

Manitex International, Inc.  
Form 10-Q  
November 07, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2014**

**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 Number: 001-32401**

**MANITEX INTERNATIONAL, INC.**

**(Exact Name of Registrant as Specified in Its Charter)**

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

**42-1628978**  
**(I.R.S. Employer**

**Incorporation or Organization)**

**Identification Number)**

**9725 Industrial Drive, Bridgeview, Illinois**  
**(Address of Principal Executive Offices)**

**60455**  
**(Zip Code)**

**(708) 430-7500**

**(Registrant's Telephone Number, Including Area Code)**

**(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares of the registrant's common stock, no par, outstanding at November 5, 2014 was 13,822,918

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**Table of Contents****PART 1 FINANCIAL INFORMATION****Item 1 Financial Statements****MANITEX INTERNATIONAL INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share data)**

|  | <b>September 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|--|-------------------------------|------------------------------|
|  | <b>Unaudited</b>              | <b>Unaudited</b>             |
| <b>ASSETS</b>                                |                               |                              |
| <b>Current assets</b>                        |                               |                              |
| Cash   | \$ 4,934                      | \$ 6,091                     |
| Trade receivables (net)                      | 44,860                        | 38,165                       |
| Accounts receivable finance                  |                               | 326                          |
| Other receivables                            | 692                           | 1,541                        |
| Inventory (net)                              | 81,085                        | 72,734                       |
| Deferred tax asset                           | 1,272                         | 1,272                        |
| Prepaid expense and other                    | 1,908                         | 1,669                        |
| <b>Total current assets</b>                  | <b>134,751</b>                | <b>121,798</b>               |
| Total fixed assets (net)                     | 10,097                        | 11,143                       |
| Intangible assets (net)                      | 21,783                        | 24,036                       |
| Deferred tax asset                           | 1,936                         | 2,117                        |
| Goodwill                                     | 22,213                        | 22,489                       |
| Other long-term assets                       | 1,019                         | 1,031                        |
| <b>Total assets</b>                          | <b>\$ 191,799</b>             | <b>\$ 182,614</b>            |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>   |                               |                              |
| <b>Current liabilities</b>                   |                               |                              |
| Notes payable short term                     | \$ 7,393                      | \$ 6,910                     |
| Revolving credit facilities                  | 2,676                         | 2,707                        |
| Current portion of capital lease obligations | 1,693                         | 1,812                        |
| Accounts payable                             | 27,263                        | 24,974                       |
| Accounts payable related parties             | 1,230                         | 789                          |
| Accrued expenses                             | 8,508                         | 8,808                        |
| Other current liabilities                    | 1,883                         | 1,930                        |
| <b>Total current liabilities</b>             | <b>50,646</b>                 | <b>47,930</b>                |
| <b>Long-term liabilities</b>                 |                               |                              |

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|   |                   |                   |
|---|-------------------|-------------------|
| Revolving term credit facilities  | 37,819            | 37,306            |
| Deferred tax liability  | 4,077             | 4,074             |
| Notes payable   | 2,130             | 2,482             |
| Capital lease obligations   | 2,992             | 2,984             |
| Deferred gain on sale of building   | 1,363             | 1,648             |
| Other long-term liabilities   | 1,065             | 1,199             |
| <b>Total long-term liabilities</b>  | <b>49,446</b>     | <b>49,693</b>     |
| <b>Total liabilities</b>  | <b>100,092</b>    | <b>97,623</b>     |
| <b>Commitments and contingencies</b>  |                   |                   |
| <b>Shareholders equity</b>  |                   |                   |
| Preferred Stock Authorized 150,000 shares, no shares issued or outstanding at September 30, 2014 and December 31, 2013  |                   |                   |
| Common Stock no par value 20,000,000 shares authorized, 13,822,918 and 13,801,277 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively | 68,894            | 68,554            |
| Paid in capital   | 1,751             | 1,191             |
| Retained earnings   | 21,488            | 14,857            |
| Accumulated other comprehensive (loss) income   | (426)             | 389               |
| <b>Total shareholders equity</b>  | <b>91,707</b>     | <b>84,991</b>     |
| <b>Total liabilities and shareholders equity</b>  | <b>\$ 191,799</b> | <b>\$ 182,614</b> |

The accompanying notes are an integral part of these financial statements

**Table of Contents****MANITEX INTERNATIONAL, INC.****CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except for share and per share amounts)

|   | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|---|-------------------------------------|------------|------------------------------------|------------|
|   | 2014                                | 2013       | 2014                               | 2013       |
|   | Unaudited                           | Unaudited  | Unaudited                          | Unaudited  |
| Net revenues  | \$ 66,197                           | \$ 57,521  | \$ 197,172                         | \$ 179,641 |
| Cost of sales   | 55,282                              | 46,320     | 161,509                            | 145,944    |
| <b>Gross profit</b>                                   | 10,915                              | 11,201     | 35,663                             | 33,697     |
| Operating expenses                                    |                                     |            |                                    |            |
| Research and development costs                        | 611                                 | 666        | 1,909                              | 2,084      |
| Selling, general and administrative expenses          | 6,893                               | 5,878      | 21,554                             | 19,095     |
| <b>Total operating expenses</b>                       | 7,504                               | 6,544      | 23,463                             | 21,179     |
| <b>Operating income</b>                               | 3,411                               | 4,657      | 12,200                             | 12,518     |
| Other income (expense)                                |                                     |            |                                    |            |
| Interest expense                                      | (671)                               | (837)      | (2,192)                            | (2,181)    |
| Foreign currency transaction losses                   | (102)                               | (20)       | (27)                               | (72)       |
| Other income (loss)                                   | 71                                  | 18         | (67)                               | 9          |
| <b>Total other expense</b>                            | (702)                               | (839)      | (2,286)                            | (2,244)    |
| Income before income taxes                            | 2,709                               | 3,818      | 9,914                              | 10,274     |
| Income tax  | 941                                 | 1,197      | 3,283                              | 3,087      |
| <b>Net income</b>                                     | \$ 1,768                            | \$ 2,621   | \$ 6,631                           | \$ 7,187   |
| <b>Earnings Per Share</b>                             |                                     |            |                                    |            |
| Basic   | \$ 0.13                             | \$ 0.21    | \$ 0.48                            | \$ 0.58    |
| Diluted   | \$ 0.13                             | \$ 0.21    | \$ 0.48                            | \$ 0.58    |
| <b>Weighted average common shares<br/>outstanding</b> |                                     |            |                                    |            |
| Basic   | 13,822,918                          | 12,352,266 | 13,817,538                         | 12,307,968 |
| Diluted   | 13,873,157                          | 12,403,665 | 13,862,651                         | 12,349,650 |

**The accompanying notes are an integral part of these financial statements**

**Table of Contents****MANITEX INTERNATIONAL, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In thousands)**

|  | <b>Three Months<br/>Ended<br/>September 30,</b> |                  | <b>Nine Months Ended<br/>September 30,</b> |                  |
|--|---|------------------|--|------------------|
|  | <b>2014</b>                                     | <b>2013</b>      | <b>2014</b>                                | <b>2013</b>      |
|  | <b>Unaudited</b>                                | <b>Unaudited</b> | <b>Unaudited</b>                           | <b>Unaudited</b> |
| Net income:  | \$ 1,768  | \$ 2,621         | \$ 6,631                                   | \$ 7,187         |
| Other comprehensive income (loss)                                      |   |                  |  |                  |
| Foreign currency translation adjustments                               | (753)   | 330              | (822)                                      | (140)            |
| Derivative instrument fair market value adjustment net of income taxes |   | 7                | 7  | 7                |
| Total other comprehensive income (loss)                                | (753)   | 337              | (815)                                      | (133)            |
| Comprehensive income   | \$ 1,015  | \$ 2,958         | \$ 5,816                                   | \$ 7,054         |

**The accompanying notes are an integral part of these financial statements**

**Table of Contents****MANITEX INTERNATIONAL, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)**

|   | <b>Nine Months Ended<br/>September 30,</b> |                  |
|---|--|------------------|
|   | <b>2014</b>                                | <b>2013</b>      |
|   | <b>Unaudited</b>                           | <b>Unaudited</b> |
| <b>Cash flows from operating activities:</b>  |  |                  |
| Net income  | \$ 6,631                                   | \$ 7,187         |
| Adjustments to reconcile net income to cash used for operating activities:                |  |                  |
| Depreciation and amortization   | 3,334                                      | 2,740            |
| Changes in allowances for doubtful accounts   | 128  | 160              |
| Changes in inventory reserves   | (151)                                      | (24)             |
| Deferred income taxes   | 178  | 34               |
| Share based compensation  | 906  | 584              |
| Gain on disposal of fixed assets  |  | (100)            |
| Reserves for uncertain tax provisions   | (104)                                      | 64               |
| Changes in operating assets and liabilities:  |  |                  |
| (Increase) decrease in accounts receivable  | (6,519)                                    | 5,911            |
| (Increase) decrease in accounts receivable finance  | 321  | 210              |
| (Increase) decrease in inventory  | (9,849)                                    | (13,027)         |
| (Increase) decrease in prepaid expenses   | (278)                                      | (727)            |
| (Increase) decrease in other assets   | 11   | (934)            |
| Increase (decrease) in accounts payable   | 3,550                                      | (2,801)          |
| Increase (decrease) in accrued expense  | 56   | (1,026)          |
| Increase (decrease) in other current liabilities  | 72   | 666              |
| Increase (decrease) in other long-term liabilities  | (30)                                       | (35)             |
| <b>Net cash used for operating activities</b>   | <b>(1,744)</b>                             | <b>(1,118)</b>   |
| <b>Cash flows from investing activities:</b>  |  |                  |
| Proceeds from the sale of fixed assets  |  | 139              |
| Acquisition of a business   |  | (13,000)         |
| Purchase of property and equipment  | (704)                                      | (1,025)          |
| <b>Net cash used for investing activities</b>   | <b>(704)</b>                               | <b>(13,886)</b>  |
| <b>Cash flows from financing activities:</b>  |  |                  |
| Proceeds from stock offering, net of issuance expenses                                    |  | 13,935           |
| Borrowing on revolving term credit facilities excluding payment related to stock offering | 1,047                                      | 3,102            |
| Stock offering proceeds used to reduce revolving term credit facilities                   |  | (10,443)         |
| New borrowing term loan   |  | 15,000           |



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|   |          |          |
|---|----------|----------|
| Stock offering proceeds used to pay down term loan                        |          | (3,492)  |
| Net borrowings (repayments) on working capital facilities                 | 1,053    | (2,005)  |
| Shares repurchased for income tax withholding on share-based compensation | (6)      |          |
| New borrowings notes payable  | 677      | 809      |
| Note payments   | (963)    | (809)    |
| Proceeds from capital leases  | 942      | 827      |
| Payments on capital lease obligations                                     | (1,053)  | (817)    |
| Net cash provided by financing activities                                 | 1,697    | 16,107   |
| Net (decrease) increase in cash and cash equivalents                      | (751)    | 1,103    |
| Effect of exchange rate change on cash                                    | (406)    | 86       |
| Cash and cash equivalents at the beginning of the year                    | 6,091    | 1,889    |
| Cash and cash equivalents at end of period                                | \$ 4,934 | \$ 3,078 |

**The accompanying notes are an integral part of these financial statements**

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**MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**(In thousands, except share and per share data)**

**Note 1. Nature of Operations**

The Company is a leading provider of engineered lifting solutions. The Company operates in two business segments: the Lifting Equipment segment and the Equipment Distribution segment.

*Lifting Equipment Segment*

The Company is a leading provider of engineered lifting solutions. The Company designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries. Through its Manitex, Inc. subsidiary it markets a comprehensive line of boom trucks, truck cranes and sign cranes. Manitex's boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including, roads, bridges and commercial construction. Badger Equipment Company ( Badger ) is a manufacturer of specialized rough terrain cranes and material handling products. Badger primarily serves the needs of the construction, municipality, and railroad industries.

Manitex Liftking ULC ( Manitex Liftking or Liftking ) sells a complete line of rough terrain forklifts, a line of stand-up electric forklifts, cushioned tired forklifts with lifting capacities from 18 thousand to 40 thousand pounds, and special mission oriented vehicles, as well as other specialized carriers, heavy material handling transporters and steel mill equipment. Manitex Liftking's rough terrain forklifts are used in both commercial and military applications. Specialty mission oriented vehicles and specialized carriers are designed and built to meet the Company's unique customer needs and requirements. The Company's specialized lifting equipment has met the particular needs of customers in various industries that include utility, ship building and steel mill industries.

Manitex Load King, Inc. ( Load King ) manufactures specialized custom trailers and hauling systems typically used for transporting heavy equipment. Load King trailers serve niche markets in the commercial construction, railroad, military, and equipment rental industries through a dealer network.

CVS Ferrari, srl ( CVS ) designs and manufactures a range of reach stackers and associated lifting equipment for the global container handling market, that are sold through a broad dealer network. On November 30, 2013, CVS acquired the assets of Valla SpA ( Valla ) located in Piacenza, Italy. Valla offers a full range of precision pick and carry cranes from 2 to 90 tons, using electric, diesel, and hybrid power options. Its cranes offer wheeled or tracked, and fixed or swing boom configurations, with special applications designed specifically to meet the needs of its customers.

On August 19, 2013, Manitex Sabre, Inc. ( Sabre ) acquired the assets of Sabre Manufacturing, LLC, which is located in Knox, Indiana. Sabre manufactures a comprehensive line of specialized mobile tanks for liquid and solid storage and containment solutions with capacities from 8,000 to 21,000 gallons. Its mobile tanks are sold to specialized independent tank rental companies and through the Company's existing dealer network. The tanks are used in a variety of end markets such as petrochemical, waste management and oil and gas drilling.

*Equipment Distribution Segment*

The Equipment Distribution segment operates as Manitex Valla North America sales organization and is a distributor of Terex rough terrain and truck cranes, PM knuckle boom cranes and Manitex's products. The Equipment Distribution segment predominately sells its products to end users, including the rental market. Its products are used primarily for infrastructure development and commercial construction applications include road and bridge construction, general contracting, roofing, scrap handling and sign construction and maintenance. The Equipment Distribution segment supplies repair parts for a wide variety of medium to heavy duty construction equipment and sell both domestically and internationally. The segment also provides repair services in the Chicago area. The North American Equipment Exchange division, ( NAEE ), markets previously-owned construction and heavy equipment, domestically and internationally. This Division provides a wide range of used lifting and construction equipment of various ages and condition, and the Company has the capability to refurbish the equipment to the customers' specification.

## **2. Basis of Presentation**

The accompanying consolidated financial statements, included herein, have been prepared by the Company without audit pursuant to the rules and regulations of the United States Securities and Exchange Commission. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in financial statements which are prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments (consisting only of normal recurring accruals, except as otherwise disclosed) necessary for a fair presentation of the Company's financial position as of September 30, 2014, and results of its operations and cash flows for the periods presented. The consolidated balances as of December 31, 2013 were derived from audited financial statements but do not include all disclosures required by generally accepted accounting principles. The accompanying consolidated

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financial statements have been prepared in accordance with accounting standards for interim financial statements and should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2013. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2013. The results of operations for the interim periods are not necessarily indicative of the results of operations expected for the year.

Sabre and Valla have been included in the Company's financial results from their respective date of acquisition which are August 19, 2013 and November 30, 2013, respectively.

### **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are stated at the amounts the Company's customers are invoiced and do not bear interest. Accounts Receivable is reduced by an allowance for amounts that may become uncollectible in the future. The Company's estimate for the allowance for doubtful accounts related to trade receivables includes evaluation of specific accounts where the Company has information that the customer may have an inability to meet its financial obligations. The Company had allowances for doubtful accounts of \$433 and \$333 at September 30, 2014 and December 31, 2013, respectively.

### **Inventory Valuation**

Inventory consists of stock materials and equipment stated at the lower of cost (first in, first out) or market. All equipment classified as inventory is available for sale. The Company records excess and obsolete inventory reserves. The estimated reserve is based upon specific identification of excess or obsolete inventories. Selling, general and administrative expenses are expensed as incurred and are not capitalized as a component of inventory.

### **Foreign Currency Option**

The Company has purchased call options which expire on December 15, 2014 to purchase 17,800 at 1.38/ Euro. The option was purchased to protect the Company against a strengthening of the Euro as the Company needs 17,800 to close the PM Group acquisition. The premium to purchase the option was \$93 and is being charged to expense over the life of the option. As of September 30, 2014, approximately \$58 has not been expensed.

### **Accrued Warranties**

The Company establishes a reserve for future warranty expense at the point when revenue is recognized by the Company. The provision for estimated warranty claims, which is included in cost of sales, is based on a percentage of sales.

### **Revenue Recognition**

For products shipped FOB destination, sales are recognized when the product reaches its FOB destination, or when the services are rendered, which represents the point when the risks and rewards of ownership are transferred to the customer. For products shipped FOB shipping point, revenue is recognized when the product is shipped, as this is the point when title and risk of loss pass from us to our customers. Under certain contracts with our customers title passes to the customers when the units are completed. The units are segregated from our inventory and identified as belonging to the customer, the customer is notified that the units are complete and wait pick up or delivery as specified by the customer before income is recognized. Additionally, the customer signs an Invoice Authorization

Form which authorizes us to invoice the unit per terms of the contract and acknowledges that the customer has economic ownership and control over the unit. The Company insures any custodial risk that it may retain.

Customers may be invoiced prior to the time customers take physical possession. Revenue is recognized in such cases only when the customer has a fixed commitment to purchase the units, the units have been completed, tested and made available to the customer for pickup or delivery, and the customer has authorized in writing that we hold the units for pickup or delivery at a time specified by the customer. In such cases, the units are invoiced under our customary billing terms, title to the units and risks of ownership pass to the customer upon invoicing, the units are segregated from our inventory and identified as belonging to the customer and we have no further obligations under the order.

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### **Litigation Claims**

In determining whether liabilities should be recorded for pending litigation claims, the Company must assess the allegations and the likelihood that it will successfully defend itself. When the Company believes it is probable that it will not prevail in a particular matter, it will then make an estimate of the amount of liability based, in part, on the advice of outside legal counsel.

### **Income Taxes**

The Company's provision for income taxes consists of U.S. and foreign taxes in amounts necessary to align the Company's year-to-date tax provision with the effective rate that the Company expects to achieve for the full year. Each quarter the Company updates its estimate of the annual effective tax rate and records cumulative adjustments as necessary. The effective tax rate is based upon the Company's anticipated earnings both in the U.S. and in foreign jurisdictions.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Comprehensive Income**

Reporting Comprehensive Income requires reporting and displaying comprehensive income and its components. Comprehensive income includes, in addition to net earnings, other items that are reported as direct adjustments to stockholder's equity. Currently, the comprehensive income adjustment required for the Company has two components. First is a foreign currency translation adjustment, the result of consolidating its foreign subsidiaries. The second component is a derivative instrument fair market value adjustment (net of income taxes) related to forward currency contracts designated as a cash flow hedge.

### **Business Combinations**

The Company accounts for acquisitions in accordance with guidance found in ASC 805, Business Combinations. The guidance requires consideration given, including contingent consideration, assets acquired and liabilities assumed to be valued at their fair market values at the acquisition date. The guidance further provides that: (1) in-process research and development will be recorded at fair value as an indefinite-lived intangible asset; (2) acquisition costs will generally be expensed as incurred, (3) restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and (4) changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

ASC 805 requires that any excess of purchase price over fair value of assets acquired, including identifiable intangibles and liabilities assumed be recognized as goodwill. In accordance with ASC 805, any excess of fair value of acquired net assets, including identifiable intangibles assets, over the acquisition consideration results in a bargain purchase gain. Prior to recording a gain, the acquiring entity must reassess whether all acquired assets and assumed liabilities have been identified and recognized and perform re-measurements to verify that the consideration paid, assets acquired and liabilities assumed have been properly valued.

Sabre and Valla results are included in the Company's results from their respective dates of acquisition of August 19, 2013 and November 30, 2013.

### **Reclassification**

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation.

### **3. Acquisitions**

#### **Valla Asset Purchase**

On November 30, 2013, CVS Ferrari Srl. (the Purchaser or CVS), an Italian corporation and a wholly owned subsidiary of the Company completed an Asset Purchase Agreement with Valla SpA (the Seller), an Italian based developer of precision pick and carry cranes to acquire substantially all of the Seller's operating assets and business operations, including the Seller's accounts receivable, inventory and equipment. Valla develops precision pick and carry cranes with lifting capacities from 2 to 90 tons using electric, diesel and hybrid power options. Its cranes offer wheeled or tracked, fixed or swing boom configurations, with special applications designed specifically to meet the needs of its customers.

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The consideration for the Purchase consisted of a note payable to Seller for \$170 (the Note ) with principal payments of \$85 on December 31, 2015 and 2016 and annual interest of 5% and contingent consideration of up to \$1,000. The fair value of the purchase consideration was as follows:

|                                     | <b>Fair Value<br/>Euros</b> | <b>Fair Value<br/>U.S. Dollars</b> |
|-------------------------------------|-----------------------------|------------------------------------|
| Seller note                         | 143                         | \$ 198                             |
| Contingent consideration            | 183                         | 250                                |
| <b>Total purchase consideration</b> | <b>326</b>                  | <b>\$ 448</b>                      |

*Seller Note.* In connection with the acquisition, the Company issued a note with a stated interest rate of 5% in the amount of \$170 payable to the sellers. The note is payable in two installments of \$85 payable on December 31, 2015 and 2016.

The fair value of the promissory note is \$198 and was calculated to be to equal the present value of future debt payments discounted at a market rate of return commensurate with similar debt instruments with comparable levels of risk and marketability. A rate of 1.5% was determined to be the appropriate rate following an assessment of the risk inherent in the debt issued and the market rate for debt of this nature using corporate credit ratings. The \$28 difference between face amount of the promissory note and its fair value is being amortized over the life of the note and is a reduction of interest expense.

*Contingent Consideration.* In accordance with ASC 805, the acquirer is to recognize the acquisition date fair value of contingent consideration. The agreement has a contingent consideration provision which provides the seller to receive an annual payment equal to 10% of net income for the next eight years, with a maximum annual payment of \$125. If 10% of a year's net income exceeds \$125, the excess amounts will be carried over to future years. Any carryovers not paid out after eight years will be forfeited. The agreement has no provision for a carryback for excess earnings in a year. Given the disparity between the income threshold and the Company's projected financial results, it was determined that a Monte Carlo simulation analysis was appropriate to determine the fair value of contingent consideration. It was determined that the probability weighted average earn out payment is \$250. Based thereon, we determined the fair value of the contingent consideration to be \$250.

Under the acquisition method of accounting, in accordance ASC 805, Business Combinations, the assets acquired and liabilities assumed are valued based on their estimated fair values as of the date of the acquisition. The excess of the purchase price over the aggregate estimated fair value of net assets acquired was allocated to goodwill. The purchase price allocation is preliminary and is subject to final review. The following table summarizes the acquisition consideration to the fair value of the assets acquired and liabilities assumed at the date of acquisition: Under the acquisition method of accounting, in accordance ASC 805, Business Combinations, the assets acquired and liabilities assumed are valued based on their estimated fair values as of the date of the acquisition. The excess of the purchase price over the aggregate estimated fair value of net assets acquired was allocated to goodwill.

At December 31, 2013, it was stated that the purchase price allocation was preliminary and was subject to final review of certain receivable and deposit balances. During the quarter ended September 30, 2014, the purchase price allocation was adjusted and finalized. As a result, the accounts receivable decreased by \$5, the seller note decreased by \$30 and goodwill decreased by \$25. The components of this adjustment are non-cash items and, therefore, are not included in the Statement of Cash Flows for the period ended September 30, 2014.



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Additionally, the balance sheet at December 31, 2013 was restated to reflect the above changes to Valla purchase price allocations as follows:

| Account             | Provisional amount<br>recorded as<br>of<br>December 31, 2013 | Adjustment based<br>on final purchase<br>price<br>allocation | Revised amount<br>recorded as<br>of<br>December 31, 2013 |
|---------------------|--|--|--|
| Accounts Receivable | \$ 999   | \$ (5)   | \$ 994   |
| Goodwill            | 2,434  | (25)   | 2,409  |
| Seller Note         | 228  | (30)   | 198  |

Purchase price allocation

|                            | <b>Fair Value<br/>Euros</b> | <b>Fair Value<br/>U.S. Dollars</b> |
|----------------------------|-----------------------------|------------------------------------|
| Accounts receivable        | 726                         | \$ 994                             |
| Inventory                  | 872                         | 1,193                              |
| Prepays                    | 29                          | 41                                 |
| Property and equipment     | 155                         | 212                                |
| Trade names and trademarks | 400                         | 547                                |

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|                            | <b>Fair Value<br/>Euros</b> | <b>Fair Value<br/>U.S. Dollars</b> |
|----------------------------|-----------------------------|------------------------------------|
| Unpatented technology      | 430                         | 588                                |
| Customer relationships     | 200                         | 273                                |
| Goodwill                   | 1,762                       | 2,409                              |
| Accounts payable           | (1,944)                     | (2,658)                            |
| Working capital borrowings | (1,589)                     | (2,173)                            |
| Accrued expenses           | (715)                       | (978)                              |
|                            | 326                         | \$ 448                             |

*Tangible assets and liabilities:* The tangible assets and liabilities were valued at their respective carrying values by Valla, except for certain adjustments necessary to state such amounts at their estimated fair values at acquisition date. Fair market adjustments to fixed assets and inventory that were recorded were not significant.

*Intangible assets:* There are three fundamental methods applied to value intangible assets outlined in FASB ASC 820. These methods include the Cost Approach, the Market Approach, and the Income Approach. Each of these valuation approaches was considered in our estimation of value.

*Trade names and trademarks and unpatented technology:* Valued using the Relief from Royalty method, a form of both the Market Approach and the Income Approach. Because the Company has established trade names and trademarks and has developed unpatented technology, we estimated the benefit of ownership as the relief from the royalty expense that would need to be incurred in absence of ownership.

*Customer relationships:* Because there is a specific earnings stream that can be associated with customer relationships, we determined the discounted cash flow method was the most appropriate methodology for valuation.

*Goodwill:* Goodwill represents the excess of total consideration paid and the fair value of net assets acquired. The recognition of goodwill of \$2,409 reflects the inherent value in the Valla reputation, which has been built since being founded in 1945 and the prospects for significant future earnings based on Valla's product line.

For income tax purposes, intangible assets and goodwill will be amortized and will result in future tax deductions.

*Acquisition transaction costs:* Cost and expenses related to the acquisition have been expensed as incurred and recorded in selling, general and administrative expenses. In connection with the Valla acquisition, the Company incurred legal and accounting fees of \$42 and fees for valuation services of \$15.

**Sabre Asset Purchase**

On August 19, 2013, Manitex Sabre, Inc. (the Purchaser or Sabre), a Michigan corporation and a wholly owned subsidiary of the Company, entered into a purchase agreement (the Purchase Agreement) with Sabre Manufacturing, LLC, (the Seller), a Knox, Indiana-based manufacturer of specialized tanks, to acquire substantially all of the Seller's operating assets and business operations, including the Seller's accounts receivable, inventory and equipment. Sabre tanks are used for above ground liquid and solid storage and containment solutions for a variety of end markets such as petrochemical, waste management and oil and gas drilling.

The fair value of the purchase consideration was \$14,000 in total as shown below:

|   |                  |
|---|------------------|
| Cash  | \$ 13,000        |
| 87,928 shares of Manitex International, Inc. common stock | 1,000            |
| <b>Total purchase consideration</b>                       | <b>\$ 14,000</b> |

*Manitex International Inc. stock.* The fair value of the stock consideration was determined to be \$1,000 at date of acquisition.

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Under the acquisition method of accounting, in accordance ASC 805, Business Combinations, the assets acquired and liabilities assumed are valued based on their estimated fair values as of the date of the acquisition. The excess of the purchase price over the aggregate estimated fair value of net assets acquired was allocated to goodwill.

At December 31, 2013, it was stated that the purchase price allocation was preliminary and was subject to final review of certain receivable and deposit balances. During the quarter ended March 31, 2014, the purchase price allocation was finalized. As a result, the receivable due from the seller decreased by \$234, accrued expenses decreased by \$86 and goodwill increased by \$148. The components of this adjustment are non-cash items and, therefore, are not included in the Statement of Cash Flows for the period ended September 30, 2014.

Additionally, the balance sheet at December 31, 2013 was restated to reflect the above changes to Sabre purchase price allocations as follows:

| Account                             | Provisional amount<br>recorded as<br>of<br>December 31, 2013 | Adjustment based<br>on final purchase<br>price<br>allocation | Revised amount<br>recorded as<br>of<br>December 31, 2013 |
|-------------------------------------|--|--|--|
| Accounts Receivable due from seller | \$ 467   | \$ (234)   | \$ 233   |
| Goodwill                            | 4,577  | 148  | 4,725  |
| Accrued Expenses                    | 226  | (86)   | 140  |

The following table summarizes the allocation of the Sabre acquisition consideration to the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Purchase price allocation:

|                                    |                  |
|------------------------------------|------------------|
| Accounts receivable                | \$ 1,148         |
| Receivable due from seller         | 233              |
| Inventory                          | 1,497            |
| Total fixed assets                 | 1,431            |
| Non-competition agreements         | 50               |
| Customer relationships             | 5,200            |
| Trade name and trademarks          | 1,200            |
| Goodwill                           | 4,725            |
| Accounts payable                   | (730)            |
| Accrued expenses                   | (140)            |
| Customer deposits                  | (467)            |
| Debt and Capital lease obligations | (147)            |
| <b>Net assets acquired</b>         | <b>\$ 14,000</b> |

*Tangible assets and liabilities:* The tangible assets and liabilities were valued at their respective carrying values by Sabre, except for certain adjustments necessary to state such amounts at their estimated fair values at acquisition date. Fair market adjustments to fixed assets and inventory that were recorded were not significant.

*Intangible assets:* There are three fundamental methods applied to value intangible assets outlined in FASB ASC 820. These methods include the Cost Approach, the Market Approach, and the Income Approach. Each of these valuation approaches was considered in our estimation of value.

*Trade names and trademarks and unpatented technology:* Valued using the Relief from Royalty method, a form of both the Market Approach and the Income Approach. Because the Company has established trade names and trademarks and has developed unpatented technology, we estimated the benefit of ownership as the relief from the royalty expense that would need to be incurred in absence of ownership.

*Customer relationships:* Because there is a specific earnings stream that can be associated with customer relationships, we determined the discounted cash flow method was the most appropriate methodology for valuation.

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*Goodwill:* Goodwill represents the excess of total consideration paid and the fair value of net assets acquired. The recognition of goodwill of \$4,725 reflects the inherent value in the Sabre reputation, which has been built since being founded in 2005 and the prospects for significant future earnings based on Sabre's past performance.

For income tax purposes, intangible assets and goodwill will be amortized and will result in future tax deductions.

*Acquisition transaction costs:* Cost and expenses related to the acquisition have been expensed as incurred and recorded in selling, general and administrative expenses. The Company incurred fees of \$93 for legal services, \$68 for accounting service in connection with the prior year audit of Sabre financial statements and \$37 for valuation services.

The results of the acquired Sabre and Valla operations have been included in our consolidated statement of operations since their respective acquisition date. The results of Sabre and Valla also form part of the segment disclosures for the Lifting Equipment segment.

*Pro forma information for Sabre and Valla*

The following unaudited pro forma information assumes the acquisition of Sabre and Valla occurred on January 1, 2013. The unaudited pro forma results have been prepared for informational purposes only and do not purport to represent the results of operations that would have been had the acquisition occurred as of the date indicated, nor of future results of operations. The unaudited pro forma results for the three and nine months ended September 30, 2013 are as follows (in thousands, except per share data):

|  | <b>Three Months Ended<br/>September 30,<br/>2013</b> | <b>Nine Months Ended<br/>September 30,<br/>2013</b> |
|--|--|---|
| Net revenues                                   | \$ 63,025  | \$ 198,308  |
| Net income                                     | \$ 2,827   | \$ 7,293  |
| Income per share:                              |  |   |
| Basic  | \$ 0.22  | \$ 0.36   |
| Diluted  | \$ 0.22  | \$ 0.36   |
| Weighted average common<br>shares outstanding: |  |   |
| Basic  | 12,400,266   | 12,382,516  |
| Diluted  | 12,451,452   | 12,424,198  |

**Table of Contents****Pro Forma Adjustment Note**

Pro forma adjustments were made to give effect to the amortization of intangibles and capitalized bank fees related to term loans recorded as a result of the acquisitions, which would have resulted in \$82 and \$340 of additional expenses for the three and nine months ended September 30, 2013. Pro forma adjustments to record interest expense on term loans would have resulted in \$76 and \$354 of additional interest expense for the three and nine months ended September 30, 2013. Pro forma adjustments for the difference between historical depreciation and depreciation calculated using the fair market value of the fixed assets acquired and the current useful lives and to write off the fair market inventory adjustment related to beginning inventory as the beginning inventory has been sold resulted in decreases in expense of \$81 and an increase in expense of \$33 for the three and nine months ended September 30, 2013.

Pro forma adjustments for acquisition costs including accounting, legal and consulting fees would have resulted in a decrease in expense of \$173 and an increase to expense of \$70 for the three and nine months ended September 30, 2013. Pro forma adjustments were made to record the tax effect of the above entries. The effect of recording pro forma adjustments was to increase tax expense by \$29 and for the three months ended and decrease tax expense by \$226 for the nine months ended September 30, 2013.

Additionally, the Company recorded a provision for income taxes of \$206 and \$594 on Sabre earnings for the three and nine months ended September 30, 2013. Historically, Sabre did not record income taxes as it was a Sub Chapter S Corporation. Finally, the Company recorded a tax benefit of \$143 and \$320 for the three and nine months ended September 30, 2013 related to Valla operating loss.

A pro forma adjustment was made to increase both basic and diluted weighted average common shares outstanding for the three and nine months ended September 30, 2013 by 47,787 and 74,548, respectively. The increase reflects the shares issued in connection with the Sabre acquisition.

There are no pro forma adjustments for the three and nine months ended September 30, 2014.

**4. Financial Instruments Forward Currency Exchange Contracts**

The following tables set forth the company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2014 and December 31, 2013 by level within the fair value hierarchy. As required by ASC 820-10, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following is a summary of items that the Company measures at fair value on a recurring basis:

|   | Fair Value at September 30, 2014 |         |         |        |
|---|----------------------------------|---------|---------|--------|
|   | Level 1                          | Level 2 | Level 3 | Total  |
| <b>Assets:</b>                              |                                  |         |         |        |
| Forward currency exchange contracts         | \$                               | \$ 178  | \$      | \$ 178 |
| <b>Liabilities:</b>                         |                                  |         |         |        |
| Forward currency exchange contracts         | \$                               | \$ 20   | \$      | \$ 20  |
| Valla contingent consideration (see Note 3) |                                  |         | 250     | 250    |

Total current liabilities at fair value \$ \$ 20 \$ 250 \$ 270

|   | Fair Value at December 31, 2013 |         |         |        |
|---|---------------------------------|---------|---------|--------|
|   | Level 1                         | Level 2 | Level 3 | Total  |
| <b>Assets:</b>                              |                                 |         |         |        |
| Forward currency exchange contracts         | \$                              | \$ 40   | \$      | \$ 40  |
| Total current assets at fair value          | \$                              | \$ 40   | \$      | \$ 40  |
| <b>Liabilities:</b>                         |                                 |         |         |        |
| Forward currency exchange contracts         | \$                              | \$ 47   | \$      | \$ 47  |
| Valla contingent consideration (see Note 3) |                                 |         | 250     | 250    |
| Total current liabilities at fair value     | \$                              | \$ 47   | \$ 250  | \$ 297 |



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*Fair Value Measurements*

ASC 820-10 classifies the inputs used to measure fair value into the following hierarchy:

- Level 1      Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2      Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3      Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Fair value of the forward currency contracts are determined on the last day of each reporting period using observable inputs, which are supplied to the Company by the foreign currency trading operation of its bank and are Level 2 items.

**5. Derivatives Financial Instruments**

The Company's risk management objective is to use the most efficient and effective methods available to us to minimize, eliminate, reduce or transfer the risks which are associated with fluctuation of exchange rates between the Canadian and U.S. dollar and the Euro and the U.S. dollar.

When the Company's Canadian subsidiary receives a significant new U.S. dollar order, management will evaluate different options that may be available to mitigate future currency exchange risks. The decision to hedge future sales is not automatic and is decided case by case. The Company will only use hedge instruments to hedge firm existing sales orders and not estimated exposure, when management determines that exchange risks exceeds desired risk tolerance levels. The forward currency contracts used to hedge future sales are designated as cash flow hedges under ASC 815-10.

The Company enters into forward currency exchange contracts in relationship such that the exchange gains and losses on the assets and liabilities denominated in other than the reporting units' functional currency would be offset by the changes in the market value of the forward currency exchange contracts it holds. The forward currency exchange contracts that the Company has to offset existing assets and liabilities denominated in other than the reporting units' functional currency have been determined not to be considered a hedge under ASC 815-10. Items denominated in other than a reporting units' functional currency includes U.S. denominated accounts receivables and accounts payable held by our Canadian subsidiary and intercompany receivables due from the Company's Canadian and Italian subsidiaries.

As required, forward currency contracts are recognized as an asset or liability at fair value on the Company's Consolidated Balance Sheet. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings (date of sale). Gains or losses on cash flow hedges when recognized into income are included in net revenues. Gains and losses on the derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. The Company expects minimal ineffectiveness as the Company has hedged only firm sales orders and has not hedged estimated exposures. For derivative instruments that are not designated and do not qualify as cash flow hedge, both realized and unrealized gains and losses related to these forward currency contracts are included in current earnings and are reflected in the Statement of Income in the other

income expense section on the line titled foreign currency transaction gains (losses).

At September 30, 2014, the Company had entered into a forward currency exchange contract. The contract obligates the Company to buy approximately CDN \$1,659. The contract matures on January 7, 2015. Under the contract, the Company will buy Canadian dollars between .8991 and .9241. The Canadian to US dollar exchange rates was \$0.8929 at September 30, 2014. At September 30, 2014, the Company had forward currency contracts to sell 800 at 1.4261, 400 at 1.3635 and 100 at 1.3538 with contract maturity dates of July 2, 2015, February 10, 2015 and January 31, 2015, respectively. The Euro to US dollar exchange rate was 1.2628 at September 30, 2014. The unrealized currency exchange asset is reported under prepaid expense and other if it is an asset or under accrued expenses if it is a liability on the balance sheet.

As of September 30, 2014, the Company had no outstanding forward currency contracts that were in place to hedge future sales.

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As of September 30, 2014, the Company had the following forward currency contracts:

| Nature of Derivative      | Amount      | Type                               |
|---------------------------|-------------|------------------------------------|
| Forward currency contract | CDN\$ 1,659 | Not designated as hedge instrument |
| Forward currency contract | 1,300       | Not designated as hedge instrument |

The following table provides the location and fair value amounts of derivative instruments that are reported in the Consolidated Balance Sheet as of September 30, 2014 and December 31, 2013:

**Total derivatives NOT designated as a hedge instrument**

|                                    | Balance Sheet Location    | Fair Value         |                   |
|------------------------------------|---------------------------|--------------------|-------------------|
|                                    |                           | September 30, 2014 | December 31, 2013 |
| <b>Asset Derivatives</b>           |                           |                    |                   |
| Foreign currency Exchange Contract | Prepaid expense and other | \$ 178             | \$ 40             |
| <b>Liabilities Derivatives</b>     |                           |                    |                   |
| Foreign currency Exchange Contract | Accrued expense           | \$ (20)            | \$ 37             |

**Total derivatives designated as a hedge instrument**

|                                    | Balance Sheet Location | Fair Value         |                   |
|------------------------------------|------------------------|--------------------|-------------------|
|                                    |                        | September 30, 2014 | December 31, 2013 |
| <b>Liabilities Derivatives</b>     |                        |                    |                   |
| Foreign currency Exchange Contract | Accrued expense        | \$                 | \$ 10             |

The following tables provide the effect of derivative instruments on the Consolidated Statements of Income for the three and nine months ended September 30, 2014 and 2013:

| Derivatives Not designated as Hedge Instrument | Location of gain or (loss) recognized in Income Statement | Gain or (loss)                   |         |                                 |          |
|--|---|----------------------------------|---------|---------------------------------|----------|
|  |   | Three months ended September 30, |         | Nine-months ended September 30, |          |
|  |   | 2014                             | 2013    | 2014                            | 2013     |
| Forward currency contracts                     | Foreign currency transaction gains (losses)               | \$ 98                            | \$ (10) | \$ 29                           | \$ (133) |

|  | Location of gain or (loss) recognized in Income Statement | Gain or (loss)     |                    |                    |                    |
|--|---|--------------------|--------------------|--------------------|--------------------|
|  |   | Three months ended |                    | Nine months ended  |                    |
| Derivatives designated as Hedge Instrument |   | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Forward currency contracts                 | Net revenue   | \$                 | \$                 | \$ (26)            | \$                 |

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The following table shows changes in the balance of net gains (loss), net of taxes related to derivatives instruments that are included in accumulated other comprehensive income and related activity net of income taxes for the three and nine months ended September 30, 2014 and 2013:

|  | Three months ended |      | Nine months ended |      |
|--|--------------------|------|-------------------|------|
|  | September 30,      |      | September 30,     |      |
|  | 2014               | 2013 | 2014              | 2013 |
| Beginning balance (loss) gain, net of income taxes               | \$                 | \$   | \$ (7)            | \$   |
| Amounts recorded in OCI net of (loss) gain, net of income taxes  |                    |      | (11)              |      |
| Amounts reclassified to income, loss (gain), net of income taxes |                    |      | 18                |      |
| Ending balance gain (loss), net of income taxes                  | \$                 | \$   | \$                | \$   |

The Counterparty to each of the currency exchange forward contracts is a major financial institution with credit ratings of investment grade or better and no collateral is required. Management continues to monitor counterparty risk and believes the risk of incurring losses on derivative contracts related to credit risk is unlikely.

**6. Net Earnings per Common Share**

Basic net earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of warrants, and restricted stock units. Details of the calculations are as follows:

|  | Three months ended |            | Nine months ended |            |
|--|--------------------|------------|-------------------|------------|
|  | September 30,      |            | September 30,     |            |
|  | 2014               | 2013       | 2014              | 2013       |
| <b>Net Income per common share</b>               |                    |            |                   |            |
| Basic  | \$ 1,768           | \$ 2,621   | \$ 6,631          | \$ 7,187   |
| Diluted  | \$ 1,768           | \$ 2,621   | \$ 6,631          | \$ 7,187   |
| <b>Earnings per share</b>                        |                    |            |                   |            |
| Basic  | \$ 0.13            | \$ 0.21    | \$ 0.48           | \$ 0.58    |
| Diluted  | \$ 0.13            | \$ 0.21    | \$ 0.48           | \$ 0.58    |
| <b>Weighted average common share outstanding</b> |                    |            |                   |            |
| Basic  | 13,822,918         | 12,352,266 | 13,817,538        | 12,307,968 |
| Diluted  |                    |            |                   |            |
| Basic  | 13,822,918         | 12,352,266 | 13,817,538        | 12,307,968 |
| Dilutive effect of restricted stock units        | 50,239             | 51,399     | 45,113            | 41,682     |
|  | 13,873,157         | 12,403,665 | 13,862,651        | 12,349,650 |

## 7. Equity

### *Stock Issuance*

#### Stock offering

On September 30, 2013, the Company issued 1,375,000 shares of the Company's common stock, no par value. The shares were issued to certain investors pursuant to subscription agreements between the Company and the investors that were entered into on September 25, 2013 (the "Agreements"). Under the Agreements, the investors paid \$10.75 per share for a total purchase price of \$14,781. The shares were issued pursuant to a prospectus supplement dated September 25, 2013 and prospectus dated August 9, 2011, which is part of a registration statement on Form S-3 (Registration No. 333-176189) that was declared effective by the Securities and Exchange Commission on August 23, 2011.

In connection with this offering, the Company entered into a placement agency agreement ("Placement Agreement") dated September 25, 2013 with Avondale Partners, LLC, Roth Capital Partners, LLC, and The Benchmark Company, LLC (the "Agents"). In accordance with the terms of the Placement Agreement between the Company and the Agents, the Company paid the Agents a cash fee that represents 5.25% of the gross proceeds of the offering and reimbursed the Agents for reasonable out-of-pocket expenses.

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In connection with the stock issuance, the Company incurred investment banking fees of \$776 and legal fees and expenses of approximately \$70. The Company's net cash proceeds after fees and expenses of approximately \$13,935 were used to repay debt.

**Sabre shares**

On August 19, 2013, the Company issued 87,928 shares of common stock. The shares which were part of the consideration paid to the seller in connection with the purchase of the Sabre assets. See Note 3.

**Stock issued to employees and Directors**

The Company issued shares of common stock to employees and Directors at various times in 2014 as restricted stock units issued under the Company's 2004 Incentive Plan vested. Upon issuance entries were recorded to increase common stock and decrease paid in capital for the amounts shown below. The following is a summary of stock issuances that occurred during the period:

| <b>Date of Issue</b> | <b>Employees or Director</b> | <b>Shares Issued</b> | <b>Value of Shares Issued</b> |
|----------------------|------------------------------|----------------------|-------------------------------|
| March 6, 2014        | Directors                    | 6,600                | \$ 106                        |
| June 5, 2014         | Employees                    | 1,141                | 12                            |
|                      |                              | 7,741                | \$ 118                        |

On March 6, 2014, the Company paid a portion of officers and employee 2013 bonuses in stock. This resulted in an issuance of 14,292 shares with a value of \$228. Upon issuance, the Company's common stock was increased by \$228 and the bonus accrual was decreased by a corresponding amount.

***Stock Repurchase***

On June 5, 2014, the Company purchased 392 shares of Common Stock from certain employees at \$16.75 per share the closing price on that date. The stock was purchased from the employees to satisfy employees' withholding tax obligations related to stock issued on June 5, 2014. Common stock was reduced by \$7, the value of the shares purchased.

***2004 Equity Incentive Plan***

In 2004, the Company adopted the 2004 Equity Incentive Plan and subsequently amended and restated the plan on September 13, 2007, May 28, 2009 and June 5, 2013. The maximum number of shares of common stock reserved for issuance under the plan is 917,046 shares. The total number of shares reserved for issuance however, can be adjusted to reflect certain corporate transactions or changes in the Company's capital structure. The Company's employees and members of the board of directors who are not our employees or employees of our affiliates are eligible to participate in the plan. The plan is administered by a committee of the board comprised of members who are outside directors. The plan provides that the committee has the authority to, among other things, select plan participants, determine the type and amount of awards, determine award terms, fix all other conditions of any awards, interpret the plan and any plan awards. Under the plan, the committee can grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and performance units, except Directors may not be granted stock

appreciation rights, performance shares and performance units. During any calendar year, participants are limited in the number of grants they may receive under the plan. In any year, an individual may not receive options for more than 15,000 shares, stock appreciation rights with respect to more than 20,000 shares, more than 20,000 shares of restricted stock and/or an award for more than 10,000 performance shares or restricted stock units or performance units. The plan requires that the exercise price for stock options and stock appreciation rights be not less than fair market value of the Company's common stock on date of grant.

The following table contains information regarding restricted stock units:

|  | <b>September 30,<br/>2014</b> |
|--|-------------------------------|
| Outstanding on January 1, 2014           | 142,851                       |
| Units granted during the period          | 34,292                        |
| Vested and issued                        | (22,033)                      |
| Forfeited                                | (2,645)                       |
| <b>Outstanding on September 30, 2014</b> | <b>152,465</b>                |



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On March 6, 2014, the Company granted an aggregate of 20,000 restricted stock units to five independent Directors pursuant to the Company's 2004 Equity Incentive Plan. Restricted stock units of 6,600, 6,600 and 6,800 vest on March 6, 2014, December 31, 2014 and December 31, 2015, respectively.

On March 6, 2014, the Company granted 14,292 restricted stock units to employees pursuant to the Company's 2004 Equity Incentive Plan. The restricted stock units which vested immediately represent a portion of the employees' 2013 bonus award that was paid in restricted stock units.

On September 12, 2013, the Company granted 1,667 shares of restricted stock units which vested immediately to a Director pursuant to the Company's 2004 Equity Incentive Plan.

On June 5, 2013, the Company granted an aggregate of 3,425 restricted stock units to four employees pursuant to the Company's 2004 Equity Incentive Plan. Restricted stock units of 1,141, 1,142 and 1,142 vest on September 5, 2014, 2015 and 2016, respectively.

The value of the restricted stock is being charged to compensation expense over the vesting period. Compensation expense includes expense related to restricted stock units of \$194 and \$117 for the three months and \$677 and \$364 for the nine months ended September 30, 2014 and 2013, respectively. Additional compensation expense related to restricted stock units will be \$198, \$701 and \$360 for the remainder of 2014, 2015 and 2016, respectively.

## **8. New Accounting Pronouncements**

### *Recently Adopted Accounting Guidance*

In February 2013, the FASB issued ASU 2013-02 requires enhanced disclosures in the notes to the consolidated financial statements to present separately, by item, reclassifications out of Accumulated Other Comprehensive Income (Loss). The new guidance is effective prospectively for reporting periods beginning after December 15, 2012. The adoption of this ASU did not have a material impact on the company's consolidated financial statements. The additional required disclosure is included in Note 5.

In March 2013, the FASB issued ASU No. 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. This ASU changes a parent entity's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. A parent entity is required to release any related cumulative foreign currency translation adjustment from accumulated other comprehensive income into net income in the following circumstances: (i) a parent entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided; (ii) a partial sale of an equity method investment that is a foreign entity; (iii) a partial sale of an equity method investment that is not a foreign entity whereby the partial sale represents a complete or substantially complete liquidation of the foreign entity that held the equity method investment; and (iv) the sale of an investment in a foreign entity. The amendments in this ASU are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The adoption of this ASU did not have a material impact on the company's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This Update applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax

loss, or a tax credit carryforward exists at the reporting date. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this ASU did not have a material impact on the company's consolidated financial statements.

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In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, ( ASU 2014-09 ). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is not permitted. The Company is evaluating the impact that adoption of this guidance will have on the determination or reporting of its financial results.

Except as noted above, the guidance issued by the FASB during the current year is not expected to have a material effect on the Company's consolidated financial statements.

**9. Inventory**

The components of inventory are as follows:

|                                    | <b>September 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|------------------------------------|-------------------------------|------------------------------|
| Raw materials and purchased parts, | \$ 57,999                     | \$ 48,537                    |
| Work in process                    | 9,011                         | 9,807                        |
| Finished goods                     | 14,075                        | 14,390                       |
| Inventory, net                     | \$ 81,085                     | \$ 72,734                    |

**10. Goodwill and Intangible Assets**

|                                    | <b>September 30,<br/>2014</b> | <b>December 31,<br/>2013</b> | <b>Useful<br/>lives</b> |
|------------------------------------|-------------------------------|------------------------------|-------------------------|
| Patented and unpatented technology | \$ 14,957                     | \$ 13,734                    | 7-10 years              |
| Amortization                       | (10,592)                      | (8,774)                      |                         |
| Customer relationships             | 14,459                        | 15,540                       | 10-20 years             |
| Amortization                       | (3,997)                       | (4,005)                      |                         |
| Trade names and trademarks         | 8,652                         | 9,118                        | 25 years-indefinite     |
| Amortization                       | (1,727)                       | (1,621)                      |                         |
| Non-competition agreements         | 50                            | 50                           | 2-5 years               |
| Amortization                       | (19)                          | (6)                          |                         |
| Customer backlog                   | 465                           | 469                          | < 1 year                |
| Amortization                       | (465)                         | (469)                        |                         |
| <b>Total Intangible assets</b>     | <b>\$ 21,783</b>              | <b>\$ 24,036</b>             |                         |

Amortization expense for intangible assets was \$665 and \$580 for the three months and \$1,982 and \$1,672 for the nine months ended September 30, 2014 and 2013, respectively.



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Changes in goodwill for the nine months ended September 30, 2014 are as follows:

|                                    | Equipment Lifting<br>Segment | Equipment Distribution<br>Segment | Total     |
|------------------------------------|------------------------------|-----------------------------------|-----------|
| Balance January 1, 2014            | \$ 22,214                    | \$ 275                            | \$ 22,489 |
| Effect of change in exchange rates | (276)                        |                                   | (276)     |
| Balance September 30, 2014         | \$ 21,938                    | \$ 275                            | \$ 22,213 |

**11. Accrued Expenses**

|  | September 30,<br>2014 | December 31,<br>2013 |
|--|-----------------------|----------------------|
| <b>Account payable:</b>                                      |                       |                      |
| Trade  | \$ 27,162             | \$ 24,974            |
| Bank overdraft   | 101                   |                      |
| Total accounts payable                                       | \$ 27,263             | \$ 24,974            |
| <b>Accrued expenses:</b>                                     |                       |                      |
| Accrued payroll  | \$ 2,590              | \$ 1,951             |
| Accrued employee benefits                                    | 52                    | 24                   |
| Accrued bonuses  | 43                    | 1,998                |
| Accrued vacation expense                                     | 1,077                 | 888                  |
| Accrued interest   | 185                   | 237                  |
| Accrued commissions  | 358                   | 532                  |
| Accrued expenses other                                       | 550                   | 306                  |
| Accrued warranty   | 1,032                 | 1,070                |
| Accrued income taxes   | 1,152                 | 473                  |
| Accrued taxes other than income taxes                        | 1,360                 | 1,087                |
| Accrued product liability and workers<br>compensation claims | 89                    | 202                  |
| Accrued liability on forward currency exchange<br>contracts  | 20                    | 40                   |
| Total accrued expenses                                       | \$ 8,508              | \$ 8,808             |

**12. Accrued Warranty**

The liability is established using historical warranty claim experience. Historical warranty experience is, however, reviewed by management. The current provision may be adjusted to take into account unusual or non-recurring events in the past or anticipated changes in future warranty claims. Adjustments to the initial warranty accrual are recorded if actual claim experience indicates that adjustments are necessary. Warranty reserves are reviewed to ensure critical assumptions are updated for known events that may impact the potential warranty liability.

|   | <b>Nine Months Ended</b> |                      |
|---|--------------------------|----------------------|
|   | <b>September 30,</b>     | <b>September 30,</b> |
|   | <b>2014</b>              | <b>2013</b>          |
| Balance January 1,                              | \$ 1,070                 | \$ 988               |
| Accrual for warranties issued during the period | 1,357                    | 1,753                |
| Warranty services provided                      | (1,496)                  | (1,786)              |
| Changes in estimate                             | 110                      | (110)                |
| Foreign currency translation                    | (9)                      | (2)                  |
| Balance September 30,                           | \$ 1,032                 | \$ 853               |

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The Company together with its U.S. and Canadian subsidiaries has a credit agreement ( *Credit Agreement* ) with Comerica Bank ( *Comerica* ) and certain other lenders, who are participants under the credit agreement. The Credit Agreement provides the Company with (a) a \$40,000 Senior Secured Revolving Credit Facility to the U.S. Borrowers ( *U.S. Revolver* ), and (b) a \$9,000 (or the Canadian dollar equivalent amount) Senior Secured Revolving Credit Facility to the Canadian Borrower ( *Canadian Revolver* ). The two aforementioned credit facilities each mature on August 19, 2018.

The indebtedness is collateralized by substantially all of the Company's assets. The facility contains customary limitations including, but not limited to, limitations on acquisitions, dividends, repurchase of the Company's stock and capital expenditures. The Company is also required to comply with certain financial covenants as defined in the Credit Agreement including maintaining (1) a Minimum Fixed Charge Coverage ratio of not less than 1.25 to 1.0, (2) a Maximum Senior Secured First Lien Debt to Consolidated Adjusted EBITDA ratio of not more than 3.25 to 1.0, with a step down to 3.0 to 1.0 at December 31, 2014, (3) a Maximum Consolidated Total Debt to Consolidated Adjusted EBITDA ratio of not more than 4.0 to 1.0 with a step down to 3.75 to 1.0 at December 31, 2014, and (4) a minimum Tangible Net Worth.

*U.S. Revolver*

At September 30, 2014, the Company had drawn \$29,219 under the \$40,000 U.S. Revolver. The U.S. Revolver bears interest, at the Company's option at the base rate plus a spread or an adjusted LIBOR rate plus a spread. The base rate is the greater of the bank's prime rate, the federal funds rate plus 1.00% or the 30 day LIBOR rate Adjusted Daily plus 1.00%. For the U.S. Revolver the interest rate spread for Base Rate is between 1.625% and 2.250% and for LIBOR the spread is between 2.265% and 3.250% in each case with the spread being based on the consolidated total debt to consolidated adjusted EBITDA ratio, as defined in the Credit Agreement, for the preceding twelve months. The base rate and LIBOR spread is currently 1.625% and 2.625%, respectively. Funds borrowed under the LIBOR options can be borrowed for periods of one, two, three or six months.

The \$40,000 U.S. Revolver is a secured financing facility under which borrowing availability is limited to existing collateral as defined in the agreement. The maximum amount available is limited to (1) the sum of 85% of eligible receivables, (2) the lesser of 50% of eligible inventory or \$18,000, (3) the lesser of 80% of used equipment purchased for resale or rent or \$2,000 reduced by (4) outstanding standby letter or credits issued by the bank. At September 30, 2014, the maximum the Company could borrow based on available collateral was capped at \$39,355.

Under the Credit Agreement, the banks are also paid a 0.375% annual facility fee payable in quarterly installments.

The agreement permits the Company to issue unsecured guarantees of indebtedness owed by CVS Ferrari, srl to foreign banks in respect to working capital financing, not to exceed the lesser of \$9,000 or the amount of such financing. Additionally the agreement allows the Company to make or allow to remain outstanding any investment (whether such investment shall be of the character of investment of shares of stock, evidence of indebtedness or other securities or otherwise) in, or any loans or advances to CVS or to any other wholly-owned foreign subsidiary in an amount not to exceed \$7,500.

*Canadian Revolver*

At September 30, 2014, the Company had drawn \$8,600 under the Canadian Revolver. The Company is eligible to borrow up to \$9,000. The maximum amount available is limited to the sum of (1) 85% of eligible receivables plus

(2) 30% of eligible work-in-process inventory not to exceed CDN \$1,000 and (3) 50% of eligible inventory excluding work in process inventory. Under the agreement, total inventory collateral, however, cannot exceed CDN\$7,000. At September 30, 2014, the maximum the Company could borrow based on available collateral was \$9,000. The indebtedness is collateralized by substantially all of Manitex Liftking ULC's assets. The Company can borrow in either U.S. or Canadian dollars. For the Canadian Revolver, the interest rate spread for U.S. prime based borrowing is between 0.00% and 0.25% and for Canadian prime based borrowings the interest rate spread is between 0.00% and 0.75%, in each case with the spread being based on the consolidated total debt to consolidated adjusted EBITDA ratio, as defined in the Credit Agreement, for the preceding twelve months. As of September 30, 2014 the spread on both the U.S. Prime based borrowing and Canadian Prime based borrowings was 0.00%.

Under the Credit Agreement, the banks are also paid a 0.375% annual facility fee payable in quarterly installments.

#### *Specialized Export Facility*

The Canadian Revolving Credit facility contains an additional \$3,000 Specialized Export Facility that matures on June 1, 2015. Borrowings under the Specialized Export Facility are guaranteed by the Company and Export Development Canada (EDC), a corporation established by an Act of Parliament of Canada. Under the Export Facility Liftking can borrow 90% of the total cost of material and labor incurred on export contracts which are subject to the EDC guarantee. The EDC guarantee, which expires on June 1, 2015, is issued under their export guarantee program and covers certain goods that are to be exported from Canada. At September 30, 2014, the maximum the Company could have borrowed based upon available collateral under the Specialized Export Facility was \$3,000. Under this facility, the Company can borrow either Canadian or U.S. dollars.



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Any borrowings under the facility in Canadian dollars currently bear interest of 3.00% which is based on the Canadian prime rate (the Canadian prime was 3.0% at September 30, 2014). Any borrowings under the facility in U.S. dollars bear interest at the U.S. prime rate (prime was 3.25% at September 30, 2014). Repayment of advances made under the Export Facility are due sixty days after shipment of the goods, or five business days after the borrower receives payment in full for the goods covered by the guarantee (the Scheduled Payment Date ) or upon the termination of the EDC guarantee.

At September 30, 2014, the Company had outstanding borrowing in connection with the Specialized Export Facility of \$2,676.

*Note Payable Terex*

At September 30, 2014, the Company has a note payable to Terex Corporation with a remaining balance of \$500. The note was issued in connection with the purchase of substantially all of the domestic assets of Crane & Machinery, Inc. ( Crane ) and Schaeff Lift Truck, Inc., ( Schaeff ). The note provides bears interest at 6% annually and is payable quarterly. Terex has been granted a lien on and security interest in all of the assets of the Company s Crane & Machinery Division as security against the payment of the note.

The Company has two remaining principal payments of \$250 due on March 1, 2015 and March 1, 2016. As long as the Company s common stock is listed for trading on the NASDAQ or another national stock exchange, the Company may opt to pay up to \$150 of each annual principal payment in shares of the Company s common stock having a market value of \$150.

*Load King Debt*

In November 2011, the Company s Load King Subsidiary used its manufacturing facility as collateral to secure mortgage financing with BED (South Dakota Board of Economic Development) and a bank. Load King pledged its equipment to the bank to secure additional term debt ( Equipment Note ). The funds received in connection with the above borrowing were used to repay a promissory note to Terex Corporation ( Terex ), which was issued in connection with the Load King acquisition. The BED Mortgage, the bank mortgage and the Equipment Note, which are all guaranteed by the Company, have outstanding balances as of September 30, 2014 of \$765, \$789 and \$259, respectively.

Under the terms of the BED Mortgage, the Company is required to make 59 payments of \$5 based on a 240 month amortization period and a 3% interest rate. A final balloon payment of unpaid principal and interest is due on November 2, 2016. The interest rate for the note is subject to Load King maintaining employment levels specified in an Employment Agreement between Load King and BED. If Load King fails to maintain agreed upon employment levels, Load King may be required to pay BED an amount equal to the difference between the interest paid and amount of interest that would have been paid if the loan had a 6.5% interest rate.

Under the terms of the Bank Mortgage, the Company is required to make 120 interest and principal payments. The first sixty payments of \$6 per month are based on a 240 month amortization period and a 6% interest rate. On November 2, 2016, the interest rate will reset. The new interest rate will be equal to the monthly average yield on 5 Year Constant Maturity U.S. Treasury Securities plus 3.75%. The monthly interest and principal payment will be recalculated accordingly. A final balloon payment of unpaid principal and interest is due on November 2, 2021.

Under the Equipment Note, the Company is required to make 84 monthly interest and principal payments. The first 60 payments will be for \$6 and are based on an 84 month amortization period and a 6.25% interest rate. On November 2,

2016, the interest rate will reset. The interest rate will be equal to the monthly average yield on 5 year Constant Maturity of U.S. Treasury Securities plus 4.00%. The monthly principal and interest payments will be recalculated based on the new interest rate and will remain fixed for the next 24 months.

*CVS Short-Term Working Capital Borrowings*

At September 30, 2014, CVS had established demand credit facilities with eleven Italian banks. Under the facilities, CVS can borrow up to 310 (\$392) on an unsecured basis and additional amounts as advances against orders, invoices and letter of credit with a total maximum facilities (including the unsecured portion) of 11,338 (\$14,317). The Company has granted guarantees in respect to available credit facilities in the amount of 7,123 (\$8,994). The maximum amount outstanding is limited to 80% of the assigned accounts receivable if there is an invoice issued or 50% if there is an order/contract issued. The banks will evaluate each request to borrow individually and determine the allowable advance percentage and interest rate. In making its determination the bank considers the customer's credit and location of the customer.

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At September 30, 2014, the banks had advanced CVS 5,512 (\$6,961) at variable interest rates which currently range from 3.82% to 11%.

At September 30, 2014, the Company has guaranteed 4,253 (\$5,370) of CVS s outstanding debt. Additionally, the banks had issued performance bonds which total 651 (\$822) which have been guaranteed by the Company.

### *Note Payable Bank*

At September 30, 2014, the Company has a \$69 note payable to a bank. The note dated January 10, 2014 had an original principal amount of \$678 and an annual interest rate of 3.45%. Under the terms of the note the company is required to make ten monthly payments of \$69 commencing January 30, 2014. The proceeds from the note were used to pay annual premiums for certain insurance policies carried by the Company. The holder of the note has a security interest the insurance policies it financed and has the right upon default to cancel these policies and receive any unearned premiums.

### *Acquisition note Valla*

In connection with the acquisition, the Company has a note with a stated interest rate of 5% in the amount of \$170 payable to the sellers. The note is payable in two installments of \$85 payable on December 31, 2015 and 2016.

The fair value of the promissory note was calculated to equal the present value of future debt payments discounted at a market rate of return commensurate with similar debt instruments with comparable levels of risk and marketability. A rate of 1.5% was determined to be the appropriate rate following an assessment of the risk inherent in the debt issued and the market rate for debt of this nature using corporate credit ratings. The difference of \$28 between face amount of the promissory note and its fair value is being amortized over the life of the note and recorded as a reduction of interest expense.

As of September 30, 2014, the note had remaining principal balance of \$180.

### *Capital leases*

#### Georgetown facility

The Company has a twelve year lease, which expires in April 2018 that provides for monthly lease payments of \$74 for its Georgetown, Texas facility. The lease has been classified as a capital lease. At September 30, 2014, the outstanding capital lease obligation is \$2,314.

#### Winona facility

The Company had a five year lease which expired on July 10, 2014 that provides for monthly lease payments of \$25 for its Winona, Minnesota facility. The Company has an option to purchase the facility for \$500 by giving notice to the landlord of its intent to purchase the Facility. The Landlord must receive such notice at least three months prior to end of the Lease term. The Company gave the Landlord the required notice of its election to purchase the facility. The Company and the Landlord are currently in the process of finalizing the purchase contract. The purchase of the facility is expected to be completed during the fourth quarter 2014. At September 30, 2014, the Company has outstanding capital lease obligation of \$500, the amount of the purchase option.

#### Equipment

The Company has entered into a lease agreement with a bank pursuant to which the Company is permitted to borrow 100% of the cost of new equipment and 75% of the cost of used equipment with 60 and 36 months repayment periods, respectively. At the conclusion of the lease period, for each piece of equipment the Company is required to purchase that piece of leased equipment for one dollar.

The equipment, which is acquired in ordinary course of the Company's business, is available for sales and rental prior to sale.

Under the lease agreement the Company can elect to exercise an early buyout option at any time, and pay the bank the present value of the remaining rental payments discounted by a specified Index Rate established at the time of leasing. The early buyout option results in a prepayment penalty which progressively decreases during the term of the lease. Alternatively, the Company under the like-kind provisions in the agreement can elect to replace or substitute different equipment in place of equipment subject to the early buyout without incurring a penalty.

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The following is a summary of amounts financed under equipment capital lease agreements:

|                | <b>Amount<br/>Borrowed</b> | <b>Repayment<br/>Period</b> | <b>Amount of<br/>Monthly Payment</b> | <b>Balance<br/>As of September 30,<br/>2014</b> |
|----------------|----------------------------|-----------------------------|--------------------------------------|---|
| New equipment  | \$ 1,166                   | 60                          | \$ 22                                | \$ 1,025  |
| Used equipment | \$ 1,754                   | 36                          | \$ 53                                | \$ 754  |
| <b>Total</b>   | <b>\$ 2,920</b>            |                             | <b>\$ 75</b>                         | <b>\$ 1,779</b>                                 |

The Company has three additional capital leases. As of September 30, 2014, the capitalized lease obligation in aggregate related to the three leases was \$92.

**14. Legal Proceedings and Other Contingencies**

The Company is involved in various legal proceedings, including product liability, employment related issues, and workers compensation matters which have arisen in the normal course of operations. The Company has product liability insurance with self-insurance retention that range from \$50 to \$500. Certain cases are at a preliminary stage, and it is not possible to estimate the amount or timing of any cost to the Company. However, the Company does not believe that these contingencies, in the aggregate, will have a material adverse effect on the Company.

Additionally, the Company has been named as a defendant in several multi-defendant asbestos related product liability lawsuits. In certain instances, the Company is indemnified by a former owner of the product line in question. In the remaining cases the plaintiff has, to date, not been able to establish any exposure by the plaintiff to the Company's products. The Company is uninsured with respect to these claims but believes that it will not incur any material liability with respect to these to claims.

Additionally beginning on December 31, 2011, the Company's workmen's compensation insurance policy has a per claim deductible of \$250 and aggregates of \$1,000, \$1,150 and \$1,325 for 2012, 2013 and 2014 policy years, respectively. The Company is fully insured for any amount on any individual claim that exceeds the deductible and for any additional amounts of all claims once the aggregate is reached. The Company currently has several workmen compensation claims related to injuries that occurred after December 31, 2011 and therefore are subject to a deductible. The Company does not believe that the contingencies associated with these worker compensation claims in aggregate will have a material adverse effect on the Company. Prior to December 31, 2011, worker compensation claims were fully insured.

On May 5, 2011, Company entered into two separate settlement agreements with two plaintiffs. As of September 30, 2014, the Company has a remaining obligation under the agreements to pay the plaintiffs \$1,615 without interest in 17 annual installments of \$95 on or before May 22 each year. The Company has recorded a liability for the net present value of the liability. The difference between the net present value and the total payment will be charged to interest expense over payment period.

It is reasonably possible that the Estimated Reserve for Product Liability Claims may change within the next 12 months. A change in estimate could occur if a case is settled for more or less than anticipated, or if additional information becomes known to the Company.

## 15. Business Segments

The Company operates in two business segments: Lifting Equipment and Equipment Distribution.

The Lifting Equipment segment is a leading provider of engineered lifting solutions. The Company designs, manufactures and distributes, predominately through a network of dealers, a diverse group of products that serve different functions and are used in a variety of industries. The Company markets a comprehensive line of boom trucks, a truck crane and sign cranes, a complete line of rough terrain forklifts, including both the Liftking and Noble product lines, as well as special mission oriented vehicles, and other specialized carriers, heavy material handling transporters and steel mill equipment. The Company also manufactures a number of specialized rough terrain cranes and material handling products, including 15 and 30-ton cab down rough terrain cranes. Company lifting products are used in industrial applications, energy exploration and infrastructure development in the commercial sector and for military applications. The company's specialized rough terrain cranes primarily serve the needs of the construction, municipality, and railroad industries. Through its Italian subsidiary, the Company manufactures and distributes reach stackers and associated lifting equipment for the global container handling markets. On November 30, 2013, the Company acquired the assets of Valla SpA ( Valla ) located in Piacenza, Italy. Valla offers a full range of mobile cranes from 2 to 90 tons, using electric, diesel, and hybrid power options. Its cranes offer wheeled or tracked, fixed or swing boom configurations, with dozens of special applications designed specifically to meet the needs of its customers. Additionally, the Company manufactures and distributes custom trailers and hauling systems typically used for transporting heavy equipment, the trailer business serves niche markets in the commercial construction, railroad, military, and equipment rental industries through a dealer network. Beginning in August 2013, the Company began to manufacture and market a comprehensive line of specialized trailer tanks for liquid and solid storage and containment. The tank trailers are used in a variety of end markets such as petrochemical, waste management and oil and gas drilling.

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The Equipment Distribution segment located in Bridgeview, Illinois, operates as Manitex Valla's North American sales organization and also distributes Terex rough terrain and truck cranes, Manitex boom trucks and sky cranes, and the PM Group's knuckle boom cranes. The Equipment Distribution segment predominately sells its products to end users, including the rental market. Its products are used primarily for infrastructure development and commercial constructions, applications include road and bridge construction, general contracting, roofing, scrap handling and sign construction and maintenance. The Equipment Distribution segment supplies repair parts for a wide variety of medium to heavy duty construction equipment and sells both domestically and internationally. The segment also provides repair services in the Chicago area. The North American Equipment Exchange division, (NAEE) markets previously-owned construction and heavy equipment, domestically and internationally. This Division provides a wide range of used lifting and construction equipment of various ages and condition, and the Company has the capability to refurbish the equipment to the customers' specification.

Sabre and Valla results are included in the Company's results from their respective dates of acquisition August 19, 2013 and November 30, 2013.

The following is financial information for our two operating segments, i.e., Lifting Equipment and Equipment Distribution.

|  | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                   |
|--|-------------------------------------|------------------|------------------------------------|-------------------|
|  | 2014                                | 2013             | 2014                               | 2013              |
| Net revenues                                     |                                     |                  |                                    |                   |
| Lifting Equipment                                | \$ 61,670                           | \$ 53,284        | \$ 185,772                         | \$ 166,706        |
| Equipment Distribution                           | 5,296                               | 4,269            | 14,398                             | 13,000            |
| Inter-segment sales                              | (769)                               | (32)             | (2,998)                            | (65)              |
| <b>Total</b>                                     | <b>\$ 66,197</b>                    | <b>\$ 57,521</b> | <b>\$ 197,172</b>                  | <b>\$ 179,641</b> |
| Operating income from continuing operations      |                                     |                  |                                    |                   |
| Lifting Equipment                                | \$ 5,007                            | \$ 5,703         | \$ 17,013                          | \$ 16,543         |
| Equipment Distribution                           | 17                                  | 183              | 138                                | 486               |
| Corporate expenses                               | (1,529)                             | (1,229)          | (4,649)                            | (4,511)           |
| Elimination of inter-segment profit in inventory | (84)                                |                  | (302)                              |                   |
| <b>Total operating income</b>                    | <b>\$ 3,411</b>                     | <b>\$ 4,657</b>  | <b>\$ 12,200</b>                   | <b>\$ 12,518</b>  |

The Lifting Equipment segment operating earnings includes amortization of \$628 and \$543 for the three months and \$1,872 and \$1,562 for the nine months ended September 30, 2014 and 2013, respectively. The Equipment Distribution segment operating earnings includes amortization of \$37 and \$37 for the three months and \$110 and \$110 for the six months ended September 30, 2014 and 2013, respectively.

|                   | September 30,<br>2014 | December 31,<br>2013 |
|-------------------|-----------------------|----------------------|
| Total Assets      |                       |                      |
| Lifting Equipment | \$ 174,773            | \$ 170,692           |

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| Equipment Distribution | 15,769            | 10,847            |
| Corporate              | 1,257             | 1,075             |
| <b>Total</b>           | <b>\$ 191,799</b> | <b>\$ 182,614</b> |

## 16. Transactions between the Company and Related Parties

In the course of conducting its business, the Company has entered into certain related party transactions.

The Company, through its Manitex and Manitex Liftking subsidiaries, purchases and sells parts to BGI USA, Inc. ( BGI ) including its subsidiary SL Industries, Ltd ( SL ). BGI is a distributor of assembly parts used to manufacture various lifting equipment. SL Industries, Ltd is a Bulgarian subsidiary of BGI that manufactures fabricated and welded components used to manufacture various lifting equipment. The President of Manufacturing Operations is the majority owner of BGI.

The Company through its Manitex Liftking subsidiary provides parts and services to LiftMaster, Ltd ( LiftMaster ) or purchases parts or services from LiftMaster. LiftMaster is a rental company that rents and services rough terrain forklifts. LiftMaster is owned by the Vice President of a wholly owned subsidiary of the Company, Manitex Liftking, ULC, and a relative.



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As of September 30, 2014 the Company had an accounts receivable of \$0, \$4, and \$85 from BGI, SL and Liftmaster and accounts payable of \$8, \$1,311 and \$0 to BGI, SL and LiftMaster, respectively. As of December 31, 2013 the Company had an accounts receivable of \$6 and \$7 from LiftMaster and SL, respectively and accounts payable of \$6 and \$796 to BGI and SL, respectively.

The following is a summary of the amounts attributable to certain related party transactions as described in the footnotes to the table, for the periods indicated:

|                 |                       | Three months ended |               | Nine months ended |               |
|-----------------|-----------------------|--------------------|---------------|-------------------|---------------|
|                 |                       | September 30,      | September 30, | September 30,     | September 30, |
|                 |                       | 2014               | 2013          | 2014              | 2013          |
| Rent paid       | Bridgeview Facility 1 | \$ 65              | \$ 63         | \$ 191            | \$ 188        |
| Sales to:       | SL Industries, Ltd.   | \$ 1               | \$            | \$ 4              | \$ 43         |
|                 | LiftMaster            | (3)                |               | 186               | 3             |
| Total Sales     |                       | \$ (2)             | \$            | 190               | \$ 46         |
| Purchases from: |                       |                    |               |                   |               |
|                 | BGI USA, Inc.         | \$ 22              | \$ 68         | \$ 43             | \$ 149        |
|                 | SL Industries, Ltd.   | 2,260              | 1,605         | 4,686             | 3,813         |
|                 | LiftMaster            |                    | 8             |                   | 18            |
| Total Purchases |                       | \$ 2,282           | \$ 1,681      | \$ 4,729          | \$ 3,980      |

- The Company leases its 40,000 sq. ft. Bridgeview facility from an entity controlled by Mr. David Langevin, the Company's Chairman and CEO. Pursuant to the terms of the lease, the Company makes monthly lease payments of \$21. The Company is also responsible for all the associated operations expenses, including insurance, property taxes, and repairs. The lease will expire on June 30, 2020 and has a provision for six one year extension periods. The lease contains a rental escalation clause under which annual rent is increased during the initial lease term by the lesser of the increase in the Consumer Price Increase or 2.0%. Rent for any extension period shall however, be the then-market rate for similar industrial buildings within the market area. The Company has the option, to purchase the building by giving the Landlord written notice at any time prior to the date that is 180 days prior to the expiration of the lease or any extension period. The Landlord can require the Company to purchase the building if a change of Control Event, as defined in the agreement occurs by giving written notice to the Company at any time prior to the date that is 180 days prior to the expiration of the lease or any extension period. The purchase price regardless whether the purchase is initiated by the Company or the landlord will be the Fair Market Value as of the closing date of said sale.

**17. Income Taxes**

The Company's provision for income taxes consists of U.S. and foreign taxes in amounts necessary to align the Company's year-to-date tax provision with the effective rate that the Company expects to achieve for the full year. Each quarter the Company updates its estimate of the annual effective tax rate and records cumulative adjustments as necessary. The annual effective tax rate (excluding discrete items) is estimated to be approximately 32% for 2014. The

effective tax rate is based upon the Company's anticipated earnings both in the U.S. and in foreign jurisdictions.

The increase in the effective tax rate from 2013 to 2014 is primarily due to the research and development tax credits and, to a lesser extent, a change in the jurisdictions in which the Company's income is earned. The federal research & development tax credit expired as of December 31, 2013 and is unavailable for 2014. During 2013, the Company recorded an income tax benefit for federal research and development tax credits generated in both 2012 and 2013 as such credits were reinstated into law in January 2013 on a retroactive basis.

For the three months ended September 30, 2014, the Company recorded an income tax expense of \$941 which consisted primarily of anticipated federal, state and local, and foreign taxes. For the three months ended September 30, 2013, the Company recorded an income tax expense of \$1,197 which consisted primarily of anticipated federal, state and local, and foreign taxes.

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For the nine months ended September 30, 2014, the Company recorded an income tax expense of \$3,283. For the nine months ended September 30, 2013, the Company recorded an income tax expense of \$3,087 which included discrete items of \$110 primarily related to 2012 Federal Research & Development tax credits which were retroactively enacted by the American Taxpayer Reconciliation Act on January 2, 2013.

The Company's total unrecognized tax benefits as of September 30, 2014 and 2013 were approximately \$143 and \$397, which, if recognized, would affect the Company's effective tax rate. As of September 30, 2014 the Company had accrued immaterial amounts for the potential payment of interest and penalties.

## **18. Subsequent Event**

On October 29, 2014, the Company entered into an agreement to purchase 51% of A.S.V., Inc. from Terex Corporation. The transaction will result in the formation of a joint venture between the Company and Terex to operate the ASV business, which manufactures and sells a broad product line of technology-leading compact rubber-track and skid-steer loaders and accessories.

The consideration for Manitex's majority share in ASV will be \$25 million, and the transaction is expected to close in the fourth quarter of 2014.

In a separate transaction, Manitex will receive \$20 million in cash from Terex in exchange for \$20 million in Manitex common stock and convertible debt securities, which transaction is also expected to close in the fourth quarter of 2014. The number of shares of Common Stock to be issued to Terex at the closing will be based upon a \$12.5 million investment amount and a price per share of Common Stock determined with reference to the daily volume weighted average price for a thirty day window prior to closing, subject to a floor and a ceiling. The convertible debt securities will be \$7.5 million in aggregate principal amount, are subordinated, will carry a 5% per annum coupon, payable semi-annually, and will be convertible into Common Stock at the greater of (i) 25% above the daily volume weighted average price for a thirty day window prior to October 29, 2014, and (ii) 10% above the daily volume weighted average price for a thirty day window prior to closing, in all cases subject to a maximum conversion price of \$16.75 per share of Common Stock.

On November 3, 2014 a Current Report on Form 8-K was filed with the United States Securities and Exchange Commission. The 8-K contains additional details regarding the ASV and Terex investment agreements.

## **Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations** **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This quarterly report on Form 10-Q contains forward-looking statements and are intended to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to, among other things, the Company's expectations, beliefs, intentions, future strategies, future events or future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements include, without limitation: (1) projections of revenue, earnings, capital structure and other financial items, (2) statements of our plans and objectives, (3) statements regarding the capabilities and capacities of our business operations, (4) statements of expected future economic conditions and the effect on us and on our customers, (5) expected benefits of our cost reduction measures, and

(6) assumptions underlying statements regarding us or our business. In some cases, you can identify forward-looking statements by terminology such as may, should, could, expects, plans, intends, anticipates, believe, predicts, potential or continue or the negative of such terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. These statements are only predictions. Our actual results may differ materially from information contained in these forward looking-statements for many reasons, including, without limitation, those described below and in our 2013 Annual Report on Form 10-K/A for the fiscal year ended December 31, 2013, in the section entitled Item 1A. Risk Factors,

- (1) Substantial deterioration in economic conditions, especially in the United States and Europe;
- (2) our customers' diminished liquidity and credit availability;
- (3) difficulties in implementing new systems, integrating acquired businesses, managing anticipated growth, and responding to technological change;
- (4) our ability to negotiate extensions of our credit agreements and to obtain additional debt or equity financing when needed;
- (5) the cyclical nature of the markets we operate in;
- (6) increases in interest rates;

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- (7) government spending, fluctuations in the construction industry, and capital expenditures in the oil and gas industry;
  - (8) the performance of our competitors;
  - (9) shortages in supplies and raw materials or the increase in costs of materials;
  - (10) our level of indebtedness and our ability to meet financial covenants required by our debt agreements;
  - (11) product liability claims, intellectual property claims, and other liabilities;
  - (12) the volatility of our stock price;
  - (13) future sales of our common stock;
  - (14) the willingness of our stockholders and directors to approve mergers, acquisitions, and other business transactions;
  - (15) currency transactions (foreign exchange) risks and the risks related to forward currency contracts;
  - (16) certain provisions of the Michigan Business Corporation Act and the Company's Articles of Incorporation, as amended, Amended and Restated Bylaws, and the Company's Preferred Stock Purchase Rights may discourage or prevent a change in control of the Company; and
  - (17) a substantial portion of our revenues are attributed to limited number of customers which may decrease or cease purchasing any time.
- The risks described in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2013, are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. We do not undertake, and expressly disclaim, any obligation to update this forward-looking information, except as required under applicable law. The following discussion should be read in conjunction with the accompanying Consolidated Financial Statements and Notes thereto of the Company appearing elsewhere within this Form 10-Q.

**OVERVIEW**

The Company is a leading provider of engineered lifting solutions. The Company operates in two business segments: the Lifting Equipment segment and the Equipment Distribution segment.

*Lifting Equipment Segment*

The Company is a leading provider of engineered lifting solutions. The Company designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries. Through its Manitex, Inc. subsidiary it markets a comprehensive line of boom trucks, truck cranes and sign cranes. Manitex's boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including, roads, bridges and commercial construction. Its Badger Equipment Company ( Badger ) subsidiary is a manufacturer of specialized rough terrain cranes and material handling products. Badger primarily serves the needs of the construction, municipality, and railroad industries.

Manitex Liftking ULC ( Manitex Liftking or Liftking ) sells a complete line of rough terrain forklifts, a line of stand-up electric forklifts, cushioned tired forklifts with lifting capacities from 18 thousand to 40 thousand pounds, and special mission oriented vehicles, as well as other specialized carriers, heavy material handling transporters and steel mill equipment. Manitex Liftking's rough terrain forklifts are used in both commercial and military applications. Specialty mission oriented vehicles and specialized carriers are designed and built to meet the Company's unique customer needs and requirements. The Company's specialized lifting equipment has met the particular needs of customers in various industries that include utility, ship building and steel mill industries.

Manitex Load King, Inc. ( Load King ) manufactures specialized custom trailers and hauling systems typically used for transporting heavy equipment. Load King Trailers serve niche markets in the commercial construction, railroad, military, and equipment rental industries through a dealer network.

CVS Ferrari, srl ( CVS ) located near Milan, Italy designs and manufactures a range of reach stackers and associated lifting equipment for the global container handling market, that are sold through a broad dealer network. On November 30, 2013, CVS purchased the assets of Valla SpA. Valla manufactures and markets a line of precision pick and carry cranes from 2 to 90 tons, using electric, diesel and hybrid power. Its crane offer wheeled or tracked, fixed or swing boom configurations, with dozens of special applications designed specifically to meet the needs of its customers.

On August 19, 2013, Manitex Sabre, Inc. ( Sabre ) acquired the assets of Sabre Manufacturing, LLC, which is located in Knox, Indiana. Sabre manufactures a comprehensive line of specialized mobile tanks for liquid and solid storage and containment solutions

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with capacities from 8,000 to 21,000 gallons. Its mobile tanks will be sold to specialized independent tank rental companies and through the Company's existing dealer network. The tanks are used in a variety of end markets such as petrochemical, waste management and oil and gas drilling.

### *Equipment Distribution Segment*

The Equipment Distribution segment operates as Manitex Valla North America sales organization and is a distributor of Terex rough terrain and truck cranes, PM knuckle boom cranes and Manitex's products. The Equipment Distribution segment predominately sells its products to end users, including the rental market. Its products are used primarily for infrastructure development and commercial constructions applications including road and bridge construction, general contracting, roofing, scrap handling and sign construction and maintenance. The Equipment Distribution segment supplies repair parts for a wide variety of medium to heavy duty construction equipment and sell both domestically and internationally. The segment also provides repair services in the Chicago area. The North American Equipment Exchange division (NAEE), markets previously-owned construction and heavy equipment, both domestically and internationally. This Division provides a wide range of used lifting and construction equipment of various ages and condition, and the Company has the capability to refurbish the equipment to the customers' specification.

### *Economic Conditions*

The overall market for construction equipment continues to improve but has not returned to pre-2008 levels. A very significant portion of the Company's revenues has been attributed to demand from niche market segments, particularly the North American energy sector. In our 2013 Annual Report on Form 10-K/A we stated that, there had been a softening in the demand for our products which was related to the energy sector and that the Company believed that the current decrease in demand from the energy sector was temporary. This softness continued through much of the first quarter together with slower construction market demand caused a decrease in revenues from our existing products which was more than offset by additional revenues related to our acquisitions. Towards the end of the first quarter, the Company received significant new orders, which increased our backlog to \$100 million from \$77 million at December 31, 2013. During the second and third quarter of 2014 order intake has remained at a level consistent with our output and the backlog at September 30, 2014 was \$102 million. Although order remained level, the demand for cranes with higher lifting capacity, which are often used by the energy sector, declined at the end of the second quarter. The decline in demand for cranes with higher capacity was offset by cranes with lower lifting capacity and other product, both of which have lower margins. The Company believes that the North American energy sector over time will continue to grow and in turn will drive future demand for our products. Recently, orders for cranes with higher lifting capacity have again been increasing.

Additionally, the market for container handling equipment in Europe, CVS's historical market, overall continued to be weak. CVS has, however, been able to offset this effect by expanding their sales effort into other international markets and were able to secure an increase in orders in Q2 and Q3 of 2014.

### *Factors Affecting Revenues and Gross Profit*

The Company derives most of its revenue from purchase orders from dealers and distributors. The demand for the Company's products depends upon the general economic conditions of the markets in which the Company competes. The Company's sales depend in part upon its customers' replacement or repair cycles. Adverse economic conditions, including a decrease in commodity prices, may cause customers to forego or postpone new purchases in favor of repairing existing machinery. Additionally, our Manitex Liftking subsidiary revenues are impacted by the timing of orders received for military forklifts and residential housing starts. CVS revenues are impacted in part by the timing of contract awards related to major port projects.

Gross profit varies from period to period. Factors that affect gross profit include product mix, production levels and cost of raw materials. Margins tend to increase when production is skewed towards larger capacity cranes, special mission oriented vehicles, specialized carriers and heavy material transporters.

**Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013**

**Net income for the three month periods ended September 30, 2014 and 2013**

For the three months ended September 30, 2014 and 2013, the Company had net income of \$1.8 million and \$2.6 million, respectively.

For the three months ended September 30, 2014, the net income of \$1.8 million consisted of revenue of \$66.2 million, cost of sales of \$55.3 million, research and development costs of \$0.6 million, SG&A expenses of \$6.9 million, interest expense of \$0.7 million, and income tax expense of \$0.9 million.

For the three months ended September 30, 2013, the net income of \$2.6 million consisted of revenue of \$57.5 million, cost of sales of \$46.3 million, research and development costs of \$0.7 million, SG&A expenses of \$5.9 million, interest expense of \$0.8 million, and income tax expense of \$1.2 million.



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**Net revenues and gross profit** For the three months ended September 30, 2014, net revenues and gross profit were \$66.2 million and \$10.9 million, respectively. Gross profit as a percent of revenues was 16.5% for the three months ended September 30, 2014. For the three months ended September 30, 2013, net revenues and gross profit were \$57.5 million and \$11.2 million, respectively. Gross profit as a percent of revenues was 19.5% for the three months ended September 30, 2013.

Net revenues increased \$8.7 million or 15.1% to \$66.2 million for the three months ended September 30, 2014 from \$57.5 million for the comparable period in 2013. Approximately 20% of the increase is attributed to additional revenues derived from the Valla and Sabre product lines. This increase occurred as the three month period in 2013 only had Sabre revenues for the period beginning on August 19, 2013 (the date of acquisition) and did not have any Valla revenues, as this product line was not acquired until November 30, 2013. The remaining increase is attributed to increases in revenues from the sale of container handling equipment, specialized trailers and military forklifts.

Gross profit as a percentage of net revenues decreased 3% to 16.5% for the three months ended September 30, 2014 from 19.5% for the three months ended September 30, 2013. The decrease in margin is principally attributed to changes in product mix. Margins on our crane products decreased as there was shift towards cranes with lower lifting capacity and lower margins. Crane product margins were also adversely impacted as the Company delivered more cranes in the quarter where Maniex supplied the chassis to the customers. When the Company supplies the chassis our margin declines as there is virtually no markup on the chassis. Finally, the increase in revenues for the quarter was generated by products that generally have lower margins.

**Research and development** Research and development was \$0.6 million and \$0.7 million for the three months ended September 30, 2014 and 2013, respectively. The Company's research and development spending continues to reflect our continued commitment to develop new products that gives the Company a competitive advantage.

**Selling, general and administrative expense** Selling, general and administrative expense for the three months ended September 30, 2014 was \$6.9 million compared to \$5.9 million for the comparable period in 2013, an increase of \$1.0 million. The two companies acquired in August and November 2013, respectively, accounted for \$0.7 million of the increase. The remaining increase is principally related to an increase in corporate expenses of \$0.3 million. The increase in corporate expenses is the result of increase of in salary expense of \$0.1 million, deferred stock based compensation of \$0.1 million, travel expenses of \$0.1 million, consulting fees of \$0.1 million and bank fees of \$0.1 million which were partially offset by decreases in bonuses of \$0.1 million and legal and accounting fees of \$0.1 million. The increase in salaries and travel is principally related to hiring a Vice President of Sales and a Director of Accounting. The Company paid fees to a consultant in 2014 in connection with the ongoing development of the Company's sales organization. Accounting and legal fees decreased as the prior year included fees associated with Valla and Sabre acquisitions.

**Operating income** For the three months ended September 30, 2014 and 2013, the Company had operating income of \$3.4 million and \$4.7 million, respectively. The decrease in operating income is due to decrease in gross profit of \$0.3 million and \$1.0 million increase in operating expenses. The impact of an increase in revenue was more than offset by a 3.0% decrease in gross profit as percent of revenue. The increase in operating expense is related to an increase in selling, general and administrative expenses explained above.

**Interest expense** Interest expense was \$0.7 million for the three months ended September 30, 2014 compared to \$0.8 million for the comparable period in 2013. The modest decrease in interest expense is attributed to a decrease in the average interest rate paid by the Company which was partially offset by a small increase in outstanding borrowings. Average interest rates decreased primarily because interest rates on its North American revolving facilities decreased. This occurred as the Company moved to a lower point on the interest rate pricing grid.

**Foreign currency transaction gains and losses** The Company attempts to purchase forward currency exchange contracts such that the exchange gains and losses on the assets and liabilities denominated in other than the reporting units' functional currency will be offset by the changes in the market value of the forward currency exchange contracts it holds.

For the three months ended September 30, 2014 and 2013, foreign currency gains and losses were insignificant.

**Income tax** For the three months ended September 30, 2014, and 2013 the Company recorded an income tax expense of \$0.9 million and \$1.2 million, respectively. The Company's provision for income taxes consists of U.S. and foreign taxes in amounts necessary to align the Company's year-to-date tax provision with the effective rate that the Company expects to achieve for the full year. The annual effective tax rate (excluding discrete items) for 2014 is estimated to be approximately 32%, while the actual annual effective tax rate for 2013 was 30%.

The effective tax rate increase between years in part because the Company was not able to recognize a federal research and development tax credit in 2014 as the provision in the Internal Revenue Code authorizing the R&D credit has expired for 2014. The effective tax rate for the quarter ended September 30, 2014 was higher than the quarter ended June 30, 2014 due to various adjustments related to the finalization of the Company's U.S. federal and state tax returns.

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**Net income** Net income for the three months ended September 30, 2014 was \$1.8 million. This compares with a net income for the three months ended September 30, 2013 of \$2.6 million. The change in net income is explained above.

**Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013**

**Net income for the nine month periods ended September 30, 2014 and 2013**

For the nine months ended September 30, 2014 and 2013 the Company had a net income of \$6.6 million and \$7.2 million, respectively.

For the nine months ended September 30, 2014, the net income of \$6.6 million consisted of revenue of \$197.2 million, cost of sales of \$161.5 million, research and development costs of \$1.9 million, SG&A expenses of \$21.6 million, interest expense of \$2.2 million, foreign currency transaction losses and other expense of \$0.1 million, and income tax expense of \$3.3 million.

For the nine months ended September 30, 2013, the net income of \$7.2 million consisted of revenue of \$179.6 million, cost of sales of \$145.9 million, research and development costs of \$2.1 million, SG&A expenses of \$19.1 million, interest expense of \$2.1 million, foreign currency transaction losses of \$0.1 million, and income tax expense of \$3.1 million.

**Net Revenues and Gross Profit** For the nine months ended September 30, 2014, net revenues and gross profit were \$197.2 million and \$35.7 million, respectively. Gross profit as a percent of revenues was 18.1% for the nine months ended September 30, 2014. For the nine months ended September 30, 2013, net revenues and gross profit were \$179.6 million and \$33.7 million, respectively. Gross profit as a percent of revenues was 18.8% for the nine months ended September 30, 2013.

Net revenues increased \$17.6 million or 9.8% to \$197.2 million for the nine months ended September 30, 2014 from \$179.6 million for the comparable period in 2013. Approximately \$15.6 million of the increase is attributed to additional revenues derived from the Valla and Sabre product lines. This increase occurred as the nine month period in 2013 only had Sabre revenues for the period between on August 19, 2013 (the date of acquisition) and September 30, 2013 and there were no Valla revenues, as this product line was not acquired until November 30, 2013. The remaining \$2.0 million increase is primarily attributed to an increase in container handling equipment offset by decreased forklift revenues that is attributed to a decrease in both military and commercial sales and to a lesser extent a modest decrease in revenues for our crane products. Military sales have historically varied significantly from period to period depending on when orders are received. The Company expects to increase revenues from the military sales in the fourth quarter of 2014 as the Company begins shipping military forklifts against several recently awarded large military contracts. Crane sales declined modestly as the sale of cranes with higher lifting capacity decreased in response to the weakness in the energy sector. This decline was partially offset by an increase in cranes with lower lifting capacities which reflects a modest improvement in the general construction environment.

Our gross profit as a percentage of net revenues decreased 0.7% to 18.1% for the nine months ended September 30, 2014 from 18.8% for the nine months ended September 30, 2013. The decrease in gross profit for the nine month period is entirely attributed to the 3.0% decrease in our gross profit for the third quarter as year to date gross profit percent was up a modest 0.5% at June 30, 2014. The decrease in gross profit for the third quarter is explained above.

**Research and development** Research and development for the nine months ended September 30, 2014 was \$1.9 million compared to \$2.1 million for the comparable period in 2013. The Company's research and development spending continues to reflect our continued commitment to develop and introduce new products that give the

Company a competitive advantage.

**Selling, general and administrative expense** Selling, general and administrative expense for the nine months ended September 30, 2014 was \$21.6 million compared to \$19.1 million for the comparable period in 2013, an increase of \$2.5 million. Selling, general and administrative expense as a percent of revenues for the nine months ended September 30, 2014 was 10.9% an increase of 0.3% from the 10.6% for the comparable period in 2013.

Approximately \$2.4 million of the increase is attributed to additional selling, general and administrative expenses at the two companies that were acquired in August and November of 2013, respectively. Another \$0.7 million is related to expenses incurred in connection with our participation at the 2014 Con Expo trade show. The Con Expo show, which is held every three years, was held in Las Vegas in March of this year. This show is an international gathering place for the construction industries. It is estimated that 130,000 professionals from around the world attended the show. The two significant increases were offset by net other decreases of \$0.6 million, including a \$0.8 million decrease in the provision for performance based incentive compensation.

**Operating income** For the nine months ended September 30, 2014 and 2013, the Company had operating income of \$12.2 million and \$12.5 million, respectively. The decrease in operating income is due to a decrease in gross profit percent and very slight increase in operating expenses as a percent of revenues.

**Interest expense** Interest expense was \$2.2 million for the nine months ended September 30, 2014 and for the comparable 2013 period. Interest expense did not change significantly as a decrease in the average interest rate was offset by having a higher outstanding debt balance. Average interest rates decreased because interest rates on its North American revolving facilities decreased. This occurred as the Company moved to a lower point on the interest rate pricing grid.

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**Foreign currency transaction (losses) gains** The Company attempts to purchase forward currency exchange contracts such that the exchange gains and losses on the assets and liabilities denominated in other than the reporting units functional currency will be offset by the changes in the market value of the forward currency exchange contracts it holds.

For the nine months ended September 30, 2014 and 2013, the Company had a foreign currency transaction losses of less than \$0.1 million.

**Income tax** For the nine months ended September 30, 2014 and 2013, the Company recorded an income tax expense of \$3.3 million and \$3.1 million, respectively. The Company's provision for income taxes consists of U.S. and foreign taxes in amounts necessary to align the Company's year-to-date tax provision with the effective rate that the Company expects to achieve for the full year. The annual effective tax rate (excluding discrete items) for 2014 is estimated to be approximately 32%, while the actual annual effective tax rate for 2013 was 30%.

**Net income** Net income for the nine months ended September 30, 2014 was \$6.6 million. This compares with a net income for the nine months ended September 30, 2013 of \$7.2 million. The change in net income is explained above.

**Segment information****Lifting Equipment Segment**

|                  | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             |
|------------------|---------------------------|-------------|--------------------------|-------------|
|                  | <b>September 30,</b>      |             | <b>September 30,</b>     |             |
|                  | <b>2014</b>               | <b>2013</b> | <b>2014</b>              | <b>2013</b> |
| Net revenues     | \$ 61,670                 | \$ 53,284   | \$ 185,772               | \$ 166,706  |
| Operating income | 5,007                     | 5,703       | 17,013                   | 16,543      |
| Operating margin | 8.1%                      | 10.7%       | 9.2%                     | 9.9%        |

**Net revenues**

Net revenues increased \$8.4 million to \$61.7 million for the three months ended September 30, 2014 from \$53.3 million for the comparable period in 2013.

Approximately 20% of the increase is attributed to additional revenues derived from the Valla and Sabre product lines. This increase occurred as the three month period in 2013 only had Sabre revenues for the period beginning on August 19, 2013 (the date of acquisition) and did not have any Valla revenues, as this product line was not acquired until November 30, 2013. The remaining increase is attributed to increases in revenues from the sale of container handling equipment, specialized trailers and military forklifts.

Net revenues increased \$19.1 million to \$185.8 million for the nine months ended September 30, 2014 from \$166.7 million for the comparable period in 2013. Approximately \$15.6 million of the increase is attributed to additional revenues derived from the Valla and Sabre product lines. This increase occurred as the nine month period in 2013 only had Sabre revenues for the period between August 19, 2013 (the date of acquisition) and September 30, 2013 and there were no Valla revenues, as this product line was not acquired until November 30, 2013. The remaining \$3.5 million increase is primarily attributed to an increase in container handling equipment offset by decreased forklift revenues that is attributed to a decrease in both military and commercial sales and to a lesser extent a modest decrease in revenues for our crane products. Military sales have historically varied significantly from period to period

depending on when orders are received. The Company expects increased revenues from the military sales in the fourth quarter of 2014 as the Company begins shipping military forklifts against several recently awarded large military contracts. Crane sales declined modestly as the sale of cranes with higher lifting capacity decreased in response to the weakness in the energy sector. This decline was partially offset by an increase in cranes with lower lifting capacities which reflects a modest improvement in the general construction environment.

**Operating income and operating margins**

Operating income of \$5.0 million for the three months ended September 30, 2014 was equivalent to 8.1% of net revenues compared to an operating income of \$5.7 million for the three months ended September 30, 2013 or 10.7% of net revenues. Operating income decreased \$0.7 million and operating income as a percent of revenue decreased 2.6% to 8.1% for three months ended September 30,

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2014 from 10.1% for the three months ended September 30, 2013. The entire decrease in operating income and operating income as percent of revenue is entirely due to a decrease in gross profit percent as operating expense as percent of revenues decreased marginally. The decrease in margin is principally attributed to changes in product mix. Margins on our crane products decreased as there was shift towards cranes with lower lifting capacity and lower margins. Crane product margins were also adversely impacted as the Company delivered more cranes in the quarter where Maniex supplied the chassis to the customers. When the Company supplies the chassis our margin decline as there is virtually no markup on the chassis. Finally, the increase in revenues for the quarter was generated by products that generally have lower margins.

Operating income of \$17 million for the nine months ended September 30, 2014 was equivalent to 9.2% of net revenues compared to an operating income of \$16.5 million for the nine months ended September 30, 2013 or 9.9% of net revenues. The decrease in Operating profit and operating profit as percent of revenue for the nine month period is entirely attributed to the decrease in our gross profit percent for the third quarter 2014 as year to date operating income and operating income as a percent of revenue were up for the six months ended June 30, 2014 compared to the six months end June 30, 2013. Operating expenses as a percent of revenue were virtually unchanged between the two nine month periods.

**Equipment Distribution Segment**

|                         | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |           |
|-------------------------|-------------------------------------|----------|------------------------------------|-----------|
|                         | 2014                                | 2013     | 2014                               | 2013      |
| Net revenues            | \$ 5,296                            | \$ 4,269 | \$ 14,398                          | \$ 13,000 |
| Operating (loss) income | 17                                  | 183      | 138                                | 486       |
| Operating margin        | 0.3%                                | 4.3%     | 0.9%                               | 3.7%      |

**Net revenues**

Net revenues increased \$1.1 million to \$5.3 million for the three months ended September 30, 2014 from \$4.3 million for the comparable period in 2013. The increase in revenues is entirely due to additional new equipment sales. Rental and service income was flat for the three months ended September 30, 2014.

Net revenues increased \$0.9 million to \$14.4 million for the nine months ended September 30, 2014 from \$13 million for the comparable period in 2013. The increase in revenues is due to additional new equipment sales partially offset by decreased part sales.

**Operating income (loss) and operating margins**

The Equipment Distribution segment had an operating income of \$0.1 million and \$0.2 million for the three months ended September 30, 2014 and 2013, respectively. The decrease in operating income is due to the increases in sales and administrative personnel and travel expenses relating to the integration of Valla and PM Group.

The Equipment Distribution segment had an operating income of \$0.1 million and \$0.5 million for the nine months ended September 30, 2014 and 2013, respectively. The decrease in operating income is due to the increases in sales and administrative personnel and travel expenses relating to the integration of Valla and PM Group.

**Reconciliation to Statement of Income:**

|                                   | <b>Three Months<br/>Ended<br/>September 30,</b> |                  | <b>Nine Months Ended<br/>September 30,</b> |                   |
|-----------------------------------|---|------------------|--|-------------------|
|                                   | <b>2014</b>                                     | <b>2013</b>      | <b>2014</b>                                | <b>2013</b>       |
| <b>Revenues:</b>                  |   |                  |  |                   |
| Lifting Equipment                 | \$ 61,670                                       | \$ 53,284        | \$ 185,772                                 | \$ 166,706        |
| Equipment Distribution            | 5,296   | 4,269            | 14,398                                     | 13,000            |
| Elimination of intersegment sales | (769)   | (32)             | (2,998)                                    | (65)              |
| <b>Total</b>                      | <b>\$ 66,197</b>                                | <b>\$ 57,521</b> | <b>\$ 197,172</b>                          | <b>\$ 179,641</b> |



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|   | Three Months<br>Ended<br>September 30, |          | Nine Months<br>Ended<br>September 30, |           |
|---|--|----------|---------------------------------------|-----------|
|   | 2014                                   | 2013     | 2014                                  | 2013      |
| <b>Operating Income:</b>                        |  |          |                                       |           |
| Lifting Equipment                               | \$ 5,007                               | \$ 5,703 | \$ 17,013                             | \$ 16,543 |
| Equipment Distribution                          | 17                                     | 183      | 138                                   | 486       |
| Corporate expenses                              | (1,529)                                | (1,229)  | (4,649)                               | (4,511)   |
| Elimination of intersegment profit in inventory | (84)                                   |          | (302)                                 |           |
| Total   | \$ 3,411                               | \$ 4,657 | \$ 12,200                             | \$ 12,518 |

**Liquidity and Capital Resources**

Cash and cash equivalents were \$4.9 million at September 30, 2014 compared to \$6.1 million at December 31, 2013. In addition, the Company has U.S. and Canadian revolving credit facilities, with maturity dates of August 19, 2018 and our Canadian Subsidiary has a specialized export facility. At September 30, 2014 the Company had approximately \$10.9 million available in North America to borrow under its revolving credit facilities.

At September 30, 2014, CVS had established demand credit facilities with eleven Italian banks. Under the facilities, CVS can borrow up to 0.3 million (\$0.4 million) on an unsecured basis and additional amounts as advances against orders, invoices and letter of credit with a total maximum facilities (including the unsecured portion) of 11.4 million (\$14.3 million). The maximum amount outstanding is limited to 80% of the assigned accounts receivable if there is an invoice issued or 50% if there is an order/contract. The banks will evaluate each request to borrow individually and determine the allowable advance percentage and interest rate. In making its determination the bank considers the customer's credit and location of the customer. At September 30, 2014, the banks had advanced CVS 5.5 million (\$7.0 million) and had issued performance bonds which total 0.7 million (\$0.8 million), which also count against the maximum that can be borrowed under these facilities.

During the nine months ended September 30, 2014, total debt increased by \$0.5 million to \$54.7 million at September 30, 2014 from \$54.2 million at December 31, 2013.

The following is a summary of the net increase in our indebtedness from December 31, 2013 to September 30, 2014:

| Facility  | Increase/<br>(decrease) |
|---|-------------------------|
| U.S. revolver   | \$                      |
| Canadian revolver                                       | 0.5 million             |
| Specialized export facility                             |                         |
| Note payable-Terex                                      | (0.3) million           |
| Load King Debt  | (0.1) million           |
| Note payable bank (insurance premiums)                  | 0.1 million             |
| Capital leases  | (0.1) million           |
| Proceeds against orders, invoices, or letters of credit | 0.4 million             |
|   | \$ 0.5 million          |



**Table of Contents***Outstanding borrowings*

The following is a summary of our outstanding borrowings at September 30, 2014:

|   | <b>Outstanding<br/>Balance</b> | <b>Interest<br/>Rate</b> | <b>Interest<br/>Paid</b> | <b>Principal Payment</b>                                       |
|---|--------------------------------|--------------------------|--------------------------|--|
| U.S. Revolver   | \$ 29.2 million                | 2.90%                    | Monthly                  | n.a.   |
| Canadian Revolver   | 8.6 million                    | 3.25%                    | Monthly                  | n.a.   |
| Specialized Export Facility                               | 2.7 million                    | 3.25%                    | Monthly                  | 60 days after shipment or 5 days after receipt of payment      |
| Load King bank debt                                       | 1.0 million                    | 3.00% to 6.25%           | Monthly                  | \$0.02 million monthly installment payment (includes interest) |
| Load King debt (SD Board of Economic Development)         | 0.8 million                    | 3.00%                    | Monthly                  | \$0.005 million monthly including interest                     |
| Notes payable bank (insurance premiums)                   | 0.1 million                    | 3.45%                    | Monthly                  | \$0.07 million monthly   |
| Note payable Terex  | 0.5 million                    | 6.0%                     | Quarterly                | \$0.25 million March 1 (\$0.15 million) can be paid in stock   |
| Capital lease cranes for sale                             | 1.8 million                    | 4.4% to 6.36%            | Monthly                  | Over 36 or 60 months   |
| Capital lease Georgetown facility                         | 2.3 million                    | 12.0%                    | Monthly                  | \$0.07 million monthly payment includes interest               |
| Acquisition note-Valla                                    | 0.2 million                    | 1.5%                     | Annually                 | \$0.1 in 2015 and 2016   |
| Capital leases Winona facility                            | 0.5 million                    | 6.13%                    | Monthly                  | \$0.025 million monthly payment includes interest              |
| Borrowings against orders, invoices and letters of credit | 7.0 million                    | 3.82 11.0%               | Monthly                  | Upon payment of invoice or letter of credit                    |
|   | <b>\$ 54.7 million</b>         |                          |                          |  |

*Future availability under credit facilities*

As stated above, the Company had cash of \$4.9 million and approximately \$10.9 million available to borrow under its credit facilities at September 30, 2014. Additionally, CVS has agreements with eleven Italian banks under which CVS can draw up to 11.3 million (\$14.3 million) against specific orders, invoices and letters of credit. As of September 30, 2014, the banks had advanced 5.5 million (\$7 million) and had issued performance bonds which total 0.7 million (\$0.8 million), which also count against the maximum that can be borrowed under these facilities. Any future advances against the Italian facilities are dependent on having available collateral.

The Company needs cash to fund normal working capital needs and to make scheduled debt payments as shown in the above table. Both the U.S. and Canadian credit facilities are asset based. The maximum the Company may borrow under either facility is the lower of the credit line or the available collateral, as defined in the credit agreements. Collateral under the agreements consists of stated percentages of eligible accounts receivable and inventory.

The collateral formula for the U.S. credit facility limits borrowing against inventory to 50% of eligible inventory (work in process inventory is excluded) and caps total borrowing against our inventory at \$18.0 million in the U.S. and CDN \$7.0 million in Canada. If our revenues were to increase significantly in the future, the provision limiting borrowing against inventory to 50% of eligible inventory may result in additional cash constraints. Our banks have increased these caps in the past to support our growth. There is, however, no assurance that the banks will do this in the future.

The Company expects cash flows from operations and existing availability under the current revolving credit facilities, nevertheless, will be adequate to fund future operations. If in the future, we were to determine that additional funding is necessary, we believe that it would be available.

## **2014**

Operating activities consumed \$1.7 million of cash for the nine months ended September 30, 2014 comprised of net income of \$6.6 million, non-cash items that totaled \$4.2 million and changes in assets and liabilities, which consumed \$12.5 million. The principal non-cash items are depreciation and amortization of \$3.3 million, shared based compensation of \$0.9 million, deferred income taxes of \$0.2 million and allowance for doubtful accounts of \$0.1 million offset by a decrease in inventory and tax provision reserves of \$0.3 million.

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The change in assets and liabilities which consumed \$12.5 million in cash is principally attributed to the following changes in assets and liabilities including increases in accounts payable of \$3.6 million and other current liabilities of \$0.1 million which generates cash, and increases in accounts receivable of \$6.1 million, inventory of \$9.9 million and prepaid expenses of \$0.2 million all of which consumed cash. The increases in accounts receivable is due to the increased revenues and the timing of customer payments. The increase in inventory is attributed an expected growth in revenues. The increase in accounts payable is due to additional inventory purchases and timing of payments to our vendors. The increase in other current liabilities related to an increase in customer deposits.

Investing activities for the nine months ended September 30, 2014 consumed \$0.7 million of cash which represent investments in several pieces of equipment.

Financing activities generated \$1.7 million in cash for the nine months ended September 30, 2014, which compares to the \$0.5 million net increase in outstanding debt reflected on the above table. The \$1.2 million difference is an exchange rate difference that occurs as cash flows for foreign subsidiaries are calculated in local currencies and then converted to U.S. dollars. As such, the impact (in U.S. dollars) of change in exchange rates for the Canadian dollar and Euro had on outstanding debt are reflected on the cash flow statement on the line entitled effect of exchange rate changes on cash rather than being included in the financing activity section.

**2013**

Operating activities consumed \$1.1 million of cash for the nine months ended September 30, 2013 comprised of net income of \$7.2 million, non-cash items that totaled \$3.5 million and changes in assets and liabilities, which consumed \$11.8 million. The principal non-cash items are depreciation and amortization of \$2.7 million, an increase in allowance for doubtful accounts of \$0.2 million, shared based compensation of \$0.6 million offset by a gain on the disposal of fixed assets \$0.1 million.

The change in assets and liabilities which consumed \$11.8 million in cash is principally attributed to the following changes in assets and liabilities including a decreases in accounts receivable of \$6.1 million and increases in other current liabilities of \$0.7 which generated cash, and increases in inventory of \$13.0 million, prepaid expenses of \$0.7 million and other assets of \$0.9 million and decreases in accounts payable of \$2.8 million and accrued expenses of \$1.0 million all of which consumed cash.

The decreases in accounts receivable is due the timing of customer payment. The increase in other current liabilities is attributed to the receipt of customer deposits at Sabre. The increase in inventory is due to increases of \$9.0 million, \$0.3 million and \$4.7 million in raw materials, work in process and finished goods respectively. Approximately \$1.5 million of the increase in raw material inventory is at our newly acquire Sabre operation. Excluding Sabre, raw material inventory increased by \$7.5 million, as inventory was purchase in anticipation of higher sales in the fourth quarter and to build products for the military that have longer manufacturing times. The Company normally manufactures products in response to existing customer orders. Recently, the Company has manufactured a limited number of specific products to be held in inventory until they are sold. This was done as the Company is working on penetrating new markets, and believes having items available for immediate delivery will help in this endeavor. The increase in prepaid expenses is attributed to an increase in prepaid insurance and advance payment made to attend future trade shows. The decrease in accounts payable is attributed to the time of vendor payments. The decrease in accrued expenses is largely due to the time of estimated tax payments.

Investing activities for the nine months ended September 30, 2013 consumed \$13.9 million of cash of which \$13.0 million was to purchase Sabre. Approximately \$1.0 was expended purchase machinery and equipment and \$0.1 million was received from the sale of fixed assets. None of the capital investments individually were significant.

Financing activities generated \$16.1 million in cash for the nine months ended September 30, 2013. Proceeds from a stock offering that occurred on September 30, 2013 were the source of \$13.9 million of cash. The remaining increase of \$2.2 is due to an increase in outstanding debt.

### **Contingencies**

The Company is involved in various legal proceedings, including product liability and workers' compensation matters which have arisen in the normal course of operations. Certain cases are at a preliminary stage, and it is not possible to estimate the amount or timing of any cost to the Company. However, the Company does not believe that these contingencies, in aggregate, will have a material adverse effect on the Company.

### **Related Party Transactions**

For a description of the Company's related party transactions, please see Note 16 to the Company's consolidated financial statements entitled "Transactions between the Company and Related Parties."

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### **Critical Accounting Policies**

See Item 7, Management's Discussion and Analysis of Results of Operations and Financial Condition in the Company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2013, for a discussion of the Company's other critical accounting policies.

### **Impact of Recently Issued Accounting Standards**

#### *Recently Adopted Accounting Guidance*

In February 2013, the FASB issued ASU 2013-02 requires enhanced disclosures in the notes to the consolidated financial statements to present separately, by item, reclassifications out of Accumulated Other Comprehensive Income (Loss). The new guidance is effective prospectively for reporting periods beginning after December 15, 2012. The adoption of this ASU did not have a material impact on the company's consolidated financial statements. The additional required disclosure is included in Note 5.

In March 2013, the FASB issued ASU No. 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. This ASU changes a parent entity's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. A parent entity is required to release any related cumulative foreign currency translation adjustment from accumulated other comprehensive income into net income in the following circumstances: (i) a parent entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided; (ii) a partial sale of an equity method investment that is a foreign entity; (iii) a partial sale of an equity method investment that is not a foreign entity whereby the partial sale represents a complete or substantially complete liquidation of the foreign entity that held the equity method investment; and (iv) the sale of an investment in a foreign entity. The amendments in this ASU are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The adoption of this ASU did not have a material impact on the company's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This Update applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this ASU did not

have a material impact on the company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, ( ASU 2014-09 ). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is not permitted. The Company is evaluating the impact that adoption of this guidance will have on the determination or reporting of its financial results.

Except as noted above, the guidance issued by the FASB during the current year is not expected to have a material effect on the Company's consolidated financial statements.

### **Off-Balance Sheet Arrangements**

Comerica has issued a \$0.645 million standby letter of credit in favor of an insurance carrier to secure obligations which may arise in connection with future deductibles payments that may be incurred under the Company's workman compensation insurance policies.



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Additionally, various Italian banks have issued performance bonds which total 651,000 (\$822,000) which are also guaranteed by the Company.

### **Item 3 Quantitative and Qualitative Disclosures about Market Risk**

The company's market risk disclosures have not materially changed since the 2013 Form 10-K/A was filed. The company's quantitative and qualitative disclosures about market risk are incorporated by reference from Part II, Item 7A of the company's Annual Report on Form 10-K/A, for the year ended December 31, 2013.

### **Item 4 Controls and Procedures**

#### *Disclosure Controls and Procedures*

The Company under the supervision and with the participation of management, including the Chief Executive Officer (principal executive officer) and the Chief Financial Officer (principal financial officer), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of September 30, 2014.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) were effective as of September 30, 2014 to provide reasonable assurance that (1) information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (2) information required to be disclosed by us in the reports 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.

The effectiveness of any system of controls and procedures is subject to certain limitations, and, as a result, there can be no assurance that our controls and procedures will detect all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be attained.

#### *Changes in Internal Control over Financial Reporting*

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1 Legal Proceedings**

The Company is involved in various legal proceedings, including product liability and workers' compensation matters which have arisen in the normal course of operations. The Company has product liability insurance with self insurance retention that ranges from \$50 thousand to \$0.5 million. Until 2012, all worker compensation claims were fully insured. Beginning in 2012, the Company has a \$250 thousand per claim deductible on worker compensation claims and aggregates of \$1,150 and \$1.2 million for 2013 and 2014 policy years, respectively. Certain cases are at a preliminary stage, and it is not possible to estimate the amount or timing of any cost to the Company. However, the

Company does not believe that these contingencies, in the aggregate, will have a material adverse effect on the Company. When it is probable that a loss has been incurred and possible to make a reasonable estimate of the Company's liability with respect to such matters, a provision is recorded for the amount of such estimate or the minimum amount of a range of estimates when it is not possible to estimate the amount within the range that is most likely to occur.

**Item 1A Risk Factors**

As of the date of this filing, there have been no material changes from the risk factors disclosed in the Company's Annual Report on Form 10-K/A filed for the year ended December 31, 2013.

**Item 2 Unregistered Sales of Equity Securities and Use of Proceeds.**

The Company's credit agreement with Comerica Bank directly restricts the Company's ability to declare or pay dividends without Comerica's consent. In addition, pursuant to the Company's credit agreement with Comerica, the Company must maintain as specified in the agreement a Debt Service ratio and Funded Debt to EBITDA ratio.

**Table of Contents****ISSUER PURCHASE OF EQUITY SECURITIES**

| <b>Period</b>                  | <b>(a)<br/>Total<br/>Number of<br/>Shares<br/>(or<br/>Units)<br/>Purchased</b> | <b>(b) Average<br/>Price Paid<br/>per Share (or<br/>Unit)</b> | <b>(c) Total<br/>Number of<br/>Shares (or<br/>Units)<br/>Purchased as<br/>Part of<br/>Publically<br/>Announced<br/>Plans or<br/>Programs</b> | <b>(d) Maximum<br/>Number (or<br/>Approximate<br/>Dollar Value)<br/>of<br/>Shares (or<br/>Units)<br/>that May<br/>Yet<br/>Be<br/>Purchased<br/>Under<br/>the Plans or<br/>Programs</b> |
|--------------------------------|--|---|--|--|
| July 1 July 31, 2014           |  |   |  |  |
| August 1 August 31, 2014       |  |   |  |  |
| September 1 September 30, 2014 |  |   |  |  |

**Item 3 Defaults Upon Senior Securities**

None

**Item 4 Mine Safety Disclosures**

Not applicable.

**Item 5 Other Information**

Not applicable.

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**Item 6 Exhibits**

See the Exhibit Index set forth below for a list of exhibits included with this Quarterly Report on Form 10-Q.

- 10.1 Amendment No. 4 to Credit Agreement dated as of July 21, 2014 by and among Manitex International, Inc., Manitex, Inc., Manitex Sabre, Inc., Badger Equipment Company and Manitex Load King, Inc. as the U.S. Borrowers, Manitex Liftking ULC, as the Canadian Borrower, The Other Persons Party hereto that are designed as Lenders, Comerica Bank, a U.S. Lender, a US Issuing Lender, the U.S. Swing Line Lender and as U.S. Agent, Comerica as a Canadian Lender, a Canadian Issuing Lender and the Canadian Swing Line Lender and as Canadian Agent, Fifth Third Bank, as a US Lender and HSBC Bank USA, N.A., as a US Lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 25, 2014 with respect to Items 1.01 and 2.03).
- 10.2 Investment Agreement, dated July 21, 2014, between Manitex International, Inc., IPEF III Holdings n° 11 S.A and Columna Holdings Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 25, 2014 with respect to Item 1.01).
- 10.3 Debt Assignment Agreements, dated July 21, 2014, between Manitex International, Inc. and Banca Popolare del Emilia Romagna S.C. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed July 25, 2014 with respect to Item 1.01).
- 10.4 Debt Assignment Agreements, dated July 21, 2014, between Manitex International, Inc. and Unicredit S.P.A. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed July 25, 2014 with respect to Item 1.01).
- 10.5 Option Agreement, dated July 21, 2014, by and between Manitex International, Inc. and Banca Popolare del Emilia Romagna S.C. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed July 25, 2014 with respect to Item 1.01).
- 10.6 Commitment Letter dated July 21, 2014 the Company and PM Group (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed July 25, 2014 with respect to Item 1.01).
- 31.1\* Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1\* Certification by the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101\* The following financial information from Manitex International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Statements of Income for the three and nine months ended September 30, 2014 and 2013 (ii) Statement of Comprehensive Income for three and nine months ended September 30, 2014 and 2013 (ii) Balance Sheets as of September 30, 2014 and December 31, 2013, (iii) Statements of Cash Flows for the three and nine months ended September 30, 2014 and 2013, and (iv) Notes to Unaudited Interim Financial Statements.

\* Filed herewith



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**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 thereunto duly authorized.

November 7, 2014

By: */s/ DAVID J. LANGEVIN*  
**David J. Langevin**  
**Chairman and Chief Executive Officer**  
**(Principal Executive Officer)**

November 7, 2014

By: */s/ DAVID H. GRANSEE*  
**David H. Gransee**  
**Vice President and Chief Financial Officer**  
**(Principal Financial and Accounting Officer)**