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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **April 1, 2019**

THE TORO COMPANY
(Exact name of registrant as Specified in Its Charter)

Delaware	1-8649	41-0580470
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
8111 Lyndale Avenue South **Bloomington, Minnesota**		**55420**
(Address of Principal Executive Offices)		(Zip Code)

(952) 888-8801
Registrant's Telephone Number, Including Area Code

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

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

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

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

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $1.00 per share	**TTC**	**New York Stock Exchange**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

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. o

Explanatory Note

On April 1, 2019, The Toro Company ("Toro") filed a Current Report on Form 8-K with the Securities and Exchange Commission ("Original 8-K") reporting Toro's acquisition of The Charles Machine Works, Inc. ("CMW"). Toro is filing this Amendment No. 1 to the Original 8-K to amend and supplement the Original 8-K to include financial statements of CMW and pro forma financial information as required by Item 9.01(a) and 9.01(b) of Form 8-K. This Amendment No. 1 should be read together with the Original 8-K.

Section 9 - Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

The audited consolidated financial statements of CMW as of and for the years ended December 31, 2018 and 2017 are filed as Exhibit 99.1 to this Amendment No. 1 and incorporated herein by reference.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined statements of earnings for the six months ended May 3, 2019 and for the fiscal year ended October 31, 2018 and the notes to unaudited pro forma condensed combined financial information, all giving effect to the acquisition of CMW, are filed as Exhibit 99.2 to this Amendment No. 1 and incorporated herein by reference.

(d) Exhibits

Exhibit No.	**Description**
23.1	Consent of Grant Thornton LLP.
99.1	Audited consolidated financial statements of The Charles Machine Works, Inc. as of and for the years ended December 31, 2018 and 2017.
99.2	Unaudited pro forma condensed combined statements of earnings for the six months ended May 3, 2019 and for the fiscal year ended October 31, 2018 and the notes to unaudited pro forma condensed combined financial information.

SIGNATURES

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

THE TORO COMPANY
(Registrant)

Date: June 13, 2019

/s/ Renee J. Peterson

Renee J. Peterson
Vice President, Treasurer and
Chief Financial Officer

Exhibit 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated June 10, 2019, with respect to the consolidated financial statements of The Charles Machine Works, Inc., included in the Current Report of The Toro Company on Form 8-K/A dated June 13, 2019. We consent to the incorporation by reference of said report in the Registration Statements of The Toro Company on Forms S-8 (File No. 333-47260, File No. 333-57198, File No. 333-89260, File No. 333-89262, File No. 333-135033, File No. 333-119504, File No. 333-151086, File No. 333-159767, File No. 333-39052, File No. 033-59563, File No. 333-11860, File No. 333-100004, File No. 333-87461, File No. 333-165582, File No. 333-204336, and File No. 333-215251).

Grant Thornton LLP

Tulsa, Oklahoma
June 13, 2019

Exhibit 99.1

Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Charles Machine Works, Inc.

December 31, 2018 and 2017

Contents

GRANT THORNTON LLP
2431 E. 61st St., Suite 500
Tulsa, OK 74136

D +1 918 877 0800
F +1 918 877 0805
S linkd.in/grantthorntonus
twitter.com/grantthorntonus

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Stockholders
The Charles Machine Works, Inc.

We have audited the accompanying consolidated financial statements of The Charles Machine Works, Inc. (an Oklahoma corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

Grant Thornton

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Charles Machine Works, Inc. and subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Tulsa, Oklahoma
June 10, 2019

The Charles Machine Works, Inc.

Consolidated Balance Sheets

December 31, 2018 and 2017
(dollars in thousands)

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,666	$ 33,405
Available-for-sale securities	3,328	4,601
Notes and trade accounts receivable, net	72,927	49,391
Inventories, net	165,408	184,999
Prepaid and other current assets	7,319	7,972
Total current assets	263,648	280,368
PROPERTY, PLANT AND EQUIPMENT, net	112,694	98,118
INTANGIBLE ASSETS, net	30,495	29,248
GOODWILL	8,014	8,014
DEFERRED TAX ASSETS, net	8,247	12,078
INVESTMENT IN JOINT VENTURE	10,085	10,280
OTHER ASSETS	2,979	2,879
Total assets	$ 436,162	$ 440,985
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 30,531	$ 22,439
Warranty and rebates reserve	10,042	9,245
Accrued payroll and bonuses	34,805	30,239
Postretirement health care benefits	798	1,178
Current maturities of debt obligations	486	18,921
Taxes payable	480	1,586
Other current liabilities	8,009	9,476
Total current liabilities	85,151	93,084
PRODUCT LIABILITY RESERVES	2,240	555
POSTRETIREMENT HEALTH CARE BENEFITS	38,452	55,742
DEBT OBLIGATIONS	-	24,292
OTHER LONG TERM LIABILITIES	6,566	5,317
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, par value $10 per share - 1,750,000 shares authorized, 1,069,206 and 1,069,186 shares issued and outstanding at December 31, 2018 and 2017, respectively	10,692	10,692
Additional paid-in capital	10,422	9,869
Accumulated other comprehensive income (loss)	5,654	(8,277)
Retained earnings	276,538	249,321
The Charles Machine Works, Inc. - controlling interest	303,306	261,605
Noncontrolling interest in consolidated subsidiary	447	390
Total stockholders' equity	303,753	261,995
Total liabilities and stockholders' equity	$ 436,162	$ 440,985

The accompanying notes are an integral part of these consolidated financial statements.

The Charles Machine Works, Inc.

Consolidated Statements of Comprehensive Income

Years ended December 31, 2018 and 2017
(dollars in thousands)

	2018	2017
GROSS SALES	$ 759,986	$ 677,747
SALES RETURNS AND ALLOWANCES	(30,609)	(29,509)
NET SALES	729,377	648,238
COST OF SALES	(510,227)	(456,696)
GROSS PROFIT	219,150	191,542
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(184,015)	(162,514)
OPERATING INCOME	35,135	29,028
INTEREST, net	(682)	(568)
EQUITY IN LOSSES OF JOINT VENTURE	(195)	(76)
OTHER INCOME, net	1,792	1,730
INCOME BEFORE INCOME TAXES	36,050	30,114
INCOME TAX PROVISION	(6,466)	(13,912)
NET INCOME	29,584	16,202
Less: Net income attributable to the noncontrolling interest	(98)	(73)
NET INCOME ATTRIBUTABLE TO THE CHARLES MACHINE WORKS, INC.	29,486	16,129
NET INCOME	29,584	16,202
OTHER COMPREHENSIVE INCOME		
Unrealized loss on available-for-sale securities	(7)	(6)
Foreign currency translation, net of tax (benefit of $184 and expense of $423 for 2018 and 2017, respectively)	(702)	634
Postretirement plan, net of tax (expense of $5,619 and $1,332 for 2018 and 2017, respectively)	16,391	1,735
Other comprehensive income	15,682	2,363
COMPREHENSIVE INCOME	$ 45,266	$ 18,565

The accompanying notes are an integral part of these consolidated financial statements.

The Charles Machine Works, Inc.

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2018 and 2017
(dollars in thousands)

	Common Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Treasury Stock	Retained Earnings	Noncontrolling Interest	Total
BALANCE AT DECEMBER 31, 2016	1,069,616	$ 10,696	$ 9,561	$ (10,640)	-	$ -	$ 237,077	$ 317	$ 247,011
Comprehensive income:									
Net income	-	-	-	-	-	-	16,129	73	16,202
Comprehensive income	-	-	-	2,363	-	-	-	-	2,363
Stock issued	390	4	308	-	-	-	-	-	312
Dividends	-	-	-	-	-	-	(3,697)	-	(3,697)
Treasury stock acquired	-	-	-	-	(82)	(196)	-	-	(196)
Treasury stock retired	(820)	(8)	-	-	82	196	(188)	-	-
BALANCE AT DECEMBER 31, 2017	1,069,186	10,692	9,869	(8,277)	-	-	249,321	390	261,995
Adoption of ASU 2018-02	-	-	-	(1,751)	-	-	1,751	-	-
Comprehensive income:									
Net income	-	-	-	-	-	-	29,486	98	29,584
Comprehensive income	-	-	-	15,682	-	-	-	-	15,682
Stock issued	240	2	553	-	-	-	-	-	555
Dividends	-	-	-	-	-	-	(3,969)	(41)	(4,010)
Treasury stock acquired	-	-	-	-	(220)	(53)	-	-	(53)
Treasury stock retired	(220)	(2)	-	-	220	53	(51)	-	-
BALANCE AT DECEMBER 31, 2018	1,069,206	$ 10,692	$ 10,422	$ 5,654	-	$ -	$ 276,538	$ 447	$ 303,753

The accompanying notes are an integral part of these consolidated financial statements.

The Charles Machine Works, Inc.

Consolidated Statements of Cash Flows

Years ended December 31, 2018 and 2017
(dollars in thousands)

		2018		2017
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Net income	$	29,584	$	16,202
Adjustments to reconcile net income to net cash provided by operating activities-				
Depreciation		12,798		11,925
Amortization		3,184		2,987
Deferred income tax (benefit) expense		(1,604)		3,944
Bad debt expense		1,518		641
Excess and obsolescence expense		5,390		5,660
(Gain) loss on sale of property, plant and equipment		(162)		879
Impairment of intangible assets		175		74
Stock compensation expense for tenure awards		555		312
Postretirement benefit expense		4,084		2,129
Equity in losses of joint venture		195		76
Changes in assets and liabilities-				
Notes and trade accounts receivable		(25,204)		(2,907)
Other current assets		630		120
Inventories		13,629		(10,476)
Other long-term assets		(103)		279
Accounts payable and accrued payroll and bonuses		11,817		5,757
Warranty, rebates and other liabilities		797		1,776
Reserve for losses		1,685		(345)
Net cash provided by operating activities		58,968		39,033
INVESTING ACTIVITIES:				
Purchases of property, plant and equipment		(29,546)		(22,472)
Proceeds from sale of property, plant and equipment		2,031		5,949
Acquired intantibles/patents		(4,606)		(4,110)
Cash paid for acquisition		-		(15,016)
Investment sales, net		1,273		96
Net cash used in investing activities		(30,848)		(35,553)
FINANCING ACTIVITIES:				
Payments to financial institution		(26,000)		(2,000)
Borrowings on line of credit agreement		58,000		28,553
Payments on line of credit agreement		(58,000)		(28,115)
Borrowings on dealership floor plans		4,939		28,131
Payments on dealership floor plans		(21,666)		(29,368)
Payments to acquire treasury stock		(53)		(196)
Dividends paid to shareholders		(4,010)		(3,697)
Net cash used in financing activities		(46,790)		(6,692)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(69)		184
Net decrease in cash and cash equivalents		(18,739)		(3,028)
CASH AND CASH EQUIVALENTS, beginning of year		33,405		36,433
CASH AND CASH EQUIVALENTS, end of year	$	14,666	$	33,405
SUPPLEMENTAL CASH FLOW DISCLOSURE:				
Interest paid	$	7,473	$	6,809
Income taxes paid	$	4,537	$	10,891

The accompanying notes are an integral part of these consolidated financial statements.

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

The Charles Machine Works, Inc. and its subsidiaries (the Company) serve the entire spectrum of the underground construction industry. The Company specializes in manufacturing and distributing underground construction equipment, including directional drills, trenchers, vibratory plows, pneumatic piercing tools, auger boring machines, electronic guidance and locating tools, HDD tooling, used HDD equipment and camera inspection equipment. The Company sells through a network of independently and Company owned dealerships plus direct sales and e-commerce channels throughout the United States and around the world.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly and majority-owned subsidiaries as follows: Anvil Land and Properties, Inc. (Anvil); Texas Underground Xperts, Inc. (South Texas); Michigan Underground Specialists, L.L.C. (Michigan); Georgia Equipment Specialists, L.L.C. (Georgia); International Underground System, S.L. (IUS); 90% owned subsidiary Ditch Witch France B.C.M. S.A.S. (Ditch Witch France); The Earth Tool Parent Company, Inc. (ETC); Radius HDD Direct, L.L.C. (Radius); MTI Equipment (MTI); American Augers, Inc. (AA) and Subsite LLC (Subsite). Intercompany profits, transactions and balances have been eliminated in consolidation.

3. Acquisitions and Disposals

The Company accounts for acquisitions using the purchase method of accounting in accordance with Accounting Standards Codification (ASC) Topic 805, Business Combinations (ASC 805). The Company allocates a portion of the purchase price to identifiable tangible and intangible assets and liabilities based on their respective estimated fair values on the date of acquisition. Goodwill represents the excess of the purchase price of the company over the fair value of the net assets at the date of acquisition.

On July 1, 2017, the Company, through its subsidiary Subsite, acquired R.S. Technical Services, Inc. (RST) and its wholly owned subsidiary Industrial Technology Group (ITG) for $15,016. RST is a manufacturer of pipeline camera inspection systems and accessories. This product line will expand the company's presence in the repair and rehabilitation market with lining contractors and municipalities as well as open new opportunities with the current customer base. RST has locations in Petaluma, CA and Mt. Sterling, KY. ITG is an engineering firm that worked closely with RST in developing their product lines.

(dollars in thousands)

The allocation of the acquisition costs was as follows:

		RST
Accounts receivable	$	1,863
Inventory		2,848
Other current assets		48
Capital assets		1,524
Goodwill		954
Customer relationships		7,094
Trade name		746
Other intangibles		860
Total assets acquired		15,937
Current liabilities		(921)
Liabilities assumed		(921)
Net assets acquired	$	15,016

4. Investment in Joint Venture

The Company has a 60% ownership interest in a joint venture (DW/TXS), a Chinese corporation. DW/TXS principally manufactures trenchless equipment and other machinery. The Company accounts for the joint venture using the equity method as the Company has significant influence but does not control the joint venture based on the composition of the board of directors and voting requirements. The Company recognized losses of $195 and $76 in 2018 and 2017, respectively, from the joint venture.

The following table is a summary of key financial data for the joint venture as of and for the years ended December 31, 2018 and 2017. The following information has been translated from Chinese renminbi (RMB) to US dollars and is unaudited.

		2018		2017
Current assets	$	22,408	$	22,360
Noncurrent assets		1,584		744
Current liabilities		6,705		6,288
Net revenue		16,417		16,641
Net loss		(325)		(127)

5. Foreign Currency Translation

The functional currency of IUS and Ditch Witch France is the Euro. Assets and liabilities of the Company's foreign affiliates are translated at current exchange rates, while income and expenses are translated at average rates of the period. Translation gains and losses are generally reported as a component of accumulated other comprehensive income or loss. Currency transaction gains and losses remeasured to the functional currency are included in determining net income.

6. Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities. Estimates could also impact the disclosure of contingent assets and liabilities included in the consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Revenue Recognition

Revenue from equipment sales to customers is recognized at the time of shipment. Revenues generated under extended warranty agreements are recognized ratably over the terms of the agreement. Revenues from contract engineering services are recognized when the service is provided.

8. Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of less than 90 days to be cash equivalents. The Company had $1,235 and $1,609 in foreign bank accounts at December 31, 2018 and 2017, respectively. The Company's cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 for interest and non-interest bearing accounts combined per financial institution. At times, cash balances may be in excess of the FDIC insurance limit. Management believes the risk of loss is mitigated by the reputation and history of the financial institutions in which cash balances are held.

9. Available-For-Sale Securities

The Company's investments in marketable securities are classified as available-for-sale. These investments are stated at fair value with unrealized gains and losses recognized in accumulated other comprehensive income until realized. The cost of debt securities available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Amortization of premiums, accretion of discounts, interest and dividend income and realized gains and losses are included in other income, net in the consolidated statements of comprehensive income. The cost of securities sold is based on the specific identification method.

10. Receivables and Credit Policies

Trade accounts are uncollateralized customer obligations due under normal trade terms requiring payment within 30 and 60 days from the invoice date for domestic and international customers. Trade accounts receivable are stated at the amount billed to the customer. Operating notes have varying terms and generally require monthly principal and interest payments. All operating notes receivable are stated at the principal amount and are collateralized by inventory, equipment, real property or personal assets. Customer account balances are considered past due if payment is not received within the standard or negotiated terms.

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice. Payments of operating notes receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance.

Operating notes receivable may be placed on non-accrual status based on management's knowledge of individual customer circumstances. Interest accruals cease and do not resume unless a change in circumstances indicates that interest accrual would again be appropriate.

Management performs a regular review of all aged receivables. Trade accounts receivable and operating notes receivable are stated at the amount management expects to collect from outstanding balances, which is net of the allowance for doubtful accounts of $2,052 and $1,209 at December 31, 2018 and 2017, respectively. The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all receivable balances that are more than 30 days past due for domestic customers and more than 60 days for international customers and, based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Management provides for probable uncollectible amounts through a charge to earnings and a credit to allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. The Company recognized $1,518 and $641 in bad debt provision for the years ended December 31, 2018 and December 31, 2017, respectively, related to these allowances.

(dollars in thousands)

11. Inventories

Inventories are stated at the lower of cost or market. Cost has been determined by the last-in, first-out (LIFO) method, except for work-in-process, used equipment, and the inventories held by subsidiaries, which are determined on a first-in, first-out (FIFO) method. Certain used equipment may be rented to customers. The value is adjusted based on usage.

The Company establishes an allowance for excess and obsolete inventories based on product line and need for supply and replacement parts. The reserve was approximately $6,829 and $8,300 at December 31, 2018 and 2017, respectively. The reserve at December 31, 2018 and 2017 includes an additional write down of inventory of approximately $1,800 and $2,500, respectively related to inventory the Company intends to scrap.

12. Goodwill and Indefinite-Lived Intangible Assets

Goodwill is associated with the acquisitions of various subsidiaries by the Company and represents the amount by which the purchase price exceeded the estimated fair value of the assets acquired. Goodwill and indefinite-lived intangible assets are not amortized, but are tested for impairment on December 31, and whenever events or changes in circumstances indicate that impairment may have occurred. The Company tests goodwill for impairment at the reporting unit level and tests indefinite-lived intangible assets for impairment at the individual indefinite-lived intangible asset or asset group level, as appropriate. The impairment testing for goodwill is performed separately from our impairment testing of indefinite-lived intangible assets. Based on our annual impairment analysis, the Company determined there was no impairment of goodwill or indefinite-lived intangible assets as of December 31, 2018 or 2017 for any of the reporting units as the fair value of the reporting units exceeded their carrying values.

Goodwill at December 31, is summarized as follows:

	2018	2017
Goodwill, beginning of year	$ 8,014	$ 7,060
Acquisition of RST	-	954
Goodwill, end of year	$ 8,014	$ 8,014

13. Long-Lived Assets

Property, plant and equipment is carried at cost. Assets purchased in a business combination are valued at fair value at the date of acquisition. Depreciation is computed by use of the straight-line method based on estimated useful lives of the depreciable assets for financial reporting purposes and by accelerated methods for income tax purposes.

(dollars in thousands)

The estimated useful lives of assets are:

Buildings and improvements	16 to 40 years
Machinery and equipment	3 to 12 years
Transportation equipment	3 to 6 years
Software	3 to 5 years

14. Income Taxes

The Company applies the asset and liability method of accounting for income taxes, under which deferred taxes are determined based on the temporary differences, between the financial and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the tax basis differences reverse. A valuation allowance is recorded when it is more-likely-than-not that some of the deferred tax assets will not be realized.

The Company recognizes the impact of tax positions in the financial statements. These tax positions must meet a more-likely-than-not threshold to be recognized. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Company recognizes potential accrued interest and penalties related to uncertain tax positions within the consolidated statements of comprehensive income as income tax provision. There were no uncertain tax positions in 2018 and 2017.

15. Warranty

Warranty obligations are estimated based upon product failure rates, materials usage and labor costs. The Company estimates its warranty provisions based upon an analysis of all identified or expected claims and an estimate to resolve those claims. The estimates of expected claims are generally based on a factor of historical claims. Changes in claim rates and differences between actual and expected warranty costs could impact warranty obligation estimates.

16. Advertising Costs

All advertising costs of the Company are expensed as incurred. The total amounts recorded in selling, general and administrative expenses in the consolidated statements of comprehensive income in 2018 and 2017 were approximately $2,621 and $3,772, respectively.

17. Product Liability Reserves

The Company is party to various legal actions related to product liability cases and other business proceedings. The Company has insurance that covers individual claims in excess of $2,000. Certain claims, suits and complaints arising in the normal course of business have been filed or are pending against the Company. The reserve for losses includes an amount determined from reports and individual cases and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while they are believed to be fairly stated, no assurance can be given that the ultimate liability may not be in excess of the amounts provided. Accordingly, it is reasonably possible that the estimated losses on product liability claims could change significantly in the near term. The methods of making such estimates and for establishing the resulting reserves are continually reviewed by management and any adjustment resulting from the review is reflected in selling, general and administrative expenses.

18. Research and Development

The Company conducts research and development to create new products related to the current product line and to make improvements on products currently in use. Research and development costs are charged to expense as incurred. The total amounts recorded in selling, general and administrative expenses in the consolidated statements of comprehensive income in 2018 and 2017 were approximately $36,962 and $32,194, respectively.

19. Fair Value of Financial Instruments

The Company's investments in debt securities are recorded at fair value. The carrying value of cash and cash equivalents, accounts and notes receivable, accounts payable, accrued liabilities and debt obligations approximate fair value due to their short maturities.

20. Shipping and Handling

Shipping and handling fees billed to customers are included in net sales. Shipping and handling costs associated with inbound and outbound freight are included in cost of sales.

21. Employee Stock Awards

On October 15, 2015, the Company implemented the 2015 Stock-Based Award Plan (the Stock Award Plan) as an incentive to eligible employees who, by their position, are able to make important contributions towards the Company's success. A total of 50,000 shares of common stock were authorized to be awarded to eligible employees over a ten year period following the effective date of the Stock Award Plan. Shares that are awarded can be classified as stock options, restricted stock awards, restricted stock units (RSUs), stock appreciation rights (SARs), or other stock-based eligible awards.

On the date of implementation, the Stock Award Plan awarded 10,000 shares of restricted stock to an eligible employee. The shares of restricted stock vest on January 1 of every year following the date of issuance for ten years (1,000 shares each year for ten years). The fair value of the award on the grant date was determined by using the most recent common stock fair value determination, which was as of December 31, 2014, of $233.00 per share. The Company recognized compensation expense during 2018 and 2017 of $233 in selling, general and administrative expense. The remaining amount of compensation expense to be recognized by the Company is $1,631 over the next seven years.

On July 21, 2016, the Stock Award Plan awarded 5,000 shares of restricted stock to an eligible employee. The shares of restricted stock vest on January 1 of every year beginning in 2018 for five years (1,000 shares each year for five years). The fair value of the award on the grant date was determined by using the most recent common stock fair value determination, which was as of December 31, 2015, of $234.00 per share. Therefore, the total amount of compensation expense to be recognized by the Company is $936 over the next four years.

22. Recently Issued Pronouncements

In May 2014, the FASB issued a comprehensive new revenue recognition standard that supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. The core principle of the new guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring those goods or services. The new standard also requires significantly expanded disclosure regarding the qualitative and quantitative information of an entity's nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard creates a five-step model that requires companies to exercise judgment when considering the terms of a contract and all relevant facts and circumstances. The standard allows for several transition methods: (a) a full retrospective adoption in which the standard is applied to all of the periods presented, or (b) a modified retrospective adoption in which the standard is applied only to the most current period presented in the financial statements, including additional disclosures of the standard's application impact to individual financial statement line items. This standard is effective for annual reporting periods beginning after December 15, 2018, within that reporting period. The Company is currently evaluating the impact this guidance will have on its financial statements upon adoption of this standard.

(dollars in thousands)

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which supersedes current lease guidance. The new lease standard requires recognition of the assets and liabilities that arise from leases. Entities are allowed to make an accounting policy election to exclude the recognition of the assets and liabilities that arise from leases with a term of 12 months or less. The standard does not significantly change the recognition, measurement and presentation of expenses and cash flows from previous GAAP. This guidance is effective for reporting periods beginning after December 15, 2019 and early adoption is permitted. The Company is evaluating the impact that this new guidance will have on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220)," which allows for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and will improve the usefulness of information reported to financial statement users.

B - NOTES AND TRADE ACCOUNTS RECEIVABLE

Notes and trade accounts receivable consist of the following at December 31, 2018 and 2017:

	2018	2017
Trade accounts receivable	$ 60,074	$ 39,363
Notes receivable	14,905	11,237
	74,979	50,600
Less: allowance for doubtful accounts	(2,052)	(1,209)
Net notes and trade accounts receivable	$ 72,927	$ 49,391

Allowance for doubtful accounts consist of the following at December 31, 2018 and 2017:

	2018	2017
Balance, beginning of period	$ 1,209	$ 1,143
Bad debt expense	1,518	641
Write off/recoveries, net	(675)	(575)
Balance, end of period	$ 2,052	$ 1,209

(dollars in thousands)

C - INVENTORIES

Inventories are summarized as follows:

	2018	2017
Raw materials	$ 22,343	$ 20,454
Work-in-process	15,075	16,193
Finished goods and manufactured parts	62,889	80,902
Purchased parts	50,126	50,264
Used equipment	21,804	25,435
Reserve for excess and obsolete items	(6,829)	(8,249)
	$ 165,408	$ 184,999

The following information supplements the consolidated financial statements and presents the effect on inventories and net income that would have resulted if the first-in, first-out (FIFO) method had been used to determine inventory costs:

	2018	2017
Inventories, LIFO	$ 165,408	$ 184,999
Excess of FIFO costs over LIFO costs	32,970	29,984
Inventories, FIFO	$ 198,378	$ 214,983

D - INVESTMENTS

The Company classifies its investments in debt securities based on the liquidity of the investment and management's intention on the date of purchase. Management re-evaluates such designation as of each balance sheet date. As of December 31, 2018 and 2017, all investments are classified as available-for-sale and carried at estimated fair value.

At December 31, 2018 and 2017, the amortized cost and fair value of available-for-sale securities with gross unrealized gains and losses were as follows:

	2018			2017		
	Amortized Cost	Gross Unrealized Loss	Fair Value	Amortized Cost	Gross Unrealized Loss	Fair Value
Government and municipal bonds and notes	$ 3,335	$ (7)	$ 3,328	$ 4,607	$ (6)	$ 4,601

(dollars in thousands)

E - FAIR VALUE MEASUREMENTS

The following 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 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 as follows:

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 include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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 preceding methods 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 methods are 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 investments at fair value as of December 31, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Government and municipal bonds and notes	$ -	$ 3,328	$ -	$ 3,328
Total assets at fair value	$ -	$ 3,328	$ -	$ 3,328

	2017			
	Level 1	Level 2	Level 3	Total
Government and municipal bonds and notes	$ -	$ 4,601	$ -	$ 4,601
Total assets at fair value	$ -	$ 4,601	$ -	$ 4,601

(dollars in thousands)

F - PROPERTY, PLANT AND EQUIPMENT

	2018	2017
Land	$ 6,291	$ 7,023
Buildings and improvements	64,527	56,440
Machinery and equipment	159,730	150,273
Transportation equipment	15,380	15,272
Construction in progress	14,640	11,906
	260,568	240,914
Less: accumulated depreciation	(147,874)	(142,796)
Property, plant and equipment, net	$ 112,694	$ 98,118

Total depreciation expense provided for in 2018 and 2017 was $12,798 and $11,925, respectively and is reported in selling, general and administrative expenses and cost of goods sold, respectively.

G - INTANGIBLE ASSETS

Patents totaling approximately $175 and $74 were impaired in 2018 and 2017, respectively, as it was determined that they would not provide future benefits to the Company. These amounts are included in selling, general and administrative expenses.

Intangible assets consisted of the following:

December 31, 2018	Cost	Accumulated Amortization	Net
Patents (15 - 17 years)	$ 7,403	$ (3,452)	$ 3,951
Licensing fees (10 - 17 years)	7,497	(697)	6,800
Intellectual properties (10 - 15 years)	8,701	(5,088)	3,613
Other intangibles (10 years)	925	(375)	550
Trademarks (15 years)	1,700	(1,026)	674
Customers list (15 years)	17,107	(7,017)	10,090
Trade name (indefinite)	4,817	-	4,817
	$ 48,150	$ (17,655)	$ 30,495

(dollars in thousands)

December 31, 2017		Cost		Accumulated Amortization		Net
Patents (15 - 17 years)	$	8,356	$	(4,288)	$	4,068
Licensing fees (10 - 17 years)		3,497		(347)		3,150
Intellectual properties (10 - 15 years)		8,701		(4,505)		4,196
Other intangibles (10 years)		925		(332)		593
Trademarks (15 years)		1,700		(906)		794
Customers list (15 years)		17,107		(5,499)		11,608
Acquired research and development (3-4 years)		389		(380)		9
Non compete (1 year)		149		(136)		13
Trade name (indefinite)		4,817		-		4,817
	$	45,641	$	(16,393)	$	29,248

Total amortization provided for in 2018 and 2017 was approximately $3,184 and $2,987, respectively. Estimated amortization expense over the next five years is as follows:

2019	$	3,198
2020		3,299
2021		3,292
2022		3,261
2023		3,032

H - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax reporting purposes.

(dollars in thousands)

Significant components of the Company's deferred tax assets and liabilities in the consolidated financial statements consisted of the following:

	2018	2017
Deferred tax assets:		
Product liability and workers' compensation reserves	$ 2,434	$ 622
Accrued warranty and rebate costs	2,946	2,696
Postretirement health care benefits	10,207	14,500
Tax credits and net operating losses	1,666	952
Allowance for doubtful accounts	519	313
Compensation accrual	1,945	1,314
Excess and obsolescence reserve	1,686	2,023
Other	838	794
Total deferred tax assets	22,241	23,214
Deferred tax liabilities:		
Depreciation	(13,407)	(10,294)
Prepaid expenses and other	(587)	(842)
Total deferred tax liabilities	(13,994)	(11,136)
Net deferred tax assets	$ 8,247	$ 12,078

The Company's income tax provision and amounts separately allocated were attributable to the following items for the years ended December 31, 2018 and 2017:

	2018	2017
Income tax provision from operations	$ 6,466	$ 13,912
Changes in stockholders' equity:		
Postretirement plan	5,619	1,552
Foreign currency translation	(184)	423
	$ 11,901	$ 15,887

The Company's income tax provision attributable to income from operations consisted of the following for the years ended December 31, 2018 and 2017:

	2018	2017
Current provision	$ 8,070	$ 9,968
Deferred tax (benefit) expense	(1,604)	3,944
Income tax provision	$ 6,466	$ 13,912

The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. Major changes under the Act include the following:

- Reducing the corporate rate to 21 percent
- Doubling bonus depreciation to 100 percent for five years
- Eliminating the domestic manufacturing deduction

As a result of these changes, the Company adjusted its deferred tax assets and liabilities existing at the date of enactment using the newly enacted rates for the periods when they are expected to be realized. This remeasurement resulted in an expense to income taxes of $6,500 in 2017.

The major tax-jurisdictions in which the Company operates generally provide for a deficiency assessment statute of limitation period of three years and as a result, the Company's tax years 2015 and forward remain open to examination.

The effective tax rates differ from the expected statutory tax rates principally due to the effect of favorable provisions related to federal and state tax credits, which are mostly related to research and development expenses, and certain other permanent items.

I - WORKERS' COMPENSATION

The Company is self-insured for workers' compensation claims for amounts up to $350 per claim. The liability recorded includes an amount estimated from individual claims reported and an amount for claims incurred but not reported. Such liabilities are necessarily based on estimates and, while they are believed to be fairly stated, no assurance can be given that the ultimate liability may not be in excess of the amounts provided. Accordingly, it is reasonable that the estimated losses on workers' compensation claims could change significantly in the near term. The methods of making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustment resulting therefrom is reflected in current earnings. The liability was $849 and $744 at December 31, 2018 and 2017, respectively, and is included in other current liabilities on the consolidated balance sheets.

J - WARRANTIES AND REBATES

The Company provides warranties on its products and offers rebates from time to time. Accruals for warranty and rebate claims are based upon historical experience and management's estimate of the level of future claims. While the accrual is believed to be fairly stated, no assurance can be given that the ultimate liability may not be in excess of the amounts provided. Accordingly, it is reasonably possible that the estimated losses on warranty and rebate claims could change significantly in the near term. The methods of making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustment resulting from the review is reflected in current earnings.

K - DEBT OBLIGATIONS

The Company's domestic subsidiaries entered into various financing agreements with financial institutions to purchase inventory products for sale to customers. As of December 31, 2018 and 2017, the Company owed the financial institutions $486 and $16,921, respectively, all of which was classified as current liabilities in the consolidated balance sheets. The agreements bear interest at LIBOR plus 2.85% (3.87% at December 31, 2018) or prime rate plus 3% (8.5% at December 31, 2018). The amounts advanced under the agreements are collateralized by the inventory purchased.

On April 21, 2016, the Company entered into a new debt agreement for $100,000. The debt agreement consists of a line of credit of $70,000, and a term loan of $30,000, both of which mature on March 15, 2021. Both the line of credit and term loan bear interest at LIBOR plus 1.35% (2.37% at December 31, 2018) and are secured by accounts receivable and inventory. The term loan was paid in full during 2018. The new debt agreement includes a $4,000 letter of credit which was unused as of December 31, 2018 and 2017. As the line of credit had no borrowings outstanding and letters of credit were unused, the total borrowing capacity on the line of credit was available to the Company as of December 31, 2018 and 2017.

(dollars in thousands)

The agreement contains certain covenants which include maximum funded debt to EBITDA ratio and a minimum fixed charge coverage ratio. As of December 31, 2018, the Company was in compliance with all covenants.

L - POSTRETIREMENT HEALTH CARE BENEFITS

The Company provides health care benefits for retired employees and their dependents through the 80 Plan and the 90 Plan (collectively referred to as the Postretirement Plan). Subject to certain restrictions, all of the Company's employees that were employed with the Company prior to January 1, 2003 become eligible for the benefits if, upon leaving the Company, the sum of their age and length of active service totals 80 years and they have completed 10 years of continuous service (the 80 Plan). For employees hired after January 1, 2003, the employee must have completed at least 10 years of continuous service at retirement and the age and service years requirement must total 90 years (the 90 Plan). The benefits are subject to deductibles and coinsurance provisions. The Company's policy is to fund the benefits as claims and insurance premiums are paid. The amounts paid for retirees' health care insurance premiums totaled approximately $1,178 and $1,307 for 2018 and 2017, respectively. Total expected benefits for fiscal year 2019 are $798. An amendment was made to the Postretirement Plan effective January 1, 2019 to not allow any new hires after that date to enter the Postretirement Plan. The portion of the expense paid by the Company was changed to 50% of retirees and 0% of spouses at that time. These amendments resulted in a reduction of the postretirement health benefits obligation by approximately $17,000.

The Company expects future benefit payments as follows:

2019	$	798
2020		909
2021		1,047
2022		1,147
2023		1,253
2024 - 2028		7,688

The benefits are accrued over the period the employee provides service to the Company. The Company's postretirement health care benefits expense was measured on December 31, 2018 and 2017 to be $2,964 and $5,116, respectively.

The following table presents the components of net periodic benefit cost:

		2018		2017
Components of net periodic benefit cost:				
Service cost	$	1,596	$	2,228
Interest cost		1,608		2,254
Amortization of net (gain) loss existing at the beginning of the year		(240)		634
Net periodic postretirement health care benefits cost	$	2,964	$	5,116

(dollars in thousands)

The change in the benefit obligation is as follows:

		2018		2017
APBO, beginning of year	$	56,920	$	56,504
Service cost		2,228		2,073
Interest cost		2,254		2,234
Actuarial gain		(20,974)		(2,584)
Benefits paid		(1,178)		(1,307)
APBO, end of year	$	39,250	$	56,920

Amount recognized in accumulated other comprehensive income in the Postretirement Plan consists of:

		2018		2017
Net actuarial (gain) loss	$	(7,256)	$	14,352

The estimated net gain that will be amortized from accumulated other comprehensive income into net periodic cost over the next fiscal year is $240.

For measurement purposes, the discount rate used was 4.14% and 4.00% as of December 31, 2018 and 2017, respectively, and the assumed health care cost trend rate used was 9% for 2018. The health care cost trend rate is assumed to decrease to 8% for 2019 reflecting the Company's actual claim experience.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

		1-Percentage Point Increase		1-Percentage Point Decrease
Effect of total service and interest on cost components	$	861	$	(641)
Effect on postretirement benefits obligation	$	8,362	$	(6,463)

M - EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

The Company has established an Employee Stock Ownership Plan and Trust (the Plan). The Company stock that is held by the Plan and its participants is not readily tradable on an established market and includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the fair market value of the stock. As such, if a participant receives all or a portion of a distribution in the form of Company stock, the participant may require the Company or the Plan trustees to purchase such shares at the fair market value of the shares as of the most recent valuation date. The plan covers employees of the Company, and its subsidiaries, Radius, AA, ETC, MTI and Subsite LLC.

To be eligible, an employee must have attained the age of 18 and completed 90 days of continuous full-time employment. Upon attaining eligibility an employee is fully vested.

The Company's contributions to the Plan are discretionary. The Company records compensation cost for contributions, which can be in the form of cash and stock made to the Plan. Shares of stock contributed to the Plan are measured at fair value, and are allocated annually based on eligible compensation for the year. The Company recognized $3,964 and $2,389 of compensation cost during 2018 and 2017, respectively, related to the Company's contributions to the Plan. Dividends paid on stock held by the Plan are classified as a reduction to retained earnings. Total dividends paid into the Plan during 2018 and 2017 were $1,035 and $966, respectively. The Plan held 275,972 shares of allocated Company stock at December 31, 2018 and 2017.

N - EMPLOYEE RETIREMENT PLAN

The Company sponsors a 401(k) retirement plan, which allows for all employees who have attained the age of 18 and completed one-quarter year of service to participate. The Company makes discretionary contributions that are allocated to all participants based on a percentage that is determined annually. Discretionary contributions made by the Company were approximately $2,643 and $3,584 in 2018 and 2017, respectively.

O - CONCENTRATION OF CREDIT

The Company grants credit to its dealers throughout the United States and also to its international dealers and customers. At December 31, 2018, total notes and accounts receivable included approximately $34,719 relating to international dealers and customers (45% of total notes and accounts receivable). At December 31, 2017, total notes and accounts receivable included approximately $22,638 relating to international dealers and customers (46% of total notes and accounts receivable).

Generally, the Company does not require collateral or other security to support customer accounts receivable; however, notes receivable are collateralized. The collateral held varies, but may include inventory, equipment, real property or personal assets.

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risk of loss.

P - COMMITMENTS AND CONTINGENCIES

The Oklahoma Workers' Compensation Court required the Company to post either a surety bond or an irrevocable letter of credit in order to continue to self-insure for workers' compensation. The Company met this requirement by posting a $1,100 letter of credit naming the Oklahoma Workers' Compensation Court as the beneficiary. The letter of credit was issued by First Bank and Trust of Perry.

The Company has the right to repurchase new equipment sold to its dealers on floor plan contracts in the event the dealers default on their credit arrangements. The amount subject to repurchase under these obligations was approximately $124,000 and $123,000 at December 31, 2018 and 2017, respectively. The Company believes it would be able to recover substantially all amounts paid under these repurchase agreements through the sale of the equipment repurchased.

The Company is party to various other legal proceedings incidental to its business. In the opinion of management, the financial position of the Company will not be materially affected by the final outcome of these legal proceedings.

Q - RELATED PARTY TRANSACTIONS

The Company elected to adopt the safe harbor provisions of the Internal Revenue Service (IRS) Notice 2002-8, which allows the Company to convert split dollar life insurance policies into loans with no tax consequences to the Company. The Vice Chairman of the Board and a Director of the Board are family shareholders and are covered by life insurance with a split dollar agree ment with the Company. The Company has a receivable from these family shareholders of $2,867 and $2,801 at December 31, 2018 and 2017, respectively, for premiums paid on their behalf by the Company.

The CFO of the Company is a member of the Board of Directors of First Bank and Trust of Perry. The Company had approximately $7,115 and $11,453 on deposit with the First Bank and Trust of Perry at December 31, 2018 and 2017, respectively.

R - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 10, 2019, the date the consolidated financial statements were available to be issued.

Effective February 14, 2019, the Company amended the Postretirement Plan to terminate on December 31, 2019. Only those retirees, who are currently receiving benefits, will continue on the Postretirement Plan until the end of the year. These amendments are expected to significantly reduce the Company's postretirement health care benefits obligation going forward.

Additionally, on February 14, 2019, The Toro Company entered into a definitive agreement to acquire the Company. The transaction was finalized on April 1, 2019. In connection with the sale, the Company became a Public Business Entity and the financial statements have been recast to reflect the revocation of the Private Company Council alternatives related to the amortization of goodwill resulting from previous business combinations. The Debt agreement described in Note K was also terminated.

Other than the events described above, management is not aware of any other subsequent events that would require recognition or disclosure in the consolidated financial statements.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On April 1, 2019 ("closing date" or "acquisition date"), pursuant to the Agreement and Plan of Merger dated February 14, 2019 ("merger agreement"), The Toro Company ("Toro" or "company") completed the acquisition of The Charles Machine Works, Inc. ("CMW"), a privately held Oklahoma corporation ("acquisition"). The transaction was structured as a merger, pursuant to which a wholly-owned subsidiary of the company merged with and into CMW, with CMW continuing as the surviving entity and a wholly-owned subsidiary of the company. As a result of the merger, all of the outstanding equity securities of CMW were canceled and now only represent the right to receive the applicable consideration as described in the merger agreement. The preliminary aggregate merger consideration was $679.6 million ("purchase price"), and remains subject to customary adjustments based on, among other things, the amount of actual cash, debt and working capital in the business of CMW at the closing date. The company funded the preliminary purchase price for the acquisition by using cash proceeds from the issuance of $500 million of borrowings under the company's unsecured senior term loan credit agreement, which included a $200 million three year unsecured senior term loan maturing on April 1, 2022 and a $300 million five year unsecured senior term loan maturing on April 1, 2024. The residual balance of the preliminary purchase price of $179.6 million was funded through cash proceeds from borrowings on the company's unsecured senior revolving credit facility.

The following Unaudited Pro Forma Condensed Combined Financial Information is based on the historical Consolidated Financial Statements of Toro and CMW after giving effect to the acquisition and the assumptions and adjustments described in the accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

The Unaudited Pro Forma Condensed Combined Statements of Earnings were prepared in accordance with Article 11 of Securities and Exchange Commission ("SEC") Regulation S-X and the acquisition method of accounting in accordance with the accounting standards codification guidance for business combinations, with Toro being the acquiring entity. The Unaudited Pro Forma Condensed Combined Statements of Earnings reflect estimates and assumptions deemed appropriate by company management to give effect to the acquisition as if it had been completed effective as of November 1, 2017, the beginning of Toro's fiscal 2018.

The Unaudited Pro Forma Condensed Combined Statements of Earnings and related Notes to Unaudited Pro Forma Condensed Combined Financial Information have been prepared utilizing period ends that differ by 93 days or less, as permitted by Regulation S-X. Toro reports annual financial results on a fiscal year ending October 31, and quarterly results are reported based on three-month periods that generally end on the Friday closest to the quarter end. For comparative purposes, however, Toro’s second and third quarters always include exactly 13 weeks of results so that the quarter end date for these two quarters is not necessarily the Friday closest to the calendar month end. CMW reports on a calendar year ending December 31 and accordingly, April 30, 2019 was the period end closest to Toro's fiscal second quarter ended May 3, 2019. This reporting period difference is not material to the Unaudited Pro Forma Condensed Combined Statements of Earnings for the six months ended May 3, 2019.

The Unaudited Pro Forma Condensed Combined Statements of Earnings for the six months ended May 3, 2019 includes (i) Toro's results of operations for the six months ended May 3, 2019, which are inclusive of CMW's results of operations from the acquisition date through April 30, 2019, and (ii) CMW's results of operations for the period November 1, 2018 through the acquisition date. The Unaudited Pro Forma Condensed Combined Statements of Earnings for the fiscal year ended October 31, 2018 includes (i) Toro's results of operations for the fiscal year ended October 31, 2018 and (ii) CMW's results of operations for the calendar year ended December 31, 2018.

The preliminary allocation of the purchase price used in the Unaudited Pro Forma Condensed Combined Financial Information, and described within Note 3 of the Notes to Unaudited Pro Forma Condensed Combined Financial Information, is based upon preliminary estimates. The preliminary estimated fair values of certain assets and liabilities have been determined with the assistance of a third-party valuation firm and such firm's preliminary work. Toro's estimates and assumptions are subject to change during the measurement period (up to one year from the acquisition date) as Toro finalizes the valuations of certain tangible and intangible assets acquired and liabilities assumed in connection with the acquisition. The company believes that the information available as of the closing date provides a reasonable basis for estimating the fair values of the assets acquired and liabilities assumed; however, the company is continuing to finalize these amounts, particularly with respect to income taxes and valuations of inventories, fixed assets, and intangible assets.

The Unaudited Pro Forma Condensed Combined Financial Information has been presented for informational purposes only. The Unaudited Pro Forma Condensed Combined Statements of Earnings and related Notes to Unaudited Pro Forma Condensed Combined Financial Information are not necessarily indicative of the results that would have been achieved had the acquisition actually taken place on November 1, 2017, the first day of Toro's fiscal 2018, and accordingly, do not purport to be indicative of future Consolidated Results of Operations. The Unaudited Pro Forma Condensed Combined Statement of Earnings and Notes to

Unaudited Pro Forma Condensed Combined Financial Information do not reflect any synergies, operating efficiencies, and/or cost savings that may be realized from the integration of the acquisition.

The Unaudited Pro Forma Condensed Combined Statements of Earnings and Notes to Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with:

- The historical Consolidated Financial Statements of Toro included in the Annual Report on Form 10-K for the year ended October 31, 2018 filed with the SEC on December 21, 2018;
- Toro's subsequent Quarterly Reports on Form 10-Q for the fiscal quarter ended February 1, 2019 and fiscal quarter ended May 3, 2019 filed with the SEC on March 6, 2019 and June 5, 2019, respectively; and
- The historical consolidated financial statements of CMW for the calendar years ended December 31, 2018 and 2017 included within Exhibit 99.1 of this Current Report on Form 8-K/A.

A pro forma condensed combined balance sheet is not required within this Unaudited Pro Forma Condensed Combined Financial Information as Toro's acquisition of CMW has already been reflected within Toro's historical Condensed Consolidated Balance Sheet as of May 3, 2019, included in the company’s Quarterly Report on Form 10-Q for the fiscal quarter ended May 3, 2019, and filed with the SEC on June 5, 2019.

THE TORO COMPANY AND SUBSIDIARIES
Unaudited Pro Forma Condensed Combined Statements of Earnings
Six Months Ended May 3, 2019
(Dollars and shares in thousands, except per share data)

	Historical Results (Note 2)		Pro Forma		
	Toro	**CMW**	**Adjustments**	**Note 4**	**Combined**
Net sales	$ 1,564,992	$ 299,251	$ —		$ 1,864,243
Cost of sales	1,028,077	211,040	(8,422)	**[A]**	1,230,695
			701	**[B]**	701
			(1,097)	**[C]**	(1,097)
Gross profit	536,915	88,211	8,818		633,944
Selling, general and administrative expense (Note 5)	329,136	35,488	774	**[B]**	365,398
			3,473	**[C]**	3,473
			(12,250)	**[D]**	(12,250)
Operating earnings	207,779	52,723	16,821		277,323
Interest (expense) income	(11,436)	31	(10,139)	**[E]**	(21,544)
Other income, net	10,857	992			11,849
Earnings before income taxes	207,200	53,746	6,682		267,628
Provision for income taxes	32,090	1,427	707	**[F]**	34,224
Net earnings	$ 175,110	$ 52,319	$ 5,975		$ 233,404
Basic net earnings per share of common stock	$ 1.64				$ 2.19
Diluted net earnings per share of common stock	$ 1.62				$ 2.16
Weighted-average number of shares of common stock outstanding — Basic	106,466				106,466
Weighted-average number of shares of common stock outstanding — Diluted	107,909				107,909

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

THE TORO COMPANY AND SUBSIDIARIES
Unaudited Pro Forma Condensed Combined Statements of Earnings
Fiscal Year Ended October 31, 2018
(Dollars and shares in thousands, except per share data)

	Historical Results (Note 2)		Pro Forma		
	Toro	**CMW**	**Adjustments**	**Note 4**	**Combined**
Net sales	$ 2,618,650	$ 729,377	$ —		$ 3,348,027
Cost of sales	1,677,639	510,227	1,681	**[B]**	2,189,547
Gross profit	941,011	219,150	(1,681)		1,158,480
Selling, general and administrative expense	567,926	184,015	1,858	**[B]**	753,799
			7,183	**[C]**	7,183
			(663)	**[D]**	(663)
Operating earnings	373,085	35,135	(10,059)		398,161
Interest expense	(19,096)	(682)	(23,649)	**[E]**	(43,427)
Other income, net	18,408	1,499			19,907
Earnings before income taxes	372,397	35,952	(33,708)		374,641
Provision for income taxes	100,458	6,466	(5,174)	**[F]**	101,750
Net earnings	$ 271,939	$ 29,486	$ (28,534)		$ 272,891
Basic net earnings per share of common stock	$ 2.56				$ 2.57
Diluted net earnings per share of common stock	$ 2.50				$ 2.51
Weighted-average number of shares of common stock outstanding — Basic	106,369				106,369
Weighted-average number of shares of common stock outstanding — Diluted	108,657				108,657

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

Note 1 - Description of Transaction

On April 1, 2019 ("closing date" or "acquisition date"), pursuant to the Agreement and Plan of Merger dated February 14, 2019 ("merger agreement"), The Toro Company ("Toro" or "company") completed the acquisition of The Charles Machine Works, Inc. ("CMW"), a privately held Oklahoma corporation ("acquisition"). The transaction was structured as a merger, pursuant to which a wholly-owned subsidiary of the company merged with and into CMW, with CMW continuing as the surviving entity and a wholly-owned subsidiary of the company. As a result of the merger, all of the outstanding equity securities of CMW were canceled and now only represent the right to receive the applicable consideration as described in the merger agreement. The preliminary aggregate merger consideration was $679.6 million ("purchase price"), and remains subject to customary adjustments based on, among other things, the amount of actual cash, debt and working capital in the business of CMW at the closing date. The company funded the preliminary purchase price for the acquisition by using cash proceeds from the issuance of $500 million of borrowings under the company's unsecured senior term loan credit agreement, which included a $200 million three year unsecured senior term loan maturing on April 1, 2022 and a $300 million five year unsecured senior term loan maturing on April 1, 2024. The residual balance of the preliminary purchase price of $179.6 million was funded through cash proceeds from borrowings on the company's unsecured senior revolving credit facility.

Note 2 - Basis of Presentation

The Unaudited Pro Forma Condensed Combined Statements of Earnings were prepared in accordance with Article 11 of Securities and Exchange Commission ("SEC") Regulation S-X and the acquisition method of accounting in accordance with the accounting standards codification guidance for business combinations, with Toro being the acquiring entity. The Unaudited Pro Forma Condensed Combined Statements of Earnings reflect estimates and assumptions deemed appropriate by company management to give effect to the acquisition as if it had been completed effective as of November 1, 2017, the beginning of Toro's fiscal 2018.

The Unaudited Pro Forma Condensed Combined Statements of Earnings were prepared using the historical financial information of Toro and CMW, both of which are presented in accordance with generally accepted accounting principles in the United States of America. Certain reclassifications have been made to CMW's historical financial statements to conform to the presentation used in Toro's historical Consolidated Financial Statements. The historical financial information of Toro and CMW was adjusted to give effect to the transactions that are (i) directly attributable to the acquisition, (ii) factually supportable, and (iii) expected to have a continuing impact on the operating results of the combined company. Nonrecurring charges or credits and related tax effects, which result directly from the acquisition and do not have a continuing impact as they will be included in the earnings of the company within the 12 months following the acquisition, are not included in the Unaudited Pro Forma Condensed Combined Statements of Earnings.

Toro reports annual financial results on a fiscal year ending October 31, and quarterly results are reported based on three-month periods that generally end on the Friday closest to the quarter end. For comparative purposes, however, Toro’s second and third quarters always include exactly 13 weeks of results so that the quarter end date for these two quarters is not necessarily the Friday closest to the calendar month end. CMW reports on a calendar year ending December 31 and accordingly, April 30, 2019 was the period end closest to Toro's fiscal second quarter ended May 3, 2019. This reporting period difference is not material to the Unaudited Pro Forma Condensed Combined Statements of Earnings for the six months ended May 3, 2019.

The Unaudited Pro Forma Condensed Combined Statements of Earnings for the six months ended May 3, 2019 includes (i) Toro's results of operations for the six months ended May 3, 2019, which are inclusive of CMW's results of operations from the acquisition date through April 30, 2019, and (ii) CMW's results of operations for the period November 1, 2018 through the acquisition date. The Unaudited Pro Forma Condensed Combined Statements of Earnings for the fiscal year ended October 31, 2018 includes (i) Toro's results of operations for the fiscal year ended October 31, 2018 and (ii) CMW's results of operations for the calendar year ended December 31, 2018. To align periods, the results of CMW for the months of November 2018 and December 2018 are included in the Unaudited Pro Forma Condensed Combined Statements of Earnings for both the six month period ended May 3, 2019 and the fiscal year ended October 31, 2018. The net sales and net earnings for CMW for the combined months of November 2018 and December 2018 were $121.7 million and $0.6 million, respectively.

The Unaudited Pro Forma Condensed Combined Financial Information has been presented for informational purposes only. The Unaudited Pro Forma Condensed Combined Statements of Earnings and related Notes to Unaudited Pro Forma Condensed Combined Financial Information are not necessarily indicative of the results that would have been achieved had the acquisition actually taken place on November 1, 2017, the first day of Toro's fiscal 2018, and accordingly, do not purport to be indicative of future Consolidated Results of Operations. The Unaudited Pro Forma Condensed Combined Statement of Earnings and Notes to

Unaudited Pro Forma Condensed Combined Financial Information do not reflect any synergies, operating efficiencies, and/or cost savings that may be realized from the integration of the acquisition. Future results may vary significantly from the results reflected within the Unaudited Pro Forma Condensed Combined Statement of Earnings and Notes to Unaudited Pro Forma Condensed Combined Financial Information due to various factors, including those discussed in the section entitled “Risk Factors” in the company’s Annual Report on Form 10-K for the year ended October 31, 2018 filed with the SEC on December 21, 2018, as updated by the company's subsequent filings of Quarterly Reports on Form 10-Q for the fiscal quarter ended February 1, 2019 and fiscal quarter ended May 3, 2019 filed with the SEC on March 6, 2019 and June 5, 2019, respectively.

A pro forma condensed combined balance sheet is not required within this Unaudited Pro Forma Condensed Combined Financial Information as Toro's acquisition of CMW has already been reflected within Toro's historical Condensed Consolidated Balance Sheet as of May 3, 2019, included in the company’s Quarterly Report on Form 10-Q for the fiscal quarter ended May 3, 2019, and filed with the SEC on June 5, 2019.

Note 3 - Preliminary Purchase Price Allocation

The preliminary purchase price allocation has been used to prepare the pro forma adjustments in the Unaudited Pro Forma Condensed Combined Statements of Earnings. As it relates to the preliminary purchase price allocation, there are two components that dictate the pro forma adjustments in the Unaudited Pro Forma Condensed Combined Statements of Earnings and are subject to change: (i) the preliminary purchase price and (ii) the estimated fair values assigned to the assets acquired and the liabilities assumed.

The preliminary purchase price remains subject to customary adjustments based on, among other things, the amount of actual cash, debt and working capital in the business of CMW at the closing date. Additionally, the company accounted for the acquisition of CMW in accordance with the accounting standards codification guidance for business combinations, whereby the total purchase price was allocated to the acquired net tangible and intangible assets of CMW based on their fair values as of the closing date. The company believes that the information available as of the closing date provides a reasonable basis for estimating the fair values of the assets acquired and liabilities assumed; however, the company is continuing to finalize these amounts, particularly with respect to income taxes and valuations of inventories, fixed assets, and intangible assets. Thus, the preliminary measurements of fair value reflected are subject to change as additional information becomes available and as additional analysis is performed. The company expects to finalize the preliminary purchase price, the valuation of the assets acquired and liabilities assumed, and complete the allocation of the purchase price as soon as practicable, but no later than one year from the closing date of the acquisition, as required.

The following table summarizes the allocation of the preliminary purchase price to the values assigned to the CMW assets acquired and liabilities assumed. These values are based on internal company and independent external third-party valuations and are subject to change as certain asset and liability valuations are finalized:

(Dollars in thousands)	**April 1, 2019**
Cash and cash equivalents	$ 16,036
Receivables	65,618
Inventories	243,721
Prepaid expenses and other current assets	8,209
Property, plant and equipment	142,700
Goodwill	145,538
Other intangible assets	232,980
Other long-term assets	12,956
Accounts payable	(36,644)
Accrued liabilities	(44,260)
Deferred income tax liabilities	(83,254)
Other long-term liabilities	(7,985)
Total fair value of net assets acquired	695,615
Less: cash and cash equivalents acquired	(16,036)
Total purchase price	$ 679,579

Note 4 - Pro Forma Adjustments

The following adjustments have been reflected in the Unaudited Pro Forma Condensed Combined Statements of Earnings and are based on the company's preliminary estimates and assumptions which are subject to change:

[A] Represents the removal of historical amortization expense of the estimated inventory fair value purchase accounting adjustment from the acquisition date through May 3, 2019 from the Unaudited Pro Forma Condensed Combined Statements of Earnings for the six month period ended May 3, 2019. As a result of preliminary purchase accounting adjustments to record the acquired assets of CMW at fair market value, inventories has increased by $34.3 million to its estimated fair market value. This purchase accounting adjustment has been amortized since the acquisition date and has increased Toro's historical cost of sales by $8.4 million for the six month period ended May 3, 2019. The amortization of this purchase accounting adjustment is directly attributable to the acquisition and does not have a continuing impact.

[B] Reflects the impact of additional estimated pro forma depreciation expense as a result of the estimated fair value purchase accounting adjustments and change in estimated useful lives for CMW's property, plant and equipment assets on cost of sales and selling, general, and administrative expense ("SG&A expense") within the Unaudited Pro Forma Condensed Combined Statements of Earnings for the six months ended May 3, 2019 and fiscal year ended October 31, 2018. As a result of preliminary purchase accounting adjustments to record the assets of CMW at fair market value, property, plant and equipment has been adjusted by $28.9 million to its estimated fair market value. Property, plant, and equipment will be depreciated over the estimated useful lives of the respective assets under the straight-line depreciation method. The estimated useful lives are as follows: 20 years for buildings, 5 to 10 years for machinery and equipment, and 1 to 5 years for other fixed assets.

The following table presents the impact of additional estimated pro forma depreciation expense within the Unaudited Pro Forma Condensed Combined Statements of Earnings for the six months ended May 3, 2019 and fiscal year ended October 31, 2018:

(Dollars in thousands)	Six Months Ended May 3, 2019[1]	Fiscal Year Ended October 31, 2018
Cost of sales	$ 701	$ 1,681
Selling, general and administrative expense	$ 774	$ 1,858

1 Amounts represent five months of additional estimated pro forma depreciation expense as depreciation expense recorded from the acquisition date through May 3, 2019 is reflected within Toro's historical results of operations.

[C] Represents (i) the impact of additional estimated pro forma amortization expense on SG&A expense for the six month period ended May 3, 2019 and fiscal year ended October 31, 2018 as a result of the estimated fair value purchase accounting adjustments and estimated useful lives for the other intangible assets acquired, excluding backlog, (ii) the removal of historical other intangible asset amortization expense from SG&A expense within CMW's historical results of operations for the six month period ended May 3, 2019 and fiscal year ended October 31, 2018, and (iii) the removal of the historical amortization expense of the estimated fair value of the backlog other intangible asset acquired from cost of sales within Toro's historical results of operations for the six month period ended May 3, 2019.

The allocation of the preliminary purchase price to the net assets acquired resulted in the recognition of $233.0 million of other intangible assets as of the closing date. The company has determined preliminary estimates of fair value and preliminary useful lives of the other intangible assets acquired and the company believes that the information available as of the closing date provides a reasonable basis for estimating the fair values of the other intangible assets acquired; however, the company is continuing to finalize these amounts. Thus, the preliminary measurements of the estimated fair values reflected are subject to change as additional information becomes available and as additional analysis is performed. Changes to the company's preliminary estimates of fair value and useful lives of the other intangible assets acquired could have a significant impact on the accompanying Unaudited Pro Forma Condensed Combined Statements of Earnings.

The preliminary fair values of the acquired trade name, customer-related, developed technology and backlog intangible assets were estimated using the income approach. Under the income approach, an intangible asset's fair value is equal to the present value of future economic benefits to be derived from ownership of the asset. The preliminary fair values of the trade names were estimated using the relief from royalty method, which is based on the hypothetical royalty stream that would be received if the company were to license the trade name and was based on expected future revenues. The preliminary fair values of the customer-related, developed technology, and backlog intangible assets were determined using the excess earnings method. The preliminary fair values of such other intangible assets under the excess earnings method are based on the expected operating cash flows attributable to the respective other intangible asset, which were estimated by deducting economic costs, including operating expenses and contributory asset charges, from revenue expected to be generated from the respective other intangible asset. The preliminary useful lives of the intangible assets were determined based on the period of expected cash flows used to measure the preliminary fair value of the intangible assets adjusted as appropriate for entity-specific factors including legal, regulatory, contractual, competitive, economic, and/or other factors that may limit the useful life of the respective intangible asset.

The following table summarizes the preliminary estimated fair values of the identifiable other intangible assets acquired, their estimated useful lives and estimated pro forma amortization expense:

			Amortization Expense	
(Dollars in thousands)	**Estimated Weighted-Average Useful Life**	**Estimated Fair Value**	**Six Months Ended May 3, 2019**	**Fiscal Year Ended October 31, 2018**
Customer-related	18.1	$ 111,400	$ 3,455	$ 6,911
Developed technology	7.7	19,300	1,596	3,192
Trade names	20.0	5,300	133	265
Backlog[1]	0.5	6,580	—	6,580
Total amortizable	16.0	142,580	5,184	16,948
Non-amortizable - trade names		90,400	—	
Total other intangible assets		$ 232,980	5,184	16,948
Less: Backlog which does not have a continuing impact[1]			—	(6,580)
Pro forma amortization expense			5,184	10,368
Less: CMW historical amortization expense			(847)	(3,185)
Less: Backlog amortization expense recorded within cost of sales since the closing date[1]			(1,097)	—
Less: Amortization expense recorded within SG&A expense since the closing date			(864)	—
Pro forma adjustments to amortization expense			$ 2,376	$ 7,183

[1] The estimated fair value of the backlog intangible asset has an estimated useful life of six months and the amortization of the estimated fair value of the backlog intangible asset is directly related to the acquisition and does not have a continuing impact. As a result, the estimated fair value of the backlog intangible asset would be fully amortized during the fiscal year ended October 31, 2018, as the acquisition date assumed for purposes of Unaudited Pro Forma Condensed Combined Statements of Earnings is November 1, 2017, and the impact of such amortization expense was excluded from the Unaudited Pro Forma Condensed Combined Statements of Earnings for the fiscal year ended October 31, 2018. Additionally, the amortization expense recorded within Toro's historical results of operations in cost of sales from the acquisition date through May 3, 2019 of $1.1 million was removed from cost of sales within Toro's historical results of operations for the six months ended May 3, 2019.

[D] Reflects the removal of acquisition-related transaction costs of $9.7 million and $2.6 million incurred by Toro and CMW, respectively, for the six months ended May 3, 2019 and $0.4 million and $0.2 million of acquisition-related transaction costs incurred by Toro and CMW, respectively, for the fiscal year ended October 31, 2018. The amounts represent nonrecurring charges which result directly from the acquisition and do not have a continuing impact as they will be included in the earnings of the company within the 12 months following the acquisition.

[E] Represents the net increase to interest expense resulting from interest expense incurred on the issuance of borrowings under the company's unsecured senior term loan credit agreement and the amounts drawn on the company's unsecured senior revolving credit facility to fund the acquisition of CMW, as well as the amortization of related debt issuance costs.

The pro forma adjustments to interest expense were as follows:

(Dollars in thousands)	Six Months Ended May 3, 2019	Fiscal Year Ended October 31, 2018
Interest expense incurred on new debt[1]	$ 12,260	$ 24,520
Elimination of CMW interest expense	(141)	(1,023)
Amortization of debt issuance costs	76	152
Total interest expense and amortization	12,195	23,649
Less: interest expense and amortization recorded since closing date	(2,056)	—
Pro forma adjustments to interest expense	$ 10,139	$ 23,649

1 The outstanding borrowings under the company's unsecured senior term loan credit agreement and unsecured senior revolving credit facility bear interest at a variable rate generally based on LIBOR, or an alternative base rate. The interest expense in the table assumes that the variable rates as of the acquisition date for the company's term loan facilities of 3.44% to 3.54% and the company's revolving credit facility of 3.51%, as well as the outstanding borrowings of $179.6 million under the company's unsecured senior revolving credit facility, were constant through the periods presented in the Unaudited Pro Forma Condensed Combined Statement of Earnings. A 1/8% increase or decrease in the variable interest rates for the company's unsecured senior term loan credit agreement and unsecured senior revolving credit facility, would result in an increase or decrease to interest expense of $0.4 million and $0.9 million for the six months ended May 3, 2019 and the fiscal year ended October 31, 2018, respectively.

[F] Reflects the income tax effect on pro forma adjustments based on the estimated blended federal and state statutory tax rates of 23.9% and 26.1% for the six month period ended May 3, 2019 and the fiscal year ended October 31, 2018, respectively. These tax rates do not reflect the combined company expected effective tax rate, which will include other tax charges and benefits, and do not take into account any historical or possible future tax events that may impact the combined company expected effective tax rate.

Note 5 - Post-Retirement Health Care Benefits

On January 1, 2019, CMW amended its retiree medical plans so that no employee hired, or rehired, after that date would be eligible for such retiree medical plans. CMW further amended its retiree medical plans on February 14, 2019 so that no employee who terminates employment after February 14, 2019 is eligible to participate in the retiree medical plans and to terminate its retiree medical plans effective December 31, 2019. The amendments and resulting termination of CMW's retiree medical plans resulted in a gain of approximately $45.8 million. This gain is reflected within SG&A expense in the Unaudited Pro Forma Condensed Combined Statements of Earnings for the six month period ended May 3, 2019. The impact on diluted net earnings per share of common stock for the six month period ended May 3, 2019 was $0.42 per diluted share of common stock.