortized over 4 years, $200 backlog being amortized over six months and trademarks of $3,600 that possess indefinite lives.

Inventories reflect adjustments of $1,956 to establish the estimated fair market value. Property plant and equipment reflects an adjustment of $4,300 to establish the estimated fair market value. These adjustments have been reflected on the September 30, 2014 pro forma balance sheet.

For purposes of these Unaudited Pro Forma Combined Condensed Financial Statements, a blended statutory rate of 38.0% has been used. This rate is an estimate and does not take into account any possible future tax planning or events that may occur for the combined company. An estimated deferred tax asset current and long term of $514 and $2,866, respectively, related to the tax effect on differences in timing of deductibility was recognized.

Note 2 Adjustments to the Unaudited Pro Forma Combined Condensed Balance Sheet

Fair value adjustments were made to certain intangible assets, property, plant and equipment, and inventories. Inventories have been adjusted to their estimated fair market value and will be charged to cost of sales over a period of three months. Amortizable intangible assets are being amortized over estimated useful lives and property, plant and equipment are being depreciated over the estimated useful lives of the respective assets using the straight-line method for financial reporting. Deferred tax balances and reserves for uncertain tax positions have been adjusted to reflect the tax impact of adjustments made to underlying carrying values. Current portion of long-term debt and long term debt, less current maturities, have both been updated to reflect the updated Term Loan Agreement. Retained earnings and short term borrowings have been adjusted for $1,815 in transaction related costs.

Note 3 Adjustments to the Unaudited Pro Forma Combined Condensed Statement of Operations

Acquisition expenses of $226 and $686 were excluded in the combined condensed statement of operations as of September 30, 2014 and December 31, 2013, respectively. Management fees of $502 and $650 were excluded from the combined condensed statement of operations as of September 30, 2014 and December 31, 2013, respectively. The pro forma amounts include additional amortization of intangible assets, depreciation of assets at fair value, interest expense on increased debt levels and the related tax effects of these adjustments.