Rudd Equipment Company, Inc.

Financial Statements

Years Ended December 31, 2020 and 2019

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Years Ended December 31, 2020 and 2019

Independent Auditor's Report

To the Board of Directors
Rudd Equipment Company, Inc.

We have audited the accompanying financial statements of Rudd Equipment Company, Inc. (the "Company") which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, comprehensive income (loss), stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MCM CPAs & Advisors LLP

Louisville, Kentucky
April 9, 2021

Rudd Equipment Company, Inc.
Balance Sheets
December 31, 2020 and 2019

	(In thousands, except share data) 2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 7	$ 823
Accounts receivable, less allowance for doubtful accounts of $1,861 and $759 for 2020 and 2019, respectively	29,338	32,697
Inventories	141,869	174,213
Prepaid expenses and other	349	244
Total current assets	171,563	207,977
Property and equipment, at cost		
Land	1,322	1,116
Buildings and improvements	16,272	15,548
Furniture, fixtures, software and equipment	18,561	18,485
Service trucks and other equipment	18,909	19,457
Construction in process	480	-
	55,544	54,606
Less accumulated depreciation	(41,586)	(42,052)
	13,958	12,554
Other assets	5,638	4,439
Total assets	$ 191,159	$ 224,970

See accompanying notes.

Rudd Equipment Company, Inc.
Balance Sheets (Continued)
December 31, 2020 and 2019

	(In thousands, except share data)	
	2020	**2019**
Liabilities and stockholders' equity		
Current liabilities		
Short-term borrowings, net of debt issuance costs	$ 69,877	$ 49,816
Manufacturers' floor plans	26,613	89,981
Accounts payable	8,733	6,100
Accrued expenses and other	8,577	8,968
Paycheck Protection Program loan, current portion	3,771	-
Total current liabilities	117,571	154,865
Noncurrent liabilities		
Paycheck Protection Program loan, long-term portion	3,095	-
Accrued pension cost	6,180	5,147
Total noncurrent liabilities	9,275	5,147
Total liabilities	126,846	160,012
Stockholders' equity		
Common stock; no par value; voting; stated value of $10; 65,000 shares authorized	10	10
Common stock; no par value; non-voting; stated value of $10; 65,000 shares authorized	132	132
Additional paid-in capital	4,250	4,250
Retained earnings	74,048	72,806
Accumulated other comprehensive loss	(14,127)	(12,240)
Total stockholders' equity	64,313	64,958
Total liabilities and stockholders' equity	$ 191,159	$ 224,970

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Income
Years Ended December 31, 2020 and 2019

	(In thousands) 2020	2019
Net sales and other operating revenue	$ 210,768	$ 246,480
Cost of goods and services sold	159,683	186,230
Gross profit	51,085	60,250
Selling and operating expenses	48,484	49,821
Operating income	2,601	10,429
Other income (expense)		
Interest expense	(2,276)	(4,737)
Interest income and other, net	917	1,142
Other income (expense), net	(1,359)	(3,595)
Net income	$ 1,242	$ 6,834

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Comprehensive Income (Loss)
Years Ended December 31, 2020 and 2019

	(In thousands) 2020	2019
Net income	$ 1,242	$ 6,834
Other comprehensive income (loss)		
Adjustment to minimum pension liability	(1,887)	1,819
Total comprehensive income (loss)	$ (645)	$ 8,653

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Stockholders' Equity
Years Ended December 31, 2020 and 2019
(In thousands, except share data)

	Common stock, voting		Common stock, non-voting		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2018	1,010	$ 10	13,174	$ 132	$ 4,250	$ 65,972	$ (14,059)	$ 56,305
Net income	-	-	-	-	-	6,834	-	6,834
Other comprehensive income (loss)								
Adjustment to minimum pension liability	-	-	-	-	-	-	1,819	1,819
Balance, December 31, 2019	1,010	10	13,174	132	4,250	72,806	(12,240)	64,958
Net income	-	-	-	-	-	1,242	-	1,242
Other comprehensive income (loss)								
Adjustment to minimum pension liability	-	-	-	-	-	-	(1,887)	(1,887)
Balance, December 31, 2020	1,010	$ 10	13,174	$ 132	$ 4,250	$ 74,048	$ (14,127)	$ 64,313

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	(In thousands) 2020	2019
Cash flows from operating activities		
Net income	$ 1,242	$ 6,834
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation	2,202	1,872
Amortization of financing costs	61	94
Amortization of rental equipment	13,513	22,790
Gain on sale of property and equipment	(16)	(4)
Provision for losses on accounts receivable	2,547	1,613
Changes in		
Accounts receivable	812	(1,098)
Inventories	18,831	(42,780)
Prepaid expenses and other	(105)	110
Other assets	4	212
Accounts payable	2,635	(1,417)
Accrued expenses and other	(391)	(48)
Accrued pension cost	(854)	(319)
Net (repayments) borrowings on manufacturers' floor plans	(63,368)	(4,175)
Net cash used in operating activities	(22,887)	(16,316)
Cash flows from investing activities		
Advances to stockholders	(1,203)	(716)
Purchases of property and equipment	(3,868)	(2,806)
Proceeds from sale of property and equipment	276	44
Net cash used in investing activities	(4,795)	(3,478)
Cash flows from financing activities		
Net borrowings (repayments) on short-term borrowings	20,000	18,000
Debt issuance costs paid	-	(184)
Proceeds from Paycheck Protection Program loan	6,866	-
Net cash provided by financing activities	26,866	17,816
Net change in cash and cash equivalents	(816)	(1,978)
Cash and cash equivalents, beginning of year	823	2,801
Cash and cash equivalents, end of year	$ 7	$ 823

See accompanying notes.

Rudd Equipment Company, Inc.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

Note A - Nature of Organization and Operations

Rudd Equipment Company, Inc. (the "Company"), a Kentucky "S" Corporation, is a distributor of construction equipment and has been in business since 1952. The Company maintains inventories of repair parts for its equipment and operates a complete service department. The corporate headquarters is located in Louisville, Kentucky, with branches in Louisville, Corbin and Prestonsburg, Kentucky; Evansville, Indianapolis and Fort Wayne, Indiana; Pittsburgh and Clearfield, Pennsylvania; Charleston, West Virginia; St. Louis, Missouri; and Columbus, Cincinnati and Cleveland, Ohio. The Company's principal equipment lines are Volvo, Link-Belt, Sandvik and Hitachi. The Company sells, rents and services equipment to a variety of customers who are involved in the highway and construction, quarry, government, oil field service, and coal mining industries.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.

2. Use of Estimates: The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Statements of Cash Flows: For purposes of these financial statements, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At various times throughout the year, the Company maintains cash balances that exceed the federally insured limits.

   The following is the required supplemental disclosure of cash flow information for the years ended December 31 (in thousands):

	2020	2019
Cash paid for interest	$ 2,543	$ 4,672
Non-cash items		
Change in minimum pension liability	1,887	(1,819)
Fixed assets in accounts payable	11	13

4. Accounts Receivable: Receivables from the sale of parts, equipment and services provided as well as rentals are based on contracted prices. The Company provides for estimated uncollectible accounts based on prior experience and a review of existing receivables. Typically, receivables are due within 30 days and are considered past due when the due date has expired. Receivables are reviewed for collectability when they become past due. The allowance for doubtful accounts is approximately $1,861,000 and $759,000, respectively, at December 31, 2020 and 2019, based on management's assessment of collectability. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

   The Company sells to customers using credit terms customary in its industry. Credit is granted based on the creditworthiness of the customer and collateral is generally not obtained. At any given time, a specific customer or customers could represent a significant amount of the accounts receivable balance due to the timing of material sales under normal terms.

Note B - Summary of Significant Accounting Policies (Continued)

5. Inventories: Inventories are stated at the lower of cost or net realizable value ("NRV"). All inventories except rental and used equipment are accounted for using the last-in, first-out ("LIFO") dollar pool method of accounting. Rental equipment inventories are valued at acquisition cost (specific identification method) less amortization based on usage. Used equipment inventories are valued at the lower of cost (specific identification method) or NRV.

6. Debt Issuance Costs: The Company incurred approximately $282,000 in debt issuance costs associated with refinancing the short-term revolving debt agreement in December 2016 (see Note E). The debt issuance costs are being amortized ratably (approximates the effective interest method) over the three-year term of the debt agreement which matured in December 2019. The agreement was renewed in December 2019 and the Company incurred approximately $184,000 in debt issuance costs which are being amortized ratably (approximates the effective interest method) over the three-year term of the debt agreement. Debt issuance costs are netted against short-term borrowings in the accompanying balance sheets. Amortization expense totaled approximately $61,400 and $94,000 for the years ended December 31, 2020 and 2019, respectively. Amortization expense, included in interest expense, is expected to be approximately $61,400 for 2021 and 2022.

7. Revenue Recognition: The Company's operations consist of the sale and rental of new and used equipment and the sale of parts as well as providing warranty, repair, and maintenance services on equipment. Revenue is recognized when or as performance obligations under the terms of the contracts with customers are satisfied. See Note C for additional information.

8. Property and Equipment: Property and equipment are recorded at cost and are principally being depreciated using the straight-line method based on the estimated useful lives of the assets, ranging from 3 years to 39 years. Major renewals and betterments are capitalized while maintenance and repairs are expensed.

9. Impairment: The Company periodically reviews the undepreciated values assigned to long-lived assets to determine if any impairments are indicated in accordance with the provisions of the FASB ASC. No impairment was indicated in 2020 and 2019.

10. Comprehensive Income (Loss): Comprehensive income (loss) is the change in equity of a company during a period from transactions and other events and circumstances arising from non-owner sources. Comprehensive income (loss) includes adjustments to the Company's minimum pension liability.

11. Income Taxes: The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be taxed as an "S" corporation. In lieu of federal corporate income taxes, the shareholders of an "S" corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

    The Company has filing requirements with various states which continue to be similar to the federal income tax rules, whereby shareholders are taxed on their proportionate share of the Company's taxable income.

    The Company recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain income tax positions has been recorded in the accompanying financial statements.

12. Shipping and Handling Fees and Costs: Shipping and handling charges incurred by the Company are included in selling and operating expenses. The amounts included in selling and operating expenses for 2020 and 2019 were approximately $3,662,000 and $4,630,000, respectively. The Company generally recovers such costs in its customer invoicing.

Note B - Summary of Significant Accounting Policies (Continued)

13. Sales and Use Taxes: The Company collects and remits various state sales and use taxes on sales. State sales and use taxes are presented net in the accompanying statements of income.

14. Advertising: Costs incurred for advertising are generally expensed as incurred. Advertising costs totaled approximately $132,000 and $182,000, respectively, for the years ended December 31, 2020 and 2019.

15. Subsequent Events: Subsequent events for the Company have been considered through the date of the Independent Auditor's Report, which represents the date the financial statements were available to be issued.

16. Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2022.

    In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year ending December 31, 2023.

    The Company is currently in the process of evaluating the impact of the adoption of these ASUs on the financial statements.

Note C - Revenue Recognition

The Company's revenue is primarily generated from contracts with customers.

Revenue from the rental of equipment is recognized monthly as earned during the rental period, which is generally short-term in nature. Rental revenue during the years ended December 31, 2020 and 2019 was approximately $15,950,000 and $27,400,000, respectively. The book value of inventory on rental is reduced based upon usage, with a corresponding charge to cost of goods and services sold.

The Company accounts for each sales order of new or used equipment or parts as a separate performance obligation. Revenue is recognized when the performance obligation is satisfied, which typically occurs at the point in time when title has passed to the customer. Payment is generally due within 30 days of delivery. The Company treats the equipment preparation, shipping and handling as fulfillment costs, not a separate performance obligation, and recognizes these costs as an operating expense in the period when revenue for the related performance obligation is recognized.

At a point in time there may be instances where the Company has sold equipment to a customer and the customer is not yet ready to take delivery of the item but has signed a transfer of title. The Company deems the customer has substantive control and recognizes revenue in these instances if the following criteria are met:

- The reason for the bill-and-hold arrangement is substantive
- The product is identified separately as belonging to the customer
- The product currently is ready for physical transfer to the customer
- The Company cannot use the product or direct it to another customer

Note C - Revenue Recognition (Continued)

The Company accounts for its revenue from the sale of maintenance and warranty contracts over time as performance obligations are satisfied. The incurred cost to total estimated cost (input) method is utilized (See Note F).

The Company recognizes equipment service revenue over time as service work is performed and costs are incurred. Service revenue during the years ended December 31, 2020 and 2019 was approximately $22,200,000 and $24,800,000, respectively. Except for revenue recognized over time relating to equipment service as well as maintenance and warranty contracts and rentals, as described above, the remainder of the Company's revenue relates to the sale of products which is recognized at a point in time.

Revenue is measured as the amount the Company expects to receive in exchange for transferring parts and equipment to or performing services for customers. The Company's parts and equipment sales may include discounts and allowances.

Note D - Inventories

Inventories consist of the following (in thousands):

	2020	2019
New equipment	$ 47,109	$ 73,360
Rental equipment	84,892	88,409
Used equipment	6,665	5,712
Parts	29,008	32,092
Work-in-process	1,172	1,988
	168,846	201,561
Less amount to reduce carrying value to LIFO basis	(26,977)	(27,348)
	$ 141,869	$ 174,213

If the current replacement cost had been used, the net income for the years ended December 31, 2020 and 2019 would have been as follows (in thousands):

	2020	2019
Net income as reported in the financial statements	$ 1,242	$ 6,834
(Decrease) increase in current replacement cost over LIFO value	(371)	2,242
Net income, current replacement cost basis	$ 871	$ 9,076

Note E - Debt

Short-term Borrowings

The Company has a $100,000,000 revolving secured debt agreement ("Revolver") with various financial institutions aggregating to $70,000,000 and $50,000,000 borrowed at December 31, 2020 and 2019, respectively, expiring in December 2022. This debt is being presented on the balance sheets net of debt issuance costs (see Note B6) of approximately $123,000 and $184,000 at December 31, 2020 and 2019, respectively. The Revolver contains a borrowing base calculation and has variable interest rate terms based on LIBOR depending on certain financial ratios embodied in debt covenant calculations. The Company was in compliance with all covenants at December 31, 2020 and 2019. The Revolver is secured by accounts receivable, inventory and equipment, except for excluded assets as defined in the Revolver. The Revolver includes a lockbox arrangement whereby remittances from customers are applied against borrowings outstanding under the Revolver, therefore, under GAAP the balance is classified as current in the balance sheets as of December 31, 2020 and 2019, respectively.

Manufacturers' Floor Plans

Manufacturers' floor plans include amounts borrowed from various equipment manufacturers through their respective finance companies. The aggregate outstanding balance under these floor plans is $26,613,000 and $89,981,000 at December 31, 2020 and 2019, respectively. Such borrowings are due on demand and are collateralized by the related equipment purchased from the manufacturers and are due in full when the related equipment is sold by the Company. Borrowings under these arrangements generally do not bear interest for three to eleven months from origination and are generally paid during this period. If unpaid after this period, interest rates approximate the rates in the Company's other short-term borrowings. The manufacturers' floor plans expire at various dates through December 2021.

At December 31, 2020 and 2019, the fair value of short-term borrowings and manufacturers' floor plans approximated their carrying values.

Paycheck Protection Program Loan

In April 2020, the Company received a Paycheck Protection Program ("PPP") loan under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in the amount of $6,866,000. The loan bears interest at 0.98%, is uncollateralized/unsecured, and is for a term of two years with a maturity date of April 2022. Under the CARES Act, subject to limitations, as defined, the loan may partially or fully be forgiven depending on actual payroll and other qualified costs for a specified period following receipt of the loan proceeds.

The Company is accounting for the loan proceeds as a financial liability (debt) in accordance with ASC Topic 470, *Debt*. As such, the Company will continue to record the proceeds from the loan as a financial liability until either [1] the loan is partially or fully forgiven and the Company has been legally released by the U.S. Small Business Administration ("SB"A) or [2] the Company pays-off the loan. To the extent the loan is not forgiven, the loan requires monthly payments of principal and interest of $775,445 beginning in August 2021. Accordingly, the $6,866,000 balance outstanding under the loan at December 31, 2020 is presented as a current ($3,771,000) and a non-current ($3,095,000) liability per the accompanying balance sheet as of December 31, 2020. While management currently anticipates applying for the loan to be fully forgiven, no assurance can be provided that the loan will be partially or fully forgiven. In accordance with the related PPP loan guidelines, the SBA reserves the right to audit any PPP loan at any time during the loan process, including after the loan is partially or fully forgiven and the Company has been legally released.

Note F - Contract Maintenance and Warranty Deferred Revenue

New equipment sold by the Company generally contains base warranty coverages supplied by the equipment manufacturer. The Company offers contract maintenance agreements which are separate contracts with customers purchasing new equipment who pay fees for certain service coverages during or beyond the base warranty period of the manufacturer. Under these plans, contract maintenance agreement revenue is recognized into income over the contractual period as work is performed. Additionally, the Company offers its own one year limited warranty plans which are recognized into income as the limited warranty period elapses.

The following is a tabular reconciliation of contract maintenance and warranty deferred revenue accounts (in thousands) included in accrued expenses and other in the accompanying balance sheets:

	2020	2019
Contract maintenance and warranty deferred revenue, beginning of year	$ 1,054	$ 797
Current year written	1,311	1,156
Current year earned	(1,192)	(899)
Contract maintenance and warranty deferred revenue, end of year	$ 1,173	$ 1,054

Note G - Related Party Balances and Transactions

Included in other assets (non-current) are receivables from shareholders of $5,460,000 and $4,257,000 at December 31, 2020 and 2019, respectively.

Note H - Lease Obligations

The Company leases certain properties and equipment with a related party under non-cancelable operating leases expiring at various dates through 2023. These leases generally include one or more renewal options. The following is a schedule by year of future minimum rentals under all non-cancelable operating leases (in thousands):

Year ending December 31,	Related party	Other	Total
2021	$ 449	$ 421	$ 870
2022	449	323	772
2023	449	47	496
	$ 1,347	$ 791	$ 2,138

The Company also leases several items on a month to month basis. Total rent expense included in the accompanying statements of income was approximately $1,175,000 for each of the years 2020 and 2019, respectively. Rent expense includes rent to related parties of $689,400 for each of the years ending December 31, 2020 and 2019, respectively.

Note I - Employee Benefit Plans

The Company sponsors a qualified non-contributory defined benefit pension plan (the "Plan") for eligible employees. The Company's policy is to fund the Plan in the monetary range required by the Employee Retirement Income Security Act of 1974. The Company was required to record $14,127,300 and $12,240,200 of minimum pension liability at December 31, 2020 and 2019, respectively, which is included in accumulated other comprehensive loss. The Plan provides pension benefits that are based on years of service and compensation. Employees with over seven years of service become fully vested into the Plan. The Plan assets are composed primarily of mutual funds with holdings in bonds, equities and money market securities.

On December 31, 2006, the Company froze the benefits in the Plan. The Company uses a December 31 measurement date for its plan.

The following are tables summarizing accounts related to the defined benefit plan (in thousands):

	2020	2019
Accumulated benefit obligation	$ 35,759	$ 32,307
Projected benefit obligation	$ 35,759	$ 32,307
Plan assets at fair value	29,579	27,160
Underfunded status of plan	$ (6,180)	$ (5,147)
Accrued pension cost	$ (6,180)	$ (5,147)
Accumulated other comprehensive loss	14,127	12,240
Net amount recognized (prepaid)	$ 7,947	$ 7,093

The entire amount in Accumulated other comprehensive loss is comprised of the unrecognized net actuarial loss. The estimated net loss that will be amortized from Accumulated other comprehensive loss into net periodic pension cost over the next fiscal year is $441,480 at December 31, 2020.

Note I - Employee Benefit Plans (Continued)

The following details select information and assumptions related to the Plan (amounts in thousands):

	2020	2019
Net periodic pension cost (income)		
Service cost	$ -	$ -
Interest cost	1,187	1,275
Expected return on plan assets	(1,864)	(1,636)
Amortization of net loss	381	415
	$ (296)	$ 54
Employer contributions	$ 558	$ 374
Benefits paid	1,499	1,408
Assumptions used in computations		
Discount rate	2.75%	3.75%
Rate of compensation increase	N/A	N/A
Expected return on Plan assets	7.00%	7.00%

The Company follows ASU 2017-07, *Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The standard requires an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. In addition, the other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a total of income from operations. The components of net periodic benefit cost as noted above are recorded within other income and expense within the statements of income.

The Company's pension plan weighted-average asset allocations at December 31, 2020 and 2019, by asset category are as follows:

	2020	2019
Cash and cash equivalents	0.80%	0.41%
U.S. Treasury and government agency bonds	7.12%	10.06%
Municipal bonds	5.60%	4.10%
Asset backed securities	1.70%	2.14%
Corporate bonds	17.87%	17.79%
Foreign bonds	3.64%	3.42%
Mutual Funds - equities	63.27%	62.08%
	100.00%	100.00%

Note I - Employee Benefit Plans (Continued)

The Company works with its provider on strategies to maintain a relative balance of conservative and moderate investments to achieve its overall goal. The Retirement committee reviews market conditions and balances and meets annually to make any adjustments. For 2020 the Company elected a profile of 55% equities and 45% fixed income and satisfied its appetite for risk and stabilization. The Company will continue to review annually if not more often to make any adjustments in the plan's best interests.

The Company expects to make a contribution of approximately $617,811 to the defined benefit pension plan in 2021.

The following benefit payments are expected to be paid by the Plan in the following years (in thousands):

Year	Pension benefits
2021	$ 1,813
2022	1,866
2023	1,934
2024	2,009
2025	2,011
2026-2030	10,212

The Company also has a profit-sharing plan with a 401(k)-feature covering substantially all employees. Contributions are determined each year by the Board of Directors. Expense under the profit sharing plan for 2020 and 2019 was approximately $606,000 and $1,016,000, respectively.

Currently all union employees are covered under a defined contribution multi-employer union pension plan. Contributions to the plan are based on a set dollar amount times the number of hours worked by each participating union employee, subject to a cap on total hours worked. If the Company terminates its union contract, contributions by the Company are to be payable for the number of hours worked by the participating employees through the contract termination date.

The Company participation in this plan for the annual period ended December 31, 2020 is outlined in the table below. The "EIN/Pension Plan Number" row provides the Employee Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2020 and 2019 is for the plan's year end April 30, 2020 and 2019, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" row indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last row lists the expiration date of the collective-bargaining agreement to which the plan is subject. There have been no other significant changes that affect the comparability of 2020 to 2019 contributions.

Note I - Employee Benefit Plans (Continued)

The risks of participating in this multiemployer plan are different from a single employee plan in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company chooses to stop participating in the multiemployer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Per the Company's contract with the Union, the Union is responsible for any withdrawal liability.

The Company's participation in this plan for the annual periods ended December 31, 2020 and 2019 is outlined in the table below (amounts in thousands).

Pension Fund		Pension fund of operating engineers local 513	
EIN/ Pension plan number		43-0827344 - 001	
Pension protection act Zone status			
	2019	Yellow	
	2018	Yellow	
FIP/ RP Status Pending/ Implemented		FIP - Yes & implemented RP - No	
Company contributions			
	2020	$	271
	2019	$	236
Surcharge Imposed		No	
Greater than 5% Contributor to the plan		No	
Expiration date of Collective - bargaining agreement		April 30, 2024	

Note J - Concentrations with Major Vendors and Customers

For the years ended December 31, 2020 and 2019, one vendor exceeded 10% of total purchases and accounted for approximately 61% and 73% of total purchases, respectively. This vendor also accounted for approximately 56% and 53% of accounts payable as of December 31, 2020 and 2019, respectively. There were no customers that exceeded 10% of net sales for 2020 or 2019.

Note K - Stockholder Buy/Sell Agreement

The Company is a party to Restricted Stock Agreements and a Stock Restriction and Buy-Sell Agreement with its stockholders which, among other things, requires the Company, upon the death or termination of employment of any stockholder, other than the majority stockholder, to purchase all shares held by the deceased or previously employed stockholder. For certain stockholders, the majority shareholder must be given right of first refusal to purchase their stock. If the majority shareholder waives this right, the Company is required to purchase the shares. The redemption price is determined based on book value. At December 31, 2020 and 2019, there were 53 voting and 935 non-voting shares subject to redemption under the terms of the related agreements.

Note L - Self-insurance Program

The Company has a self-insurance program for hospitalization and medical coverage and a high deductible arrangement for workers compensation for its employees and other business risks. The Company limits its losses for self-insurance through the use of stop-loss policies from a reinsurer. The expected ultimate cost for claims incurred as of the balance sheet date is not discounted and is recognized as a liability based upon analysis of historical data and loss trends.

Note M - Commitments and Contingencies

During the ordinary course of business, the Company has been named as a defendant in certain legal actions. Management anticipates that the resolution of these matters will have no material adverse effect on the Company's operating results, financial position or cash flows.

The Company is a party to a collective bargaining agreement with certain employees in St. Louis, Missouri that expires in April 2024. Approximately 3.5% of employees are covered under the collective bargaining agreement.

During 2020, the outbreak of the novel coronavirus disease 2019 ("COVID-19") was declared a United States and global pandemic. The Company's operations have generally been impacted by the outbreak of COVID-19. Since the situation surrounding the pandemic is on-going, the duration, nature, and extent of the ultimate direct or indirect impact on the Company's financial condition, liquidity, and/or future results of operations cannot be reasonably estimated at this time. As a result of the initial uncertainty surrounding the COVID-19 pandemic, the Company applied for, and in April 2020, received a Paycheck Protection Program ("PPP") loan under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act (see Note E).

The ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2: Inputs to the valuation methodology are observable inputs such as quoted prices in active markets for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active or unobservable inputs that are derived principally from or corroborated by observable market data.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note N - Fair Value Measurement

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for the determination of fair value:

- Plan assets for the Company's qualified non-contributory defined benefit pension plan (see Note I): The fair value of the Plan assets is provided by the Plan's custodian based on the closing market of the exchange-traded securities (Level 1) and yields currently available on comparable securities of issuers with similar credit ratings (Level 2).

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Company's defined benefit plan investments as of December 31, 2020 (in thousands):

	Level 1	Level 2	Level 3	Fair value
Money market fund	$ 238	$ -	$ -	$ 238
U. S. Treasury and Government agency notes and bonds	-	2,105	-	2,105
Municipal bonds	-	1,657	-	1,657
Asset backed securities	-	502	-	502
Corporate bonds	-	5,286	-	5,286
Foreign bonds	-	1,078	-	1,078
Mutual funds	18,713	-	-	18,713
Total	$ 18,951	$ 10,628	$ -	$ 29,579

The following table sets forth by level, within the fair value hierarchy, the Company's defined benefit plan investments as of December 31, 2019 (in thousands):

	Level 1	Level 2	Level 3	Fair value
Money market fund	$ 111	$ -	$ -	$ 111
U. S. Treasury and Government agency notes and bonds	-	2,731	-	2,731
Municipal bonds	-	1,113	-	1,113
Asset backed securities	-	580	-	580
Corporate bonds	-	4,832	-	4,832
Foreign bonds	-	928	-	928
Mutual funds	16,865	-	-	16,865
Total	$ 16,976	$ 10,184	$ -	$ 27,160

Rudd Equipment Company, Inc.

Financial Statements

Years Ended December 31, 2021 and 2020

Rudd Equipment Company, Inc.
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Years Ended December 31, 2021 and 2020

CPAs & ADVISORS

Independent Auditor's Report

To the Board of Directors
Rudd Equipment Company, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rudd Equipment Company, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, comprehensive income (loss), changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rudd Equipment Company, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rudd Equipment Company, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

MCM CPAs & Advisors LLP

Louisville, Kentucky
April 28, 2022

Rudd Equipment Company, Inc.
Balance Sheets
December 31, 2021 and 2020

	(In thousands, except share data) 2021	2020
Assets		
Current assets		
Cash and cash equivalents	$ 4,011	$ 7
Accounts receivable, less allowance for doubtful accounts of $2,011 and $1,861 for 2021 and 2020, respectively	39,024	29,338
Inventories	104,042	141,869
Prepaid expenses and other	352	349
Total current assets	147,429	171,563
Property and equipment, at cost		
Land	1,322	1,322
Buildings and improvements	16,856	16,272
Furniture, fixtures, software and equipment	18,760	18,561
Service trucks and other equipment	18,354	18,909
Construction in process	628	480
	55,920	55,544
Less accumulated depreciation	(41,931)	(41,586)
	13,989	13,958
Other assets	893	5,638
Total assets	$ 162,311	$ 191,159

See accompanying notes.

Rudd Equipment Company, Inc.
Balance Sheets (Continued)
December 31, 2021 and 2020

	(In thousands, except share data) 2021	2020
Liabilities and stockholders' equity		
Current liabilities		
Short-term borrowings, net of debt issuance costs	$ 39,939	$ 69,877
Manufacturers' floor plans	25,835	26,613
Accounts payable	9,373	8,733
Accrued expenses and other	13,748	8,577
Paycheck Protection Program loan, current portion	-	3,771
Total current liabilities	88,895	117,571
Noncurrent liabilities		
Paycheck Protection Program loan, long-term portion	-	3,095
Accrued pension cost	2,687	6,180
Total noncurrent liabilities	2,687	9,275
Total liabilities	91,582	126,846
Stockholders' equity		
Common stock; no par value; voting; stated value of $10; 65,000 shares authorized	10	10
Common stock; no par value; non-voting; stated value of $10; 65,000 shares authorized	132	132
Additional paid-in capital	4,250	4,250
Retained earnings	77,922	74,048
Accumulated other comprehensive loss	(11,585)	(14,127)
Total stockholders' equity	70,729	64,313
Total liabilities and stockholders' equity	$ 162,311	$ 191,159

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Income
Years Ended December 31, 2021 and 2020

	(In thousands) 2021	2020
Net sales and other operating revenue	$ 252,934	$ 210,768
Cost of goods and services sold	199,662	159,683
Gross profit	53,272	51,085
Selling and operating expenses	48,820	48,484
Operating income	4,452	2,601
Other income (expense)		
Paycheck Protection Program loan forgiveness income	6,866	-
Interest expense	(970)	(2,276)
Interest income and other, net	1,543	917
Other income (expense), net	7,439	(1,359)
Net income	$ 11,891	$ 1,242

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Comprehensive Income (Loss)
Years Ended December 31, 2021 and 2020

	(In thousands) 2021	2020
Net income	$ 11,891	$ 1,242
Other comprehensive income (loss)		
Adjustment to minimum pension liability	2,542	(1,887)
Total comprehensive income (loss)	$ 14,433	$ (645)

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Stockholders' Equity
Years Ended December 31, 2021 and 2020
(In thousands, except share data)

	Common stock, voting		Common stock, non-voting		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2019	1,010	$ 10	13,174	$ 132	$ 4,250	$ 72,806	$ (12,240)	$ 64,958
Net income	-	-	-	-	-	1,242	-	1,242
Other comprehensive income (loss)								
Adjustment to minimum pension liability	-	-	-	-	-	-	(1,887)	(1,887)
Balance, December 31, 2020	1,010	10	13,174	132	4,250	74,048	(14,127)	64,313
Net income	-	-	-	-	-	11,891	-	11,891
Dividends declared	-	-	-	-	-	(8,017)	-	(8,017)
Other comprehensive income (loss)								
Adjustment to minimum pension liability	-	-	-	-	-	-	2,542	2,542
Balance, December 31, 2021	1,010	$ 10	13,174	$ 132	$ 4,250	$ 77,922	$ (11,585)	$ 70,729

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	(In thousands) 2021	2020
Cash flows from operating activities		
Net income	$ 11,891	$ 1,242
Adjustments to reconcile net income to net cash provided (used in) operating activities		
Depreciation	2,292	2,202
Amortization of financing costs	61	61
Amortization of rental equipment	20,427	13,513
Paycheck Protection Program loan forgiveness income	(6,866)	-
Gain on sale of property and equipment	(89)	(16)
Provision for losses on accounts receivable	1,454	2,547
Changes in		
Accounts receivable	(11,140)	812
Inventories	17,400	18,831
Prepaid expenses and other	(3)	(105)
Other assets	(395)	4
Accounts payable	483	2,635
Accrued expenses and other	2,368	(391)
Accrued pension cost	(951)	(854)
Net (repayments) borrowings on manufacturers' floor plans	(778)	(63,368)
Net cash provided (used) in operating activities	36,154	(22,887)
Cash flows from investing activities		
Advances to stockholders	(74)	(1,203)
Purchases of property and equipment	(2,283)	(3,868)
Proceeds from sale of property and equipment	206	276
Net cash used in investing activities	(2,151)	(4,795)
Cash flows from financing activities		
Net borrowings (repayments) on short-term borrowings	(29,999)	20,000
Proceeds from Paycheck Protection Program loan	-	6,866
Net cash (used) provided by financing activities	(29,999)	26,866
Net change in cash and cash equivalents	4,004	(816)
Cash and cash equivalents, beginning of year	7	823
Cash and cash equivalents, end of year	$ 4,011	$ 7

See accompanying notes.

Note A - Nature of Organization and Operations

Rudd Equipment Company, Inc. (the "Company"), a Kentucky "S" Corporation, is a distributor of construction equipment and has been in business since 1952. The Company maintains inventories of repair parts for its equipment and operates a complete service department. The corporate headquarters is located in Louisville, Kentucky, with branches in Louisville, Corbin and Prestonsburg, Kentucky; Evansville, Indianapolis and Fort Wayne, Indiana; Pittsburgh and Clearfield, Pennsylvania; Charleston, West Virginia; St. Louis, Missouri; and Columbus, Cincinnati and Cleveland, Ohio. The Company's principal equipment lines are Volvo, Link-Belt, Sandvik and Hitachi. The Company sells, rents and services equipment to a variety of customers who are involved in the highway and construction, quarry, government, oil field service, and coal mining industries.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.

2. Use of Estimates: The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Statements of Cash Flows: For purposes of these financial statements, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At various times throughout the year, the Company maintains cash balances that exceed the federally insured limits.

   The following is the required supplemental disclosure of cash flow information for the years ended December 31 (in thousands):

	2021	2020
Cash paid for interest	$ 1,005	$ 2,543
Non-cash items		
Change in minimum pension liability	(2,542)	1,887
Fixed assets in accounts payable	168	11
Stockholder distributions made		
Decrease in shareholder advances in other assets	5,214	-
Increase in accrued expenses and other	2,803	-

4. Accounts Receivable: Receivables from the sale of parts, equipment and services provided as well as rentals are based on contracted prices. The Company provides for estimated uncollectible accounts based on prior experience and a review of existing receivables. Typically, receivables are due within 30 days and are considered past due when the due date has expired. Receivables are reviewed for collectability when they become past due. The allowance for doubtful accounts is approximately $2,011,000 and $1,861,000, respectively, at December 31, 2021 and 2020, based on management's assessment of collectability. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Note B - Summary of Significant Accounting Policies (Continued)

4. Accounts Receivable (Continued): The Company sells to customers using credit terms customary in its industry. Credit is granted based on the creditworthiness of the customer and collateral is generally not obtained. At any given time, a specific customer or customers could represent a significant amount of the accounts receivable balance due to the timing of material sales under normal terms.

5. Inventories: Inventories are stated at the lower of cost or net realizable value ("NRV"). All inventories except rental and used equipment are accounted for using the last-in, first-out ("LIFO") dollar pool method of accounting. Rental equipment inventories are valued at acquisition cost (specific identification method) less amortization based on usage. Used equipment inventories are valued at the lower of cost (specific identification method) or NRV.

6. Debt Issuance Costs: The Company incurred approximately $184,000 in debt issuance costs associated with refinancing the short-term revolving debt agreement in December 2019 (see Note E). The debt issuance costs are being amortized ratably (approximates the effective interest method) over the three-year term of the debt agreement. Debt issuance costs are netted against short-term borrowings in the accompanying balance sheets. Amortization expense totaled approximately $61,400 for both years ended 2021 and 2020. Amortization expense, included in interest expense, is expected to be approximately $61,400 for 2022.

7. Revenue Recognition: The Company's operations consist of the sale and rental of new and used equipment and the sale of parts as well as providing warranty, repair, and maintenance services on equipment. Revenue is recognized when or as performance obligations under the terms of the contracts with customers are satisfied. See Note C for additional information.

8. Property and Equipment: Property and equipment are recorded at cost and are principally being depreciated using the straight-line method based on the estimated useful lives of the assets, ranging from 3 years to 39 years. Major renewals and betterments are capitalized while maintenance and repairs are expensed.

9. Impairment: The Company periodically reviews the undepreciated values assigned to long-lived assets to determine if any impairments are indicated in accordance with the provisions of the FASB ASC. No impairment was indicated in 2021 and 2020.

10. Comprehensive Income (Loss): Comprehensive income (loss) is the change in equity of a company during a period from transactions and other events and circumstances arising from non-owner sources. Comprehensive income (loss) includes adjustments to the Company's minimum pension liability.

11. Income Taxes: The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be taxed as an "S" corporation. In lieu of federal corporate income taxes, the shareholders of an "S" corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

    The Company has filing requirements with various states which continue to be similar to the federal income tax rules, whereby shareholders are taxed on their proportionate share of the Company's taxable income.

    The Company recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain income tax positions has been recorded in the accompanying financial statements.

Note B - Summary of Significant Accounting Policies (Continued)

12. Shipping and Handling Fees and Costs: Shipping and handling charges incurred by the Company are included in selling and operating expenses. The amounts included in selling and operating expenses for 2021 and 2020 were approximately $4,553,000 and $3,662,000, respectively. The Company generally recovers such costs in its customer invoicing.

13. Sales and Use Taxes: The Company collects and remits various state sales and use taxes on sales. State sales and use taxes are presented net in the accompanying statements of income.

14. Advertising: Costs incurred for advertising are generally expensed as incurred. Advertising costs totaled approximately $231,000 and $132,000, respectively, for the years ended December 31, 2021 and 2020.

15. Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of operations. The standard will be effective for the calendar year ending December 31, 2022. The Company has commenced its evaluation of the standard and currently anticipates a material impact to the financial statements upon adoption by recognition of a material right-of-use asset and lease liability on the balance sheet.

    In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of operations will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. The Standard will be effective for the calendar year ending December 31, 2023. The Company is in the process of evaluating the impact of the adoption of ASU 2016-13 on the financial statements.

16. Subsequent Events: The Company has evaluated events occurring subsequent to year-end through the date of the Independent Auditor's Report, the date the accompanying financial statements were available to be issued.

Note C - Revenue Recognition

The Company's revenue is primarily generated from contracts with customers.

Revenue from the rental of equipment is recognized monthly as earned during the rental period, which is generally short-term in nature. Rental revenue during the years ended December 31, 2021 and 2020 was approximately $24,508,000 and $15,950,000, respectively. The book value of inventory on rental is reduced based upon usage, with a corresponding charge to cost of goods and services sold.

The Company accounts for each sales order of new or used equipment or parts as a separate performance obligation. Revenue is recognized when the performance obligation is satisfied, which typically occurs at the point in time when title has passed to the customer. Payment is generally due within 30 days of delivery. The Company treats the equipment preparation, shipping and handling as fulfillment costs, not a separate performance obligation, and recognizes these costs as an operating expense in the period when revenue for the related performance obligation is recognized.

Note C - Revenue Recognition (Continued)

At a point in time there may be instances where the Company has sold equipment to a customer and the customer is not yet ready to take delivery of the item but has signed a transfer of title. The Company deems the customer has substantive control and recognizes revenue in these instances if the following criteria are met:

- The reason for the bill-and-hold arrangement is substantive
- The product is identified separately as belonging to the customer
- The product currently is ready for physical transfer to the customer
- The Company cannot use the product or direct it to another customer

The Company accounts for its revenue from the sale of maintenance and warranty contracts over time as performance obligations are satisfied. The incurred cost to total estimated cost (input) method is utilized (See Note F).

The Company recognizes equipment service revenue over time as service work is performed and costs are incurred. Service revenue during the years ended December 31, 2021 and 2020 was approximately $20,230,000 and $22,200,000, respectively. Except for revenue recognized over time relating to equipment service as well as maintenance and warranty contracts and rentals, as described above, the remainder of the Company's revenue relates to the sale of products which is recognized at a point in time.

Revenue is measured as the amount the Company expects to receive in exchange for transferring parts and equipment to or performing services for customers. The Company's parts and equipment sales may include discounts and allowances.

Note D - Inventories

Inventories consist of the following (in thousands):

	2021	2020
New equipment	$ 28,687	$ 47,109
Rental equipment	66,427	84,892
Used equipment	7,563	6,665
Parts	28,449	29,008
Work-in-process	2,512	1,172
	133,638	168,846
Less amount to reduce carrying value to LIFO basis	(29,596)	(26,977)
	$ 104,042	$ 141,869

Note D - Inventories (Continued)

If the current replacement cost had been used, the net income for the years ended December 31, 2021 and 2020 would have been as follows (in thousands):

	2021	2020
Net income as reported in the financial statements	$ 11,891	$ 1,242
Increase (decrease) in current replacement cost over LIFO value	2,619	(371)
Net income, current replacement cost basis	$ 14,510	$ 871

Note E - Debt

Short-term Borrowings

The Company has a $100,000,000 revolving secured debt agreement ("Revolver") with various financial institutions aggregating to $40,000,000 and $70,000,000 borrowed at December 31, 2021 and 2020, respectively, expiring in December 2022. Management plans to renew this revolver. This debt is being presented on the balance sheets net of debt issuance costs (see Note B6) of approximately $61,000 and $122,000 at December 31, 2021 and 2020, respectively. The Revolver contains a borrowing base calculation and has variable interest rate terms based on LIBOR depending on certain financial ratios embodied in debt covenant calculations. The Company was in compliance with all covenants at December 31, 2021 and 2020. The Revolver is secured by accounts receivable, inventory and equipment, except for excluded assets as defined in the Revolver. The Revolver includes a lockbox arrangement whereby remittances from customers are applied against borrowings outstanding under the Revolver, therefore, under GAAP the balance is classified as current in the balance sheets as of December 31, 2021 and 2020, respectively.

Manufacturers' Floor Plans

Manufacturers' floor plans include amounts borrowed from various equipment manufacturers through their respective finance companies under arrangements that renew annually. The aggregate outstanding balance under these floor plans is $25,835,000 and $26,613,000 at December 31, 2021 and 2020, respectively. Such borrowings are due on demand and are collateralized by the related equipment purchased from the manufacturers and are due in full when the related equipment is sold by the Company. Borrowings under these arrangements generally do not bear interest for three to eleven months from origination and are generally paid during this period. If unpaid after this period, interest rates approximate the rates in the Company's other short-term borrowings. The manufacturers' floor plans expire at various dates through December 2022.

At December 31, 2021 and 2020, the fair value of short-term borrowings and manufacturers' floor plans approximated their carrying values.

Note E - Debt (Continued)

Paycheck Protection Program Loan

As a result of the initial uncertainty surrounding the COVID-19 pandemic, the Company applied for, and in April 2020, received a Paycheck Protection Program ("PPP") loan under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in the amount of $6,866,000. The loan bore interest at 0.98%, was uncollateralized and unsecured, and was for a term of two years with a maturity date of April 2022. Under the CARES Act, subject to limitations, as defined, the loan was subject to be partially or fully forgiven depending on actual payroll and other qualified costs for a specified period following receipt of the loan proceeds.

The Company accounted for the loan proceeds as a financial liability (debt) in accordance with ASC Topic 470, Debt. As such, the Company, recorded the proceeds from the loan as a financial liability until [1] the loan was partially or fully forgiven and the Company had been legally released by the U.S. Small Business Administration ("SBA") or [2] the Company paid-off the loan. The $6,866,000 balance outstanding under the loan at December 31, 2020 was presented as a current ($3,771,000) and a non-current ($3,095,000) liability per the accompanying balance sheet as of December 31, 2020.

During 2021, the loan was fully forgiven and the Company was legally released by the SBA. The Company has thus recognized the $6,866,000 of PPP loan proceeds as other income (Paycheck Protection Program loan forgiveness income) per the accompanying 2021 statement of income for the year ended December 31, 2021. In accordance with the related PPP loan guidelines, for a period of up to six years after the loan is partially or fully forgiven and the borrower has been legally released, the SBA reserves the right to audit any PPP loan.

Note F - Contract Maintenance and Warranty Deferred Revenue

New equipment sold by the Company generally contains base warranty coverages supplied by the equipment manufacturer. The Company offers contract maintenance agreements which are separate contracts with customers purchasing new equipment who pay fees for certain service coverages during or beyond the base warranty period of the manufacturer. Under these plans, contract maintenance agreement revenue is recognized into income over the contractual period as work is performed. Additionally, the Company offers its own one year limited warranty plans which are recognized into income as the limited warranty period elapses.

The following is a tabular reconciliation of contract maintenance and warranty deferred revenue accounts (in thousands) included in accrued expenses and other in the accompanying balance sheets:

	2021	2020
Contract maintenance and warranty deferred revenue, beginning of year	$ 1,173	$ 1,054
Current year written	943	1,311
Current year earned	(1,268)	(1,192)
Contract maintenance and warranty deferred revenue, end of year	$ 848	$ 1,173

Note G - Related Party Balances and Transactions

At December 31, 2021 and 2020, included in other assets (non-current) are receivables from shareholders of approximately $693,000 and $5,460,000, respectively. As of December 31, 2021, the Company declared a distribution to shareholders in the amount of $8,017,000. The distribution was netted against approximately $5,214,000 in receivables from shareholders and resulted in amounts payable to shareholders of approximately $2,803,000 which has been included in accrued expenses and other in the December 31, 2021 balance sheet.

Note H - Lease Obligations

The Company leases certain properties and equipment with a related party as well as unrelated parties under non-cancelable operating leases expiring at various dates through 2023. These leases generally include one or more renewal options. The following is a schedule by year of future minimum rentals under all non-cancelable operating leases (in thousands):

Year ending December 31,	Related party	Other	Total
2022	$ 449	$ 460	$ 909
2023	449	47	496
	$ 898	$ 507	$ 1,405

The Company also leases several items on a month-to-month basis. Total rent expense included in the accompanying statements of income was approximately $1,188,000 for each of the years 2021 and 2020, respectively. Rent expense includes rent to related parties of $689,400 for each of the years ended December 31, 2021 and 2020, respectively.

Note I - Employee Benefit Plans

The Company sponsors a qualified non-contributory defined benefit pension plan (the "Plan") for eligible employees. The Company's policy is to fund the Plan in the monetary range required by the Employee Retirement Income Security Act of 1974. The Company was required to record $11,585,000 and $14,127,000 of minimum pension liability at December 31, 2021 and 2020, respectively, which is included in accumulated other comprehensive loss. The Plan provides pension benefits that are based on years of service and compensation. Employees with over seven years of service become fully vested into the Plan. The Plan assets are composed primarily of mutual funds with holdings in bonds, equities and money market securities.

On December 31, 2006, the Company froze the benefits in the Plan. The Company uses a December 31 measurement date for its plan.

Note I - Employee Benefit Plans (Continued)

The following are tables summarizing accounts related to the defined benefit plan (in thousands):

	2021	2020
Accumulated benefit obligation	$ 34,189	$ 35,759
Projected benefit obligation	$ 34,189	$ 35,759
Plan assets at fair value	31,502	29,579
Underfunded status of plan	$ (2,687)	$ (6,180)
Accrued pension cost	$ (2,687)	$ (6,180)
Accumulated other comprehensive loss	11,585	14,127
Net amount recognized (prepaid)	$ 8,898	$ 7,947

The entire amount in accumulated other comprehensive loss is comprised of the unrecognized net actuarial loss. The estimated net loss that will be amortized from accumulated other comprehensive loss into net periodic pension cost over the next fiscal year is $350,505 at December 31, 2021.

The following details select information and assumptions related to the Plan (amounts in thousands):

	2021	2020
Net periodic pension cost (income)		
Interest cost	$ 960	$ 1,187
Expected return on plan assets	(1,888)	(1,864)
Amortization of net loss	455	381
	$ (473)	$ (296)
Employer contributions	$ 479	$ 558
Benefits paid	1,657	1,499
Assumptions used in computations		
Discount rate	3.00%	2.75%
Rate of compensation increase	N/A	N/A
Expected return on Plan assets	6.50%	7.00%

Note I - Employee Benefit Plans (Continued)

The Company follows ASU 2017-07, *Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The standard requires an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. In addition, the other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a total of income from operations. The components of net periodic benefit cost as noted above are recorded within other income and expense within the statements of income.

The Company's pension plan weighted-average asset allocations at December 31, 2021 and 2020, by asset category are as follows:

	2021	2020
Cash and cash equivalents	2.33%	0.80%
U.S. Treasury and government agency bonds	5.66%	7.12%
Municipal bonds	5.69%	5.60%
Asset backed securities	0.00%	1.70%
Corporate bonds	15.89%	17.87%
Foreign bonds	0.00%	3.64%
Mutual Funds - equities	70.43%	63.27%
	100.00%	100.00%

The Company works with its provider on strategies to maintain a relative balance of conservative and moderate investments to achieve its overall goal. The Retirement committee reviews market conditions and balances and meets annually to make any adjustments. For 2021 the Company elected a profile of 55% equities and 45% fixed income and satisfied its appetite for risk and stabilization. The Company will continue to review annually if not more often to make any adjustments in the plan's best interests.

The Company expects to contribute approximately $684,000 to the defined benefit pension plan in 2022.

The following benefit payments are expected to be paid by the Plan in the following years (in thousands):

Year	Pension benefits
2022	$ 1,833
2023	1,919
2024	1,984
2025	2,016
2026	2,061
2027-2031	10,161

The Company also has a profit-sharing plan with a 401(k) feature covering substantially all employees. Contributions are determined each year by the Board of Directors. Expense under the profit sharing plan for 2021 and 2020 was approximately $1,209,000 and $606,000, respectively.

Note I - Employee Benefit Plans (Continued)

Currently all union employees, approximately 3.5% of employees, are covered under a defined contribution multi-employer union pension plan. Contributions to the plan are based on a set dollar amount times the number of hours worked by each participating union employee, subject to a cap on total hours worked. If the Company terminates its union contract, contributions by the Company are to be payable for the number of hours worked by the participating employees through the contract termination date.

The Company participation in this plan for the annual period ended December 31, 2021 is outlined in the table below. The "EIN/Pension Plan Number" row provides the Employee Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2021 and 2020 is for the plan's year end April 30, 2021 and 2020, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" row indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last row lists the expiration date of the collective-bargaining agreement to which the plan is subject. There have been no other significant changes that affect the comparability of 2021 to 2020 contributions.

The risks of participating in this multiemployer plan are different from a single employee plan in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company chooses to stop participating in the multiemployer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Per the Company's contract with the Union, the Union is responsible for any withdrawal liability.

The Company's participation in this plan for the annual periods ended December 31, 2021 and 2020 is outlined in the table below (amounts in thousands).

Pension Fund		Pension fund of operating engineers local 513	
EIN/ Pension plan number		43-0827344 - 001	
Pension protection act Zone status			
	2021	Yellow	
	2020	Yellow	
FIP/RP Status Pending/ Implemented		FIP - Yes & implemented RP - No	
Company contributions			
	2021	$	269
	2020	$	271
Surcharge Imposed		No	
Greater than 5% Contributor to the plan		No	
Expiration date of Collective - bargaining agreement		April 30, 2024	

Note J - Concentrations with Major Vendors and Customers

For the years ended December 31, 2021 and 2020, one vendor exceeded 10% of total purchases and accounted for approximately 62% and 61% of total purchases, respectively. This vendor also accounted for approximately 41% and 56% of accounts payable as of December 31, 2021 and 2020, respectively. There were no customers that exceeded 10% of net sales for 2021 or 2020.

Note K - Stockholder Buy/Sell Agreement

The Company is a party to Restricted Stock Agreements and a Stock Restriction and Buy-Sell Agreement with its stockholders which, among other things, requires the Company, upon the death or termination of employment of any stockholder, other than the majority stockholder, to purchase all shares held by the deceased or previously employed stockholder. For certain stockholders, the majority shareholder must be given right of first refusal to purchase their stock. If the majority shareholder waives this right, the Company is required to purchase the shares. The redemption price is determined based on book value. At both December 31, 2021 and 2020, there were 53 voting and 935 non-voting shares subject to redemption under the terms of the related agreements.

Note L - Self-insurance Program

The Company has a self-insurance program for hospitalization and medical coverage and a high deductible arrangement for workers compensation for its employees and other business risks. The Company limits its losses for self-insurance through the use of stop-loss policies from a reinsurer. During 2021, the Company met the stop-loss threshold. The expected ultimate cost for claims incurred as of the balance sheet date is not discounted and is recognized as a liability based upon analysis of historical data and loss trends.

Note M - Commitments and Contingencies

During the ordinary course of business, the Company has been named as a defendant in certain legal actions. Management anticipates that the resolution of these matters will have no material adverse effect on the Company's operating results, financial position or cash flows.

The Company is a party to a collective bargaining agreement with certain employees in St. Louis, Missouri that expires in April 2024. Approximately 3.5% of employees are covered under the collective bargaining agreement.

During 2020, the outbreak of the novel coronavirus disease 2019 ("COVID-19") was declared a United States and global pandemic. The Company's operations were adversely impacted by the outbreak of COVID-19. During 2021, the Company's operations have rebounded from the negative impact of the outbreak of COVID-19. Supply chain disruptions, labor shortages, increasing commodity prices and general inflationary pressures have arisen in various parts of the world as a result of the lifting of COVID-19 restrictions, governmental stimulus packages, and global trade tensions. The ultimate impact on the Company of these matters has not yet been determined.

Note N - Fair Value Measurement

The ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2: Inputs to the valuation methodology are observable inputs such as quoted prices in active markets for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active or unobservable inputs that are derived principally from or corroborated by observable market data.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for the determination of fair value:

- Plan assets for the Company's qualified non-contributory defined benefit pension plan (see Note I): The fair value of the Plan assets is provided by the Plan's custodian based on the closing market of the exchange-traded securities (Level 1) and yields currently available on comparable securities of issuers with similar credit ratings (Level 2).

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note N - Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the Company's defined benefit plan investments as of December 31, 2021 (in thousands):

	Level 1	Level 2	Level 3	Fair value
Money market fund	$ 735	$ -	$ -	$ 735
U. S. Treasury and Government agency notes and bonds	-	1,784	-	1,784
Municipal bonds	-	1,793	-	1,793
Corporate bonds	-	5,006	-	5,006
Mutual funds	22,184	-	-	22,184
Total	$ 22,919	$ 8,583	$ -	$ 31,502

The following table sets forth by level, within the fair value hierarchy, the Company's defined benefit plan investments as of December 31, 2020 (in thousands):

	Level 1	Level 2	Level 3	Fair value
Money market fund	$ 238	$ -	$ -	$ 238
U. S. Treasury and Government agency notes and bonds	-	2,105	-	2,105
Municipal bonds	-	1,657	-	1,657
Asset backed securities	-	502	-	502
Corporate bonds	-	5,286	-	5,286
Foreign bonds	-	1,078	-	1,078
Mutual funds	18,713	-	-	18,713
Total	$ 18,951	$ 10,628	$ -	$ 29,579

Rudd Equipment Company, Inc.

Financial Statements

Years Ended December 31, 2022 and 2021

Rudd Equipment Company, Inc.
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Years Ended December 31, 2022 and 2021

Independent Auditor's Report

To the Board of Directors
Rudd Equipment Company, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rudd Equipment Company, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income, comprehensive income (loss), stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rudd Equipment Company, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rudd Equipment Company, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note B (2) to the financial statements, effective January 1, 2022, the Company adopted Accounting Standards Update 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

MCM CPAs & Advisors LLP

Louisville, Kentucky
April 27, 2023

Rudd Equipment Company, Inc.
Balance Sheets
December 31, 2022 and 2021

	(In thousands, except share data) 2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 1,590	$ 4,011
Accounts receivable, less allowance for doubtful accounts of $2,011 for both years 2022 and 2021	29,986	39,024
Inventories	95,357	104,042
Prepaid expenses and other	281	352
Total current assets	127,214	147,429
Property and equipment, at cost		
Land	961	1,322
Buildings and improvements	16,337	16,856
Furniture, fixtures, software and equipment	19,085	18,760
Service trucks and other equipment	22,080	18,354
Construction in process	1,395	628
	59,858	55,920
Less accumulated depreciation	(43,211)	(41,931)
	16,647	13,989
Operating lease right-of-use asset, net	10,657	-
Other assets	815	893
Total assets	$ 155,333	$ 162,311

See accompanying notes.

Rudd Equipment Company, Inc.
Balance Sheets (Continued)
December 31, 2022 and 2021

	(In thousands, except share data)	
	2022	**2021**
Liabilities and stockholders' equity		
Current liabilities		
Short-term borrowings, net of debt issuance costs	$ 9,829	$ 39,939
Manufacturers' floor plans	13,063	25,835
Accounts payable	13,363	9,373
Accrued expenses and other	11,114	13,748
Current lease liabilities - operating	1,089	-
Total current liabilities	48,458	88,895
Noncurrent liabilities		
Noncurrent lease liabilities - operating	9,716	-
Accrued pension cost	1,578	2,687
Total noncurrent liabilities	11,294	2,687
Total liabilities	59,752	91,582
Stockholders' equity		
Common stock; no par value; voting; stated value of $10; 65,000 shares authorized	10	10
Common stock; no par value; non-voting; stated value of $10; 65,000 shares authorized	132	132
Additional paid-in capital	4,250	4,250
Retained earnings	102,965	77,922
Accumulated other comprehensive loss	(11,776)	(11,585)
Total stockholders' equity	95,581	70,729
Total liabilities and stockholders' equity	$ 155,333	$ 162,311

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Income
Years Ended December 31, 2022 and 2021

	(In thousands) 2022	2021
Net sales and other operating revenue	$ 308,275	$ 252,934
Cost of goods and services sold	223,418	199,662
Gross profit	84,857	53,272
Selling and operating expenses	58,203	48,820
Operating income	26,654	4,452
Other income (expense)		
Paycheck Protection Program loan forgiveness income	-	6,866
Interest expense	(1,049)	(970)
Interest income and other, net	941	1,543
Other income (expense), net	(108)	7,439
Net income	$ 26,546	$ 11,891

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Comprehensive Income (Loss)
Years Ended December 31, 2022 and 2021

	(In thousands) 2022	2021
Net income	$ 26,546	$ 11,891
Other comprehensive income (loss)		
Adjustment to minimum pension liability	(191)	2,542
Total comprehensive income	$ 26,355	$ 14,433

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Stockholders' Equity
Years Ended December 31, 2022 and 2021
(In thousands, except share data)

	Common stock, voting		Common stock, non-voting		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2020	1,010	$ 10	13,174	$ 132	$ 4,250	$ 74,048	$ (14,127)	$ 64,313
Net income	-	-	-	-	-	11,891	-	11,891
Dividends	-	-	-	-	-	(8,017)	-	(8,017)
Other comprehensive income (loss)								
Adjustment to minimum pension liability	-	-	-	-	-	-	2,542	2,542
Balance, December 31, 2021	1,010	10	13,174	132	4,250	77,922	(11,585)	70,729
Net income	-	-	-	-	-	26,546	-	26,546
Dividends	-	-	-	-	-	(1,503)	-	(1,503)
Other comprehensive income (loss)								
Adjustment to minimum pension liability	-	-	-	-	-	-	(191)	(191)
Balance, December 31, 2022	1,010	$ 10	13,174	$ 132	$ 4,250	$ 102,965	$ (11,776)	$ 95,581

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	(In thousands) 2022	2021
Cash flows from operating activities		
Net income	$ 26,546	$ 11,891
Adjustments to reconcile net income to net cash provided (used in) operating activities		
Depreciation	2,755	2,292
Amortization of financing costs	61	61
Amortization of rental equipment	19,057	20,427
Paycheck Protection Program loan forgiveness income	-	(6,866)
Loss (gain) on sale of property and equipment	534	(89)
Provision for losses on accounts receivable	684	1,454
Changes in		
Accounts receivable	8,354	(11,140)
Inventories	(10,372)	17,400
Prepaid expenses and other	71	(3)
Other assets	-	(395)
Operating lease right-of-use asset, net of lease liability	148	-
Accounts payable	3,524	483
Accrued expenses and other	169	2,368
Accrued pension cost	(1,300)	(951)
Net (repayments) borrowings on manufacturers' floor plans	(12,772)	(778)
Net cash provided in operating activities	37,459	36,154
Cash flows from investing activities		
Advances to stockholders decrease (increase)	78	(74)
Purchases of property and equipment	(6,201)	(2,283)
Proceeds from sale of property and equipment	720	206
Net cash used in investing activities	(5,403)	(2,151)
Cash flows from financing activities		
Net borrowings (repayments) on short-term borrowings	(30,000)	(29,999)
Debt issuance costs paid	(171)	-
Distribution payments	(4,306)	-
Net cash used in financing activities	(34,477)	(29,999)
Net change in cash and cash equivalents	(2,421)	4,004
Cash and cash equivalents, beginning of year	4,011	7
Cash and cash equivalents, end of year	$ 1,590	$ 4,011

See accompanying notes.

Rudd Equipment Company, Inc.
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	(In thousands) 2022	2021
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 1,069	$ 1,005
Change in minimum pension liability	191	(2,542)
Fixed assets in accounts payable	634	168
Stockholder distributions made		
Decrease in shareholder advances in other assets	-	5,214
Increase (decrease) in accrued expenses and other	(2,803)	2,803
Operating lease right-of-use assets and liabilities resulting from implementation of Leases 842	11,708	-

See accompanying notes.

Note A - Nature of Organization and Operations

Rudd Equipment Company, Inc. (the "Company"), a Kentucky "S" Corporation, is a distributor of construction equipment and has been in business since 1952. The Company maintains inventories of repair parts for its equipment and operates a complete service department. The corporate headquarters is located in Louisville, Kentucky, with branches in Louisville, Corbin and Prestonsburg, Kentucky; Evansville, Indianapolis and Fort Wayne, Indiana; Pittsburgh and Clearfield, Pennsylvania; Charleston, West Virginia; St. Louis, Missouri; and Columbus, Cincinnati and Cleveland, Ohio. The Company's principal equipment lines are Volvo, Link-Belt, Sandvik and Hitachi. The Company sells, rents and services equipment to a variety of customers who are involved in the infrastructure and general construction, government, quarry, and other resource extraction industries.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.

2. Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02 (ASC 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

   The Company adopted the standard effective January 1, 2022 and recognized and measured leases existing at January 1, 2022 (the beginning of the period of adoption), with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

   The Company elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

   As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022 an operating lease right-of-use asset and liability of approximately $11,708,000, which represents the present value of the remaining operating lease payments discounted using the risk-free rate.

   The standard had a significant impact on the balance sheet but did not have an impact on the 2022 statement of income, nor a material impact on the 2022 statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Note B - Summary of Significant Accounting Policies (Continued)

2. Recent Accounting Pronouncements (Continued): In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of operations will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. The standard will be effective for the calendar year ending December 31, 2023. The Company is currently in the process of evaluating the impact of this ASU but does not expect a material impact on the financial statements.

3. Use of Estimates: The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

4. Statements of Cash Flows: For purposes of these financial statements, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At various times throughout the year, the Company maintains cash balances that exceed the federally insured limits.

5. Accounts Receivable: Receivables from the sale of parts, equipment and services provided as well as rentals are based on contracted prices. The Company provides for estimated uncollectible accounts based on prior experience and a review of existing receivables. Typically, receivables are due within 30 days and are considered past due when the due date has expired. Receivables are reviewed for collectability when they become past due. The allowance for doubtful accounts is approximately $2,011,000 and $2,011,000, respectively, at December 31, 2022 and 2021, based on management's assessment of collectability. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

   The Company sells to customers using credit terms customary in its industry. Credit is granted based on the creditworthiness of the customer and collateral is generally not obtained. At any given time, a specific customer or customers could represent a significant amount of the accounts receivable balance due to the timing of material sales under normal terms.

6. Inventories: Inventories are stated at the lower of cost or net realizable value ("NRV"). All inventories except rental and used equipment are accounted for using the last-in, first-out ("LIFO") dollar pool method of accounting. Rental equipment inventories are valued at acquisition cost (specific identification method) less amortization based on usage. Used equipment inventories are valued at the lower of cost (specific identification method) or NRV.

7. Debt Issuance Costs: The Company incurred approximately $171,000 in debt issuance costs associated with refinancing the short-term revolving debt agreement in December 2022. The debt issuance costs are being amortized ratably (approximates the effective interest method) over the term of the debt agreement. Debt issuance costs are netted against short-term borrowings in the accompanying balance sheets (see Note E). Amortization expense totaled approximately $61,400 for both years ended 2022 and 2021. Amortization expense, included in interest expense, is expected to be approximately $171,000 for 2023.

8. Revenue Recognition: The Company's operations consist of the sale and rental of new and used equipment and the sale of parts as well as providing warranty, repair, and maintenance services on equipment. Revenue is recognized when or as performance obligations under the terms of the contracts with customers are satisfied. See Note C for additional information.

Note B - Summary of Significant Accounting Policies (Continued)

9. Property and Equipment: Property and equipment are recorded at cost and are principally being depreciated using the straight-line method based on the estimated useful lives of the assets, ranging from 3 years to 39 years. Major renewals and betterments are capitalized while maintenance and repairs are expensed.

10. Impairment: The Company periodically reviews the undepreciated values assigned to long-lived assets to determine if any impairments are indicated in accordance with the provisions of the FASB ASC. No impairment was indicated in 2022 and 2021.

11. Leases: The Company leases land and buildings. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets, and operating lease liabilities on the balance sheets.

    ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease and finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company utilizes a risk-free rate based on the information available at commencement date in determining the present value of lease payments. This risk-free rate election is afforded to private companies under GAAP. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

    The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

    The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, the lease and non-lease components are accounted for as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of maintenance and supplies, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

    The Company has elected to apply the short-term lease exemption to all classes of underlying assets.

12. Comprehensive Income (Loss): Comprehensive income (loss) is the change in equity of a company during a period from transactions and other events and circumstances arising from non-owner sources. Comprehensive income (loss) includes adjustments to the Company's minimum pension liability.

13. Income Taxes: The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be taxed as an "S" corporation. In lieu of federal corporate income taxes, the shareholders of an "S" corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

    The Company has filing requirements with various states which continue to be similar to the federal income tax rules, whereby shareholders are taxed on their proportionate share of the Company's taxable income.

    The Company recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain income tax positions has been recorded in the accompanying financial statements.

Note B - Summary of Significant Accounting Policies (Continued)

14. Shipping and Handling Fees and Costs: Shipping and handling charges incurred by the Company are included in selling and operating expenses. The amounts included in selling and operating expenses for 2022 and 2021 were approximately $5,180,000 and $4,553,000, respectively. The Company generally recovers such costs in its customer invoicing.

15. Sales and Use Taxes: The Company collects and remits various state sales and use taxes on sales. State sales and use taxes are presented net in the accompanying statements of income.

16. Advertising: Costs incurred for advertising are generally expensed as incurred. Advertising costs totaled approximately $194,000 and $231,000, respectively, for the years ended December 31, 2022 and 2021.

17. Subsequent Events: The Company has evaluated events occurring subsequent to year-end through the date of the Independent Auditor's Report, the date the accompanying financial statements were available to be issued.

Note C - Revenue Recognition

The Company's revenue is primarily generated from contracts with customers.

Revenue from the rental of equipment is recognized monthly as earned during the rental period, which is generally short-term in nature. Rental revenue during the years ended December 31, 2022 and 2021 was approximately $24,068,000 and $24,508,000, respectively. The book value of inventory on rental is reduced based upon usage, with a corresponding charge to cost of goods and services sold.

The Company accounts for each sales order of new or used equipment or parts as a separate performance obligation. Revenue is recognized when the performance obligation is satisfied, which typically occurs at the point in time when title has passed to the customer. Payment is generally due within 30 days of delivery. The Company treats the equipment preparation, shipping and handling as fulfillment costs, not a separate performance obligation, and recognizes these costs as an operating expense in the period when revenue for the related performance obligation is recognized.

At a point in time there may be instances where the Company has sold equipment to a customer and the customer is not yet ready to take delivery of the item but has signed a transfer of title. The Company deems the customer has substantive control and recognizes revenue in these instances if the following criteria are met:

- The reason for the bill-and-hold arrangement is substantive
- The product is identified separately as belonging to the customer
- The product currently is ready for physical transfer to the customer
- The Company cannot use the product or direct it to another customer

The Company accounts for its revenue from the sale of maintenance and warranty contracts over time as performance obligations are satisfied. The incurred cost to total estimated cost (input) method is utilized (See Note F).

The Company recognizes equipment service revenue over time as service work is performed and costs are incurred. Service revenue during the years ended December 31, 2022 and 2021 was approximately $24,326,000 and $20,230,000, respectively. Except for revenue recognized over time relating to equipment service as well as maintenance and warranty contracts and rentals, as described above, the remainder of the Company's revenue relates to the sale of products which is recognized at a point in time.

Note C - Revenue Recognition (Continued)

Revenue is measured as the amount the Company expects to receive in exchange for transferring parts and equipment to or performing services for customers. The Company's parts and equipment sales may include discounts and allowances.

Note D - Inventories

Inventories consist of the following (in thousands):

	2022	2021
New equipment	$ 4,241	$ 28,687
Rental equipment	69,147	66,427
Used equipment	12,429	7,563
Parts	31,015	28,449
Work-in-process	2,138	2,512
	118,970	133,638
Less amount to reduce carrying value to LIFO basis	(23,613)	(29,596)
	$ 95,357	$ 104,042

During 2022, the Company experienced a significant LIFO decrement. The impact of the decrement on LIFO earnings was an increase in net income of approximately $10,000,000. If the current replacement cost had been used, the net income for the years ended December 31, 2022 and 2021 would have been as follows (in thousands):

	2022	2021
Net income as reported in the financial statements	$ 26,546	$ 11,891
Increase (decrease) in current replacement cost over LIFO value	(5,983)	2,619
Net income, current replacement cost basis	$ 20,563	$ 14,510

Rudd Equipment Company, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2022 and 2021

Note E - Debt

Short-term Borrowings

The Company has a $100,000,000 revolving secured debt agreement ("Revolver") with various financial institutions aggregating to $10,000,000 and $40,000,000 borrowed at December 31, 2022 and 2021, respectively, expiring in December 2023. Management plans to renew this revolver. This debt is being presented on the balance sheets net of debt issuance costs (see Note B7) of approximately $171,000 and $61,000 as of December 31, 2022 and 2021, respectively. The Revolver contains a borrowing base calculation and has variable interest rate terms based on SOFR depending on certain financial ratios embodied in debt covenant calculations. The Company was in compliance with all covenants at December 31, 2022 and 2021. The Revolver is secured by accounts receivable, inventory and equipment, except for excluded assets as defined in the Revolver. The Revolver includes a lockbox arrangement whereby remittances from customers are applied against borrowings outstanding under the Revolver, therefore, under GAAP the balance is classified as current in the balance sheets as of December 31, 2022 and 2021, respectively.

Manufacturers' Floor Plans

Manufacturers' floor plans include amounts borrowed from various equipment manufacturers through their respective finance companies under arrangements that renew annually. The aggregate outstanding balance under these floor plans is $13,063,000 and $25,835,000 at December 31, 2022 and 2021, respectively. Such borrowings are due on demand and are collateralized by the related equipment purchased from the manufacturers and are due in full when the related equipment is sold by the Company. Borrowings under these arrangements generally do not bear interest for three to eleven months from origination and are generally paid during this period. If unpaid after this period, interest rates approximate the rates in the Company's other short-term borrowings. The manufacturers' floor plans expire at various dates through December 2023.

At December 31, 2022 and 2021, the fair value of short-term borrowings and manufacturers' floor plans approximated their carrying values.

Paycheck Protection Program Loan

As a result of the initial uncertainty surrounding the COVID-19 pandemic, the Company applied for, and in April 2020, received a Paycheck Protection Program ("PPP") loan under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in the amount of $6,866,000. The loan bore interest at 0.98%, was uncollateralized and unsecured, and was for a term of two years with a maturity date of April 2022. Under the CARES Act, subject to limitations, as defined, the loan was subject to be partially or fully forgiven depending on actual payroll and other qualified costs for a specified period following receipt of the loan proceeds.

The Company accounted for the loan proceeds as a financial liability (debt) in accordance with ASC Topic 470, Debt. As such, the Company, recorded the proceeds from the loan as a financial liability until [1] the loan was partially or fully forgiven, and the Company had been legally released by the U.S. Small Business Administration ("SBA") or [2] the Company paid-off the loan.

During 2021, the loan was fully forgiven, and the Company was legally released by the SBA. The Company has thus recognized the $6,866,000 of PPP loan proceeds as other income (Paycheck Protection Program loan forgiveness income) per the accompanying statement of income for the year ended December 31, 2021. In accordance with the related PPP loan guidelines, for a period of up to six years after the loan is partially or fully forgiven and the borrower has been legally released, the SBA reserves the right to audit any PPP loan.

Note F - Contract Maintenance and Warranty Deferred Revenue

New equipment sold by the Company generally contains base warranty coverages supplied by the equipment manufacturer. The Company offers contract maintenance agreements which are separate contracts with customers purchasing new equipment who pay fees for certain service coverages during or beyond the base warranty period of the manufacturer. Under these plans, contract maintenance agreement revenue is recognized into income over the contractual period as work is performed. Additionally, the Company offers its own one-year limited warranty plans which are recognized into income as the limited warranty period elapses.

The following is a tabular reconciliation of contract maintenance and warranty deferred revenue accounts included in accrued expenses and other in the accompanying balance sheets (in thousands):

	2022	2021
Contract maintenance and warranty deferred revenue, beginning of year	$ 848	$ 1,173
Current year written	724	943
Current year earned	(941)	(1,268)
Contract maintenance and warranty deferred revenue, end of year	$ 631	$ 848

Note G - Related Party Balances and Transactions

At December 31, 2022 and 2021, included in other assets (non-current) are receivables from shareholders of approximately $616,000 and $693,000, respectively. As of December 31, 2021, the Company declared a distribution to shareholders in the amount of $8,017,000. The distribution was netted against approximately $5,214,000 in receivables from shareholders and resulted in amounts payable to shareholders of approximately $2,803,000 which has been included in accrued expenses and other in the December 31, 2021 balance sheet.

Note H - Leases

The Company leases certain properties and equipment with a related party as well as unrelated parties under non-cancelable operating leases expiring at various dates through 2032. These leases generally include one or more renewal options.

The components of lease expense in 2022 were as follows (in thousands):

Year ending December 31,	2022
Operating lease cost (including related party lease cost of $689)	$ 1,434

Note H - Leases (Continued)

Other information related to leases as of December 31, 2022 was as follows:

Year ending December 31,	2022
Weighted average remaining lease term operating leases	9.16 years
Weighted average discount rate operating leases	2.88%

Future minimum lease payments under non-cancellable leases as of December 31, 2022 were as follows (in thousands):

Year ending December 31,	Operating leases
2023	$ 1,438
2024	1,414
2025	1,417
2026	1,395
2027	1,363
Thereafter	5,505
Total future minimum lease payments	12,532
Less imputed interest	(1,727)
Total	$ 10,805

Operating Leases as of December 31, 2021

The financial statements as of and for the year ended December 31, 2021 are presented under ASC 840, *Leases* which requires the following disclosures for the 2021 year. Total rent expense for the year ended December 31, 2021 was approximately $1,188,000. Rent expense includes rent to related parties of $689,400 for the year ended December 31, 2021.

Note I - Employee Benefit Plans

The Company sponsors a qualified non-contributory defined benefit pension plan (the "Plan") for eligible employees. The Company's policy is to fund the Plan in the monetary range required by the Employee Retirement Income Security Act of 1974. The Company was required to record $11,776,000 and $11,585,000 of minimum pension liability at December 31, 2022 and 2021, respectively, which is included in accumulated other comprehensive loss. The Plan provides pension benefits that are based on years of service and compensation. Employees with over seven years of service become fully vested into the Plan. The Plan assets are composed primarily of mutual funds with holdings in bonds, equities and money market securities.

On December 31, 2006, the Company froze the benefits in the Plan. The Company uses a December 31 measurement date for its plan.

The following are tables summarizing accounts related to the defined benefit plan (in thousands):

	2022	2021
Accumulated benefit obligation	$ 27,096	$ 34,189
Projected benefit obligation	$ 27,096	$ 34,189
Plan assets at fair value	25,518	31,502
Underfunded status of plan	$ (1,578)	$ (2,687)
Accrued pension cost	$ (1,578)	$ (2,687)
Accumulated other comprehensive loss	11,776	11,585
Net amount recognized (prepaid)	$ 10,198	$ 8,898

The entire amount in accumulated other comprehensive loss is comprised of the unrecognized net actuarial loss. The estimated net loss that will be amortized from accumulated other comprehensive loss into net periodic pension cost over the next fiscal year is $402,276 at December 31, 2022.

Note I - Employee Benefit Plans (Continued)

The following details select information and assumptions related to the Plan (amounts in thousands):

	2022	2021
Net periodic pension cost (income)		
Interest cost	$ 1,008	$ 960
Expected return on plan assets	(1,999)	(1,888)
Amortization of net loss	375	455
	$ (616)	$ (473)
Employer contributions	$ 684	$ 479
Benefits paid	1,756	1,657
Assumptions used in computations		
Discount rate	5.19%	3.00%
Rate of compensation increase	N/A	N/A
Expected return on Plan assets	6.50%	6.50%

The Company follows ASU 2017-07, *Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The standard requires an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. In addition, the other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a total of income from operations. The components of net periodic benefit cost as noted above are recorded within other income and expense within the statements of income.

The Company's pension plan weighted-average asset allocations at December 31, 2022 and 2021, by asset category are as follows:

	2022	2021
Cash and cash equivalents	3.45%	2.33%
U.S. Treasury and government agency bonds	8.10%	5.66%
Municipal bonds	4.98%	5.69%
Corporate bonds	12.04%	15.89%
Mutual Funds - equities	71.43%	70.43%
	100.00%	100.00%

The Company works with its provider on strategies to maintain a relative balance of conservative and moderate investments to achieve its overall goal. The Retirement committee reviews market conditions and balances and meets annually to make any adjustments. For 2022 and 2021 the Company elected a profile of 60% equities and 40% fixed income and satisfied its appetite for risk and stabilization. The Company will continue to review annually if not more often to make any adjustments in the plan's best interests.

The Company expects to contribute approximately $0 to the defined benefit pension plan in 2023.

Note I - Employee Benefit Plans (Continued)

The following benefit payments are expected to be paid by the Plan in the following years (in thousands):

Year	Pension benefits
2023	$ 1,933
2024	2,002
2025	2,031
2026	2,078
2027	2,079
2028-2032	10,193

The Company also has a profit-sharing plan with a 401(k)-feature covering substantially all employees. Contributions are determined each year by the Board of Directors. Expense under the profit sharing plan for 2022 and 2021 was approximately $1,348,000 and $1,209,000, respectively.

Currently all union employees, approximately 3.5% of employees, are covered under a defined contribution multi-employer union pension plan. Contributions to the plan are based on a set dollar amount times the number of hours worked by each participating union employee, subject to a cap on total hours worked. If the Company terminates its union contract, contributions by the Company are to be payable for the number of hours worked by the participating employees through the contract termination date.

The Company participation in this plan for the annual period ended December 31, 2022 is outlined in the table below. The "EIN/Pension Plan Number" row provides the Employee Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2022 and 2021 is for the plan's year end April 30, 2022 and 2021, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" row indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last row lists the expiration date of the collective-bargaining agreement to which the plan is subject. There have been no other significant changes that affect the comparability of 2022 to 2021 contributions.

The risks of participating in this multiemployer plan are different from a single employee plan in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company chooses to stop participating in the multiemployer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Per the Company's contract with the Union, the Union is responsible for any withdrawal liability.

Note I - Employee Benefit Plans (Continued)

The Company's participation in this plan for the annual periods ended December 31, 2022 and 2021 is outlined in the table below (amounts in thousands).

Pension fund		Pension fund of operating engineers local 513
EIN/pension plan number		43-0827344 - 001
Pension protection act Zone status		
	2022	Yellow
	2021	Yellow
FIP/RP status pending/ implemented		FIP - Yes & implemented RP - No
Company contributions		
	2022	$ 363
	2021	$ 269
Surcharge imposed		No
Greater than 5% Contributor to the plan		No
Expiration date of Collective - bargaining agreement		April 30, 2024

Note J - Concentrations with Major Vendors and Customers

For the years ended December 31, 2022 and 2021, one vendor exceeded 10% of total purchases and accounted for approximately 54% and 62% of total purchases, respectively. This vendor also accounted for approximately 38% and 41% of accounts payable as of December 31, 2022 and 2021, respectively. There were no customers that exceeded 10% of net sales for 2022 or 2021.

Note K - Stockholder Buy/Sell Agreement

The Company is a party to Restricted Stock Agreements and a Stock Restriction and Buy-Sell Agreement with its stockholders which, among other things, requires the Company, upon the death or termination of employment of any stockholder, other than the majority stockholder, to purchase all shares held by the deceased or previously employed stockholder. For certain stockholders, the majority shareholder must be given right of first refusal to purchase their stock. If the majority shareholder waives this right, the Company is required to purchase the shares. The redemption price is determined based on book value. At both December 31, 2022 and 2021, there were 53 voting and 935 non-voting shares subject to redemption under the terms of the related agreements.

Note L - Self-insurance Program

The Company has a self-insurance program for hospitalization and medical coverage and a high deductible arrangement for workers compensation for its employees and other business risks. The Company limits its losses for self-insurance through the use of stop-loss policies from a reinsurer. The expected ultimate cost for claims incurred as of the balance sheet date is not discounted and is recognized as a liability based upon analysis of historical data and loss trends.

Note M - Commitments and Contingencies

During the ordinary course of business, the Company has been named as a defendant in certain legal actions. Management anticipates that the resolution of these matters will have no material adverse effect on the Company's operating results, financial position or cash flows.

The Company is a party to a collective bargaining agreement with certain employees in St. Louis, Missouri that expires in April 2024. Approximately 3.5% of employees are covered under the collective bargaining agreement.

Note N - Fair Value Measurement

The ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.
- Level 2: Inputs to the valuation methodology are observable inputs such as quoted prices in active markets for similar assets or liabilities or quoted prices for identical or similar assets or liabilities in markets that are not active or unobservable inputs that are derived principally from or corroborated by observable market data.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for the determination of fair value:

- Plan assets for the Company's qualified non-contributory defined benefit pension plan (see Note I): The fair value of the Plan assets is provided by the Plan's custodian based on the closing market of the exchange-traded securities (Level 1) and yields currently available on comparable securities of issuers with similar credit ratings (Level 2).

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note N - Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the Company's defined benefit plan investments as of December 31, 2022 (in thousands):

	Level 1	Level 2	Level 3	Fair value
Money market fund	$ 881	$ -	$ -	$ 881
U. S. Treasury and Government agency notes and bonds	-	2,068	-	2,068
Municipal bonds	-	1,272	-	1,272
Corporate bonds	-	3,072	-	3,072
Mutual funds	18,225	-	-	18,225
Total	$ 19,106	$ 6,412	$ -	$ 25,518

The following table sets forth by level, within the fair value hierarchy, the Company's defined benefit plan investments as of December 31, 2021 (in thousands):

	Level 1	Level 2	Level 3	Fair value
Money market fund	$ 735	$ -	$ -	$ 735
U. S. Treasury and Government agency notes and bonds	-	1,784	-	1,784
Municipal bonds	-	1,793	-	1,793
Corporate bonds	-	5,006	-	5,006
Mutual funds	22,184	-	-	22,184
Total	$ 22,919	$ 8,583	$ -	$ 31,502