

Manitex International, Inc.
Form 10-Q/A
April 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from to

Commission File Number: 001-32401

MANITEX INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan

(State or Other Jurisdiction of
Incorporation or Organization)

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

42-1628978
(I.R.S.
Employer

Identification
Number)

60455
(Zip Code)

(708) 430-7500

(Registrant's Telephone Number, Including Area Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of the registrant’s common stock, no par, outstanding at February 20, 2018 was 16,662,386

MANITEX INTERNATIONAL, INC.

FORM 10-Q INDEX

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EXPLANATORY NOTE

Manitex International, Inc. (the “Company”) is filing this amendment (this “Amendment” or “Form 10-Q/A”) to its Quarterly Report on Form 10-Q for the Quarter ended June 30, 2017, which was originally filed on August 3, 2017 (the “Original Form 10-Q” or the “Original Filing”). This Amendment includes restated financial statements for the three and six months ended June 30, 2017 and 2016.

The corrections contained in these restated financial statements, which we refer to herein as the “Restatement,” were prepared following an independent review by the Audit Committee (the “Audit Committee”) of the Company’s Board of Directors into certain accounting matters, which is further described herein.

Except as expressly set forth herein, this Amendment does not reflect events occurring after the date of the Original Filing and does not modify or update disclosures contained in the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and with our filings with the SEC made subsequent to the Original Filing.

Background

As previously described in the Company’s Current Report on Form 8-K filed on November 6, 2017, in 2016 the Company sold 39 cranes for total sales revenues of approximately \$15 million to a single broker customer in a series of transactions (the “Transactions”) that were each structured as a customary “bill and hold” arrangement. The revenue for the Transactions was originally recognized in 2016. Ten of these units that were sold for an aggregate value of approximately \$3 million were returned during 2016 (and were subsequently sold to other customers), such that for 2016, a net of 29 cranes were sold for approximately \$12 million. In addition, the Company made various payments to the broker and its wholly-owned subsidiary that were expensed in 2016 and 2017. Furthermore, the debt taken on by the broker customer to purchase the cranes was effectively guaranteed by the Company pursuant to certain related agreements. In connection with its review of its financial results for the quarter ended September 30, 2017, the Company became aware that the prior accounting treatment for the Transactions was not correct. Specifically, the Company has concluded that the relationship with the Broker and its wholly-owned subsidiary qualified as a Variable Interest Entity (“VIE”) and should therefore have resulted in a different accounting treatment resulting in the debt of the VIE being reflected in the Company’s consolidated balance sheet. The Company has concluded that the revenue recognition criteria for 2016 sales were not met and payments to the Broker were not expenses of the Company. In addition, disclosures were incomplete.

In connection with the foregoing matters, on November 2, 2017, the Audit Committee of the Board of Directors of the Company, in consultation with the Company’s management and UHY LLP, the Company’s independent registered public accounting firm, determined that the Company’s previously issued financial statements for the quarters ended March 31, June 30 and September 30, 2016, year ended December 31, 2016 and quarters ended March 31 and June 30, 2017 included in the Company’s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q for such periods and together with all three, six and nine-month financial information contained therein (collectively, the “Non-Reliance Periods”) can no longer be relied upon.

Description of the Restatement related to SVW

The following describes the impact of corrections that affect the three and six months ended June 30, 2017 and 2016. Information concerning the impact of these corrections on the Company’s results for the year ended December 31, 2016 is discussed in the Company’s amended Form 10-K/A for the year ended December 31, 2016.

Effect of Recording SVW Debt

As disclosed in Note 13, SVW has five notes outstanding with five financial institutions, each of which was effectively guaranteed by the Company. At June 30, 2017 the value of these notes totaled \$9.5 million, net of debt issuance costs of \$.3 million. Given SVW's treatment as a VIE, and the fact that the Company effectively guaranteed it, this debt has been consolidated into the restated financial statement.

Effect of Recording Sales to Third Party

Recognizing sales when SVW related inventory was sold to third parties.

Effect of Recording Crane Rentals

Income on the rental of SVW related inventory to third parties has been recorded as revenues for the corresponding periods.

Effect of Treating Funds Sent to SVW's Wholly-Owned Subsidiary as Advances

During the three months ended June 30, 2017 there were no payments that the Company had originally classified as expenses paid to SVW's wholly-owned subsidiary. Given SVW's treatment as a VIE prior payments have been reclassified as intercompany advances.

Recording of Payments Made by SVW to Lenders

The balance sheet table in Note 2, Restatement of Previously Issued Financial Statements, shows the impact of payments made in connection with the aforementioned SVW debt.

Cumulative Income Tax Effect

This includes the impact on the income taxes for the quarter and six months ended June 30, 2017 related to the discontinued operations and SVW restatements discussed above.

Description of the Restatement not related to SVW

Other

The Company disclosed a partial residual value guarantee to support a customer's financing of equipment purchased from the Company that was previously not disclosed (see Note 15). A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date if certain conditions are met by the customer. The Company has issued partial residual guarantees that have maximum exposure of approximately \$1.6 million. The Company, however, does not have any reason to believe that any exposure from such a guarantee is either probable or estimable at this time, as such, no liability has been recorded. The Company's liability from its guarantees may be affected by economic conditions in used equipment markets at the time of loss.

This also includes minor rounding and reclassification adjustments not included in previous categories.

Effect of Reclassifying ASV to Discontinued Operations

For the three and six months ended June 30, 2016, the Company owned a 51% interest in ASV Holdings, Ins., which was formerly known as A.S.V., LLC ("ASV Holdings"). On May 11, 2017, in anticipation of an initial public offering, ASV Holdings converted from an LLC to a C-Corporation and the Company's 51% interest was converted to 4,080,000 common shares of ASV Holdings. On May 17, 2017, in connection with its initial public offering, ASV Holdings sold 1,800,000 of its own shares and the Company sold 2,000,000 shares of ASV Holdings common stock. The Company held a 21.2% interest in ASV Holdings, but no longer has a controlling interest in ASV Holdings. ASV Holdings was deconsolidated during the quarter ended June 30, 2017 and is recorded as an equity investment starting with quarter ended June 30, 2017. Since this 10-Q/A is being filed after the above described events, prior period financial statements included in this 10-Q/A have been restated to reflect ASV Holdings as a discontinued operation.

Additional entries not related to SVW

Adjustments were made to: reverse a sale transaction, adjust a deferred gain, increase an inventory reserve and to record additional rent expense and other corrections and reclassifications. These adjustments were identified in prior periods but were immaterial for recording at that time. As the Company has identified the restatement adjustments for recording in prior periods, management made the determination that it would also record these previously passed adjustments as part of the restatement of the financial statements.

See Note 2 to the consolidated financial statements which details the impact of the restatement on the Consolidated Balance Sheet as of June 30, 2017 and the Consolidated Statement of Operations, and Consolidated Statement of Cash Flow for the three and six months ended June 30, 2017 and 2016.

Internal Control and Disclosure Controls Considerations

Our Chief Executive Officer has determined that there were deficiencies in our internal control over financial reporting that constitute material weaknesses, as defined by SEC regulations, at June 30, 2017, with respect to procedures for:

1. We did not maintain an adequate process for the intake of new contracts, customers and vendors, particularly for contracts involving unique transaction structures or unusual obligations on the part of the Company, to ensure that all contracts are appropriately reviewed and approved, and the associated financial reporting requirements associated with such contracts and transactions structures are properly identified and complied with in accordance with Generally Accepted Accounting Principles.
2. We did not maintain adequate entity-level controls with respect to ensuring adequate supporting documentation of journal entries and proper review and approval of journal entries and disbursements that were unusual in nature and of significant amounts.
3. We did not maintain an adequate review process with respect to the accounting of bill-and-hold transactions and ensuring proper revenue recognition.
4. We did not maintain an adequate communication policy with respect to compliance with the Company's Code of Ethics and availability of the Company's whistleblower hotline to report compliance issues.

Accordingly, our Chief Executive Officer has concluded that our internal control over financial reporting and disclosure controls and procedures, as defined by SEC regulations, were not effective at June 30, 2017, as discussed in Part I, Item 4 of this Form 10-Q/A.

PART 1—FINANCIAL INFORMATION

Item 1—Financial Statements

MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	June 30, 2017 As Restated Unaudited	December 31, 2016 As Restated Unaudited
ASSETS		
Current assets		
Cash	\$ 3,065	\$ 4,541
Cash - restricted	773	773
Trade receivables (net)	43,994	32,982
Other receivables	2,378	1,082
Inventory (net)	71,263	69,487
Prepaid expense and other	4,676	4,624
Current assets of discontinued operations	—	46,645
Total current assets	126,149	160,134
Total fixed assets (net)	22,152	21,839
Intangible assets (net)	31,094	30,985
Goodwill	41,948	39,669
Equity investment in ASV Holdings, Inc.	14,560	—
Other long-term assets	1,600	1,605
Deferred tax asset	545	545
Long-term assets of discontinued operations	—	72,177
Total assets	\$ 238,048	\$ 326,954
LIABILITIES AND EQUITY		
Current liabilities		
Notes payable—short term	\$ 30,702	\$ 26,204
Current portion of capital lease obligations	850	338
Accounts payable	41,003	33,801
Accounts payable related parties	1,762	2,098
Accrued expenses	10,481	10,278
Other current liabilities	2,511	2,150
Current liabilities of discontinued operations	—	23,631
Total current liabilities	87,309	98,500
Long-term liabilities		
Revolving term credit facilities	13,235	19,957
Notes payable (net)	31,078	32,832
Capital lease obligations, (net of current portion)	5,682	6,004
Convertible note related party (net)	6,932	6,862

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Convertible note (net)	14,203	14,098
Deferred gain on sale of property	1,114	1,058
Deferred tax liability	3,287	3,242
Other long-term liabilities	3,723	4,127
Long-term liabilities of discontinued operations	—	42,645
Total long-term liabilities	79,254	130,825
Total liabilities	166,563	229,325
Commitments and contingencies		
Equity		
Preferred Stock—Authorized 150,000 shares, no shares issued or outstanding at		
June 30, 2017 and December 31, 2016	—	—
Common Stock—no par value 25,000,000 shares authorized, 16,556,679 and 16,200,294 shares issued		
and outstanding at June 30, 2017 and December 31, 2016, respectively	97,279	94,324
Paid in capital	2,618	2,918
Retained deficit	(26,254)	(20,505)
Accumulated other comprehensive loss	(2,158)	(4,272)
Equity attributable to shareholders of Manitex International, Inc.	71,485	72,465
Equity attributable to noncontrolling interests	—	25,164
Total equity	71,485	97,629
Total liabilities and equity	\$ 238,048	\$ 326,954

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended		Six Months Ended	
	June 30, 2017 As Restated Unaudited	2016 As Restated Unaudited	June 30, 2017 As Restated Unaudited	2016 As Restated Unaudited
Net revenues	\$52,051	\$45,745	\$92,170	\$92,975
Cost of sales	42,647	37,584	75,374	76,069
Gross profit	9,404	8,161	16,796	16,906
Operating expenses				
Research and development costs	596	735	1,283	1,478
Selling, general and administrative expenses	8,574	9,540	17,515	18,488
Total operating expenses	9,170	10,275	18,798	19,966
Operating income (loss)	234	(2,114)	(2,002)	(3,060)
Other income (expense)				
Interest expense:				
Interest expense	(1,574)	(1,783)	(2,782)	(3,274)
Interest expense related to write off of debt issuance costs	—	(1,439)	—	(1,439)
Foreign currency transaction loss	(256)	(393)	(339)	(909)
Other income	70	620	343	602
Total other expense	(1,760)	(2,995)	(2,778)	(5,020)
Loss before income taxes and loss in non-marketable				
equity interest from continuing operations	(1,526)	(5,109)	(4,780)	(8,080)
Income tax (benefit) expense from continuing operations	(36)	43	135	(267)
Loss in non-marketable equity interest, net of taxes	—	(40)	—	(79)
Net loss from continuing operations	(1,490)	(5,192)	(4,915)	(7,892)
Discontinued operations				
(Loss) income from operations of discontinued operations (including				
loss on disposal for the three and six months 2017 of \$1,133 and a				
gain on disposal for the six months 2016 of \$2,212)	(805)	2,051	(573)	4,863
Income tax expense (benefit)	6	(3,170)	(13)	(2,886)
(Loss) income from discontinued operations	(811)	5,221	(560)	7,749
Net (loss) income	(2,301)	29	(5,475)	(143)
Net income attributable to noncontrolling interest from discontinued				
operations	(160)	(399)	(274)	(272)
Net loss attributable to shareholders of	\$ (2,461)	\$ (370)	\$ (5,749)	\$ (415)

Manitex International, Inc.				
Earnings (loss) Per Share				
Basic				
Loss from continuing operations attributable to shareholders of				
Manitex International, Inc.	\$ (0.09	) \$ (0.32	) \$ (0.30	) \$ (0.49
(Loss) income from discontinued operations attributable to				
shareholders of Manitex International, Inc.	\$ (0.06	) \$ 0.30	\$ (0.05	) \$ 0.46
Net loss attributable to shareholders of Manitex International, Inc.	\$ (0.15	) \$ (0.02	) \$ (0.35	) \$ (0.03
Diluted				
Loss from continuing operations attributable to shareholders of				
Manitex International, Inc.	\$ (0.09	) \$ (0.32	) \$ (0.30	) \$ (0.49
(Loss) income from discontinued operations attributable to				
shareholders of Manitex International, Inc.	\$ (0.06	) \$ 0.30	\$ (0.05	) \$ 0.46
Net loss attributable to shareholders of Manitex International, Inc.	\$ (0.15	) \$ (0.02	) \$ (0.35	) \$ (0.03
Weighted average common shares outstanding				
Basic	16,553,667	16,125,788	16,512,061	16,115,695
Diluted	16,553,667	16,125,788	16,512,061	16,115,695

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	As Restated	As Restated	As Restated	As Restated
	Unaudited	Unaudited	Unaudited	Unaudited
Net (loss) income:	\$(2,301)	\$ 29	\$(5,475)	\$ (143)
Other comprehensive income (loss)				
Foreign currency translation adjustments	1,771	(981)	2,114	1,088
Total other comprehensive income (loss)	1,771	(981)	2,114	1,088
Comprehensive (loss) income	(530)	(952)	(3,361)	945
Comprehensive income attributed to noncontrolling interest	(160)	(399)	(274)	(272)
Total comprehensive (loss) income attributable to shareholders of				
Manitex International, Inc.	\$(690)	\$(1,351)	\$(3,635)	\$ 673

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six Months Ended	
	June 30,	
	2017	2016
	As	As
	Restated	Restated
	Unaudited	Unaudited
Cash flows from operating activities:		
Net loss	\$(5,475)	\$(143)
Adjustments to reconcile net loss to cash used for operating activities:		
Depreciation and amortization	2,688	3,705
Loss (gain) on sale of discontinued operations'	1,133	(2,212)
Changes in allowances for doubtful accounts	53	22
Changes in inventory reserves	(238)	295
Revaluation of contingent acquisition liability	(346)	(915)
Write down of goodwill	—	275
Deferred income taxes	(169)	(333)
Amortization and write off of deferred debt issuance costs	199	1,815
Amortization of debt discount	256	286
Change in value of interest rate swaps	(408)	(373)
Loss in non-marketable equity interest	—	79
Share-based compensation	357	565
Adjustment to deferred gain on sales and lease back	96	(116)
Loss (gain) on disposal of assets	172	(36)
Reserves for uncertain tax provisions	54	32
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(10,292)	2,355
(Increase) decrease in inventory	1,386	(5,283)
(Increase) decrease in prepaid expenses	(24)	(2,352)
(Increase) decrease in other assets	32	180
Increase (decrease) in accounts payable	4,472	(2,004)
Increase (decrease) in accrued expense	(295)	(2,013)
Increase (decrease) in other current liabilities	211	707
Increase (decrease) in other long-term liabilities	(307)	(136)
Discontinued operations - cash provided by (used for) operating activities	3,665	(5,288)
Net cash used for operating activities	(2,780)	(10,888)
Cash flows from investing activities:		
Proceeds from the sale of fixed assets	—	187
Proceeds from the sale of discontinued operations (Note 17)	12,892	—
Purchase of property and equipment	(459)	(656)
Investment in intangibles other than goodwill	(41)	(55)
Discontinued operations - cash (used for) provided by investing activities	(84)	1,584

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Net cash provided by investing activities	12,308	1,060
Cash flows from financing activities:		
(Payments) borrowing on revolving term credit facilities	(6,722)	855
Net borrowings on working capital facilities	3,209	3,867
New borrowings—other	751	3,758
Debt issuance costs incurred	(50)	(408)
Note payments	(4,853)	(4,494)
Shares repurchased for income tax withholding on share-based compensation	(128)	(43)
Proceeds from stock offering	2,426	
Proceeds from sale and lease back	—	4,080
Payments on capital lease obligations	(709)	(323)
Discontinued operations - cash (used for) provided by financing activities	(5,058)	2,948
Net cash (used for) provided by financing activities	(11,134)	10,240
Net (decrease) increase in cash and cash equivalents	(1,606)	412
Effect of exchange rate changes on cash	130	632
Cash and cash equivalents at the beginning of the year	5,314	5,918
Cash and cash equivalents at end of period	\$3,838	\$6,962

See Note 1 for supplemental cash flow disclosures

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(In thousands, except share and per share data)

1. Nature of Operations and Basis of Presentation

The Condensed Consolidated Balance Sheet at June 30, 2017 and the related Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2017 and 2016 (as restated) and Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2017 and 2016 (restated) have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments (consisting only of normal recurring adjustments, except for the effects of the restatement described in Note 2 below) which are, in the opinion of management, necessary for a fair presentation of the financial condition, results of operations and cash flows of the Company for the interim periods. Interim results may not be indicative of results to be realized for the entire year. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, together with management's discussion and analysis of financial condition and results of operations, contained in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2016 (as restated). The Condensed Consolidated Balance Sheet as of December 31, 2016 (as restated) was derived from our audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States ("GAAP"). Certain amounts for prior periods have been reclassified to conform to the current period financial statement presentation.

The condensed consolidated financial statements include the accounts of Manitex International, Inc. and subsidiaries in which it has a greater than 50% voting interest (collectively, the "Company"). All significant intercompany accounts, profits and transactions have been eliminated in consolidation.

The Company is a leading provider of engineered lifting solutions and operates as a single business segment. Operating activities are conducted through the following wholly-owned subsidiaries: Manitex, Inc. ("Manitex"), Badger Equipment Company ("Badger"), PM Group S.p.A. and Subsidiaries ("PM Group"), Manitex Valla S.r.l. ("Valla"), Sabre Manufacturing, LLC ("Sabre"), Crane and Machinery, Inc. ("C&M"), and Crane and Machinery Leasing, Inc. ("C&M Leasing"). The operations of SVW Crane & Equipment Company together with its wholly owned subsidiary, Rental Consulting Service Company (collectively "SVW"), has been determined to be a variable interest entity ("VIE") that needs to be consolidated with the Company's financial results.

Consolidated Variable Interest Entity

Even though it has no ownership interest in SVW Crane & Equipment Company (together with its wholly owned subsidiary, Rental Consulting Service Company, "SVW"), the Company has the power to direct the activities that most significantly impact SVW's economic performance. Additionally, the Company was the primary beneficiary of the SVW relationship. SVW obtained third party financing, which was effectively guaranteed by the Company, on specific cranes the Company manufactured and remitted the loan proceeds to the Company. Other than its business transactions described herein, SVW had no other substantial business operations. The Company has determined that SVW is a Variable Interest Entity ("VIE") that under current accounting guidance needs to consolidate in the Company's financial results.

Non-Cash Transactions

Supplemental and non-cash transactions information for the periods ended June 30, 2017 and 2016 are as follows:

	Six Months Ended	
	June 30, 2017	2016
	As Restated	As Restated
Interest paid in cash	\$2,939	\$6,163
Income tax payments (refunds) in cash	28	(1,030)
Non cash transactions		
Issuance of common stock in connection with Terex		
note repayment	—	150
Equipment held for sale financed on a capital lease	896	—

Discontinued Operations

ASV

ASV is located in Grand Rapids, Minnesota and manufactures a line of high quality compact track and skid steer loaders. The products are used in site clearing, general construction, forestry, golf course maintenance and landscaping industries, with general construction being the largest.

Prior to the quarter ended June 30, 2017, the Company owned a 51% interest in ASV Holdings, Inc., which was formerly known as A.S.V., LLC (“ASV Holdings”). On May 11, 2017, in anticipation of an initial public offering, ASV Holdings converted from an LLC to a C-Corporation and the Company’s 51% interest was converted to 4,080,000 common shares of ASV Holdings. On May 17, 2017, in connection with its initial public offering, ASV Holdings sold 1,800,000 of its own shares and the Company sold 2,000,000 shares of ASV Holdings common stock. As of June 30, 2017, the Company held a 21.2% interest in ASV Holdings, but no longer has a controlling interest in ASV Holdings. ASV Holdings was deconsolidated during the quarter ended June 30, 2017 and is recorded as an equity investment starting with quarter ended June 30, 2017. Periods ending before June 30, 2017 reflected ASV as discontinued operations. Subsequent to June 30, 2017, the Company sold additional shares in ASV. See Note 18, Discontinued Operations, for additional discussion of the accounting treatment of the Company’s investment in ASV after the sale of the additional shares.

Sales of Subsidiaries

During the year ended December 31, 2016, the Company sold two of its wholly owned subsidiaries: CVS Ferrari, S.r.L (“CVS”) and Manitex Liftking ULC (“Manitex Liftking” or “Liftking”). CVS was sold on December 22, 2016 and Liftking was sold on September 30, 2016, and each are presented as a discontinued operation.

Change in Reporting Segments

In the 10-Q for quarterly period ended March 31, 2017 filed on May 4, 2017, the Company previously reported its operations in three segments: the Lifting Equipment segment, the ASV segment and the Equipment Distribution segment. Since 2015, the Company has sought to redefine itself strategically and operationally, including through a series of divestitures. As stated above, ASV Holdings is reported as a discontinued operation and as such is no longer a reporting segment.

C&M and C&M Leasing’s primary business is facilitation of sale of products manufactured by the Company. Further, the Company’s Chief Operating Decision Maker (“CODM”) reviewed C&M and C&M Leasing operations only to determine their impact on the entire Company. As such, the Company has now concluded it is not appropriate to reflect C&M and C&M Leasing as a separate reportable segment and, therefore, operates in a single business segment.

Note 2. Restatement of Previously Issued Financial Statements

The Company has restated its quarterly Consolidated Statements of Operations, Statement of Comprehensive Income (Loss) and the Statements of Cash Flows for the three and six months ended June 30, 2017 and 2016. In addition, the Company has restated the Balance Sheets for the periods ended June 30, 2017 and December 31, 2016.

Background

As previously described in the Company's Current Report on Form 8-K filed on November 6, 2017, in 2016 the Company sold 39 cranes for total sales revenues of approximately \$15 million to a single broker customer in a series of transactions (the "Transactions") that were each structured as a customary "bill and hold" arrangement. The revenue for the Transactions was originally recognized in 2016. Ten of these units that were sold for an aggregate value of approximately \$3 million were returned during 2016 (and were subsequently sold to other customers), such that for 2016, a net of 29 cranes were sold for approximately \$12 million. In addition, the Company made various payments that were expensed in 2016 and 2017 to the broker and its wholly-owned subsidiary. Furthermore, the debt taken on by the Broker customer to purchase the cranes was affectively guaranteed by the Company pursuant to certain related agreements. In connection with its review of its financial results for the quarter ended September 30, 2017, the Company became aware that the prior accounting treatment for the transactions was not correct. Specifically, the Company has concluded that the relationship with the Broker and its wholly-owned subsidiary qualified as a Variable Interest Entity ("VIE") and should therefore have resulted in a different accounting treatment. The Company has concluded that the revenue recognition criteria for 2016 sales were not met and payments to the Broker were not expenses of the Company. In addition, disclosures were incomplete.

Description of the Restatement related to SVW

The following describes the impact of corrections that affect the three and six months ended June 30, 2017. Information concerning 2016 impact is discussed in the Company's amended 10-K/A for the year ended December 31, 2016.

Effect of Recording SVW Debt

As disclosed in Note 13, SVW has five notes outstanding with five financial institutions, each of which was effectively guaranteed by the Company. At June 30, 2017 the value of these notes totaled \$9.5 million, net of debt issuance costs of \$.3 million. Given SVW's treatment as a VIE, and the fact that the Company effectively guaranteed it, this debt has been consolidated into the restated financial statement (column D).

Effect of Recording Sales to Third Party

Recognizing sales when SVW related inventory was sold to third parties.

(Balance Sheet – Column C, Statement of Operations – Column M)

Effect of Recording Crane Rentals

Income on the rental of SVW related inventory to third parties has been recorded as revenues for the corresponding.

(Balance Sheet – Column H, Statement of Operations – Column Q)

Effect of Treating Funds Sent to SVW's Wholly-Owned Subsidiary as Advances

During the three months ended June 30, 2017 there were no payments that the Company had originally classified as expenses paid to SVW's wholly-owned subsidiary. Given SVW's treatment as a VIE these payments have been reclassified as intercompany advances. (Balance Sheet – Column E, Statement of Operations – Column N)

Recording of Payments Made by SVW to Lenders

This includes the impact of payments made in connection with the aforementioned SVW debt. (Balance Sheet – Column F, Statement of Operations – Column O)

Cumulative Income Tax Effect

This includes the impact on the income taxes for the quarter and six months ended June 30, 2017 related to the discontinued operations and SVW restatements discussed above. (Balance Sheet – Column G, Statement of Operations – Column P)

Description of the Restatement not related to SVW

Other

The Company disclosed a partial residual value guarantee to support a customer's financing of equipment purchased from the Company that was previously not disclosed (see Note 15). A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date if certain conditions are met by the customer. The Company has issued partial residual guarantees that have maximum exposure of approximately \$1.6 million. The Company, however, does not have any reason to believe that any exposure from such a guarantee is

either probable or estimable at this time, as such, no liability has been recorded. The Company's liability from its guarantees may be affected by economic conditions in used equipment markets at the time of loss.

This includes minor rounding and reclassification adjustments not included in previous categories.

(Balance Sheet – Column I, Statement of Operations – Column S)

Effect of Reclassifying ASV to Discontinued Operations

During the three and six month period ended June 30, 2016, the Company owned a 51% interest in ASV Holdings, Ins., which was formerly known as A.S.V., LLC (“ASV Holdings”). On May 11, 2017, in anticipation of an initial public offering, ASV Holdings converted from an LLC to a C-Corporation and the Company’s 51% interest was converted to 4,080,000 common shares of ASV Holdings. On May 17, 2017, in connection with its initial public offering, ASV Holdings sold 1,800,000 of its own shares and the Company sold 2,000,000 shares of ASV Holdings common stock. The Company held a 21.2% interest in ASV Holdings, but no longer has a controlling interest in ASV Holdings. ASV Holdings was deconsolidated during the quarter ended June 30, 2017 and is recorded as an equity investment starting with quarter ended June 30, 2017. Since this 10-Q/A is being filed after the above described events, prior period financial statements included in this 10-Q/A have been restated to reflect ASV Holdings as a discontinued operation.

Additional entries not related to SVW

Adjustments were made to: reverse a sale transaction, adjust a deferred gain, increase an inventory reserve and to record additional rent expense and other corrections and reclassifications not related to SVW. These adjustments were identified in prior periods but were immaterial for recording at that time. As the Company has identified the restatement adjustments for recording in prior periods, management made the determination that it would also record these previously passed adjustments as part of the restatement of the financial statements. (Balance Sheet – Column J, Statement of Operations – Column R, Statement of Cash Flows – Column X)

See the Company’s Amended Annual Report for the year ended December 31, 2016 for the table that shows the impact that the restatement had on the Company’s Balance Sheet for the year ended December 31, 2016.

The following tables reflect adjustments (restatements) to correct errors identified in connection with the Company’s review of its financial results for the quarters ended June 30, 2017 and 2016.

MANITEX INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2017

(In thousands, except share and per share data)

(unaudited)

	A	B	C	D	E	F	G	H	I	J	K
					Effect of						
	As	Cumulative		Effect	Treating	Recording			Other	Not	
	Previously	Effect	Sales	of	Funds	Sent		Other	SVW	SVW	
	Reported	Prior	of Units	Recording	SVW	Made by	Cumulative	SVW	Related	Related	As
	Form	Year	to Third	SVW	as	to	Income	Time	Adjustment	Adjustment	Stated
	10-Q	Adjustment	Parties	Debt	Advances	to	Effect	Rentals	Adjustment	Adjustment	Stated
ASSETS											
Current assets											
Cash	\$2,816	\$5	\$1,529	\$254	\$589	\$(2,130)	\$—	\$106	\$(104)	\$—	\$3,065
Cash - restricted	773	—	—	—	—	—	—	—	—	—	773
Trade receivables (net)	43,994	(682)	682	—	—	—	—	—	—	—	43,994
Accounts receivable from related party		—	—	—	—	—	—	—	—	—	—
Other receivables	2,392	(250)	236	—	—	—	—	—	—	—	2,378
Inventory (net)	63,487	9,508	(1,600)	—	—	—	—	—	—	(132)	71,263
Prepaid expense and other	4,454	389	(108)	—	—	—	(59)	—	—	—	4,676
Current assets of discontinued operations	—	—	—	—	—	—	—	—	—	—	—
Total current assets	117,916	8,970	739	254	589	(2,130)	(59)	106	(104)	(132)	126,149
Total fixed assets (net)	22,152	—	—	—	—	—	—	—	—	—	22,152
Intangible assets (net)	31,094	—	—	—	—	—	—	—	—	—	31,094
Goodwill	41,948	—	—	—	—	—	—	—	—	—	41,948
Equity investment in	14,560	—	—	—	—	—	—	—	—	—	14,560

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ASV Holdings											
Other long-term assets	1,600	—	—	—	—	—	—	—	—	—	1,600
Deferred tax asset	545	—	—	—	—	—	—	—	—	—	545
Non-marketable equity investment	—	—	—	—	—	—	—	—	—	—	—
Long-term assets of discontinued operations	—	—	—	—	—	—	—	—	—	—	—
Total assets	\$ 229,815	\$ 8,970	\$ 739	\$ 254	\$ 589	\$ (2,130)	\$ (59)	\$ 106	\$ (104)	\$ (132)	\$ 238,048
LIABILITIES AND EQUITY											
Current liabilities											
Notes payable—short term											
	\$ 28,972	\$ 1,796	\$ —	\$ 74	\$ —	\$ (140)	\$ —	\$ —	\$ —	\$ —	\$ 30,702
Current portion of capital lease obligations	850	—	—	—	—	—	—	—	—	—	850
Accounts payable	40,847	—	—	—	—	—	—	—	—	156	41,003
Accounts payable related parties	1,762	—	—	—	—	—	—	—	—	—	1,762
Accrued expenses	10,528	—	(47)	—	—	—	—	—	—	—	10,481
Other current liabilities	2,511	—	—	—	—	—	—	—	—	—	2,511
Current liabilities of discontinued operations											
Total current liabilities	85,470	1,796	(47)	74	—	(140)	—	—	—	156	87,309
Long-term liabilities											
Revolving term credit facilities	13,235	—	—	—	—	—	—	—	—	—	13,235
Notes payable	23,261	9,113	—	180	—	(1,476)	—	—	—	—	31,078
Capital lease obligations	5,682	—	—	—	—	—	—	—	—	—	5,682
Convertible note-related party (net)	6,932	—	—	—	—	—	—	—	—	—	6,932
Convertible note (net)	14,203	—	—	—	—	—	—	—	—	—	14,203
	947	—	(39)	—	—	—	—	—	—	—	

Deferred gain
on sale of
building