

THE UNIVERSITY OF BRITISH COLUMBIA
PETER A. ALLARD SCHOOL OF LAW

FINAL EXAMINATION – April 2021

LAW 467C.001

Topics in Corporate Law: Financial Accounting in Legal Practice

Professor Jawanda

EXAM PASSWORD: c26yC3

RESUME CODE: B14757

TOTAL MARKS 80

(8:50 AM PDT) **PREPARATION TIME ALLOWED: 10 MINUTES**

(9:00 AM PDT) **WRITING (INCLUSIVE OF READING) TIME ALLOWED: 3 HOURS**

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THIS EXAMINATION CONSISTS OF THE FOLLOWING PARTS:

Part 1 – Multiple Choice (20 Questions for 20 Marks)

Part 2 – Short Answers (5 Questions for 25 Marks)

Part 3 – Case Analysis (8 Questions for 35 Marks)

Total – 80 Marks

PART 1 – MULTIPLE CHOICE (20 QUESTIONS – 1 MARK EACH)

Record your answers in Exemplify. Select only one answer for each question. If more than one answer is selected for a question, no marks for that question will be awarded.

1. On January 1, 2020, Thunderbird Limited, a calendar-year company, issued \$160,000 of notes payable, of which \$40,000 is due on January 1 for each of the next four years. The proper balance sheet presentation on December 31, 2020, is
 - a. Current Liabilities, \$160,000.
 - b. Long-term Debt, \$160,000.
 - c. Current Liabilities, \$40,000; Long-term Debt, \$120,000.
 - d. Current Liabilities, \$120,000; Long-term Debt, \$40,000.
 - e. Current Liabilities, \$40,000; balance disclosed as a contingent liability.

2. On January 1, 2020, two individuals invested \$150,000 each to form Thunderbird Corporation. Thunderbird had total revenues of \$15,000 during 2020 and \$40,000 during 2021. Total expenses for the same periods were \$8,000 and \$22,000, respectively. Cash dividends paid out to shareholders totaled \$6,000 in 2020 and \$12,000 in 2021. What was the ending balance in Thunderbird's retained earnings account at the end of 2020 and 2021?
 - a. \$1,000 and \$6,000 respectively.
 - b. \$1,000 and \$7,000, respectively.
 - c. \$7,000 and \$19,000 respectively.
 - d. \$301,000 and \$306,000 respectively.
 - e. Zero and \$7,000, respectively.

3. Thunderbird Robotics reported the following amounts at the end of the first year of operations, December 31, 2020: Share capital \$20,000; Sales revenue \$95,000; Total assets \$85,000, No dividends, and Total liabilities \$35,000. What would shareholders' equity and total expenses be?
 - a. Shareholders' equity, \$50,000 and expenses, \$65,000.
 - b. Shareholders' equity, \$60,000 and expenses, \$75,000.
 - c. Shareholders' equity, \$80,000 and expenses, \$40,000.
 - d. Shareholders' equity, \$80,000 and expenses, \$85,000.
 - e. Shareholders' equity, \$50,000 and expenses, \$75,000.

4. Buying assets needed to operate a business is an example of a(n):
- purchasing activity.
 - financing activity.
 - investing activity.
 - operating activity.
 - core operating activity.
5. Assume Thunderbird Construction's January 1, 2021, financial position was: Assets, \$40,000 and Liabilities, \$15,000. During January 2021, the company completed the following transactions: (a) paid on a note payable, \$4,000 (no interest); (b) collected trade receivables, \$4,000; (c) paid trade payables, \$2,000; and (d) purchased a truck, \$1,000 cash, and \$8,000 notes payable. What is the company's January 31, 2021 financial position?

	Assets	Liabilities	Shareholders' Equity
A)	\$42,000	\$9,000	\$33,000
B)	\$44,000	\$17,000	\$27,000
C)	\$43,000	\$18,000	\$25,000
D)	\$42,000	\$17,000	\$25,000

- Choice A
 - Choice B
 - Choice C
 - Choice D
 - None of the above
6. What is the primary purpose of the balance sheet?
- To measure the profit of a business up to a particular point in time.
 - To report the difference between cash inflows and cash outflows for the period.
 - To report the financial position of the reporting entity at a particular point in time.
 - To report assets at their current market value at a particular point in time.
 - To report the financial position of the reporting entity for a particular period of time.
7. What key amount is deducted from a company's enterprise value to arrive at its equity value?
- Inventory
 - Indebtedness
 - Contingent liabilities
 - Gains from discontinued activities
 - None of the above

8. Thunderbird Auto Company had profit of \$47,500 and earnings per share of \$3.17 during 2020. On December 31, 2020, the shares had a market price of \$18.50 per share. What is Thunderbird's price/earnings ratio?
- 0.17
 - 5.84
 - 8.11
 - 25.70
 - 10.50
9. Thunderbird Enterprises reported total sales revenue of \$55,000 and total expenses amounting to \$45,000 (i.e., profit of \$10,000) on its income statement for the year ended December 31, 2020. During 2020, trade receivables decreased by \$4,000, merchandise inventory decreased by \$6,000, trade payables increased by \$2,000 and depreciation of \$8,000 was recorded. Therefore, based only on this information, the net cash flow from operating activities for 2020 would be which of the following?
- \$10,000.
 - \$18,000.
 - \$19,000.
 - \$30,000.
 - None of the above
10. If a reporting issuer's annual financial statements contain a material misrepresentation due to misapplication of a particular accounting policy, which of the following is not a remedy available to securities regulators?
- Re-file documents
 - Cease trading the issuer's shares
 - Fines and penalties
 - Seizure of company assets
 - Require modification of documents going forward
11. Thunderbird Services had the following activity during 2020::

Proceeds from sale of bonds payable	\$200,000
Loss from disposal of equipment (\$0 proceeds from disposal)	\$38,000
Dividends paid to shareholders	\$25,000
Sale of common shares of Thunderbird	\$125,000
Gain on the sale of short term investments (\$100,000 proceeds from sale)	\$75,000

What is the cash flow from investing activities?

- \$57,000
- \$100,000
- \$93,000
- \$22,000
- \$47,000

12. In the example in #11 above, what is the cash flow from financing activities?

- a. \$325,000
- b. \$75,000
- c. \$100,000
- d. \$337,000
- e. \$300,000

13. The following information is available for Thunderbird Electronics:

Cash	\$4,000
Marketable securities	75,000
Accounts receivable	61,000
Inventories	110,000
Prepaid expenses	<u>30,000</u>
Total current assets	<u>\$280,000</u>
Total current liabilities	<u>\$80,000</u>

The quick ratio (acid test) for Thunderbird is:

- a. 1.75
- b. 2.13
- c. 3.25
- d. 1.3
- e. 0

14. Which of the below is a conventional valuation approach?

- a. Based on future earnings
- b. Based on asset value
- c. Based on comparable sales
- d. None of the above
- e. All of the above

15. The cash flow statement and the balance sheet are interrelated because:

- a. the ending amount of cash on the cash flow statement must agree with the amount on the income statement.

- b. the ending amount of cash on cash flow statement must agree with the amount in the retained earnings statement.
 - c. the ending amount of cash on the cash flow statement must agree with the amount in the balance sheet.
 - d. both disclose the corporation's profit.
 - e. both are reporting financial balances as of a particular point in time.
16. Which of the below does not form part of a reporting issuer's continuous disclosure record?
- a. Annual financial statements
 - b. Quarterly financial statements
 - c. Business Acquisition Reports
 - d. Proxy Circular
 - e. Monthly financial statements
17. Which of the following is not a non-GAAP/non-IFRS measure?
- a. Free cash flow
 - b. Adjusted EBITDA
 - c. Enterprise value
 - d. Income from continuing operations
 - e. Price earnings ratio
18. A company with \$60,000 in current assets and \$40,000 in current liabilities pays a \$1,000 current liability. Because of this transaction, the current ratio and working capital will
- a. both decrease.
 - b. both increase.
 - c. remain the same and decrease, respectively.
 - d. increase and remain the same, respectively.
 - e. both remain the same
19. In what order are assets are listed on a statement of financial position?
- a. Dollar amount (largest first).
 - b. Date of acquisition (earliest first).
 - c. Ease of conversion to cash.
 - d. Importance to the operation of the business.
 - e. By how quickly they will be used to satisfy liabilities.
20. Thunderbird Ventures had profit before interest and taxes of \$120,000. Interest expense for the period was \$17,000 and income taxes amounted to \$28,500. The average shareholders' equity was \$680,000. What is Thunderbird's return on equity?
- a. 10.96%
 - b. 13.46%
 - c. 15.15%
 - d. 17.65%
 - e. 9.50%

PART 2 – SHORT ANSWERS (5 QUESTIONS FOR 25 MARKS)

Provide your written answers in Exemplify.

MARKS**5 Question 1**

Thunderbird Professional Services rendered services to customers amounting to \$6,000 during 2020 the related cash was collected as follows: \$4,000 in 2020; \$2,000 in 2021. During 2020, \$3,000 was incurred for wages expense; the related cash payments were made as follows: \$1,200 in 2020; in 2021, \$1,800. Based only on this data, provide Thunderbird's (a) revenue, (b) expenses and (c) net income in each of 2020 and 2021. Show your calculations.

3 Question 2

In litigation involving an economic loss calculation, discuss three measures of loss calculations and examples of appropriate contexts in which each such measure would be used.

6 Question 3

Linus, Gina and Mary organized Thunderbird Industrial Corporation on January 1, 2020. Each of these owners invested \$30,000 cash and received shares. Below are selected transactions that were completed during the month of January 2020.

- (1) Sold shares to the owners (\$30,000 cash from each owner)
- (2) Borrowed \$100,000 on one-year note payable.
- (3) Purchased land by signing a \$20,000 note payable.
- (4) Paid \$5,000 of trade payables.
- (5) Purchased two service vehicles, \$21,000 each; paid cash.
- (6) Accepted a promissory note of \$1,000 from a customer.

Provide Thunderbird's (a) assets, (b) liabilities and (c) shareholders' equity as of January 31, 2020.

5 Question 4

LSAT Linus is the original founder of Thunderbird Cosmetics, a Canadian organic cosmetics brand. Thunderbird was a private company until it listed its shares on the TSX in 2018 by way of an initial public offering. LSAT Linus still owns 15% of the common shares of Thunderbird and is its largest shareholder.

The board of directors of Thunderbird recently entered into a merger of equals transaction with a prominent competitor, Point Grey Beauty Products. Each

shareholder of Thunderbird would receive 0.75 shares of Point Grey in exchange for each Thunderbird share held.

The transaction will be effected by way of a plan of arrangement pursuant to the *Business Corporations Act* (British Columbia). LSAT Linus is very underwhelmed by the transaction and votes his shares against the transaction at Thunderbird's shareholders' meeting. He believes that the valuation implied by receiving 0.75 Point Grey shares for each Thunderbird share grossly undervalues Thunderbird.

What rights does Linus in respect of the transaction? How does he exercise these rights and what is the process he will have to go through?

6 **Question 5**

Thunderbird Airlines is a small airline and has been severely impacted by the COVID-19 pandemic. As a result of various travel restrictions that are imposed as a result of the pandemic, on March 31, 2020, Thunderbird was forced to cancel all of its international flights for which it had already collected \$2 million in airfares from customers. It provided credit vouchers to its customers for the cancelled flights, which customers could use when international travel resumed. On December 31, 2020, the travel restrictions were still in place.

What would be the accounting treatment for the above on December 31, 2020?

On March 31, 2021, Thunderbird entered into a government support program, in which the federal government provided Thunderbird with an emergency loan that would be repayable 3 years later. However, the government required an undertaking from Thunderbird that it would issue refunds to customers whose flights were previously cancelled and who did not want the credit voucher.

What would be the accounting treatment for the above on March 31, 2021?

In your answers, describe and analyze any applicable accounting criteria for the proposed treatment.

PART 3 – CASE ANALYSIS (8 QUESTIONS FOR 35 MARKS)

Provide your written analysis in Exemplify.

Refer to the Thunderbird Trailers Inc. financial statements handout accompanying this examination for the financial statements to be used for this Case Analysis. Show your work for all calculations.

Thunderbird Trailers Inc. manufactures and sells a diverse range of RV trailers. It is headquartered in Vancouver. It had strong RV sales growth from 2018 to 2019 before the COVID-19 pandemic took a significant toll on its business in 2020. Thunderbird's manufacturing facility put in place a number of capacity restrictions to help promote social distancing, which resulted in lower RV inventory production in 2020. RV sales were also negatively affected as consumers were traveling less, saving more and less willing to make large purchases like RV trailers.

MARKS**4 Question 1**

Thunderbird was considering an acquisition of Point Grey Trailers. Point Grey is a competitor and its valuation came down to a very attractive level in 2020 due to the industry headwinds. Point Grey's 2020 financial year results were as follows:

Revenue for year ended December 31, 2020:	\$385 million
Net income for year ended December 31, 2020:	\$25 million
Assets at December 31, 2020:	\$140 million
Liabilities at December 31, 2020:	\$130 million
Shareholders' Equity at December 31, 2020:	\$10 million

- A. In the context of this potential transaction, what would pro forma financial statements be?
- B. If Thunderbird was a reporting issuer and its shares were listed on the Toronto Stock Exchange, would Thunderbird be required to prepare pro forma financial statements under applicable securities laws? Make reference to the three specific tests under applicable securities law.

4 Question 2

Calculate the following ratios for Thunderbird for fiscal 2020 (show your work) and provide an explanation as to their purpose for readers:

1. Quick ratio (acid test)
2. Inventory turnover

3. Receivables turnover
4. Interest coverage ratio

5 **Question 3**

Marine Drive Ventures is a U.S. private equity firm and is interested in acquiring Thunderbird. It reviews Thunderbird's financial metrics and sees that its market price on the stock exchange is \$25.00 as at December 31, 2020.

- A. What is Thunderbird's price to earnings ratio as of December 31, 2020?
- B. If other companies in the RV manufacturing industry were trading at a price to earnings ratio that was 22% lower than the ratio for Thunderbird, what could this be a sign of?
- C. Describe two common valuation methodologies that Marine Drive could use in respect of Thunderbird and how they could result in valuations different than the implied valuation of Thunderbird based on its stock price and price to earnings ratio above.

8 **Question 4**

Marine Drive is focused on Thunderbird's financing needs and challenges, particularly since the pandemic has had a material adverse impact on its cash position and liquidity. As a result, Marine Drive is extremely focused on Thunderbird's working capital. It wants its counsel to negotiate a working capital purchase price adjustment in the purchase agreement.

- A. What is your calculation of Thunderbird's working capital as at December 31, 2020?
- B. Describe the purpose of a working capital purchase price adjustment in the purchase agreement. Discuss three issues that frequently arise in negotiating such provisions (consider using examples to help explain these issues to Thunderbird).

Marine Drive is also in discussions with a lender, Students United Bank, to arrange a credit facility to help finance the acquisition and provide Thunderbird with more cash to sustain itself through the pandemic. Students United Bank agrees to provide Thunderbird with a revolving credit facility.

- C. Provide a proposed definition for a Debt / EBITDA ratio that Students United could use in a credit agreement. How can this definition be used within the context of a credit agreement in ways that can protect the bank's interests (i.e., what types of terms and conditions could this definition be used in)?

- D. Based on your proposed definition, provide a calculation for your ratio for the 2020 financial year.

3 **Question 5**

In 2020, Thunderbird was involved in a dispute with a key tire supplier, West Mall Tires, for its RV trailers. West Mall had previously provided a minimum number of tires to Thunderbird under a supply agreement that was entered into 10 years ago. As a matter of practice, Thunderbird always ordered at least 500 tires from West Mall. West Mall had always planned its year and production accordingly.

Due to the effects of the pandemic and its impact on RV sales, Thunderbird only ordered 200 tires from West Mall in 2020. On November 30, 2020, West Mall sent Thunderbird a demand letter requiring it to purchase the 500 tires it had historically been ordering and indicated that West Mall had already produced them and that they were sitting in its inventory. The value of the unsold tires in West Mall's inventory was \$100,000. West Mall also asserted these tires could not be sold elsewhere since the size of the tires was unique for Thunderbird's RV specifications.

After failing to come to a mutually acceptable arrangement, West Mall commenced litigation against Thunderbird on December 30, 2020 and demanded that it purchase 500 tires pursuant to the supply agreement and past practice as a specific performance remedy or alternatively to pay West Mall damages. Thunderbird resists on the basis that the practice of ordering 500 tires was an undocumented practice and that, in any case, it would be entitled to rely upon a *force majeure* provision in the supply agreement that excuses Thunderbird from its obligations due to circumstances beyond its reasonable control.

Discuss any disclosure and accounting obligations that Thunderbird may have with respect to the litigation (with reference to any applicable accounting criteria). What facts or assumptions would be relevant to your analysis?

5 **Question 6**

Thunderbird has been very conservative in its public disclosure and only publishes metrics that are presented on the face of its financial statements. Certain stock market analysts that cover Thunderbird complain that Thunderbird is being overly conservative and that all of its publicly traded competitors publish alternative metrics, particularly Adjusted EBITDA and Free Cash Flow. They criticize Thunderbird in their research reports since the failure to provide these metrics to the market makes it more difficult to compare and benchmark Thunderbird against its competitors. As a result, Thunderbird begins to trade at a 15% price to earnings ratio discount to its

peers. Thunderbird's management team decides to begin providing these metrics in its annual reports to avoid this trading discount.

- A. Provide a proposed definition and calculation (for the 2020 financial year) for Adjusted EBITDA for Thunderbird to use in the annual report.
- B. Provide a proposed definition and calculation (for the 2020 financial year) for Free Cash Flow for Thunderbird to use in the annual report.
- C. Provide an explanation as to why your proposed definitions above are useful to readers and any related limitations of your definition. What are the limitations imposed by Canadian securities laws?

3 **Question 7**

Review Thunderbird's cash flow statement for 2020. Provide an overall analysis of its cash flow position from its three types of activities and whether you view this as favourable or unfavourable in the context of Thunderbird, particularly in light of the expected effects of the pandemic on its business.

3 **Question 8**

The Thunderbird balance sheet discloses a line for "Commitments and Contingencies". What can these items be? Why is there no dollar amount for that line?

END OF EXAM QUESTIONS

ATTACHMENTS BEGIN ON FOLLOWING PAGE

(1) Thunderbird Trailers Inc. Financial Statements Handout

THUNDERBIRD TRAILERS INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	December 31,	
	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 163,467	\$ 178,853
Accounts receivable	153,634	152,824
Inventories	139,953	166,982
Deferred income taxes	-	22,431
Prepaid expenses and other	24,351	8,417
Total current assets	\$ 481,405	\$ 529,507
PROPERTY, PLANT AND EQUIPMENT	134,138	140,438
DEFERRED INCOME TAXES	20,343	1,358
GOODWILL	148,367	149,718
INTANGIBLE ASSETS	94,405	114,616
OTHER ASSETS	20,075	14,033
	\$ 898,733	\$ 949,670
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 2,468	\$ 37,611
Current portion of capital lease obligations	494	806
Accounts payable	71,338	79,618
Other accrued liabilities	92,314	93,042
Total current liabilities	\$ 166,614	\$ 211,077
LONG-TERM DEBT	233,465	274,885
CAPITAL LEASE OBLIGATIONS	1,409	1,875
DEFERRED INCOME TAXES	499	1,497
OTHER NONCURRENT LIABILITIES	24,355	20,525
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock 200,000,000 shares authorized, \$0.01 par value, 60,129,631 and 64,929,510 shares outstanding, respectively	725	715
Additional paid-in capital	640,883	642,908
Retained Earnings (Accumulated Deficit)	3,591	(111,907)
Accumulated other comprehensive loss	(2,847)	(1,500)
Treasury stock at cost, 12,474,109 and 6,638,643 common shares, respectively	(169,961)	(90,405)
Total stockholders' equity	\$ 472,391	\$ 439,811
	\$ 898,733	\$ 949,670

The accompanying notes are an integral part of these Consolidated Statements.

THUNDERBIRD TRAILERS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

	Year Ended December 31,		
	2020	2019	2018
NET SALES	\$ 1,845,444	\$ 2,027,489	\$ 1,863,315
COST OF SALES	<u>1,519,910</u>	<u>1,724,046</u>	<u>1,630,681</u>
Gross profit	\$ 325,534	\$ 303,443	\$ 232,634
GENERAL AND ADMINISTRATIVE EXPENSES	74,129	73,495	61,694
SELLING EXPENSES	27,270	27,233	26,676
AMORTIZATION OF INTANGIBLES	19,940	21,259	21,878
OTHER OPERATING EXPENSES	<u>1,663</u>	<u>1,087</u>	<u>-</u>
Income from operations	\$ 202,532	\$ 180,369	\$ 122,386
OTHER INCOME (EXPENSE):			
Interest expense	(15,663)	(19,548)	(22,165)
Other, net	<u>(1,452)</u>	<u>2,490</u>	<u>(1,759)</u>
Income before income taxes	\$ 185,417	\$ 163,311	\$ 98,462
INCOME TAX EXPENSE	<u>65,984</u>	<u>59,022</u>	<u>37,532</u>
Net income	<u>\$ 119,433</u>	<u>\$ 104,289</u>	<u>\$ 60,930</u>
BASIC NET INCOME PER SHARE	<u>\$ 1.87</u>	<u>\$ 1.55</u>	<u>\$ 0.88</u>
DILUTED NET INCOME PER SHARE	<u>\$ 1.82</u>	<u>\$ 1.50</u>	<u>\$ 0.85</u>

The accompanying notes are an integral part of these Consolidated Statements.

THUNDERBIRD TRAILERS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Years Ended December 31,		
	2020	2019	2018
Cash flows from operating activities			
Net income	\$ 119,433	\$ 104,289	\$ 60,930
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	16,830	16,739	16,951
Amortization of intangibles	19,940	21,259	21,878
Net loss (gain) on sale of property, plant and equipment	101	(8,299)	13
Loss on debt extinguishment	1,895	5,808	1,042
Deferred income taxes	4,044	(7,749)	16,573
Stock-based compensation	12,038	10,010	7,833
Non-cash interest expense	3,475	5,222	5,994
Impairment of goodwill and other intangibles	1,663	1,087	
Changes in operating assets and liabilities			
Accounts receivable	(809)	(17,618)	(14,848)
Inventories	24,969	10,162	3,116
Prepaid expenses and other	(10,147)	1,786	(571)
Accounts payable and accrued liabilities	(13,002)	(12,243)	(26,787)
Other, net	(1,680)	1,342	511
Net cash provided by operating activities	<u>\$ 178,750</u>	<u>\$ 131,795</u>	<u>\$ 92,635</u>
Cash flows from investing activities			
Capital expenditures	(20,342)	(20,847)	(19,957)
Proceeds from sale of property, plant and equipment	19	13,203	87
Other	3,014	-	4,113
Net cash used in investing activities	<u>\$ (17,309)</u>	<u>\$ (7,644)</u>	<u>\$ (15,757)</u>
Cash flows from financing activities			
Proceeds from exercise of stock options	4,831	2,012	1,921
Borrowings under revolving credit facilities	618	1,134	806
Payments under revolving credit facilities	(618)	(1,134)	(806)
Principal payments under capital lease obligations	(779)	(4,201)	(1,898)
Proceeds from issuance of term loan credit facility	-	192,845	-
Principal payments under term loan credit facility	(1,928)	(194,291)	(42,078)
Principal payments under industrial revenue bond	(473)	(496)	(475)
Debt issuance costs paid	-	(2,587)	-
Convertible senior notes repurchase	(98,922)	(22,936)	-
Stock repurchase	(79,556)	(61,757)	(1,497)
Net cash used in financing activities	<u>\$ (176,827)</u>	<u>\$ (91,411)</u>	<u>\$ (44,027)</u>
Net (decrease) increase in cash and cash equivalents	\$ (15,386)	\$ 32,740	\$ 32,851
Cash and cash equivalents at beginning of year	<u>178,853</u>	<u>146,113</u>	<u>113,262</u>
Cash and cash equivalents at end of year	<u>\$ 163,467</u>	<u>\$ 178,853</u>	<u>\$ 146,113</u>
Supplemental disclosures of cash flow information			
Cash paid during the period for			
Interest	\$ 12,656	\$ 14,578	\$ 16,136
Income taxes	\$ 68,870	\$ 66,283	\$ 20,220

The accompanying notes are an integral part of these Consolidated Statements.

THUNDERBIRD TRAILERS INC.

SUPPLEMENTAL BREAK-DOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

(Dollars in thousands, except per share amounts)

	Year Ended December 31,		
	2020	2019	2018
RENT EXPENSE	\$25,000	\$20,000	\$15,000
OFFICE SALARIES AND COMPENSATION	\$18,954	\$43,165	\$43,286
PRODUCT RECALL COSTS	\$16,601	-	-
PLANT CLOSURE COSTS AND EXPENSES	\$4,676	-	-
UTILITIES	\$998	\$1,980	\$1,985
REQUIRED PENALTY PAYMENT FOR EARLY TERMINATION OF CONTRACT	\$400	-	-
OTHER	\$7,500	\$8,350	\$1,423
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 74,129	\$ 73,495	\$ 61,694