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) January 15, 2019

LEGGETT & PLATT, INCORPORATED
(Exact name of registrant as specified in its charter)

Missouri	001-07845	44-0324630
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

No. 1 Leggett Road, Carthage, MO	64836
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 417-358-8131

N/A
(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 Instruction A.2. below):

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

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

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

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

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 ☐

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. ☐

Item 2.01 Completion of Acquisition or Disposition of Assets.

On January 16, 2019, Leggett & Platt, Incorporated ("*Leggett*" or "*Company*") filed a Current Report on Form 8-K (the "*Original Report*") reporting the completion of the previously announced acquisition of Elite Comfort Solutions, Inc. ("*ECS*") whereby Leggett purchased all of the issued and outstanding shares of capital stock of ECS for cash consideration of approximately $1.25 billion (the "*ECS Acquisition*").

This Current Report on Form 8-K/A ("*Amendment*") is being filed solely to amend the Original Report to provide the historical financial statements of ECS required by Item 9.01(a) of Form 8-K and the unaudited pro forma condensed combined financial statements of Leggett and ECS required by Item 9.01(b) of Form 8-K that were excluded from the Original Report in reliance on the instructions to such items. No other changes have been made to the Original Report. Accordingly, this Amendment should be read in conjunction with the Original Report.

Item 9.01 Financial Statements and Exhibits.

(a) **Financial Statements of Businesses Acquired**.

The audited consolidated statements of operations and comprehensive income, shareholder's equity and cash flows for the fiscal year ended September 29, 2018, and the audited consolidated balance sheet of ECS as of September 29, 2018, and the notes thereto, are filed as Exhibit 99.1 to this Amendment and incorporated herein by reference. The consent of ECS's independent auditor is filed as Exhibit 23 to this Amendment and incorporated herein by reference.

The unaudited consolidated statements of operations and comprehensive income, shareholder's equity and cash flows for the three months ended December 29, 2018 and December 30, 2017, and the unaudited consolidated balance sheet of ECS as of December 29, 2018, and the notes thereto, are filed as Exhibit 99.2 to this Amendment and incorporated herein by reference.

(b) **Pro Forma Financial Information**.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2018, giving pro forma effect to the ECS Acquisition as if it had occurred on January 1, 2018, and the unaudited pro forma condensed combined balance sheet of the Company as of December 31, 2018, giving pro forma effect to the ECS Acquisition as if it had occurred on December 31, 2018, and the notes thereto, are filed as Exhibit 99.3 to this Amendment and incorporated herein by reference.

(d) **Exhibits.** The following exhibits are filed as part of this report:

EXHIBIT INDEX

Exhibit No.	Description
23	Consent of Grant Thornton LLP, independent auditor
99.1	Audited consolidated financial statements of Elite Comfort Solutions, Inc. as of and for the fiscal year ended September 29, 2018
99.2	Unaudited interim consolidated financial statements of Elite Comfort Solutions, Inc. as of and for the three months ending December 29, 2018 and December 30, 2017
99.3	Unaudited pro forma condensed combined financial information of the Company as of and for the fiscal year ended December 31, 2018

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.

		LEGGETT & PLATT, INCORPORATED
Date: February 28, 2019	By:	/s/ SCOTT S. DOUGLAS
		Scott S. Douglas
		Senior Vice President -
		General Counsel & Secretary

Exhibit 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated December 14, 2018, with respect to the consolidated financial statements of Elite Comfort Solutions, Inc. included in the Current Report on Form 8-K/A of Leggett & Platt, Inc. filed on February 28, 2019. We consent to the incorporation by reference of said report in the Registration Statements of Leggett & Platt, Inc. on Form S-3 (No. 333-223621) and on Forms S-8 (Nos. 333-82524, 333-150758, 333-157536, 333-166960, 333-181432, 333-203992, 333-203995, 333-210077, and 333-228189).

/s/ GRANT THORNTON LLP

Charlotte, North Carolina
February 28, 2019

Consolidated Financial Statements and

Report of Independent Certified Public Accountants

Elite Comfort Solutions Inc. and Subsidiaries

As of September 29, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Elite Comfort Solutions Inc.

We have audited the accompanying consolidated financial statements of **Elite Comfort Solutions Inc**. and Subsidiaries (a Delaware corporation), which comprise the consolidated balance sheet as of September 29, 2018, and the related consolidated statement of operations and comprehensive income, shareholder's equity, and cash flows for the year then ended, and the related notes to the consolidated 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 audit. We conducted our audit 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.

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 Elite Comfort Solutions Inc. and Subsidiaries as of September 29, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Charlotte, North Carolina

December 14, 2018

Consolidated balance sheet

(Amounts in thousands)

September 29		2018
Assets		
Current assets:		
Cash	$	10,445
Accounts receivable, net		76,840
Inventory		58,722
Other current assets		1,801
Income tax receivable		1,696
Total current assets	$	149,504
Property, plant and equipment, net		71,655
Intangible assets, net		215,461
Goodwill		225,628
Other assets		1,267
Total assets	$	663,515
Liabilities and shareholder's equity		
Current liabilities:		
Accounts payable	$	38,322
Accrued expenses		13,295
Deferred compensation		7,449
Current portion of long-term debt obligations		20,656
Total current liabilities	$	79,722
Long-term liabilities:		
Long-term debt obligations, net of deferred financing fees		354,302
Revolving Credit Facility		6,000
Deferred tax liabilities		24,542
Total liabilities	$	464,566
Commitments and contingencies (Note 11)		
Shareholder's equity		198,949
Total liabilities and shareholder's equity	$	663,515

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

Consolidated statement of operations and comprehensive income

(Amounts in thousands)

For the year ended September 29		2018
Net sales	$	611,547
Cost of sales		494,233
Gross profit		117,314
Selling, general and administrative		51,867
Income from operations	$	65,447
Other expense (income):		
Interest		40,761
Other income, net		(901)
Total other expenses, net	$	39,860
Income before income taxes		25,587
Benefit for income taxes		(1,399)
Net income	$	26,986
Other Comprehensive Income		—
Comprehensive Income	$	26,986

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

Consolidated statement of shareholder’s equity

(Amounts in thousands, except for shares information)

	Common Stock Shares	Capital Contributed In Excess of Par	Accumulated Deficit	Comprehensive Income	Shareholder's Equity
Balance, September 30, 2017	100	$ 224,620	$ (52,657)	$ —	$ 171,963
Net income	—	—	26,986	—	26,986
Balance, September 29, 2018	100	$ 224,620	$ (25,671)	$ —	$ 198,949

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

Consolidated statement of cash flows

(Amounts in thousands)

For the year ended September 29		2018
Cash flows from operating activities:		
Net income	$	26,986
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		17,914
Amortization of deferred financing costs		2,966
Loss on sale of property, plant, and equipment		51
Decrease in allowance for uncollectible accounts		(976)
Deferred income tax provision		(3,230)
Decrease in contingent consideration		(1,145)
Deferred compensation		6,457
Changes in operating assets and liabilities:		
Accounts receivable		(8,290)
Inventory		(1,267)
Other current assets		772
Other non-current assets		304
Income tax receivable		3,291
Accounts payable		(13,973)
Accrued expenses		5,606
Net cash provided by operating activities	$	35,466
Cash flows from investing activities:		
Purchase of property, plant and equipment	$	(9,442)
Proceeds from sale of property, plant and equipment		8
Net cash used in investing activities	$	(9,434)
Cash flows from financing activities:		
Payments on Term Loan	$	(16,525)
Repayments of Revolving Credit Facility		(6,000)
Net cash used in financing activities	$	(22,525)
Net increase in cash		3,507
Cash, beginning of period		6,938
Cash, end of period	$	10,445
Supplemental disclosure of non-cash flow information:		
Cash paid (received) during the year for:		
Interest		36,929
Taxes		(1,459)

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

Notes to the consolidated financial statements

(Amounts in thousands, except for shares information)

1 Summary of Significant Accounting Policies

Description of Business

Elite Comfort Solutions, Inc. (Elite or the Company) is a leading developer and manufacturer of specialty foam and additives technology for the bedding and home furnishings industry. The Company is comprised of 16 facilities in the United States and has approximately 900 employees.

Legal Entity Structure

The Company was formed on January 7, 2016 (inception) and is wholly owned by Elite Comfort Solutions, LP (ECS LP) (f/k/a Specialty Foam Technologies, LP) as the parent holding limited partnership.

On January 15, 2016, Elite acquired 100% of the equity of Peterson Chemical Technology, LLC and Peterson Chemical, Inc. (collectively, PCT) and Pacific Urethanes, LLC (Pacific Urethanes).

On February 29, 2016, Elite acquired 100% of the equity of Elite Foam, LLC (Elite Foam).

On April 15, 2016, Elite acquired certain assets and liabilities of Hickory Springs Manufacturing, LLC (ECS LLC).

Basis of Presentation

Elite manages its businesses and consolidates its financial results in accordance with its two operating segments: Foam (Pacific Urethanes, Elite Foam and ECS LLC) and Additives (PCT). The Company maintains manufacturing locations in North Carolina, Georgia, Mississippi, Arkansas, and California and is headquartered in Newnan, Georgia.

The Foam segment develops, manufactures and commercializes flexible polyurethane foam that service its customers' needs, with a focus on specialty foam technologies. Technology and solutions are applicable to a broad range of markets including specialty bedding, furniture, packaging and recreational market segments.

The Additives segment develops, manufactures and distributes foam additives, specialty polyols, systems, and applications development for viscoelastic "memory" foam. The Additives segment has been providing innovative technology in the comfort industry for over a decade and is the inventor of open-cell viscoelastic foam and gel-infused foam technologies, as well as a wide range of polyols, additives, and specialty products designed to accommodate the diverse possibilities of viscoelastic foam.

Fiscal Year

Our fiscal year is a 52 or 53-week period ending on the Saturday closest to September 30. Fiscal 2018 included 52 weeks.

Accounting Principles

The Company's consolidated financial statements and accompanying notes are presented in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Principles of Consolidation

The consolidated financial statements include the activities of Elite's wholly owned subsidiaries, Elite Foam, Pacific Urethanes, PCT, and ECS LLC. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, expenses, gains and losses that are reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Significant estimates include the allowance for doubtful accounts, inventory write-downs, valuation of deferred tax assets, valuation of deferred compensation, valuation of contingent consideration (earn-out) and accrued liabilities. These estimates are inherently subjective. Accordingly, actual results could materially differ from those estimates.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, the customer assumes the risk and rewards of ownership, the sales price is fixed or determinable, and collection is probable. These criteria are met at the time the title and risk of loss have been transferred.

Cash

The Company maintains cash deposits with major banks, which exceed federally insured limits. The Company periodically assesses the financial condition of the financial institutions and believes the risk of loss to be remote.

Accounts Receivable

Accounts receivable are stated net of allowances for doubtful accounts of $776 at September 29, 2018. Bad debt recovery was $(468) for the year ended September 29, 2018. The Company's allowance for doubtful accounts is determined primarily by the specific identification method as well as reserving for a general percentage of aged accounts receivable. This method involves subjectivity and includes an evaluation of historical experience with the customer, current relationship with the customer, aging of the receivable, contract terms and discussions with the customer, marketing and contracts personnel, current economic trends, as well as other available data. The Company does not require collateral from its customers.

Concentration of Credit Risk

Financial instruments that subject the Company to concentrations of risk consist primarily of accounts receivable and raw material payments.

Sales

Two customers accounted for approximately 13% and 9% of sales for the year ended September 29, 2018.

Accounts Receivable

Two customers accounted for 17% and 12% of accounts receivable for the year ended September 29, 2018.

The Company performs ongoing credit evaluations of its customers and maintains an allowance for potential credit losses.

Inventory

Inventories are stated at the lower of cost (first-in, first out) or net realizable value.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures for renewals and improvements that extend the life of an asset are capitalized, while maintenance and repairs, which do not significantly improve the related asset or extend its useful life, are charged to expense as incurred. For financial reporting purposes, assets are depreciated using the straight-line method over their estimated useful lives. Accelerated methods are used for income tax reporting purposes. Depreciation rates are reviewed annually and revised, if necessary, to reflect estimated remaining useful lives.

Estimated useful lives are as follows:

Building and improvements	10 to 39 years
Machinery and equipment	10 to 20 years
Furniture, office and other equipment	5 to 7 years

The cost of property, plant and equipment and related accumulated depreciation are removed from the accounts upon retirement or disposal of such assets and the resulting gain or loss is recognized at the time of disposition within selling, general and administrative expenses in the consolidated statement of operations and comprehensive income.

Goodwill

Goodwill represents the excess of acquisition costs over the fair value of tangible net assets and identifiable intangible assets of businesses acquired. Goodwill is not amortized and is tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The Company has elected July 1st as its annual impairment date. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators or competition. The Company currently operates as two reporting units: Foam (ECS LLC, Pacific Urethanes and Elite Foam) and Additives (PCT). Goodwill is tested for impairment by determining the enterprise value of the reporting units based upon a market multiple of its operating cash flows before interest and taxes, and based upon a discounted cash flow methodology applied to the reporting units' projected operations. The Company determines applicable multiples by reference to publicly available information for similar businesses. Based on management's assessment, no impairment of goodwill was considered necessary during the year ended September 29, 2018.

Long-lived Assets

The Company reviews its long-lived assets, which includes property, plant and equipment and intangible assets, for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be fully recoverable. Intangible assets are amortized using the straight-line method over their estimated useful lives. Estimated useful lives of intangible assets range from 5 to 40 years. Events or changes in circumstances are evaluated based on a number of factors including operating results, business plans and forecasts, general and industry trends, and economic projections and anticipated cash flows. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of those assets, typically determined by the undiscounted cash flows associated with those assets. These future cash flows are based on management's projection of future financial results, including revenues, costs, working capital changes, and capital expenditures. Actual results may differ from those estimates. Based on management's assessment, no impairment of long-lived assets was considered necessary during the year ended September 29, 2018.

Profit Interest Plan

The Company maintains a Profit Interest Plan (Plan) in which the Company can issue Class C units of its parent company, ECS LP. Under the plan, the amount of issued Class C units cannot exceed 10% of the total member units outstanding. The total number of authorized Class C units as of September 29, 2018 is 24,958,000. The Class C units vest over a five-year period based on time and performance vesting criteria. Half of the units vest pro-rata over the five-year period under the time vesting component and half of the units vest over the five-year period based upon reaching annual performance targets.

The Class C Units are accounted for as liability awards under Accounting Standard Codification Topic (ASC) 718, “Stock Compensation” and are fair valued at each reporting date by the Company. The fair value of the units is $1.52 as of September 29, 2018. The fair value of the units was determined using the income and market approaches, stock volatility assumptions and a waterfall of expected proceeds. Expected volatility was estimated based upon guideline companies and resulted in an estimated volatility of 33.6% as of September 29, 2018. A risk free rate of 2.81% was used based upon observed yields for two year U.S. Treasury securities for the year ending September 29, 2018. A total of 18,369,088 were outstanding and a total of 4,896,093 were vested as of September 29, 2018.

The total amount of compensation expense to be recognized over the vesting period for these units is approximately $27,921, of which $6,457 was recognized for the year ended September 29, 2018 and is recorded in selling, general and administrative expenses in the consolidated statement of operations and comprehensive income. The units become fully vested immediately prior to a change in control (Note 12). Liabilities of $7,449 are recorded in deferred compensation within current liabilities in the consolidated balance sheet as of September 29, 2018. As a result of the anticipated change in control (Note 12), the deferred compensation will be payable in January 2019.

Fair Value of Financial Instruments

The Company considers the carrying value of cash, accounts receivable, other current assets, accounts payable and accrued expenses to approximate their fair values due to the relatively short maturity of the respective instruments. Long-term debt and revolving credit facility are not traded; hence it is impracticable to estimate a fair value of these instruments beyond the carrying face value of the instruments.

The authoritative guidance for fair value measurements establishes a three-level hierarchy, which encourages an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring the fair value of a financial instrument. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The three levels of the hierarchy are defined as follows:

Level 1 – inputs to the valuation techniques that are quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs to the valuation techniques that are other than quoted prices but are observable for the assets or liabilities, either directly or indirectly.

Level 3 – inputs to the valuation techniques that are unobservable for the assets or liabilities.

All financial assets and liabilities are classified as Level 1 financial instruments and recorded at cost.

At September 29, 2018, the Company re-evaluated the contingent consideration estimate and determined that no amount would be owed. The change in estimate resulted in $1,145 being recognized as other income on the consolidated statement of operations and comprehensive income at September 29, 2018.

Income Taxes

The Company recognizes income taxes using an asset and liability approach. This approach requires the tax consequences of events that have been recognized in its consolidated financial statements or tax returns. The measurement of current and deferred taxes is based on provisions of the enacted tax law and the effects of future changes in tax laws or rates are not anticipated.

The Company records deferred income tax assets and liabilities for the expected future income tax consequences of differences between the financial reporting and tax reporting basis of assets and liabilities and of operating loss and income tax credit carry forwards. These balances are measured using the enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred income taxes of a change in tax rates is recognized in income in the year when the change is enacted.

The recognition and measurement of current taxes payable or refundable and deferred tax assets and liabilities requires that the Company make certain estimates and judgments. Changes to these estimates or a change in judgment may have a material impact on the Company’s tax provision in a future year.

The Company follows the applicable authoritative guidance related to accounting for uncertainty in income tax reporting. This guidance clarifies the accounting for uncertainty in income taxes recognized in the Company’s financial statements. It also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The Company recognizes interest and penalties related to unrecognized tax benefits within income tax expense in the consolidated statement of operations and comprehensive income. The tax years ended September 29, 2018 and September 30, 2016 and 2017 are still open for examination by Federal and State tax authorities.

Advertising and Promotional Expenses

The Company expenses direct advertising and promotional costs as incurred. The Company recorded advertising and promotional expenses of $141 in selling, general and administrative expenses for the year ended September 29, 2018.

Shipping and Handling Costs

The Company incurs shipping and handling costs when delivering products to customers. All amounts billed to a customer in a sales transaction related to shipping and handling are recognized as revenue for the goods provided. Shipping and handling costs are classified as part of cost of sales in the accompanying consolidated statement of operations and comprehensive income.

Recently Adopted Financial Pronouncements

Measurement of Inventory

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-11, “Simplifying the Measurement of Inventory,” which changed the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. ASU No. 2015-11 was effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2016. As a result, we adopted ASU No. 2015-11 in the first quarter of fiscal 2018 and the adoption of this guidance did not have a significant impact on our consolidated financial statements.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, to address the diversity in how certain cash receipts and cash payments are presented in the statement of cash flows. This new guidance provides clarity around the cash flow classification for eight specific issues in an effort to reduce the current and potential future diversity in practice. This standard, which is to be applied retrospectively, will be effective for the first interim period within annual reporting periods beginning after December 15, 2017, and early adoption is permitted. We early adopted the pronouncement in the first quarter of fiscal 2018.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, as amended, Revenue from Contracts with Customers (Topic 606). The amendments in this ASU are intended to enhance the comparability of revenue recognition practices and will be applied to all contracts with customers. Improved disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized are requirements under the amended guidance. The new revenue standard will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 for nonpublic entities. We are therefore required to apply the new revenue guidance in our fiscal 2020 annual financial statements. This ASU can be adopted either retrospectively or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact that this guidance will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which increases transparency and comparability among companies accounting for lease transactions. The most significant change of this update will require the recognition of lease assets and liabilities on the balance sheet for operating lease arrangements with lease terms greater than twelve months for lessees. This update will require a modified retrospective application which includes a number of optional practical expedients related to the identification and classification of leases commenced before the effective date. This ASU is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019 for nonpublic entities. We are therefore required to apply this guidance in our fiscal 2021 interim and annual financial statements. We are currently assessing the impact that this guidance will have on our consolidated financial statements.

There are no other new accounting pronouncements that are expected to have a significant impact on our consolidated financial statements.

2 Inventory

Inventory at September 29 consisted of the following:

		2018
Raw Materials	$	35,147
Work in Process		2,673
Finished Goods		20,902
Inventories	$	58,722

3 Other Current Assets

Other current assets at September 29 consisted of the following:

		2018
Prepaid Expense	$	1,574
Other Receivables		156
Other		71
Other Current Assets	$	1,801

4 Property, Plant and Equipment

Property, plant and equipment at September 29 consisted of the following:

		2018
Land	$	587
Buildings and Improvements		25,346
Machinery and Equipment		50,564
Furniture, Office and Other Equipment		7,611
Construction in Progress		1,708
	$	85,816
Accumulated Depreciation		(14,161)
Property, Plant and Equipment - net	$	71,655

Depreciation of property, plant and equipment was $6,484 for the year ended September 29, 2018.

5 Goodwill and Intangible Assets, net

Goodwill and intangible assets at September 29 consisted of the following:

		2018
Goodwill	$	225,628
Amortizable Assets - Gross:		
Tradenames	$	21,300
Customer Relationships		196,400
Non-compete Agreements		11,540
Internally Developed Technology		16,300
Total Amortizable Assets, Gross	$	245,540
Accumulated Amortization - Tradenames		(3,788)
Accumulated Amortization - Customer Relationships		(18,088)
Accumulated Amortization - Non-compete Agreements		(5,997)
Accumulated Amortization - Internally Developed Technology		(2,206)
Amortizable Assets, net	$	215,461

Amortization of intangible assets was $11,430 for the year ended September 29, 2018.

Future estimated amortization expense is as follows:

For the year ended September:		
2019	$	11,430
2020		11,430
2021		10,048
2022		9,122
2023		9,122
Thereafter		164,309
	$	215,461

6 Long-term Debt

Long-term debt as of September 29 consisted of the following:

		2018
Revolving Credit Facility (Total line amount of $25,000)	$	6,000
Term Loan		300,360
Promissory Notes		81,100
	$	387,460
Less - Deferred Financing Costs		(6,502)
Net Long-Term Debt	$	380,958
Less - Current Portion		(20,656)
Net Long-Term Debt	$	360,302

Scheduled principal payments of long-term debt are as follows:

For the year ended September:		
2019	$	20,656
2020		28,919
2021		337,885
	$	387,460

Long-Term Debt

In connection with the acquisitions of PCT and Pacific Urethanes on January 15, 2016, the Company entered into a Credit Agreement which included a $145,000 Term Loan and a $20,000 Revolving Credit Facility with maturity dates of January 15, 2021.

In connection with the acquisition of Elite Foam on February 29, 2016, the Company entered into an Amended and Restated Credit Agreement which increased the Term Loan amount to $205,000. The Revolving Credit Facility remained unchanged.

In connection with the acquisition of ECS LLC on April 15, 2016, the Company entered into the Second Amended and Restated Credit Agreement which increased the amount borrowed under the Term Loan to $263,000, added a $62,000 Note Purchase Agreement subordinate to the Term Loan with a maturity date of January 15, 2021, and increased the availability on the Revolving Credit Facility to $25,000.

On December 21, 2016 the Company borrowed an additional $86,600 by entering into the Third Amended and Restated Credit Facility for an additional $67,500 and by entering into the First Amendment to the Note Purchase Agreement for an additional $19,100 for the purposes of providing members with a partial return of capital.

At September 29, 2018, the Company had $19,000 available under the $25,000 Revolving Credit Facility.

In connection with the Third Amended and Restated Credit Facility, the Company had a restricted delayed draw Credit Facility of $22,500. The facility expired and closed on December 31, 2017 with no funds drawn.

The interest rate on the Term Loan and Revolving Credit Facility is variable based on an index rate of LIBOR plus an applicable margin. The interest rate on the Term Loan was 8.83% at September 29, 2018. The interest rate on the Revolving Credit Facility was 8.58% at September 29, 2018.

The interest rate on the Note Purchase Agreement is fixed at 12.5% at September 29, 2018.

The Term Loan and Revolving Credit Facility are collateralized by substantially all the assets of the Company and include covenants that define maximum total leverage ratios. The Note Purchase Agreement is collateralized by substantially all the assets of the Company and include covenants that define total leverage ratios and minimum fixed charge coverage ratios. The Company was in compliance with all financial covenants for the year ending September 29, 2018. The Note Purchase Agreement is subordinate to the Term Loan and Revolving Credit Facility.

Deferred Financing Costs

The Company capitalized costs related to the Term Loan and the Note Purchase Agreement and is amortizing these costs over the life of the related debt.

At September 29, 2018, the Company had gross deferred financing costs of $13,461 and accumulated amortization of $6,959.

Amortization expense was $2,966 for the year ended September 29, 2018.

Estimated amortization for the next three years and thereafter is summarized as follows:

For the year ended September:		
2019	$	2,839
2020		2,667
2021		996
	$	6,502

7 Income Taxes

Under the liability method, a deferred tax asset or liability is measured based on the difference between the financial statements and tax bases of assets and liabilities, as measured by the enacted tax rates.

Income tax expense shown in the accompanying statement of operations and comprehensive income is comprised of the following:

Year ended September 29		**2018**
Current:		
Federal	$	1,016
State		815
Total Current	$	1,831
Deferred:		
Federal	$	(4,584)
State		1,354
Total Deferred	$	(3,230)
Total Income Tax Benefit	$	(1,399)

Income tax expense differs from that based on the federal statutory rate due to the following:

Year ended September 29		**2018**
Federal Tax Expense at Statutory Rate [(1)]	$	6,269
State Tax Expense - Net of Federal Provision		1,496
Permanent Differences and Other		1,159
Impact of 2017 Tax Reform		(10,323)
Total	$	(1,399)

(1) The Federal statutory rate for the year ended September 29, 2018 is 24.5%.

The Company's deferred income tax assets (liabilities) are as follows:

Year ended September 29		**2018**
Deferred Tax Assets:		
Accounts Receivable	$	256
Transaction Costs		1,963
Inventory		647
Tax Credit Carryforward		331
Deferred Tax Assets	$	3,197
Deferred Tax Liabilities:		
Property, Plant, and Equipment	$	(7,071)
Goodwill and Intangible Assets		(20,668)
Deferred Tax Liabilities	$	(27,739)
Total	$	(24,542)

ASC 740 requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. In making this determination, management considers all available positive and negative evidence affecting specific deferred tax assets, including the Company's past and anticipated future performance, the reversal of deferred tax liabilities, length of carryback and carryforward periods and the implementation of tax planning strategies.

Based on all available evidence, Management has determined that no valuation allowance was necessary at September 29, 2018.

Management's judgment is required in determining tax provisions and evaluating tax positions. Although management believes its tax positions and related provisions reflected in the consolidated financial statements are fully supportable, it recognizes that these tax positions and related provisions may be challenged by various tax authorities. These tax positions and related provisions are reviewed on an ongoing basis and are adjusted as additional facts and information become available, including progress on tax audits, changes in interpretation of tax laws, developments in case law and closing of statute of limitations.

On December 22, 2017, the Tax Cuts and Jobs Act ("the Act") was enacted, which reduced the federal corporate income tax rate to a blended rate of 24.5% for the year ended September 29, 2018, and 21% beyond, and contained several other provisions that could impact the Company, including the potential limitation on interest deductions and net operating loss carryforwards, the repeal of the corporate alternative minimum tax (AMT), and the domestic production activities deduction (DPAD). The new tax rate is effective January 1, 2018, while most other provisions are effective for years beginning after December 31, 2017.

These changes had a material impact on the financial statements for the year ended September 29, 2018. The lower tax rate reduced current federal income tax expense by approximately $200, and deferred taxes at September 29, 2018 were re-measured based on the new tax rate, resulting in a federal deferred tax benefit of $10,323. The potential limitation on interest deductions and the repeal of the AMT and DPAD do not take effect for the Company until the fiscal year ending in 2019. At September 29, 2018, the Company has AMT credit carryforwards of $331, which are still valid, and are expected to be utilized in-full during the fiscal year ending 2019.

8 Shareholder’s Equity

Common Stock

The Company is authorized to issue one class of stock, designated “Common Stock,” with a par value of $.01 per share. The total number of Common Stock that the Company has issued and outstanding are 100 shares. ECS, LP owns all of the Company’s shares and all dividends are paid directly to the limited partnership. The distribution of dividends or property would be governed by the terms of ECS, LP’s second Amended and Restated LP Agreement.

Dividends

No dividends were accrued or paid in the year ended September 29, 2018.

Profit Interest Units

The Company is authorized to issue Class C units of its parent company ECS, LP. The Company has 18,369,088 Class C units issued and outstanding as of September 29, 2018. Class C unit holders do not have voting rights. (Note 1)

9 Employee Retirement Plans

Defined Contribution Plans

At September 29, 2018, ECS LLC maintains a defined contribution retirement savings plan (401(k) plans), covering all eligible employees of Elite and its subsidiaries. Under the 401(k) plan, the Company contributes a matching contribution of 100% of the first 3% and 50% of the 4th and 5th% of participating employees’ compensation. The matching contribution expense paid was $529 for the year ended September 29, 2018.

Until January 1, 2018, in addition to the ECS LLC 401(k) plan, the Company maintained three defined contribution 401(k) plans, covering all eligible employees as detailed below. Each of these plans were closed and combined with the ECS LLC plan.

Under the Peterson Chemical 401(k) Plan, the Company contributed a matching contribution of 100% of the first 3% and 50% of the 4th and 5th% of participating employees’ compensation. The matching contribution expense paid was $10 for the year ended September 29, 2018.

Under the Elite Foam 401(k) Plan, the Company contributed a matching contribution of 100% of the first 3% and 50% of the 4th and 5th% of participating employees’ compensation. The matching contribution expense was $14 for the year ended September 29, 2018.

Under the Pacific Urethanes 401(k) Plan, the Company contributed a matching contribution of 100% of the first 3% and 50% of the 4th and 5th% of participating employees’ compensation. The matching contribution expense paid was $11 for the year ended September 29, 2018.

10 Related-party Transactions

The Company pays a quarterly management fee to its majority owner based on results of operations. The Company expensed $800 of management fees for the year ended September 29, 2018 and is included with selling, general and administrative expenses on the consolidated statement of operations and comprehensive income.

11 Commitments and Contingencies

Operating Leases

The Company has facility and equipment leases expiring at various dates through September 2023. Some of the agreements require the Company to pay certain operating and other expenses. Also, the leases provide for increases in future minimum rental payments based on various factors including prevailing lease rates in the local real estate markets.

Future minimum lease payments required under these non-cancelable operating lease agreements are as follows:

For the year ended September:		
2019	$	5,359
2020		4,536
2021		3,784
2022		2,673
2023		1,477
	$	17,829

Total lease expense was $6,268 for the year ended September 29, 2018 and is included within cost of sales on the consolidated statement of operations and comprehensive income.

Litigation

The Company is subject to routine litigation incidental to its business. Management does not believe the results of any pending legal proceedings will have a materially adverse effect on the Company’s financial position or results of operations.

12 Subsequent Events

The Company has evaluated subsequent events through December 14, 2018, the date these consolidated financial statements were available to be issued.

On November 6, 2018, the Company reached a definitive agreement to sell 100% of the stock of Elite to Leggett & Platt Inc. (L&P) for $1.25 billion in cash. The transaction has been approved by the boards of directors of L&P and ECS, LP and will close in January 2019, subject to customary closing conditions and regulatory approvals. No transactions have been recorded as a result of this subsequent event.

All subsequent events requiring recognition or disclosure have been incorporated into these consolidated financial statements.

Interim Consolidated Financial Statements (Unaudited)

Elite Comfort Solutions Inc. and Subsidiaries

For the quarterly periods ended December 29, 2018 and December 30, 2017

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Consolidated balance sheets

(Unaudited)
(Amounts in thousands)

		December 29, 2018		September 29, 2018
Assets				
Current assets:				
Cash	$	21,162	$	10,445
Accounts receivable, net		77,555		76,840
Inventory		55,254		58,722
Other current assets		2,376		1,801
Income tax receivable		1,356		1,696
Total current assets	$	157,703	$	149,504
Property, plant and equipment, net		71,417		71,655
Intangible assets, net		212,625		215,461
Goodwill		225,628		225,628
Other assets		1,235		1,267
Total assets	$	668,608	$	663,515
Liabilities and shareholder's equity				
Current liabilities:				
Accounts payable	$	30,717	$	38,322
Accrued expenses		22,857		13,295
Deferred compensation		14,549		7,449
Current portion of long-term debt obligations		20,656		20,656
Total current liabilities	$	88,779	$	79,722
Long-term liabilities:				
Long-term debt obligations, net of deferred financing fees		355,030		354,302
Revolving Credit Facility		—		6,000
Deferred tax liabilities		24,542		24,542
Total liabilities	$	468,351	$	464,566
Commitments and contingencies (Note 15)				
Shareholder's equity		200,257		198,949
Total liabilities and shareholder's equity	$	668,608	$	663,515

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

Consolidated statements of operations and comprehensive income

(Unaudited)
(Amounts in thousands)

For the three months ended December 29, 2018 and December 30, 2017		2018		2017
Net sales	$	148,629	$	156,379
Cost of sales		117,634		130,234
Gross profit		30,995		26,145
Selling, general and administrative		18,534		13,436
Income from operations	$	12,461	$	12,709
Other expense:				
Interest		10,343		9,919
Other income, net		78		60
Total other expenses, net	$	10,421	$	9,979
Income before income taxes		2,040		2,730
Provision (benefit) for income taxes		732		(8,466)
Net income	$	1,308	$	11,196
Other comprehensive income		—		—
Comprehensive income	$	1,308	$	11,196

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

Consolidated statements of shareholder’s equity

(Unaudited)

(Amounts in thousands, except for shares information)

	Common Stock Shares	Capital Contributed In Excess of Par	Accumulated Deficit	Comprehensive Income	Shareholder's Equity
Balance, September 30, 2017	100	$ 224,620	$ (52,657)	—	$ 171,963
Net income	—	—	11,196	—	11,196
Balance, December 30, 2017	100	$ 224,620	$ (41,461)	—	$ 183,159
Balance, September 29, 2018	100	$ 224,620	$ (25,671)	—	$ 198,949
Net income	—	—	1,308	—	1,308
Balance, December 29, 2018	100	$ 224,620	$ (24,363)	—	$ 200,257

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

Consolidated statements of cash flows

(Unaudited)
(Amounts in thousands)

For the three months ended December 29, 2018 and December 30, 2017		2018		2017
Cash flows from operating activities:				
Net income	$	1,308	$	11,196
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		4,733		4,347
Amortization of deferred financing costs		728		758
Loss on sale of property, plant and equipment		—		26
Increase in allowance for uncollectible accounts		(130)		(14)
Deferred compensation		7,100		1,614
Deferred income tax provision		—		(9,105)
Changes in operating assets and liabilities:				
Accounts receivable		(585)		(4,970)
Inventory		3,468		(2,113)
Other current assets		(575)		(229)
Other non-current assets		32		76
Income tax receivable		340		660
Accounts payable		(7,605)		2,430
Accrued expenses		9,562		1,066
Net cash provided by operating activities	$	18,376	$	5,742
Cash flows from investing activities:				
Purchase of property, plant and equipment	$	(1,664)	$	(2,943)
Proceeds from sale of property, plant and equipment		5		5
Net cash used in investing activities	$	(1,659)	$	(2,938)
Cash flows from financing activities:				
Payments on Term Loan	$	—	$	(4,131)
Payments of Revolving Credit Facility		(6,000)		—
Net cash used in financing activities	$	(6,000)	$	(4,131)
Net increase (decrease) in cash		10,717		(1,327)
Cash, beginning of period		10,445		6,938
Cash, end of period	$	21,162	$	5,611
Supplemental disclosure of non-cash flow information:				
Cash paid (received) during the quarter for:				
Interest		2,642		9,158
Taxes		392		(20)

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

Notes to Consolidated Financial Statements
(Unaudited)

1 Basis of Presentation

Elite Comfort Solutions, Inc. (Elite or the Company) is a leading developer and manufacturer of specialty foam and additives technology for the bedding and home furnishings industry. The Company is comprised of 16 facilities in the United States and has approximately 1000 employees.

The accompanying unaudited Consolidated Financial Statements of Elite Comfort Solutions, Inc. include all adjustments, which are, in the opinion of management, necessary for the fair presentation of the results of operations and financial position. Certain information and footnote disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to ASC topic 270, Interim Reporting. Results of operations for interim periods may not be indicative of future results. The unaudited Consolidated Financial Statements should be read in conjunction with our audited Consolidated Financial Statements. The September 29, 2018 balance sheet and certain footnote information related to the September 29, 2018 balance sheet were derived from the previously audited financial statements.

2 Significant Accounting Policies

As of December 29, 2018, there were no changes in the nature of our significant accounting policies or the application of those policies from those reported in our audited Consolidated Financial Statements for the year ended September 29, 2018.

Accounting Period

The Company's three months ended December 29, 2018, and December 30, 2017, represent 13-week periods, respectively.

Recently Adopted Financial Pronouncements

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-11, "Simplifying the Measurement of Inventory," which changed the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. ASU No. 2015-11 was effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2016. As a result, we adopted ASU No. 2015-11 in the first quarter of fiscal 2018 and the adoption of this guidance did not have a significant impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, as amended, Revenue from Contracts with Customers (Topic 606). The amendments in this ASU are intended to enhance the comparability of revenue recognition practices and will be applied to all contracts with customers. Improved disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized are requirements under the amended guidance. The new revenue standard will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 for nonpublic entities. We are therefore required to apply the new revenue guidance in our fiscal 2020 annual financial statements. This ASU can be adopted either retrospectively or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact that this guidance will have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which increases transparency and comparability among companies accounting for lease transactions. The most significant change of this

Notes to Consolidated Financial Statements

(Unaudited)

update will require the recognition of lease assets and liabilities on the balance sheet for operating lease arrangements with lease terms greater than twelve months for lessees. This update will require a modified retrospective application which includes a number of optional practical expedients related to the identification and classification of leases commenced before the effective date. This ASU is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019 for nonpublic entities. We are therefore required to apply this guidance in our fiscal 2021 interim and annual financial statements. We are currently assessing the impact that this guidance will have on our consolidated financial statements.

There are no other new accounting pronouncements that are expected to have a significant impact on our unaudited consolidated financial statements.

3 Accounts Receivable

Accounts receivable are stated net of allowances for doubtful accounts of $646 and $776 at December 29, 2018 and September 29, 2018, respectively. Bad debt expense (recovery) was $97 and ($244) for the three months ended December 29, 2018 and December 30, 2017, respectively.

4 Inventory

Inventory at December 29, 2018 and September 29, 2018 consisted of the following:

	December 29, 2018	September 29, 2018
Raw Materials	$ 28,247	$ 35,147
Work in Process	1,825	2,673
Finished Goods	25,182	20,902
Inventories	$ 55,254	$ 58,722

5 Other Current Assets

Other current assets at December 29, 2018 and September 29, 2018 consisted of the following:

	December 29, 2018	September 29, 2018
Prepaid Expense	$ 2,220	$ 1,574
Other Receivables	156	156
Other	—	71
Other Current Assets	$ 2,376	$ 1,801

Notes to Consolidated Financial Statements

(Unaudited)

6 Property, Plant and Equipment

Property, plant and equipment at December 29, 2018 and September 29, 2018 consisted of the following:

	December 29, 2018	September 29, 2018
Land	$ 587	$ 587
Buildings and Improvements	25,447	25,346
Machinery and Equipment	50,930	50,564
Furniture, Office and Other Equipment	7,583	7,611
Construction in Progress	2,928	1,708
	$ 87,475	$ 85,816
Accumulated Depreciation	(16,058)	(14,161)
Property, Plant and Equipment - net	$ 71,417	$ 71,655

Depreciation of property, plant and equipment was $1,897 and $1,489 for the three months ended December 29, 2018 and December 30, 2017, respectively.

7 Goodwill and Intangible Assets, net

Goodwill and Intangible assets at December 29, 2018 and September 29, 2018 consisted of the following:

	December 29, 2018	September 29, 2018
Goodwill	$ 225,628	$ 225,628
Amortizable Assets - gross:		
Tradenames	$ 21,300	$ 21,300
Customer Relationships	196,400	196,400
Noncompete Agreements	11,540	11,540
Internally Developed Technology	16,300	16,300
Total Amortizable Assets, gross	$ 245,540	$ 245,540
Accumulated Amortization - Tradenames	(4,143)	(3,788)
Accumulated Amortization - Customer Relationships	(19,787)	(18,088)
Accumulated Amortization - Noncompete Agreements	(6,574)	(5,997)
Accumulated Amortization - Internally Developed Technology	(2,411)	(2,206)
Amortizable Assets, net	$ 212,625	$ 215,461

Amortization of intangible assets was $2,836 and $2,858 for the periods ended December 29, 2018 and December 30, 2017, respectively.

Notes to Consolidated Financial Statements
(Unaudited)

Future estimated amortization expense for the next five years and thereafter is as follows:

For the year ended:		
Remaining 2019	$	8,594
FY 2020		11,430
FY 2021		10,048
FY 2022		9,122
FY 2023		9,122
Thereafter		164,309
	$	212,625

8 Long-term Debt

Long-term debt as of December 29, 2018 and September 29, 2018 consisted of the following:

		December 29, 2018		September 29, 2018
Revolving Credit Facility (Total line amount of $25,000)	$	—	$	6,000
Term Loan		300,360		300,360
Promissory Notes		81,100		81,100
	$	381,460	$	387,460
Less - Deferred Financing Costs		(5,774)		(6,502)
Net Long-Term Debt	$	375,686	$	380,958
Less - Current Portion		(20,656)		(20,656)
Net Long-Term Debt	$	355,030	$	360,302

Scheduled principal payments of long-term debt are as follows:

For the year ended:		
Remaining 2019	$	20,656
FY 2020		28,919
FY 2021		331,885
	$	381,460

Long-Term Debt

In connection with the acquisitions of PCT and Pacific Urethanes on January 15, 2016, the Company entered into a Credit Agreement which included a $145,000 Term Loan and a $20,000 Revolving Credit Facility with a maturity date of January 15, 2021.

In connection with the acquisition of Elite Foam on February 29, 2016, the Company entered into an Amended and Restated Credit Agreement which increased the Term loan amount to $205,000. The Revolving Credit Facility remained unchanged.

In connection with the acquisition of ECS LLC on April 15, 2016, the Company entered into the Second Amended and Restated Credit Agreement which increased the amount borrowed under the Term Loan to $263,000, added a $62,000 Note Purchase Agreement subordinate to the Term Loan with a maturity date of January 15, 2021, and increased the availability on the Revolving Credit Facility to $25,000.

Notes to Consolidated Financial Statements
(Unaudited)

On December 21, 2016 the Company borrowed an additional $86,600 by entering into the Third Amended and Restated Credit Facility for an additional $67,500 and by entering into the First Amendment to the Note Purchase Agreement for an additional $19,100 for the purposes of providing members with a partial return of capital.

At December 29, 2018 and September 29, 2018, the Company had $25,000 and $19,000, respectively available under the $25,000 Revolving Credit Facility.

In connection with the Third Amended and Restated Credit Facility, the Company had a restricted delayed draw Credit Facility of $22,500. The facility expired on December 31, 2017 with no funds drawn.

The interest rate on the Term Loan and Revolving Credit Facility is variable based on an index rate of LIBOR plus an applicable margin. The interest rate on the Term Loan was 8.89% and 8.83% at December 29, 2018 and September 29, 2018, respectively. The interest rate on the Revolving Credit Facility was 8.58% at September 29, 2018.

The interest rate on the Note Purchase Agreement is fixed at 12.5% at December 29, 2018 and September 29, 2018.

The Term Loan and Revolving Credit Facility are collateralized by substantially all the assets of the Company and include covenants that define maximum total leverage ratios. The Note Purchase Agreement is collateralized by substantially all the assets of the Company and include covenants that define total leverage ratios and minimum fixed charge coverage ratios. The Company was in compliance with all financial covenants for the three months ending December 29, 2018 and September 29, 2018. The Note Purchase Agreement is subordinate to the Term Loan and Revolving Credit Facility.

Deferred Financing Costs

The Company capitalized costs related to the Term Loan and the Note Purchase Agreement and is amortizing these costs over the life of the related debt.

At September 29, 2018, the Company had gross deferred financing costs of $13,461 and accumulated amortization of $6,959.

At December 29, 2018, the Company had gross deferred financing costs of $13,461 and accumulated amortization of $7,687.

Amortization expense was $728 and $758 for the periods ended December 29, 2018 and December 30, 2017, respectively.

Estimated amortization for the next three years and thereafter is summarized as follows:

For the year ended:		
Remaining 2019	$	2,111
FY 2020		2,667
FY 2021		996
	$	5,774

Notes to Consolidated Financial Statements
(Unaudited)

9 Income Taxes

The effective tax rate for the periods ended December 29, 2018 and December 30, 2017 was 35.88% and (310.00)%, respectively. The rate for the period ended December 29, 2018 differs from the statutory federal tax rate of 21.00% because of state income taxes and non-deductible expenses. The rate for the period ended December 30, 2017 differs from the fiscal year blended statutory tax rate of 24.50%, which applied for the year of transition to the new tax law discussed below, because of state income taxes, non-deductible expenses, and the revaluation of deferred income taxes using the new 21.00% tax rate.

On December 22, 2017, the Tax Cuts and Jobs Act (“the Act”) was enacted, which included a reduction in the federal corporate income tax rate from 35.00% to a blended 24.5% for fiscal 2018, and 21.00% for fiscal 2019 and beyond. The Act included several other provisions that may impact the company, including the potential limitation on interest deductions and net operating loss carryforwards, and the repeal of the corporate alternative minimum tax (AMT) and domestic production activities deduction. The new tax rate and the repeal of the AMT was effective January 1, 2018, while most other provisions were effective for years beginning after December 31, 2017.

The changes noted above had a material impact on the financial statements. For the period ended December 31, 2017, the Company’s net deferred tax liability was re-measured based upon the new 21.00% tax rate, resulting in a tax benefit of approximately $10 million.

The Company recognizes interest and penalties related to tax deficiencies and uncertain tax positions as income tax expense in the consolidated statements of operations and comprehensive income. As of December 29, 2018, and December 30, 2017, there were no uncertain tax positions recorded. The tax years ended September 29, 2018 and September 30, 2017 and 2016 are still open for examination by the federal and state tax authorities.

10 Shareholder’s Equity

Common Stock

The Company is authorized to issue one class of stock, designated “Common Stock”, with a par value of $.01 per share. The total number of Common Stock that the Company has issued and outstanding are 100 shares. ECS, LP owns all of the Company’s shares and all dividends are paid directly to the limited partnership. The distribution of dividends or property would be governed by the terms of ECS, LP’s second Amended and Restated LP Agreement.

Dividends

No dividends were accrued or paid in the three months ended on December 29, 2018 and December 30, 2017.

11 Profit Interest Units

The Company maintains a Profit Interest Plan (Plan) in which the Company can issue Class C units of its parent company, ECS LP. Under the Plan, the amount of issued Class C units cannot exceed 10% of the total member units outstanding. The total number of authorized Class C units as of December 29, 2018 and September 29, 2018 is 24,958,000. The Class C units vest over a five-year period based on time and performance vesting criteria. Half of the units vest pro-rata over the five-year period under the time vesting component and half of the units vest over the five-year period based upon reaching annual performance targets. The Company has 18,369,088 and 18,369,088 Class C units issued and outstanding as of December 29, 2018 and September 29, 2018, respectively. A total of 5,340,683 and 4,896,093 were vested as of December 29, 2018 and September 29, 2018, respectively. Class C unit holders do not have voting rights.

Notes to Consolidated Financial Statements

(Unaudited)

The total amount of compensation expense to be recognized over the vesting period for these units is approximately $50,093, of which $7,100 and $1,614 is recognized for the three months ended December 29, 2018 and December 30, 2017, respectively, and is recorded in selling, general and administrative expenses in the consolidated statements of operations and comprehensive income. The Company determines the fair value of these shares at our fiscal year end at September 29, 2018, however, due to the change in control (Note 16), the company updated the fair value to the enterprise sales price at December 29, 2018. The fair values are $2.72 and $.73 as of December 29, 2018 and December 30, 2017. Due to the change in control, (Note 16), the units became fully vested on January 15, 2019. Liabilities of $14,549 and $7,449 are recorded in deferred compensation within current liabilities in the consolidated balance sheets as of December 29, 2018 and September 29, 2018, respectively.

12 Fair Value of Financial Instruments

The Company considers the carrying value of cash, accounts receivable, other current assets, accounts payable and accrued expenses to approximate their fair values due to the relatively short maturity of the respective instruments. Long-term debt and revolving credit facility are not traded; hence it is impracticable to estimate a fair value of these instruments beyond the carrying face value of the instruments.

13 Employee Retirement Plans

Defined Contribution Plans

At December 29, 2018, ECS LLC maintains a defined contribution retirement savings plan (401(k) plan), covering all eligible employees of ECS Inc. and its subsidiaries. Under the 401(k) plan, the Company contributes a matching contribution of 100% of the first 3% and 50% of the 4th and 5th% of participating employees' compensation. The matching contribution expense paid was $162 and $89 for the three months ended December 29, 2018 and December 30, 2017.

At December 30, 2017, in addition to the ECS LLC 401(k) plan, the Company maintained three defined contribution 401(k) plans, covering all eligible employees as detailed below. Each of these plans were closed and combined with the ECS LLC plan on January 1, 2018.

Under the Peterson Chemical 401(k) Plan, the Company contributed a matching contribution of 100% of the first 3% and 50% of the 4th and 5th% of participating employees' compensation. The matching contribution expense paid was $10 at December 30, 2017.

Under the Elite Foam 401(k) Plan beginning January 1, 2017, the Company contributed a matching contribution of 100% of the first 3% and 50% of the 4th and 5th% of participating employees' compensation. Prior to January 1, 2017, matching contributions were allowed but not made. The matching contribution expense was $14 for the three months ended December 30, 2017.

Under the Pacific Urethanes 401(k) Plan, the Company contributed a matching contribution of 100% of the first 3% and 50% of the 4th and 5th% of participating employees' compensation. The matching contribution expense paid was $11 for the three months ended December 30, 2017.

14 Related-party Transactions

The Company pays a quarterly management fee to its majority owner based on results of operations. The Company expensed $201 and $201 of management fees for the three months ended December 29, 2018 and December 30, 2017, respectively, which is included with selling, general and administrative expenses on the consolidated statements of operations and comprehensive income.

Notes to Consolidated Financial Statements

(Unaudited)

15 Commitments and Contingencies

Operating Leases

The Company has facility and equipment leases expiring at various dates through September 2024. Some of the agreements require the Company to pay certain operating and other expenses. Also, the leases provide for increases in future minimum rental payments based on various factors including prevailing lease rates in the local real estate markets.

Future minimum lease payments required under these non-cancelable operating lease agreements are as follows:

For the year ended:		
Remaining 2019	$	4,019
FY 2020		4,536
FY 2021		3,784
FY 2022		2,673
FY 2023		1,477
	$	16,489

Total lease expense was $1,712 and $1,470 for the three months ended December 29, 2018 and December 30, 2017, respectively and is included within cost of sales on the statements of operations and comprehensive income.

Litigation

The Company is subject to routine litigation incidental to its business. Management does not believe the results of any pending legal proceedings will have a materially adverse effect on the Company's financial position or results of operations and comprehensive income.

16 Subsequent Events

The Company has evaluated subsequent events through February 8, 2019, the date these unaudited consolidated financial statements were available to be issued.

On November 6, 2018, the Company reached a definitive agreement to sell 100% of the stock of ECS Inc. to Leggett & Platt Inc. (L&P) for $1.25 billion in cash. The transaction was approved by the boards of directors of L&P and ECS, and the transaction closed on January 16, 2019. No transactions have been recorded as a result of this subsequent event.

All subsequent events requiring recognition or disclosure have been incorporated into these consolidated financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
(Dollar amounts presented in millions, except per share amounts)

Description of Transaction

On January 16, 2019, Leggett & Platt, Incorporated (“Leggett,” “Company,” “we” or “us”) completed the acquisition of Elite Comfort Solutions, Inc. (“ECS”) pursuant to the Stock Purchase Agreement, dated November 6, 2018 (the “Purchase Agreement”) whereby Leggett purchased all of the issued and outstanding shares of capital stock of ECS from Elite Comfort Solutions LP (the “Seller”) for cash consideration of approximately $1.25 billion (the “ECS Acquisition”). Reference is made to the Purchase Agreement which was filed as Exhibit 2.1 to the Company’s Form 8-K on November 7, 2018.

ECS, headquartered in Newnan, Georgia, is a leader in specialized foam technology, primarily for the bedding and furniture industries. With 16 facilities across the United States, ECS operates a vertically-integrated model, developing many of the chemicals and additives used in foam production, producing specialty foam, and manufacturing private-label finished products. These innovative specialty foam products include finished mattresses sold through both traditional and online channels, mattress components, mattress toppers and pillows, and furniture foams. ECS has a diversified customer mix and a strong position in the high-growth compressed mattress market segment. ECS is expected to become a separate business unit and operate within Leggett's Residential Products segment. The ECS management team will continue to lead the business. Leggett plans to maintain all 16 of ECS’s facilities.

Unaudited Pro Forma Condensed Combined Financial Information

The unaudited pro forma condensed combined financial information is presented to illustrate the effects of the ECS Acquisition and certain contemporaneous financing transactions (collectively, the "Transaction").

The unaudited pro forma condensed combined financial information is not necessarily indicative of the combined financial position or results of operations that would have been realized had the Transaction occurred as of the dates indicated, nor is it meant to be indicative of any anticipated combined financial position or future results of operations that the Company will experience after the Transaction. The accompanying unaudited pro forma condensed combined statement of operations does not include benefits expected from revenue or product mix enhancements, operating synergies or cost savings that may be realized, or integration-related costs that may be incurred subsequent to the Transaction.

The unaudited pro forma condensed combined balance sheet as of December 31, 2018, and the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2018 are based upon, derived from and should be read in conjunction with the historical audited consolidated financial statements of the Company for the year ended December 31, 2018, (which are available in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission (the “SEC”) on February 27, 2019), and the historical financial statements of ECS included in this Form 8-K/A.

For purposes of the pro forma condensed combined statement of operations, results for ECS are presented for the twelve-month period ended December 29, 2018. This information was derived from the historical audited statement of operations of ECS for the year ended September 29, 2018, as included within this Form 8-K/A and the historical unaudited statements of operations of ECS for the three months ended December 29, 2018 and December 30, 2017, as included within this Form 8-K/A. For purposes of the pro forma condensed combined balance sheet, we utilized the unaudited historical balance sheet of ECS as of December 29, 2018 included in this Form 8-K/A.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2018 assumes that the Transaction occurred on January 1, 2018, the beginning of our fiscal year ended December 31, 2018. The unaudited pro forma condensed combined balance sheet as of December 31, 2018 assumes that the Transaction occurred on December 31, 2018. The historical combined financial information has been adjusted to give effect to pro forma events that are: 1) directly attributable to the Transaction; 2) factually supportable; and 3) with respect to the unaudited pro forma condensed combined statement of operations, expected to have a continuing impact on the combined results. In the opinion of management, all adjustments necessary to present fairly the unaudited pro forma condensed combined financial information have been made. The assumptions underlying the pro forma adjustments are described fully in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial information.

Acquisition Accounting

The ECS acquisition is being accounted for as a business combination using the acquisition method of accounting under the provisions of Accounting Standards Codification ("ASC") Topic 805, "Business Combinations" ("ASC 805"), and using the fair value concepts defined in ASC Topic 820, "Fair Value Measurements" ("ASC 820"). ASC 820 defines the term "fair value" and sets forth the valuation requirements for any asset or liability measured at fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop fair value measures.

Fair value is defined in ASC 820 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers in the principal (or the most advantageous) market for the asset or liability. Many of these fair value measurements can be highly subjective, and it is possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts. Under ASC 805, all assets acquired and liabilities assumed are recorded at their acquisition date fair value.

Assets acquired and liabilities assumed in a business combination that arise from contingencies must be recognized at fair value if the fair value can be reasonably estimated. If the fair value of an asset or liability that arises from a contingency cannot be determined, the asset or liability would be recognized in accordance with ASC 450, “Disclosure of Certain Loss Contingencies” (“ASC 450”). If the fair value is not determinable and the ASC 450 criteria are not met, no asset or liability would be recognized. Management is not aware of any material contingencies related to the ECS Acquisition.

Under ASC 805, all assets acquired and liabilities assumed are recorded at their acquisition date fair value. The allocation of the purchase price as reflected in the unaudited pro forma condensed combined financial information is based upon management's internally developed preliminary estimates of the fair market value of the assets acquired and liabilities assumed, as if the ECS Acquisition had occurred on the above dates. This allocation of the purchase price depends upon certain estimates and assumptions, all of which are preliminary and, in some instances, are incomplete and have been made solely for the purpose of developing the unaudited pro forma condensed combined financial information. Any adjustments to the preliminary estimated fair value amounts could have a significant impact on the unaudited pro forma condensed combined financial information contained herein, and our future results of operations and financial position.

Leggett & Platt, Incorporated
Unaudited Pro Forma Condensed Combined Balance Sheet
As of December 31, 2018

(Amounts in millions, except per share data)

	Leggett 12/31/18	ECS 12/29/18 (Note 4)	Financing Adjustments	Note	Acquisition Adjustments	Note	Pro Forma Combined
ASSETS							
Current Assets							
Cash and cash equivalents	**$ 268.1**	**$ 21.1**	**$ 1,250.0**	**6a**	**$ (1,250.0)**	**5a**	**$ 289.2**
Trade receivables, net	545.3	77.5	—		(1.4)	5g	**621.4**
Other receivables, net	26.3	1.6	—		—		**27.9**
Total receivables, net	**571.6**	**79.1**	**—**		**(1.4)**		**649.3**
Inventories							
Finished goods	331.6	25.2	—		5.1	5b	**361.9**
Work in process	49.6	1.8	—		.2	5b	**51.6**
Raw materials and supplies	334.9	28.3	—		—		**363.2**
LIFO reserve	(82.2)	—	—		—		**(82.2)**
Total inventories, net	**633.9**	**55.3**	**—**		**5.3**		**694.5**
Prepaid expenses and other current assets	51.0	2.2	—		—		**53.2**
Total current assets	**1,524.6**	**157.7**	**1,250.0**		**(1,246.1)**		**1,686.2**
Property, Plant and Equipment—at cost							
Machinery and equipment	1,281.7	60.5	—		(9.7)	5c	**1,332.5**
Buildings and other	656.8	26.4	—		.7	5c	**683.9**
Land	42.4	.6	—		1.6	5c	**44.6**
Total property, plant and equipment	**1,980.9**	**87.5**	**—**		**(7.4)**		**2,061.0**
Less accumulated depreciation	1,252.4	16.0	—		(16.0)	5c	**1,252.4**
Net property, plant and equipment	**728.5**	**71.5**	**—**		**8.6**		**808.6**
Other Assets							
Goodwill	833.8	225.6	—		312.4	5e	**1,371.8**
Other intangibles, net	178.7	212.6	—		431.3	5d	**822.6**
Sundry	116.4	1.2	—		—		**117.6**
Total other assets	**1,128.9**	**439.4**	**—**		**743.7**		**2,312.0**
TOTAL ASSETS	**3,382.0**	**668.6**	**1,250.0**		**(493.8)**		**4,806.8**
LIABILITIES AND EQUITY							
Current Liabilities							
Current maturities of long-term debt	1.2	20.7	37.5	6a	(20.7)	5h	**38.7**
Accounts payable	465.4	30.7	—		(1.4)	5g	**494.7**
Accrued expenses	262.7	37.4	—		(14.5)	5j	**285.6**
Other current liabilities	86.4	—	—		—		**86.4**
Total current liabilities	**815.7**	**88.8**	**37.5**		**(36.6)**		**905.4**
Long-term Liabilities							
Long-term debt	1,167.8	355.0	1,212.5	6a	(355.0)	5h	**2,380.3**
Other long-term liabilities	155.3	—	—		—		**155.3**
Deferred income taxes	85.6	24.5	—		98.1	5f	**208.2**
Total long-term liabilities	**1,408.7**	**379.5**	**1,212.5**		**(256.9)**		**2,743.8**
Commitments and Contingencies							
Equity							
Capital stock: Preferred stock—authorized, 100.0 shares; none issued; Common stock—authorized, 600.0 shares of $.01 par value; 198.8 shares issued	2.0	—	—		—		**2.0**
Additional contributed capital	527.1	224.6	—		(224.6)	5i	**527.1**
Retained earnings	2,613.8	(24.3)	—		24.3	5i	**2,613.8**
Accumulated other comprehensive loss	(77.6)	—	—		—		**(77.6)**
Less treasury stock—at cost (68.3 shares at December 31, 2018)	(1,908.3)	—	—		—		**(1,908.3)**
Total Leggett & Platt, Inc. equity	**1,157.0**	**200.3**	**—**		**(200.3)**		**1,157.0**
Noncontrolling interest	.6	—	—		—		**.6**
Total equity	**1,157.6**	**200.3**	**—**		**(200.3)**		**1,157.6**
TOTAL LIABILITIES AND EQUITY	**$ 3,382.0**	**$ 668.6**	**$ 1,250.0**		**$ (493.8)**		**$ 4,806.8**

The accompanying notes are an integral part of this Unaudited Pro Forma Condensed Combined Balance Sheet

Leggett & Platt, Incorporated
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2018

(Amounts in millions, except per share data)	Leggett 12/31/18	ECS 12/29/18 (Notes 2 and 4)	Financing Adjustments	Note	Acquisition Adjustments and Eliminations	Note	Pro Forma Combined
Net sales	$ 4,269.5	$ 603.7	—		$ (2.4)	7a	$ 4,870.8
Cost of goods sold	3,380.8	481.6	—		(.8)	7b	3,861.6
Gross profit	888.7	122.1	—		(1.6)		1,009.2
Selling and administrative expenses	425.1	45.7	—		(3.7)	7c	467.1
Amortization of intangibles	20.5	11.3	—		37.0	7d	68.8
Impairments	5.4	—	—		—		5.4
Gain on sale of assets and businesses	(1.9)	—	—		—		(1.9)
Other expense (income), net	2.7	(.9)	—		—		1.8
Earnings before interest and income taxes	436.9	66.0	—		(34.9)		468.0
Interest expense	60.9	41.2	(.2)	8a	(3.2)	7e	98.7
Interest income	8.4	—	—		—		8.4
Earnings from operations before income taxes	384.4	24.8	.2		(31.7)		377.7
Income taxes	78.3	7.8	—	8b	(7.9)	7f	78.2
Net earnings	306.1	17.0	.2		(23.8)		299.5
(Earnings) attributable to noncontrolling interest, net of tax	(.2)	—	—		—		(.2)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	$ 305.9	$ 17.0	$ .2		$ (23.8)		$ 299.3
Net earnings per share attributable to Leggett & Platt, Inc. common shareholders							
Basic	$ 2.28						$ 2.23
Diluted	$ 2.26						$ 2.21
Basic Shares	134.3		—	8c			134.3
Diluted Shares	135.2		—	8c			135.2

The accompanying notes are an integral part of this Unaudited Pro Forma Condensed Combined Statement of Operations

1. Basis of Presentation

The unaudited pro forma condensed combined financial information has been derived from historical consolidated financial statements of Leggett and ECS. The historical financial information is adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma adjustments that are: (1) directly attributable to the ECS Acquisition; (2) factually supportable; and (3) with respect to the pro forma statement of operations, expected to have a continuing impact on the combined results. The unaudited pro forma adjustments are based on certain assumptions that we believe are reasonable and described in the notes.

The unaudited pro forma condensed combined financial information is presented solely for informational purposes and is not necessarily indicative of the combined results of operations or financial position that might have been achieved for the periods presented, nor is it necessarily indicative of the future results of the combined company. The unaudited pro forma condensed combined financial information does not reflect any cost savings from future operating synergies or integration activities, if any, or any revenue, tax, or other synergies, if any, that could result from the ECS Acquisition.

2. Conforming Year-Ends

Leggett's fiscal year ended on December 31, 2018 and ECS's fiscal year ended on September 29, 2018. Therefore, ECS's historical statement of operations has been recast to conform with Leggett's fiscal calendar.

The following table presents the reconciliation of the information derived from the ECS historical unaudited statements of operations for the three-month periods ended December 29, 2018 and December 30, 2017, and the audited year ended September 29, 2018 included in this Form 8-K/A, to the twelve-month period ended December 29, 2018, presented in the unaudited pro forma statement of operations.

Financial Statement Element	Fiscal Year Ended September 29, 2018	Plus Quarter Ended December 29, 2018	Less Quarter Ended December 30, 2017	12 Months Ended December 29, 2018
Net Sales	$ 611.5	$ 148.6	$ 156.4	$ 603.7
Cost of sales	494.2	117.6	130.2	481.6
Gross Profit	117.3	31.0	26.2	122.1
Selling, general and administrative	51.9	18.5	13.4	57.0
Income from operations	65.4	12.5	12.8	65.1
Other expense (income):				
Interest	40.8	10.3	9.9	41.2
Other income, net	(.9)	.2	.2	(.9)
Total other expenses, net	39.9	10.5	10.1	40.3
Income before income taxes	25.5	2.0	2.7	24.8
(Benefit) provision for income taxes	(1.4)	.7	(8.5)	7.8
Net income	26.9	1.3	11.2	17.0
Other comprehensive income	—	—	—	—
Comprehensive income	$ 26.9	$ 1.3	$ 11.2	$ 17.0

3. Accounting Policies

Acquisition accounting rules require evaluation of certain assumptions and estimates, as well as determination of financial statement classifications which are completed during the measurement period as defined in current accounting standards. Leggett has completed a preliminary review of accounting policies for purposes of the unaudited pro forma condensed combined financial information and did not identify any material differences in accounting policies and determined that no significant adjustments are necessary to conform with accounting principles generally accepted in the United States of America.

Management will conduct a final review of ECS’s accounting policies to determine if differences in accounting policies require adjustment of ECS’s results of operations or of assets or liabilities to conform to the Company’s accounting policies, or other adjustments which may be required by acquisition accounting rules. As a result of that review, management may identify differences that, when conformed, could have a material impact on this unaudited pro forma condensed combined financial information.

4. Reclassifications of Historical ECS Business Financial Information

The adjustments listed below reclassify the presentation of financial statement information in the ECS statement of operations, as conformed for the 12 months ended December 29, 2018 (Note 3), to that of Leggett:

Financial Statement Element for ECS	ECS 12 Months Ended December 29, 2018 (Note 2)	Reclassification Adjustments	ECS 12 Months Ended December 29, 2018 Reclassified to Leggett's Presentation	Financial Statement Element for Leggett
Net Sales	$ 603.7	$ —	$ 603.7	Net Sales
Cost of sales	481.6	—	481.6	Cost of good sold
Gross Profit	122.1	—	122.1	Gross Profit
Selling, general and administrative	57.0	(11.3)	45.7	Selling and administrative expenses
	—	11.3	11.3	Amortization of intangibles
Other income, net	(.9)	—	(.9)	Other expense (income), net
	66.0	—	66.0	Earnings before interest and income taxes
Interest	41.2	—	41.2	Interest expense
Income before income taxes	24.8	—	24.8	Earnings from operations before income taxes
Provision (Benefit) for income taxes	7.8	—	7.8	Income taxes
Net income	$ 17.0	$ —	$ 17.0	Net earnings

The reclassification adjustments to the historical ECS balance sheet to conform ECS's presentation of financial statement information to that of Leggett are as follows:

Financial Statement Element for ECS	Historical ECS Presentation December 29, 2018	Reclassification Adjustments	ECS December 29, 2018 Reclassified to Leggett's Presentation	Financial Statement Element for Leggett
Cash	$ 21.1	$ —	$ 21.1	Cash and cash equivalents
Accounts receivable, net	77.5	—	77.5	Trade receivables, net
	—	1.6	1.6	Other receivables, net
Inventory	55.3	(55.3)	—	
	—	25.2	25.2	Finished goods
	—	1.8	1.8	Work in process
	—	28.3	28.3	Raw materials and supplies
Other current assets	2.4	(.2)	2.2	Prepaid expenses and other current assets
Income tax receivable	1.4	(1.4)	—	
Property, plant and equipment, net	71.5	(71.5)	—	
	—	60.5	60.5	Machinery and equipment
	—	26.4	26.4	Buildings and other
	—	.6	.6	Land
	—	(16.0)	(16.0)	Less accumulated depreciation
Intangible assets, net	212.6	—	212.6	Other intangibles, net
Goodwill	225.6	—	225.6	Goodwill
Other assets	1.2	—	1.2	Sundry
Total assets	$ 668.6	$ —	$ 668.6	Total assets
Accounts payable	$ 30.7	$ —	$ 30.7	Accounts payable
Accrued expenses	22.9	14.5	37.4	Accrued expenses
Deferred compensation	14.5	(14.5)	—	
Current portion of long-term debt	20.7	—	20.7	Current maturities of long-term debt
Long-term debt, net of deferred financing fees	355.0	—	355.0	Long-term debt
Deferred tax liabilities	24.5	—	24.5	Deferred income taxes
Shareholder's Equity	200.3	(200.3)	—	
	—	224.6	224.6	Additional contributed capital
	—	(24.3)	(24.3)	Retained earnings
Total liabilities and shareholder's equity	$ 668.6	$ —	$ 668.6	Total liabilities and shareholders' equity

5. Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments Related to the Acquisition

The allocation of the purchase price discussed below is preliminary. The final allocation of the purchase price will be determined at a later date and is dependent on a number of factors, including the final evaluation of the fair value of ECS's tangible and identifiable intangible assets acquired and liabilities assumed at the date of closing. Such final adjustments, which may include other increases or decreases to amortization resulting from the allocation of the purchase price to amortizable tangible and intangible assets for purposes of these unaudited pro forma condensed combined financial information, along with the related income tax effect, may be material.

The consideration paid and preliminary allocation of the purchase price to the fair value of ECS's assets acquired and liabilities assumed, prepared as if the acquisition date were December 31, 2018, is presented as follows:

	Note		**Amounts as of Acquisition Date**
Total Consideration paid to Sellers	**5a**	**$**	**1,250.0**
Book value of net assets acquired at December 29, 2018			200.3
Adjusted for:			
Elimination of existing goodwill and intangible assets			(438.2)
Employee incentive plan obligation not assumed by Leggett	5j		14.5
Long-term debt not assumed by Leggett	5h		375.7
Adjusted book value of net assets acquired		$	152.3
Preliminary adjustments to:			
Inventories	5b		5.3
Net property, plant and equipment	5c		8.6
Other intangibles, net	5d		643.9
Deferred income taxes	5f		(98.1)
Goodwill	5e		538.0
Reconciliation to consideration transferred		**$**	**1,250.0**

5a. Represents cash consideration transferred to the Sellers as calculated below:

Consideration paid to sellers		
Cash consideration from issuances of commercial paper	$	750.0
Cash consideration from issuance of term loan		500.0
Total consideration paid to sellers	$	1,250.0

There is no contingent consideration associated with the ECS Acquisition.

5b. The fair value of finished goods is estimated at selling price less cost to dispose and a reasonable profit allowance for completing the selling effort. Work in process inventory is valued based on the estimated selling prices of finished goods less the sum of (a) costs to complete, (b) costs of disposal, and (c) a reasonable profit allowance for the completing and selling efforts of Leggett based on profit for similar finished goods.

5c. The fair value estimate for net property, plant and equipment is preliminary and is determined based on the assumptions that market participants would use in pricing an asset, based on the most advantageous market for the asset (i.e., its highest and best use). The final fair value determination for fixed assets may differ from this preliminary determination. The fair value of fixed assets is determined primarily using a combination of the cost approach and the sales comparison approach.

	Preliminary Estimated Useful Life (years)	Historical Carrying Amount	Preliminary Fair Value Adjustment	Preliminary Fair Value	Preliminary Estimated Annual Depreciation Expense
Machinery and equipment	7	$ 60.5	$ (9.7)	$ 50.8	$ 7.3
Buildings and other	20-30	26.4	.7	27.1	1.4
Land	N/A	.6	1.6	2.2	—
Total property, plant and equipment	N/A	87.5	(7.4)	80.1	8.7
Accumulated depreciation	N/A	(16.0)	16.0	—	—
Net property, plant and equipment		$ 71.5	$ 8.6	$ 80.1	$ 8.7

An increase/decrease of one year in the preliminary estimated useful life would decrease/increase depreciation expense by approximately $1.1 for the year ended December 31, 2018. An increase/decrease of 10% in the preliminary fair value would increase/decrease depreciation expense by approximately $.9 for the year ended December 31, 2018.

5d. The fair value estimate for identifiable intangible assets is preliminary and is determined based on the assumptions that market participants would use in pricing an asset, based on the most advantageous market for the asset (i.e., its highest and best use). The final fair value determination for identified intangibles may differ from this preliminary determination.

The fair value is determined primarily using the "income approach," which provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. Some of the more significant assumptions inherent in the calculation include the estimated after-tax cash flows that will be received for the intangible asset, the appropriate discount rate selected in order to measure the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, and competitive trends impacting the asset and each cash flow stream. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results. The following table represents preliminary fair value adjustments in the general categories of the acquired identified intangible assets:

	Preliminary Estimated Useful Life (years)	Historical Carrying Amount	Preliminary Fair Value Adjustment	Preliminary Fair Value
Trade names	15	$ 17.2	$ 48.6	$ 65.8
Customer relationships	15	176.6	195.1	371.7
Technology	14	13.9	159.4	173.3
Non-compete agreements	5	4.9	25.8	30.7
Favorable leasehold position	4	—	2.4	2.4
		$ 212.6	$ 431.3	$ 643.9

With Leggett's adoption of ASU 2016-02 on January 1, 2019, the favorable leasehold position discussed above will be recorded as a right of use asset when purchase accounting is applied to the January 16, 2019 closing balance sheet of ECS.

5e. Based on the preliminary allocation of the purchase price, $538.0 of goodwill was recorded and was calculated as the difference between the fair value of the consideration transferred and the values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed.

5f. Reflects deferred income tax liabilities resulting from fair value adjustments. The estimates of deferred tax liabilities were determined based on the book and tax basis differences of the fair value step-ups attributable to the net assets acquired at a weighted average statutory tax rate of 25%. The weighted average statutory tax rate was based upon the jurisdictions of the net assets acquired. This estimate of deferred income tax liabilities is preliminary and is subject to change based upon management's final determination of the fair values of tangible and identifiable intangible assets acquired by jurisdiction.

5g. Represents the elimination of transactions between Leggett and ECS reflected in the historical balance sheets of Leggett and ECS as follows:

Amounts included in ECS accounts receivable and Leggett accounts payable	$	(1.0)
Amounts included in Leggett accounts receivable and ECS accounts payable		(.4)
Pro forma reduction to accounts receivable and accounts payable	$	(1.4)

5h. Represents the elimination of historical ECS debt that Leggett did not assume in the ECS Acquisition.

5i. Represents the elimination of the historical equity accounts of ECS that were eliminated as part of the purchase accounting.

5j. Represents the elimination of an ECS employee incentive plan obligation not assumed by Leggett.

6. Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments Related to Financing the Acquisition

6a. To fund the ECS Acquisition, the Company issued $750.0 of commercial paper under its existing commercial paper program and issued a $500.0 term loan from its existing banking partners. $37.5 of the term loan is due within twelve months of December 31, 2018 and has been classified as current maturities of long-term debt. Debt issuance costs of $2.1 related to the expansion of our commercial paper program and the issuance of our term loan were recorded in the Company's December 31, 2018 historical balance sheet.

7. Unaudited Pro Forma Condensed Combined Statement of Operations Adjustments Related to the Acquisition

7a. This adjustment represents the elimination of sales activity between Leggett and ECS reflected in the historical statements of operations of Leggett and ECS as follows:

Sales by ECS to Leggett	$	(1.9)
Sales by Leggett to ECS		(.5)
Pro forma reduction of Net sales	$	(2.4)

7b. Cost of goods sold has been adjusted by the effect of sales activity between Leggett and ECS and purchase accounting adjustments as follows:

Purchases by Leggett of ECS products	$	(1.9)
Purchases by ECS of Leggett products		(.5)
Removal of historical ECS depreciation expenses		(5.9)
Depreciation expense on revalued property, plant and equipment		7.5
Pro forma reduction of Cost of goods sold	$	(.8)

The profit elimination on inventories was immaterial (and no pro forma adjustment recorded) as the amount of Leggett inventory at ECS facilities as of December 29, 2018, and the amount of ECS inventory at Leggett facilities as of December 31, 2018 was immaterial.

7c. Selling and administrative expenses have been adjusted as follows:

Removal of historical ECS depreciation expenses	$	(1.0)
Depreciation expense on revalued property, plant and equipment		1.2
Direct, incremental acquisition related costs		(3.9)
Pro forma reduction of Selling and administrative expenses	$	(3.7)

Direct, incremental acquisition related costs include financial advisory fees, legal, accounting, and other professional fees incurred by the Company and ECS. These costs are directly related to the Transaction and nonrecurring in nature.

7d. Represents the elimination of historical ECS intangible asset amortization of $11.3 and the recognition of pro forma amortization expense of $48.3 on the portion of the purchase price allocated to definite-lived intangible assets as follows:

	Preliminary Estimated Useful Life (years)	Preliminary Fair Value Adjustment	Preliminary Estimated Annual Amortization Expense
Trade names	15	$ 65.8	$ 4.4
Customer relationships	15	371.7	24.8
Technology	14	173.3	12.4
Non-compete agreements	5	30.7	6.1
Favorable leasehold position	4	2.4	.6
		$ 643.9	$ 48.3
		Less: historical ECS amortization	(11.3)
		Pro forma adjustment of amortization expense	$ 37.0

Amortization expense has been calculated on a preliminary basis, using the straight-line method over the estimated useful life. An increase/decrease of one year in the estimated useful lives would decrease/increase amortization expense by $4.3 for the year ended December 31, 2018. The effect of a 10% increase or decrease in preliminary estimated fair value would result in an increase or decrease of amortization expense of $4.9 for the year ended December 31, 2018.

7e. This adjustment represents the elimination of a $3.2 charge for a financing commitment fee related to our temporary bridge financing arrangement entered into concurrent with the signing of the agreement to purchase ECS in November 2018. This non-refundable fee was amortized over the commitment period, which ended in December 2018 concurrent with the expansion of our credit facility and agreement upon a 5-year term loan. This charge was recorded in interest expense and was directly related to the Transaction and nonrecurring in nature.

7f. Represents the income tax effect for the unaudited pro forma condensed combined statement of operations adjustments related to the acquisition of ECS calculated using a weighted average statutory tax rate of 25%. Because the adjustments contained in this unaudited pro forma condensed combined financial information are based on estimates, the effective tax rate will likely vary in periods subsequent to the merger. Adjustments to established deferred tax assets and liabilities as well as the recognition of additional deferred tax assets and liabilities upon detailed analysis of the acquired assets and assumed liabilities may occur in conjunction with the finalization of the purchase accounting, and these items could be material.

8. Unaudited Pro Forma Condensed Combined Statement of Operations Adjustments Related to Financing the Acquisition

8a. Represents adjustments to eliminate the interest expense in the historical ECS statement of operations and the addition of interest expense and amortization of debt issuance costs related to the financing transactions discussed above. A recap of these adjustments is presented below:

Commercial paper interest expense	$	21.5	[1]
Term loan interest expense		19.1	[2]
Amortization of debt issuance costs		.4	[3]
		41.0	
Historical ECS interest expense		41.2	
Pro forma adjustment of interest expense	$	(.2)	

[1] Assumes $750.0 million of commercial paper was outstanding for all of 2018 at an interest rate of 2.87%, which was the average rate of all outstanding commercial paper on the date of the Transaction. An increase/ decrease of 1/8 percent in this rate would result in an increase/decrease in interest expense of $.9.

[2] Assumes the $500.0 term loan, less current maturities, was outstanding during 2018 at an average interest rate of 3.90%, which was the rate of the term loan on the date of the Transaction. This rate is based on the interest rate formula contained in the term loan agreement. An increase/decrease of 1/8 percent would result in an increase/ decrease of interest expense of $.6.

[3] Estimated annual amortization of debt issuance costs of $2.1 directly incurred for the expansion of the commercial paper program and the term loan.

8b. Represents the income tax effect of the pro forma adjustments related to the financing of the Transaction calculated using a weighted average statutory rate of 25%.

8c. Leggett did not issue any stock or stock-based awards in connection with the Acquisition. Therefore, the number of weighted average common shares outstanding used to compute pro forma basic and diluted earnings per share are the same as the Leggett historical amounts.