$210,000,000*
Ohio Air Quality Development Authority
State of Ohio
Exempt Facilities Revenue Bonds
(Pratt Paper (OH), LLC Project)
Series 2017

The following information, dated November 10, 2017 (the "Supplement"), supplements the Preliminary Official Statement, dated October 27, 2017 (as supplemented to date, the "Preliminary Official Statement"), relating to Ohio Air Quality Development Authority State of Ohio Exempt Facilities Revenue Bonds (Pratt Paper (OH), LLC Project) Series 2017 (the "Bonds"). Any capitalized terms used in this Supplement and not defined herein have the meanings assigned to them in the Preliminary Official Statement.

The Preliminary Official Statement is hereby supplemented, revised and amended as follows in order to update the Company's expectation with respect to the timing of annexation:

> The last paragraph under the subheading "THE PROJECT – Project Site" is hereby amended and restated as follows:
>
> "In addition, the Site is not currently part of the City of Wapakoneta. The City of Wapakoneta intends to annex the Site into the city limits. The City of Wapakoneta has taken initial steps to commence the annexation process, and the Company expects the annexation process to be complete on or prior to the date of issuance of the Bonds, or soon thereafter. The City of Wapakoneta cannot provide the local benefits described below under the subheading "– Local Benefits" until annexation is complete."
>
> In addition, the language under the subheading "CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS – Local Benefits" is hereby amended and restated as follows:
>
> "The Company expects to enter into the Development Agreement with the City of Wapakoneta pursuant to which tax and financial benefits will be provided to the Company and the Project. However, the Development Agreement is expected to acknowledge that additional governmental approvals are required in order for the Company to receive such benefits. In addition to the benefits described in the Development Agreement, the Company expects to receive additional county and State benefits. There can be no assurance that such governmental approvals will be granted or that the Company will actually receive any such benefits. Furthermore, the City of Wapakoneta cannot provide any benefits to the Company or the Project until the annexation of the Project Site is complete and there can be no assurances that annexation will be complete prior to the date of issuance of the Bonds. The failure to receive such benefits could adversely affect the Company's ability to make payments on the Bonds."

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* Preliminary, subject to change.

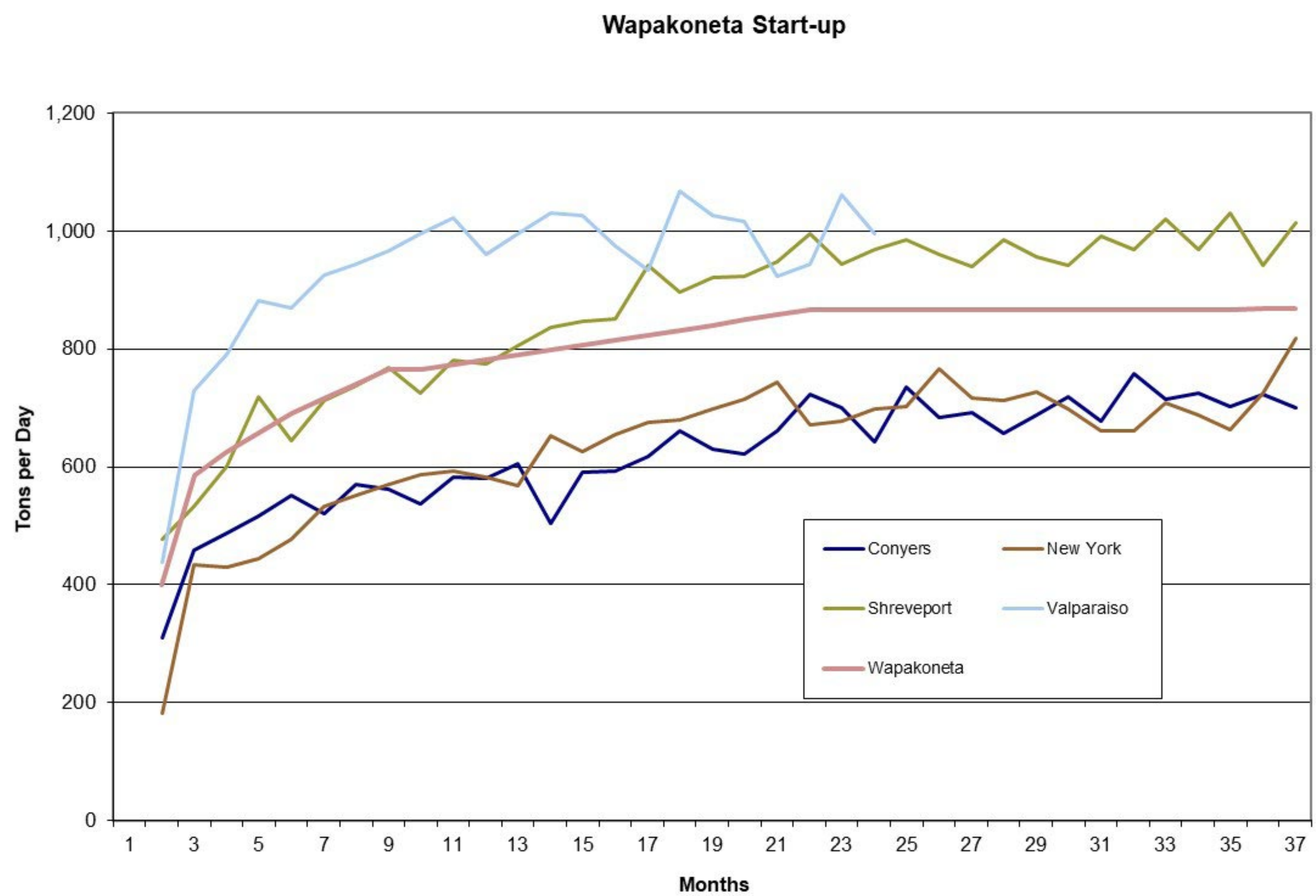
$210,000,000[*]
Ohio Air Quality Development Authority
State of Ohio
Exempt Facilities Revenue Bonds
(Pratt Paper (OH), LLC Project)
Series 2017

The following information, dated October 30, 2017 (the "Supplement"), supplements the Preliminary Official Statement, dated October 27, 2017 (the "Preliminary Official Statement"), relating to Ohio Air Quality Development Authority State of Ohio Exempt Facilities Revenue Bonds (Pratt Paper (OH), LLC Project) Series 2017 (the "Bonds"). Any capitalized terms used in this Supplement and not defined herein have the meanings assigned to them in the Preliminary Official Statement.

The Preliminary Official Statement is hereby supplemented, revised and amended as follows:

Correction to Independent Engineer's Report. Pages 28 and 29 of the Independent Engineer's Report attached to the Preliminary Official Statement as Appendix E are hereby replaced in their entirety by the replacement pages attached hereto.

[*] Preliminary, subject to change.



Note: Since this chart shows actual tons per day and the days per month vary, the "saw tooth" effect occurs

Figure 14.1

The actual monthly (not daily) experience of the first thirty-six (36) months after startup is shown for the other four mills (except Valparaiso, it has been operating for 23 months) alongside the budget for Wapakoneta (PM17) here in *Table 14.1*. Although the Wapakoneta Facility is sized at nominally the same capacity as the Valparaiso, Indiana Mill Wapakoneta's Ramp-up Curve is projected conservatively as being slightly lower. This is mainly due to the paper grades that will be initially run.

Average Tons Per Day

Month	Actual Tons Conyers	Actual Tons New York	Actual Tons Shreveport	Actual Tons Valparaiso	Budget Tons Wapakoneta
1	310	181	477	438	400
2	459	435	533	729	585
3	487	431	601	790	626
4	517	444	720	883	658
5	551	478	645	870	691
6	521	533	712	925	715
7	571	552	737	943	740
8	563	571	768	967	765
9	537	587	725	995	765
10	583	593	781	1,022	773
11	580	584	775	960	782
12	606	567	805	995	790
13	505	653	837	1,030	799
14	592	625	847	1,026	807
15	593	655	852	975	815
16	618	675	941	934	824
17	660	681	897	1,068	832
18	631	698	921	1,026	841
19	623	716	924	1,016	849
20	661	743	948	924	857
21	723	672	996	944	866
22	700	678	944	1,062	866
23	643	698	968	996	866
24	735	702	985		866
25	683	767	961		866
26	692	717	940		866
27	658	713	985		866
28	687	727	956		866
29	720	697	943		866
30	677	660	990		866
31	759	661	968		866
32	715	708	1,020		866
33	725	688	970		866
34	702	664	1,031		867
35	723	725	942		868
36	701	818	1,014		869

Table 14.1

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PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 27, 2017

NEW ISSUE: BOOK-ENTRY ONLY **NOT RATED**

$210,000,000*
Ohio Air Quality Development Authority
State of Ohio
Exempt Facilities Revenue Bonds
(Pratt Paper (OH), LLC Project)
Series 2017

Dated: Date of Delivery **Due: As shown on the Inside Cover**

The State of Ohio Exempt Facilities Revenue Bonds (Pratt Paper (OH), LLC Project), Series 2017 (the "Bonds") will be special obligations of the State of Ohio issued by the Ohio Air Quality Development Authority (the "Issuer") and will not constitute debt or an obligation or a pledge of the faith and credit of the Issuer or the State of Ohio or of any political subdivision thereof, and the holders or owners of the Bonds will have no right to have taxes levied by the General Assembly of the State of Ohio or any political subdivision of the State of Ohio for the payment of principal of or interest on the Bonds. The Bonds will be payable solely from the property pledged thereto, including payments to be made under a Loan Agreement with and a Note from

Pratt Paper (OH), LLC

The proceeds of the Bonds, together with other funds of Pratt Paper (OH), LLC (the "Company"), will be used for the purpose of (a) financing, in whole or in part, the costs of construction, acquisition, and installation of an approximately 470,000 square foot recycled linerboard and corrugating medium mill and related facilities that will recycle mixed waste paper and old corrugated containers (the "Facility") to be located in or near Wapakoneta, Ohio 45895 (the "Project"), (b) funding a debt service reserve fund, (c) paying certain construction period interest on the Bonds, and (d) paying certain costs of issuing the Bonds. The Bonds are to be issued pursuant to an Indenture of Trust, dated as of December 1, 2017 (the "Indenture"), between the Issuer and Regions Bank, as trustee (the "Trustee"). The Company is a single purpose entity and has no assets other than those related to the Facility.

The Bonds, together with permitted additional bonds and other parity indebtedness, will be equally and ratably secured pursuant to the Indenture. The security for the Bonds shall include the Mortgage (as hereinafter defined) on the Facility.

The payment of principal of, premium, if any, and interest on the Bonds will be guaranteed under a Guaranty Agreement, dated as of December 1, 2017 (the "Guaranty"), from Pratt Industries, Inc. (the "Guarantor"). The Company is a wholly owned subsidiary of the Guarantor. **The Guaranty provides that upon the satisfaction of certain conditions, the Guaranty shall terminate; provided that no such termination may occur prior to the date that is the last day of the fourth calendar quarter after the completion of construction of the Facility.**

The Bonds will bear interest payable January 15 and July 15, commencing July 15, 2018, at the rates and will mature on the dates specified on the inside cover of this Official Statement. The Bonds will be issued as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as a securities depository for the Bonds. Purchases of beneficial interests in the Bonds initially will be made in book-entry-only form (without certificates) in denominations of $100,000 or any integral multiple of $5,000 in excess thereof, and under certain circumstances are exchangeable as more fully described herein. Principal and premium, if any, will be payable at a corporate trust office of the Trustee in Atlanta, Georgia. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to Cede & Co. See "THE BONDS-Book-Entry-Only System."

The Bonds are subject to optional redemption, extraordinary redemption, mandatory redemption on a Determination of Taxability, mandatory redemption on a Change of Control, mandatory sinking fund redemption prior to maturity and excess proceeds redemption, all as described herein.

Prospective purchasers of the Bonds should be aware of certain investment considerations and risk factors in evaluating an investment in the Bonds. PURCHASE OF THE BONDS INVOLVES A SIGNIFICANT DEGREE OF INVESTMENT RISK. See "CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS."

THE BONDS ARE BEING OFFERED AND SOLD ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

In the opinion of Ballard Spahr LLP, Co-Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the Bonds is excludable from gross income for federal income tax purposes (except for interest on any Bond for any period during which such Bond is held by a "substantial user" of the facilities financed with the proceeds of the Bonds or by a "related person" to any such substantial user). Interest on the Bonds is an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Thompson Hine LLP, Co-Bond Counsel, under existing law, interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from all Ohio state and local income taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, and the tax levied on the basis of the total equity capital of financial institutions. See "TAX MATTERS" herein.

The Bonds are offered subject to prior sale, when, as and if issued by the Issuer and accepted by the Underwriter, subject to the approving opinions of Ballard Spahr LLP, Philadelphia, Pennsylvania, as Co-Bond Counsel, and Thompson Hine LLP, Columbus, Ohio, as Co-Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon by Dentons US LLP, Atlanta, Georgia, as counsel for the Company and the Guarantor; Thompson Hine LLP, Dayton, Ohio, as local counsel for the Company and the Guarantor; and by Nixon Peabody LLP, New York, New York, as counsel for the Underwriter. It is expected that the Bonds in definitive form will be available for delivery on or about December __, 2017, in New York, New York.

BofA Merrill Lynch

The date of this Official Statement is __________, 2017

* Preliminary, subject to change.

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

$210,000,000*

$________ _____% Term Bonds due January 15, 20___ Yield: _____% Price: ____%

CUSIP Number† _______

$________ _____% Term Bonds due January 15, 20__ Yield: ______% Price: ____%

CUSIP Number† _______

$________ _____% Term Bonds due January 15, 20__ Yield: ______% Price: ____%

CUSIP Number† _______

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* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. The CUSIP (Committee on Uniform Securities Identification Procedures) numbers on the inside cover page of this Official Statement have been assigned by an organization not affiliated with the Issuer, the Company, the Underwriter or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of holders and no representation is made as to the correctness of the CUSIP numbers printed above. CUSIP numbers assigned to the Bonds may be changed during the term of the Bonds based on a number of factors, including, but not limited to, the refunding or defeasance of Bonds or the use of secondary market financial products. None of the Issuer, the Company, the Underwriter or the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed above.

NOTICE TO INVESTORS

No dealer, broker, salesperson or other person has been authorized by the Company or the Underwriter to give any information or to make any representations with respect to this offering, other than as contained in this Official Statement in connection with the offering of the Bonds and, if given or made, such other information or representations must not be relied upon as having been authorized by the Company or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in such information since the date thereof.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements”. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Company’s financial results could cause actual results to differ materially from those stated in the forward-looking statements.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXCEPTIONS CONTAINED IN THE ACT. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS BEING PROVIDED ONLY TO PROSPECTIVE PURCHASERS THAT ARE REASONABLY BELIEVED TO BE “QUALIFIED INSTITUTIONAL BUYERS” WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

Except for information in the sections hereof captioned “THE ISSUER” and “LITIGATION – The Issuer,” none of the information in this Official Statement has been supplied or verified by the Issuer, and the Issuer makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

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OFFICIAL STATEMENT

$210,000,000[*]
Ohio Air Quality Development Authority
State of Ohio
Exempt Facilities Revenue Bonds
(Pratt Paper (OH), LLC Project)
Series 2017

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish information in connection with the sale by the Ohio Air Quality Development Authority (the "Issuer") of $210,000,000[*] State of Ohio Exempt Facilities Revenue Bonds (Pratt Paper (OH), LLC Project), Series 2017 (the "Bonds"). The Bonds will be issued pursuant to Chapter 3706 of the Ohio Revised Code, as amended (the "Act"), a resolution of the Issuer to be adopted on November 7, 2017 and an Indenture of Trust, dated as of December 1, 2017 (the "Indenture"), between the Issuer and Regions Bank, as trustee (the "Trustee"). Regions Bank has also been appointed Registrar and Paying Agent under the Indenture. Capitalized terms used in this Official Statement and not otherwise defined have the meanings specified in Appendix A attached hereto.

The proceeds of the Bonds, together with other funds of Pratt Paper (OH), LLC (the "Company"), will be used for the purpose of (i) financing a portion of the costs of acquiring, constructing and installing an approximately 470,000 square foot recycled linerboard and corrugating medium mill and related facilities that will recycle mixed waste paper and old corrugated containers (the "Facility") to be owned by the Company and located in or near Wapakoneta, Ohio (the "Project"); (ii) funding a debt service reserve fund; (iii) paying certain construction period interest on the Bonds; and (iv) paying certain costs of issuing the Bonds.

The security for the Bonds shall include the Mortgage (as defined below) on the Facility, which grants a lien on the Facility and a security interest in certain property as more particularly set forth herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage" and "THE MORTGAGE." The Bonds and any Additional Bonds issued under the Indenture are sometimes referred to herein collectively as the "Bonds."

The Facility will be owned, constructed and operated by the Company, a wholly owned subsidiary of Pratt Industries, Inc. (the "Guarantor"). The Company is a single purpose entity and has no assets other than those related to the Facility. See "THE COMPANY." The Guarantor is a wholly owned subsidiary of Pratt Holdings, Inc. The Guarantor, through a series of subsidiaries, operates a vertically integrated business engaged in the manufacturing and marketing of corrugated packaging products. The Facility will process Recovered Paper and at full capacity is expected to produce a maximum annual production capacity of 396,010 tons per year of recycled linerboard and corrugated medium. The Facility will be the fifth recycled linerboard and corrugated medium manufacturing plant of a similar design built by the Guarantor, through its subsidiaries, in the United States. Recovered Paper shall be provided to

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[*] Preliminary, subject to change.

the Facility pursuant to a contract between the Company and Pratt Corrugated Holdings, Inc. ("PCH"), which is itself a wholly owned subsidiary of the Guarantor, and a significant portion of the recycled linerboard and corrugated medium projected to be manufactured by the Facility will be purchased by PCH pursuant to a contract with the Company. See "THE COMPANY," "THE PROJECT" and "THE GUARANTOR AND ITS BUSINESS."

The Company will serve as its own general contractor and expects to enter into certain agreements for the construction of the Facility. See "THE PROJECT – Construction." Wholly owned (directly or indirectly) subsidiaries of the Guarantor have used this procurement approach in the construction of similar facilities in Staten Island, New York, Conyers, Georgia, Shreveport, Louisiana and Valparaiso, Indiana. See "THE PROJECT" and "APPENDIX E - INDEPENDENT ENGINEER'S REPORT."

The Issuer will lend the proceeds of the Bonds to the Company pursuant to a Loan Agreement, dated as of December 1, 2017 (the "Loan Agreement"), between the Issuer and the Company. The Company will deliver to the Issuer a promissory note (the "Note") which evidences the obligation of the Company to repay amounts loaned by the Issuer to the Company under the Loan Agreement equal to the principal of, premium, if any, and interest on the Bonds. The Note will be assigned by the Issuer to the Trustee as security for the Bonds. See "THE LOAN AGREEMENT AND THE NOTE."

Pursuant to the Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of December 1, 2017 (the "Mortgage"), the Company will grant to the Trustee, as security for the Bonds, a lien on and security interest in the land, buildings and other assets comprising the Facility, including, among others, proceeds of insurance coverage on the Facility. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Mortgage" and "THE MORTGAGE."

Pursuant to the Guaranty Agreement, dated as of December 1, 2017 (the "Guaranty"), the Guarantor will guarantee the prompt payment when due of the principal of, premium, if any, and interest on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Guaranty" and "THE GUARANTY." The Guarantor's obligations under the Guaranty shall terminate upon the satisfaction of certain conditions. Such conditions include the completion of the Facility, the satisfaction of certain production tests and the satisfaction after completion for four consecutive calendar quarters of certain financial tests related to the Company. See "THE GUARANTY – Termination of the Guaranty." Under certain circumstances specified in the Guaranty, a Substitute Guarantor will be permitted to assume the Guarantor's obligations under the Guaranty, and the Guarantor will be released therefrom. See "THE GUARANTY – Guarantor Covenants – *Restrictions on Transfer of Ownership of the Company and the Project*."

Pursuant to the Equity Contribution Agreement, dated as of December 1, 2017 (the "Equity Contribution Agreement"), Pratt Industries, Inc., as equity provider (the "Equity Provider"), will contribute an aggregate of $65,000,000 to an Equity Fund established by the Trustee under the Indenture. Twenty-five million dollars of such amount shall be deposited into the Equity Fund on the date of issuance of the Bonds and, of that amount, a portion equal to the Debt Service Reserve Requirement will be transferred to the Debt Service Reserve Fund. One or more additional deposits in the aggregate amount of $40,000,000 will be made by the Equity

Provider into the Equity Fund after the date of issuance of the Bonds. Funds on deposit in the Equity Fund will be applied in accordance with the Indenture. See "THE INDENTURE – Equity Fund" and "THE EQUITY CONTRIBUTION AGREEMENT."

In accordance with the terms and conditions of the Indenture, additional series of bonds ("Additional Bonds") may be issued from time to time, secured on a parity with the Bonds by the Indenture and the Mortgage. In addition, under the terms of the Loan Agreement and the Mortgage, subject to satisfaction of certain tests, the Company may incur certain Indebtedness from time to time, which also may be secured by the Mortgage on a parity with the Bonds. See "THE INDENTURE – Additional Bonds and Parity Indebtedness."

Prospective purchasers of the Bonds should be aware of certain investment considerations and risk factors in evaluating an investment in the Bonds. The Bonds have not been rated by a rating agency. PURCHASE OF THE BONDS INVOLVES A SIGNIFICANT DEGREE OF INVESTMENT RISK. SEE "CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS."

THE BONDS WILL BE SPECIAL OBLIGATIONS OF THE STATE OF OHIO ISSUED BY THE ISSUER, AND WILL NOT CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE ISSUER OR THE STATE OF OHIO OR OF ANY POLITICAL SUBDIVISION THEREOF, AND THE HOLDERS OR OWNERS OF THE BONDS WILL HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION OF THE STATE OF OHIO FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE BONDS WILL BE PAYABLE SOLELY FROM THE PROPERTY PLEDGED THERETO UNDER THE INDENTURE, INCLUDING PAYMENTS TO BE MADE UNDER THE LOAN AGREEMENT AND THE NOTE, AND WILL BE FURTHER SECURED BY THE GUARANTY (WHILE SUCH GUARANTY REMAINS IN EFFECT), TO THE EXTENT DESCRIBED HEREIN, AND THE MORTGAGE.

Brief descriptions of the Issuer, the Project, the Bonds, the Indenture, the Loan Agreement, the Mortgage, the Equity Contribution Agreement and the Guaranty, and certain other documents and agreements related to the Project, are included in this Official Statement. Those descriptions and summaries do not purport to be comprehensive or definitive. Certain information relating to The Depository Trust Company ("DTC") and the book-entry-only system has been furnished by DTC. Appendix A contains certain definitions. Certain information with respect to the Company, the Guarantor and PCH, including certain projections of the Company and audited financial statements of the Guarantor and PCH, is included as Appendices B and C hereto. Certain projections with respect to the Guarantor are also included herein. See "THE GUARANTOR AND ITS BUSINESS – Guarantor Projections." Appendix D contains biographies of key Guarantor personnel. The Independent Engineer's Report of Talo Analytic International, Inc. (the "Independent Engineer") is included as Appendix E to this Official Statement. Appendix F contains the proposed forms of the opinions of Ballard Spahr LLP and Thompson Hine LLP, Co-Bond Counsel, to be delivered in connection with the issuance and delivery of the Bonds. The descriptions of the Bonds and other security documents (the Indenture, Guaranty, Loan Agreement, Equity Contribution Agreement and Mortgage are hereafter referred to as the "Security Documents") are qualified in their entirety by reference to them. Copies of such documents may be obtained from the Company's offices at 1800-B Sarasota Parkway, Conyers, Georgia 30013 and, during the initial public offering period, at the principal office of Merrill Lynch, Pierce, Fenner & Smith Incorporated, at Bank of America Tower, One Bryant Park, New York, New York 10036, and, after initial delivery of the Bonds, at a corporate trust office of the Trustee at 1180 West Peachtree Street, Suite 1200, Atlanta, Georgia 30309.

THE ISSUER

The Issuer was organized pursuant to the Act. Under the Act, the Issuer is a body corporate and politic, with full power and authority to issue the Bonds and to enter into and perform its obligations under the Indenture and the Loan Agreement. The Issuer has no taxing power.

The Bonds will be special obligations of the State issued by the Issuer and will not constitute a debt or a pledge of the faith and credit or taxing power of the Issuer or the State or of any political subdivision thereof, and the holders or owners of the Bonds will have no right to have taxes levied by the General Assembly of the State or any political subdivision of the State for the payment of principal of or interest on the Bonds, but the Bonds shall be payable solely from the revenues and funds pledged for their payment as authorized by the Act.

Except for information in the sections hereof captioned "THE ISSUER" and "LITIGATION—The Issuer," none of the information in this Official Statement has been supplied or verified by the Issuer, and the Issuer makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

THE COMPANY

The Company is a Delaware limited liability company and was formed in June 2017 for the purpose of owning, constructing and operating the Facility. It is a wholly owned subsidiary of the Guarantor and has and will have no significant operations or assets other than the Facility, which will be located in or near Wapakoneta, Ohio.

The corporate officers of the Company are the following: Anthony Pratt, Chairman of the Board; Brian McPheely, President and Chief Executive Officer; Gary B. Byrd, Vice President; David J. Kyles, Vice President, Treasurer and Corporate Controller; Stephen Ward, Chief Financial Officer; and Douglas R. Balyeat, Vice President, General Counsel, and Secretary. The Project management team includes Ed Kersey as Project Manager, Lisa Bode as Financial Controller, Mark Mays as Project Engineering Manager, Nick Smithson as Project Electrical Manager and Willie House as Project Commercial Manager, each of whom has extensive experience in the industry and tenure with the Guarantor. The Project manager for the construction of the Project, Ed Kersey, has been with the Guarantor and its affiliates for 29 years. Mr. Kersey's tenure includes service as the Construction Manager for the Shreveport, Louisiana mill and then as the Manager of such mill from 2009 to 2017. See "APPENDIX D – BIOGRAPHIES OF KEY PRATT INDUSTRIES, INC. PERSONNEL."

Financial projections for the Company are included in Appendix B. The Company will agree to provide the Trustee with quarterly and annual financial statements under the Loan Agreement. Pursuant to the Guaranty, the Guarantor also will agree to provide the Trustee with quarterly and annual financial statements while the Guaranty is in effect. The Company will agree to provide the financial information provided to the Trustee by the Company and the Guarantor to Bondholders upon their written request. In addition, the Company, the Guarantor (for so long as the Guaranty is in effect) and PCH have agreed to provide certain information to the Municipal Securities Rulemaking Board for posting in accordance with the Continuing Disclosure Agreement, to be dated the date of issuance of the Bonds (the "Continuing Disclosure Agreement"), as more particularly set forth in "APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto and made a part hereof.

THE PROJECT

General Description

The Project involves the construction and operation of a recycled linerboard and corrugating medium mill facility in or near Wapakoneta, Ohio, which is expected to be operational in the fourth calendar quarter of 2019. The Facility is expected to produce approximately 180,829 tons of recycled linerboard and corrugated medium in its first year of operation. The Facility will process Recovered Paper and at full capacity is expected to produce a maximum annual production capacity of 396,010 tons per year of recycled linerboard and corrugated medium. The Facility will be the fifth recycled linerboard and corrugated medium manufacturing plant of a similar design built by the Guarantor, through its subsidiaries, in the United States. Recovered Paper will be provided to the Facility pursuant to the Supply Agreement between the Company and PCH, which is itself a wholly owned subsidiary of the Guarantor, and at least 74% of the recycled linerboard and corrugated medium projected to be manufactured by the Facility will be purchased by PCH pursuant to the Output Purchase Agreement with the Company. See "THE GUARANTOR AND ITS BUSINESS."

The Project is part of the Guarantor's strategy of vertically integrating paper mills and box making facilities. By integrating paper production with corrugating and box manufacturing, the Guarantor is able to supply quality paper at a cost well below sourcing paper from third party suppliers. The Guarantor's requirements for paper currently exceed its capacity to manufacture paper, and the Guarantor expects this shortfall to grow in the upcoming years. The Guarantor believes that the Project is necessary in order to address this shortfall and maintain vertical integration.

The following chart illustrates the total internal supply and demand with respect to the Guarantor and its paper mills including the impact thereon of the ramp-up of the Facility for Fiscal Year 2017 to Fiscal Year 2022:

Total Mill Supply (Linerboard and Medium) and Internal Demand

Mill Supply (Linerboard and Medium)	Actual FY17	*FY18*	*FY19*	*FY20*	*FY21*	*FY22*
Conyers Mill	367,476	367,780	369,000	370,000	370,000	370,000
Staten Island Mill	370,739	374,950	376,000	378,000	378,000	378,000
Shreveport Mill	391,439	387,744	389,000	390,000	390,000	390,000
Indiana Mill	359,544	381,031	390,000	392,000	392,000	392,000
Ohio Mill				180,829	296,478	312,768
Total Supply - Mill Production	**1,489,198**	**1,511,505**	**1,524,000**	**1,710,829**	**1,826,478**	**1,842,768**
Annualized Demand	**1,476,682**	**1,545,762**	**1,644,000**	**1,709,000**	**1,774,000**	**1,832,000**
Paper Surplus / (Shortage)	**12,517**	**(34,257)**	**(120,000)**	**1,829**	**52,478**	**10,768**
Percent Integrated	***99.2%***	***102.3%***	***107.9%***	***99.9%***	***97.1%***	***99.4%***

Note: The Facility has an expected annual maximum production capacity of 396,010 tons per year, which is expected to be met in year 10

Construction

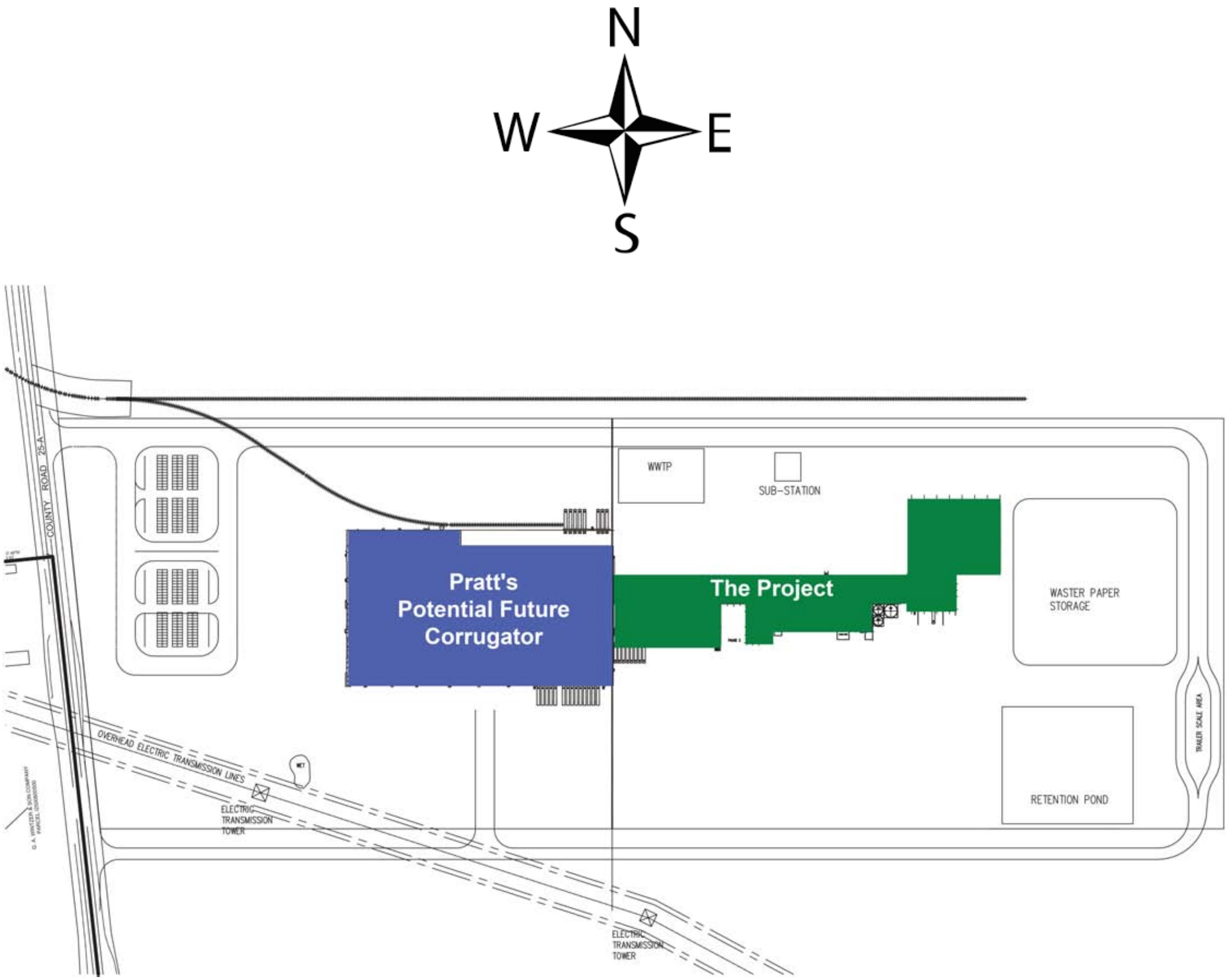
The Facility will be constructed by the Company, and the Company will serve as its own general contractor. The Company expects Facility on-site construction activities to commence in March 2018. The Company has entered into an agreement with Valmet, a Finnish company, for the provision and installation of the paper machine. Valmet is an internationally recognized manufacturer of paper machines. See "APPENDIX E - INDEPENDENT ENGINEER'S REPORT."

The Company anticipates entering into additional contracts with respect to the construction and equipping of the Facility, including without limitation, with respect to the provision and installation of the stock preparation system and the boiler.

Wholly owned (directly or indirectly) subsidiaries of the Guarantor have served as their own general contractor and used this procurement approach in the construction of similar facilities currently operating in Staten Island, New York, Conyers, Georgia, Shreveport, Louisiana and Valparaiso, Indiana. See "APPENDIX E - INDEPENDENT ENGINEER'S REPORT."

Project Site

The Facility will be located on an approximately 60 acre site (the "Project Site"), which is part of a larger 110 acre site which will be acquired by the Company on or prior to the date of issuance of the Bonds (the "Site"). As shown on the picture on the following page, the Site is intended to be subdivided by the Company into the Project Site and a second, approximately 50 acre site on which the Company expects that a separate affiliate of the Guarantor will construct a box plant (the "Box Plant Site").


N
W
E
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COUNTY ROAD 25-A
WWTP
SUB-STATION
Pratt's
Potential Future
Corrugator
The Project
WASTER PAPER
STORAGE
TRAILER SCALE AREA
RETENTION POND
OVERHEAD ELECTRIC TRANSMISSION LINES
ELECTRIC
TRANSMISSION
TOWER
ELECTRIC
TRANSMISSION
TOWER

In the event the subdivision is not completed by the date of issuance of the Bonds, the Site will initially be purchased and owned by the Company and shall initially be subject to the Mortgage. In such event, the Company shall have the right, without the consent of Bondholders, to enter into applicable documentation to effectuate the subdivision, sell the Box Plant Site, and release the Box Plant Site from the Mortgage, upon the satisfaction of the following conditions: (a) no Event of Default (as defined in the Loan Agreement) or an event that after the giving of notice or lapse of time or both would become such an Event of Default, has occurred and is continuing, (b) the Company shall receive payment for the Box Plant Site, which payment shall be at the same price per acre originally paid by the Company for the Site, (c) certification by the Independent Engineer that the subdivision and sale will not adversely affect any aspect of the Project Site or the Company's ability to design, construct or operate the Facility, including any impairment of access thereto, and (d) an opinion of counsel to the Company to the effect that the Mortgage remains, as to the Project Site, valid and enforceable after the release of the Box Plant Site therefrom.

In addition, the Site is not currently part of the City of Wapakoneta. The City of Wapakoneta intends to annex the Site into the city limits. The City of Wapakoneta has taken initial steps to commence the annexation process, and the Company expects the annexation process to be complete on or prior to the date of issuance of the Bonds. The City of Wapakoneta cannot provide the local benefits described below under the subheading "– Local Benefits" until annexation is complete.

Facility Completion

Certain requirements, as set forth in the Loan Agreement, must be satisfied in order for the Facility to be deemed to have achieved completion ("Completion"). Such requirements include machine speed, quality requirements and production parameters. As a condition to Completion, the Independent Engineer must certify that the requirements related to Completion have been satisfied. See "THE LOAN AGREEMENT AND THE NOTE – Establishment of Completion Date" and "APPENDIX E - INDEPENDENT ENGINEER'S REPORT."

Ramp-up Period

The Company anticipates that the output of the Facility will be 180,829 tons of containerboard in the first Fiscal Year of operation and that such amount will gradually ramp-up to a maximum annual production capacity of 396,010 by the tenth Fiscal Year and remain at this level through the remaining term of the Bonds. This ramp-up schedule is based on the experience of the Guarantor with its other similar projects in the United States. The Independent Engineer is required to provide a certificate (the "Ramp-Up Certificate") at a point in time when certain elements of Facility ramp-up have been achieved (the "Ramp-Up Certificate Requirements"). The Ramp-Up Certificate Requirements require the accomplishment of a limited portion of the overall Facility ramp-up. The Company expects to satisfy the Ramp-up Certificate Requirements no later than the end of the third year of Facility operations, well before the full ramp-up of the Facility has been achieved. Full ramp-up of the Facility is expected to occur in the tenth year of Facility operations.

Permits and Approvals

Customary permits and approvals for various aspects of the development of the Facility, such as those related to air emissions, storm water, wastewater and other construction matters will be required from the relevant governmental agencies. Certain permits will be required prior to commencement of Facility construction and other permits will be required during later stages of the Project. Currently, the Company has not procured any permits and has not yet filed any permit applications. The Company plans to file applications for such approvals and permits in the ordinary course at the appropriate times and does not expect any unusual delay or difficulty in obtaining such permits and approvals.

The Independent Engineer has included a list of required permits in the Independent Engineer's Report. The Independent Engineer has concluded that it is reasonable to expect that permits will be issued without an adverse effect on the Project and the Project schedule, and that the Company is expected to be able to comply with the conditions of all applicable permits, approvals and regulations required to fully operate the Facility. See "APPENDIX E-INDEPENDENT ENGINEER'S REPORT." However, there can be no assurance that all permits and approvals will be procured or that the procurement process will not result in delays or unanticipated permit conditions that could adversely affect the Project. See "CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS – Construction Risk."

Local Benefits

The Company expects to enter into a Development Agreement with the City of Wapakoneta, Ohio (the "Development Agreement"). The terms of the draft Development Agreement provide that the City of Wapakoneta, Ohio will provide certain benefits and incentives to the Company and the Project, including, but not limited to, (i) an 8-year, 60% tax credit on local income taxes for creating 100 new, full-time equivalent employees (meeting certain minimum wage requirements) at the Project, (ii) a 10-year, 100% property tax exemption for the Project Site, (iii) the application of certain tax increment financing moneys to the cost of acquisition of the Project Site and (iv) certain benefits with respect to electric and water rates, taxes and services. In addition to the local benefits described in the previous sentence, the Project is expected to receive financial support from Auglaize County, Ohio to address site preparation and remediation and solid waste disposal cost and support from certain state-level economic incentives, including certain grants and rebates. The benefits described in the Development Agreement, as well as the county and State benefits, are subject to further governmental approvals before they can be realized by the Company and are subject to compliance with rules and regulations of the City of Wapakoneta, Ohio and other governmental entities. In addition, as noted above under the subheading "– Project Site," the City of Wapakoneta cannot provide any benefits to the Company or the Project until the annexation of the Project Site is complete. See "CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS – Local Benefits."

Supply of Raw Materials

Raw materials for the Facility will include mixed waste paper ("Mixed Paper"), old corrugated containers ("OCC") and double-lined kraft paper ("DLK") (Mixed Paper, OCC and

DLK collectively, the “Recovered Paper”), all of which will be supplied by PCH pursuant to the Recovered Paper Supply Agreement by and between the Company and PCH, dated as of December 1, 2017 (the “Supply Agreement”).

Under the terms of the Supply Agreement, PCH agrees to supply 100% of the Recovered Paper requirements for the Facility at prices listed for each respective material in the applicable industry publication, except where PCH acquired the material through an arm’s length contractual arrangement; plus freight costs.

The following chart reflects the Company’s projected Recovered Paper requirements:

OPERATIONS YEAR	TONS OF OCC	TONS OF MIXED PAPER	TOTAL TONS
Year 1	68,574	162,462	231,037
Year 2	125,486	231,716	357,202
Year 3	130,729	241,614	372,343
Year 4	137,364	251,467	388,831
Year 5	147,900	268,400	416,300
Year 6	158,742	285,879	444,621
Year 7	161,442	291,994	453,436
Year 8	162,688	295,732	458,420
Year 9	165,404	297,998	463,402
Year 10- 30	165,546	300,348	465,894

The term of the Supply Agreement will not expire until after the payment of all amounts owed by the Company under the Loan Agreement and the Note. See “APPENDIX E - INDEPENDENT ENGINEER’S REPORT.”

Output Sales

Pursuant to the Output Purchase Agreement by and between PCH and the Company dated as of December 1, 2017 (the "Output Purchase Agreement"), PCH is required to purchase the minimum amounts of containerboard shown in Column A below (the "Required Contract Quantity") to the extent such amounts are actually produced by the Company:

OPERATIONS YEAR*	A MINIMUM TONS OF CONTAINERBOARD TO BE PURCHASED	B PROJECTED TOTAL OUTPUT FOR FACILITY**
Year 1	160,000	180,829
Year 2	230,000	296,478
Year 3	250,000	312,768
Year 4	260,000	330,506
Year 5	270,000	353,855
Year 6	280,000	377,928
Year 7	290,000	385,421
Year 8	295,000	389,657
Year 9	300,000	393,892
Year 10	300,000	396,010
Years 11-30	305,000	396,010

* Operations Year 1 starts on the date the first ton of containerboard is produced at the Facility and each Operations Year thereafter starts on the applicable anniversary thereof.

**The projected total outputs shown in Column B reflect expected productions levels only, and do not alter any obligations of either party to the Output Purchase Agreement.

Although the Output Purchase Agreement only obligates PCH to purchase approximately 74-88% of the projected Facility output, PCH expects to purchase approximately 90% of the Facility output. Any output of the Facility that is not sold pursuant to the Output Purchase Agreement will be sold on the open market. PCH, through its subsidiaries, currently utilizes containerboard similar to that which is expected to be produced at the Facility to manufacture corrugated sheet and boxes at many facilities throughout North America. Historically, Guarantor affiliates have sold a nominal amount of paper to the open market. For example, the Guarantor represents that the four existing recycled linerboard and corrugated medium manufacturing facilities in the United States that are owned by Guarantor affiliates sold approximately 5% of their output to unrelated entities on the open market during the last 2 years.

The current anticipated purchase prices for each Operations Year (or part thereof) for the various grades of containerboard are set forth in the below chart:

Type	Grade	Price Per Ton
Medium	Less Than 21MED	$515.00
	23MED	$505.00
	26MED	$490.00
	30MED	$475.00
	33MED	$475.00
	36MED	$470.00
	40MED	$475.00
Liners	Less Than 21LIN	$565.00
	23LIN	$555.00
	26LIN	$540.00
	30PS	$525.00
	35HP	$560.00
	35PS	$560.00
	40PS	$540.00
	56LIN	$570.00

The prices will be adjusted on a semi-annual basis based on published containerboard prices; provided that the actual price movement (either up or down) will be equal to 25% of the published movement; provided, further that any adjusted prices will not fall below the following floor prices:

Type	Grade	Price Per Ton
Medium	Less Than 21MED	$465.00
	23MED	$455.00
	26MED	$440.00
	30MED	$425.00
	33MED	$425.00
	36MED	$420.00
	40MED	$425.00
Liners	Less Than 21LIN	$515.00
	23LIN	$505.00
	26LIN	$490.00
	30PS	$475.00
	35HP	$510.00
	35PS	$510.00
	40PS	$490.00
	56LIN	$520.00

The term of the Output Purchase Agreement will not expire until after the payment of all amounts owed by the Company under the Loan Agreement and the Note.

Affiliate Arrangements

Pursuant to the Affiliate Cooperation Agreement among the Guarantor, PCH and the Company, neither the Guarantor nor PCH will take actions or refrain from taking any actions which would result in materially favoring the financial interests of itself or other affiliates or related entities over the financial interests of the Company, including any action or inaction which would result in a material adverse impact in the business prospects, financial condition or legal interests of the Company during the term of the Bonds. In addition, pursuant to the Affiliate Cooperation Agreement, the Guarantor and PCH agree to exert reasonable efforts to support the design, installation, acquisition, construction and operation of the Facility.

Company's Projections

The Company has prepared the financial projections set forth in APPENDIX B. These projections are based on certain assumptions and expectations currently held by the Company, several of which assumptions are set forth in Appendix B and in the Independent Engineer's Report attached as Appendix E, and which the Company believes are reasonable. A number of important factors affecting the Company's projections could cause actual results to differ materially from those stated in the projections. The Company has also prepared sensitivities to its projections. Investors should review the Company's projections together with the sensitivities set forth in Appendix B attached hereto.

THE GUARANTOR AND ITS BUSINESS

Pratt Industries, Inc.

Pratt Industries, Inc. (the "Guarantor") is a Delaware corporation organized in 1985. Prior to 2013, the Guarantor was known as Pratt Industries (U.S.A.), Inc. The Guarantor is a wholly owned subsidiary of Pratt Holdings, Inc. The Guarantor, through its subsidiaries, is a vertically integrated manufacturer and marketer of corrugated packaging and related products, headquartered in Conyers, Georgia. The Guarantor's operations are divided into three principal divisions: paper, recycling, and corrugating/converting. These various operations include the collection of recovered paper, paper production, corrugated sheet production and manufacturing of finished boxes and point-of-sale displays. The Guarantor, through its subsidiaries, operates 113 locations, including manufacturing facilities and warehousing/logistical management operations located in 29 States and Mexico.

Recycling

The recycling division currently processes over 2,400,000 tons of recycled materials and municipal solid waste per year. Seventy-five percent of the recycling group's total volume goes to the four recycled containerboard mills in Staten Island, New York, Conyers, Georgia, Shreveport, Louisiana and Valparaiso, Indiana. The remaining 25% is sold outside of the Guarantor's facilities, or is landfilled as part of its solid waste business. Approximately 50% of the total tons processed are "controlled" tons that come from a variety of sources, including from municipal contracts, recycling bins located throughout the southeast, and curbside collection efforts. These tons are processed at one of the Guarantor's 17 material recovery facilities (each, an "MRF"). The remaining tons processed are a combination of baled tons received directly from commercial locations and broker tons.

PCH will enter into the Supply Agreement with the Company to supply 100% of the mill's recycled fiber needs.

Paper

The paper division currently operates four recycled containerboard mills - Pratt Paper (GA), LLC located at the Conyers campus outside Atlanta, Georgia (the "Conyers Mill"), Pratt Paper (NY), Inc. located in Staten Island, New York (the "Staten Island Mill"), Pratt Paper (LA), LLC located in Shreveport, Louisiana (the "Shreveport Mill") and Pratt Paper (IN), LLC located in Valparaiso, Indiana (the "Valparaiso Mill"). The four mills currently produce approximately 1,489,000 tons per year of recycled linerboard and corrugated medium. The majority of the linerboard and medium produced at the mills is contractually sold internally to PCH and used to produce boxes.

Approximately 95% of the production by the Guarantor's four paper mills supplies the internal demand of PCH through output purchase contracts. The Guarantor also maintains trading relationships with other containerboard producers that make products the Guarantor is unable to produce, such as white and virgin kraft linerboard. Approximately 5% of the mills' production is sold externally, typically as trim rolls. Trim rolls are smaller width rolls that are necessary to maximize the utilization of the paper mills. In order to meet its current requirement of approximately 1,476,000 tons per year, PCH externally sources a nominal amount of linerboard and medium in certain paper grades that are not produced internally.

The Conyers Mill also operates a Waste-to-Energy facility that supplies 100% of the steam and 40% of the electricity requirement to the mill. This Waste-to-Energy facility utilizes mill rejects, construction wood waste, carpet remnants, and other fuel sources that would have otherwise been sent to the landfill.

Corrugating and Converting

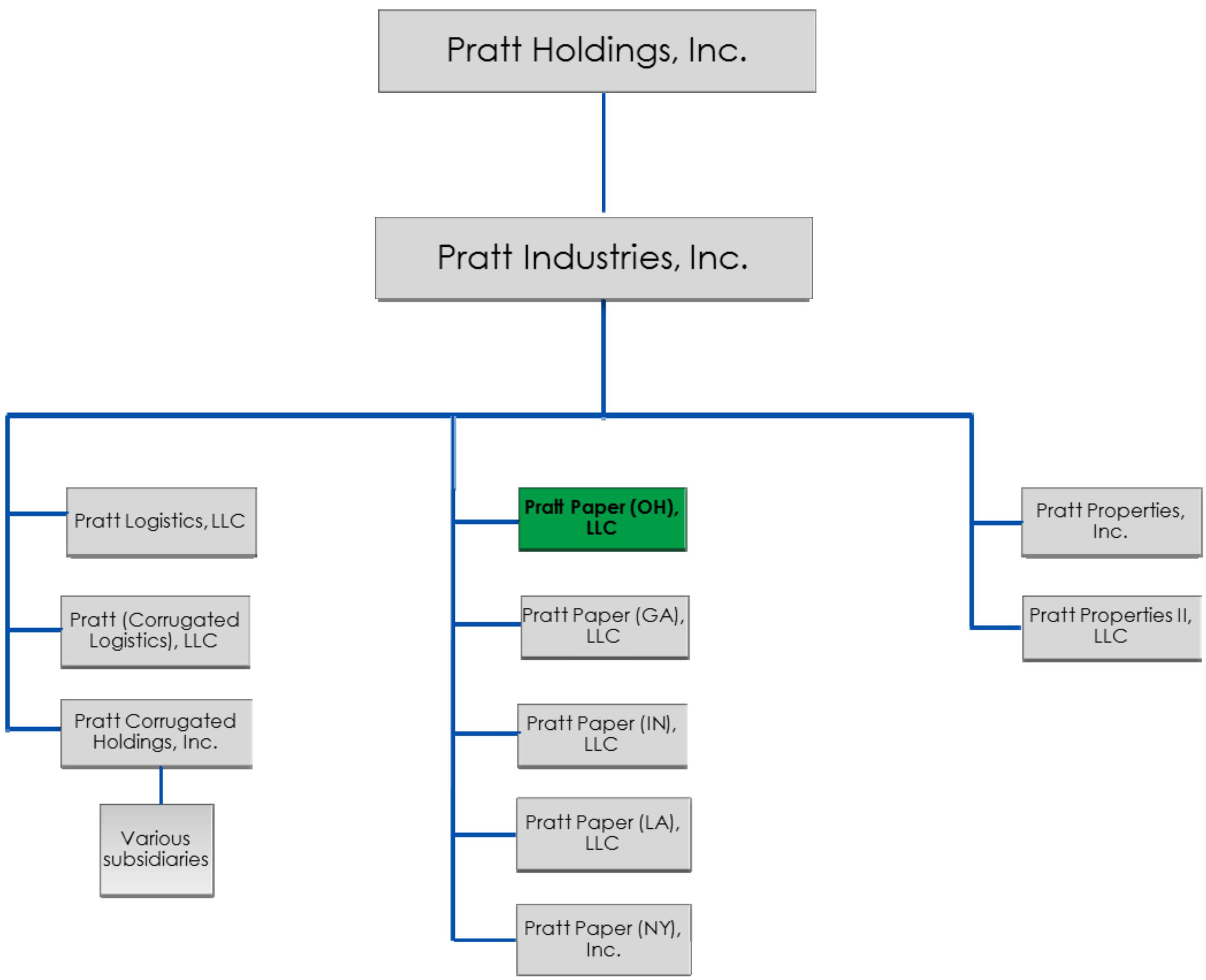
The corrugating and converting division forms the final stage of production for the Guarantor's business and consists of over 92 locations, including box plants, specialty packaging plants, warehouses with packing operations, and sales offices, all strategically located in order to best serve its customers.

The Guarantor's corrugating and converting businesses are operated by PCH. Through its various subsidiaries, PCH currently manufactures and sells approximately $2.3 billion and 1,476,000 tons per year of corrugated sheet and boxes and other specialty packaging. SEE APPENDIX C - Audited Financial Statements of Pratt Corrugated Holdings, Inc. for the Five Fiscal Years Ended June 30, 2017."

PCH's customer base is national in scope. Its top ten customers constitute approximately 25% of gross sales; however, no one customer accounts for more than 8% of sales. Although the average life of PCH's contracts with their customers is two to five years, the average length of its customer relationships is over ten years. In addition, seven of the top ten customers are investment grade companies.

Organizational Chart

The chart below provides the organizational structure of the Guarantor:



Management

The Guarantor's key management team is outlined below, including their current position with the Guarantor (unless otherwise noted) and tenure with the Guarantor and/or its affiliates:

Name	Title	Years with Pratt Affiliates
Anthony Pratt	Chairman	30+
Brian McPheely	President and Chief Executive Officer	30+
Gary Byrd	President of Pratt Holdings	29
David Dennis	Chief Operating Officer	10
Stephen Ward	Chief Financial Officer	16
Douglas Balyeat	VP and General Counsel	10
Austin Davey	President of Mill Division	30+
Victor Columbus	EVP of Human Resources	25
Wayne Villis	VP of Manufacturing	30+
Myles Cohen	President of Recycling Division	9

In addition, Gary Byrd is also a Vice President of the Guarantor. The corporate officers of the Guarantor also serve as the corporate officers of the Company. Overall, the Guarantor (either directly or through its subsidiaries) employs over 6,000 people in the United States. See "APPENDIX D – BIOGRAPHIES OF KEY PRATT INDUSTRIES, INC. PERSONNEL."

Certain information about the Guarantor, including audited financial statements of the Guarantor for the five Fiscal Years ended June 30, 2017, is included in Appendix C. The Guarantor will agree to provide the Trustee with updated financial statements under the Guaranty (for so long as the Guaranty is in effect). Pursuant to the Guaranty, the Guarantor also will agree to provide the Trustee with quarterly unaudited financial statements while the Guaranty is in effect. The Company will agree to provide the financial information provided to the Trustee by the Company and the Guarantor to Bondholders upon their written request. In addition, the Company, the Guarantor (for so long as the Guaranty is in effect) and PCH will agree to provide certain financial information to the Municipal Securities Rulemaking Board on a quarterly and annual basis in accordance with the Continuing Disclosure Agreement, as more particularly set forth in "APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto and made a part hereof.

Guarantor Summary Financial Information

The following summary financial information reflects the results of the consolidated operations for the five Fiscal Years ended June 30, 2017, and is derived from the audited consolidated financial statements of the Guarantor, which are included in Appendix C.

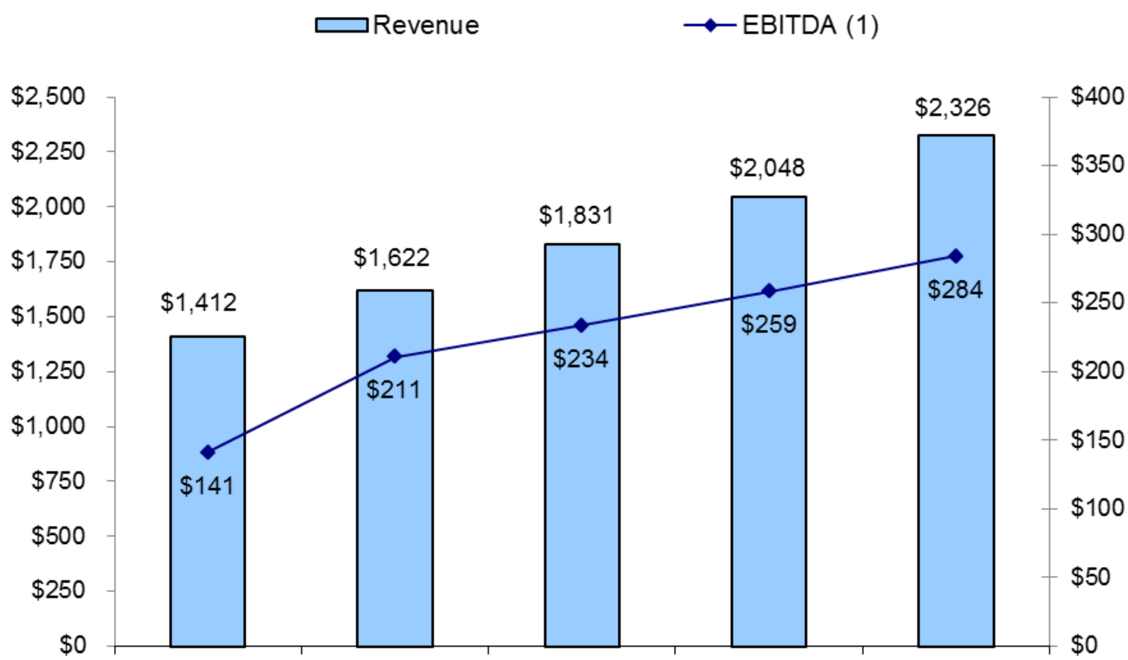
Pratt Industries, Inc. and Subsidiaries
Summary Financial Data
($ in Thousands)

	For the Fiscal Year Ended June 30,				
	2013	**2014**	**2015**	**2016**	**2017**
Income Statement Data:					
Net sales	$1,411,543	$1,621,657	$1,831,037	$2,047,950	$2,326,006
EBITDA [1]	141,230	210,881	233,593	258,588	284,353
Operating income	96,604	158,468	180,641	187,373	211,304
Net income	42,509	76,041	102,519	103,547	113,809
Balance Sheet Data:					
Current assets	401,680	514,226	614,062	671,511	780,164
Total assets	935,100	1,283,153	1,490,031	1,566,750	1,664,641
Total liabilities	632,894	912,725	1,036,668	1,025,882	1,034,034
Total stockholders' equity	302,206	370,428	453,363	540,868	630,607

[1] *EBITDA defined as Net Income plus taxes plus interest plus depreciation plus start-up/reorganization costs plus debt extinguishment costs*

The following graph illustrates the Guarantor's five (5) year trend of revenue and EBITDA:

Revenue and EBITDA ($ millions)

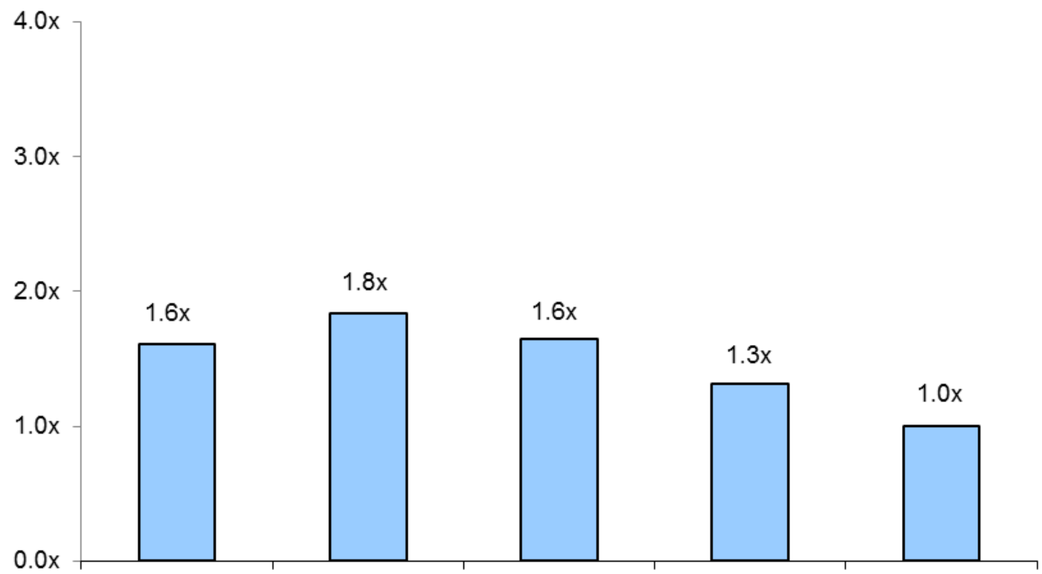


	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
EBITDA[(1)]	$141	$211	$234	$259	$284
Revenue	$1,412	$1,622	$1,831	$2,048	$2,326

(1) EBITDA defined as Net Income plus taxes plus interest plus depreciation plus start-up/reorganization costs plus debt extinguishment costs

The graph below illustrates the Net Debt (gross debt net of available cash reserves) to EBITDA of the Guarantor for the past five Fiscal Years:

Net Debt to EBITDA ($ millions)



	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Net Debt(1)	$227	$387	$382	$341	$285
EBITDA(2)	$141	$211	$234	$259	$284
Net Debt to EBITDA	1.6x	1.8x	1.6x	1.3x	1.0x

(1) Net Debt defined as gross debt net of available cash reserves

(2) EBITDA defined as Net Income plus taxes plus interest plus depreciation plus start-up/reorganization costs plus debt extinguishment costs

Management's Discussion and Analysis of Guarantor Results of Operations and Financial Condition

Revenues have grown from $1.4 billion in Fiscal Year 2013 to $2.3 billion in Fiscal Year 2017, at a compound annual growth rate ("CAGR") of 13%. The 13% CAGR was primarily due to a 9% CAGR in corrugated box shipments and a 3% CAGR in corrugated box prices. The increase in box shipments was attributable to: (1) the start-up of three new corrugating facilities in Lewisburg, Ohio, Beloit, Wisconsin and Rockwall, Texas; (2) the acquisition of two sheet plants located in Salinas, California and Albert Lea, Minnesota; and (3) the continued growth in the Display and Specialty Packaging groups.

EBITDA has grown from $141 million in Fiscal Year 2013 to $284 million in Fiscal Year 2017, at a CAGR of 19%. The EBITDA CAGR was primarily due to the ramp-up of the Valparaiso Mill, a 9% CAGR in corrugated box shipments, and a 3% CAGR increase in corrugated box prices offset by increases in recovered paper costs, freight, and other material costs.

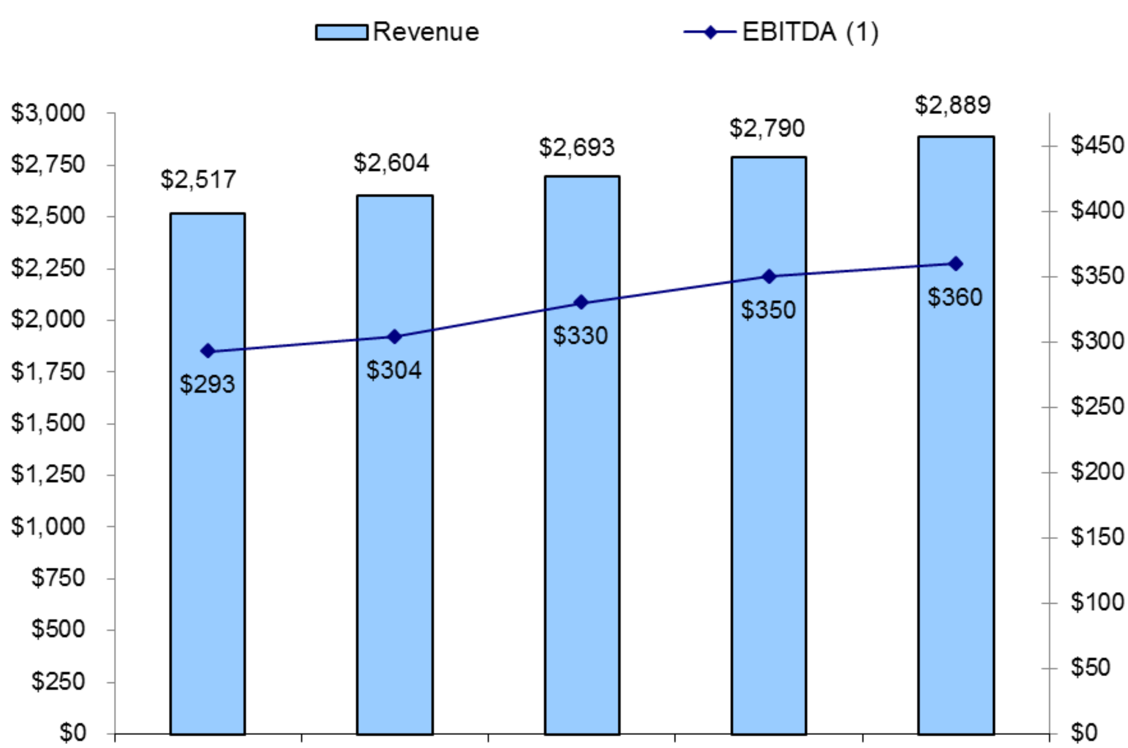
Over the past five years, total leverage peaked in Fiscal Year 2014 as a result of the addition of the Valparaiso Mill debt. The Guarantor has reduced Net Debt by $102 million since Fiscal Year 2014 and finished Fiscal Year 2017 with Net Debt to EBITDA at 1.0x.

Guarantor Projections

The Guarantor has prepared the following financial projections. These projections are based on certain assumptions and expectations currently held by the Guarantor, which the Guarantor believes are reasonable. A number of important factors affecting the Guarantor's projections could cause actual results to differ materially from those stated in the projections.

The following graph shows the Guarantor's projections, including key assumptions, for revenue and EBITDA for the next five years:

5-Year Projections - Projected Revenue and EBITDA ($ millions)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
EBITDA[(1)]	$293	$304	$330	$350	$360
Revenues	$2,517	$2,604	$2,693	$2,790	$2,889

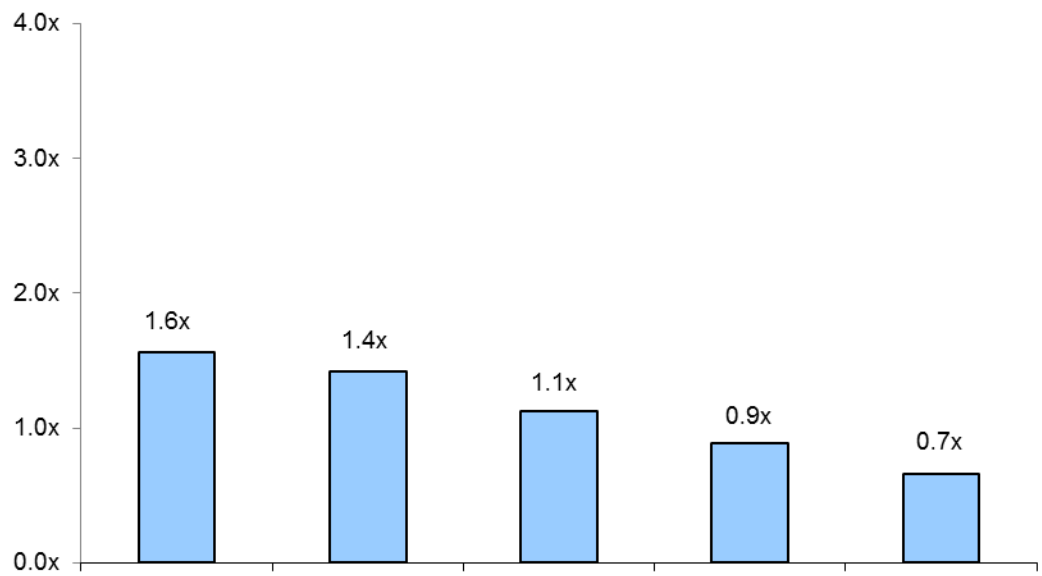
(1) EBITDA defined as Net Income plus taxes plus interest plus depreciation plus start-up/reorganization costs plus debt extinguishment costs

5-Year Projections – Key Assumptions

1. 3-4% annualized growth, including the ramp-up of new corrugating plants and the Facility
2. Recovered Paper costs of $150/ton for OCC and $65/ton for Mixed Paper
3. 1% increase in current containerboard and box prices
4. Current prices on diesel, starch and other materials

The following chart shows the Guarantor's projected Net Debt (gross debt net of available cash reserves) to EBITDA for the next five Fiscal Years:

5-Year Projections - Projected Net Debt to EBITDA ($ millions)



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Net Debt[(1)]	$457	$431	$372	$310	$239
EBITDA[(2)]	$293	$304	$330	$350	$360
Net Debt to EBITDA	1.6x	1.4x	1.1x	0.9x	0.7x

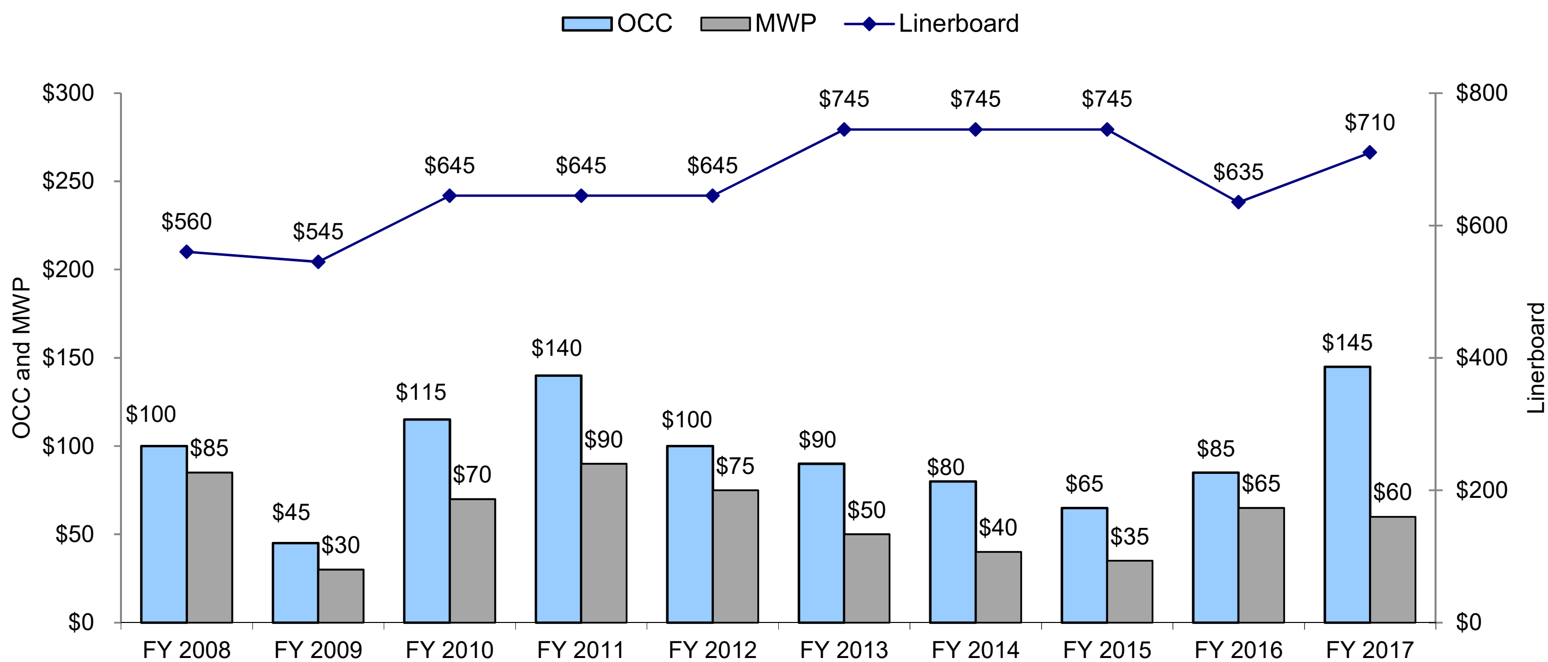
(1) *Net Debt defined as gross debt net of available cash reserves*
(2) *EBITDA defined as Net Income plus taxes plus interest plus depreciation plus start-up/reorganization costs plus debt extinguishment costs*

Similar to what occurred in Fiscal Year 2014, the Guarantor's Net Debt is projected to peak in Fiscal Year 2018 with the addition of the Bonds to Net Debt. Net Debt is projected to be reduced by $218 million by Fiscal Year 2022 resulting in Net Debt to EBITDA below 1.0x at the end of the five year cycle.

Historic Input and Output Prices

The following chart illustrates the historic prices for OCC and containerboard:

Input and Output Trends - Historical Linerboard and OCC Prices ($ per ton)



Linerboard*†	$560	$545	$645	$645	$645	$745	$745	$745	$635	$710
OCC*	$100	$45	$115	$140	$100	$90	$80	$65	$85	$145
Mixed Paper*	$85	$30	$70	$90	$75	$50	$40	$35	$65	$60

* Published prices can vary substantially from market prices.

† Changes in published linerboard prices can dictate changes in the purchase price under the Output Purchase Agreement. See "THE PROJECT – Output Sales" above.

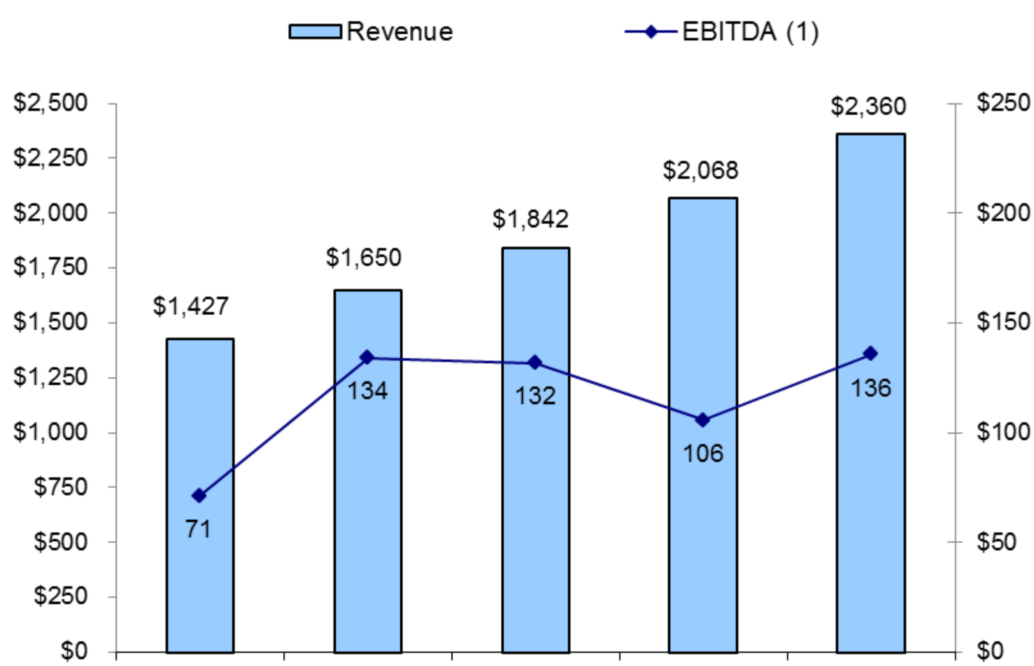
Source: Official Board Markets, "Yellow Sheet" was used for pricing for FY 2008 through FY 2013, and PPI Pulp and Paper Week "Price Watch" Paperboard/Packaging and Recovered Paper – Domestic was used for pricing for FY 2014 through FY 2017 (Prices are the average annual prices for the Fiscal Years ended June 30). PPI Pulp and Paper Week merged with Official Board Markets, "Yellow Sheet" in October of 2012.

PCH Summary Financial Information

Because PCH is the counterparty to the Supply Agreement and the Output Purchase Agreement, PCH's historical financial information is included below.

The following summary financial information reflects the results of the consolidated operations for the five Fiscal Years ended June 30, 2017, and is derived from the audited consolidated financial statements of PCH, which are included in Appendix C.

Revenue and EBITDA ($ millions)

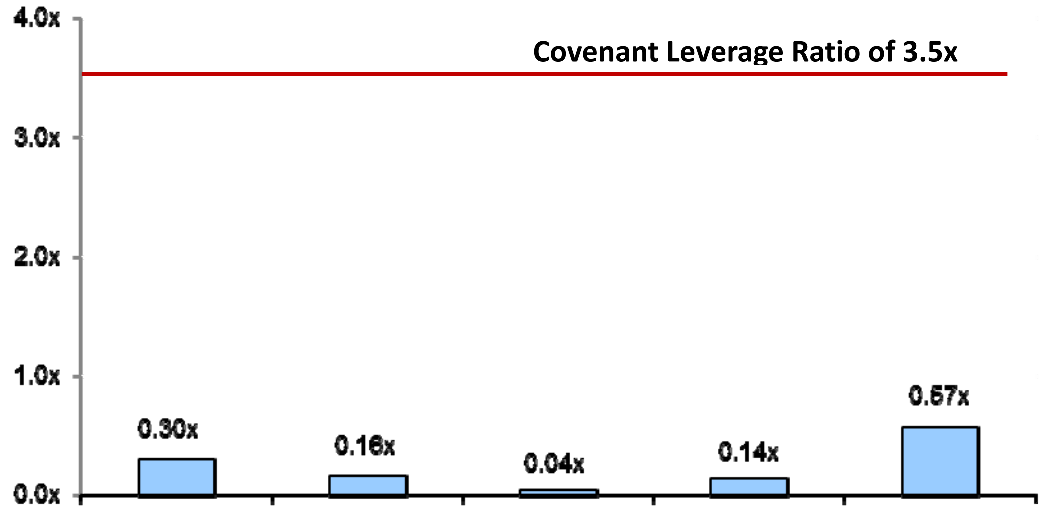


	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
EBITDA[(1)]	$71	$134	$132	$106	$136
Revenues	$1,427	$1,650	$1,842	$2,068	$2,360

(1) EBITDA defined as Net Income plus taxes plus interest plus depreciation plus start-up/reorganization costs plus debt extinguishment costs

The graph below illustrates the Debt to EBITDA of PCH for the past five Fiscal Years:

Debt to EBITDA ($ millions)



	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Debt(1)	$21	$21	$5	$15	$77
EBITDA(2)	$71	$134	$132	$106	$136
Debt to EBITDA	0.30x	0.16x	0.04x	0.14x	0.57x

(1) Debt defined as PCH notes to individuals plus outstanding letters of credit plus certain operating leases

(2) EBITDA defined as Net Income plus taxes plus interest plus depreciation plus start-up/reorganization costs plus debt extinguishment costs

Management's Discussion and Analysis of PCH Results of Operations and Financial Condition

Revenues have grown from $1.4 billion in Fiscal Year 2013 to $2.3 billion in Fiscal Year 2017, at a CAGR of 13%. The 13% CAGR was primarily due to a 9% CAGR in corrugated box shipments and a 3% CAGR in corrugated box prices. The increase in box shipments was attributable to: (1) the start-up of three new corrugating facilities in Lewisburg, Ohio, Beloit, Wisconsin and Rockwall, Texas; (2) the acquisition of two sheet plants located in Salinas, California and Albert Lea, Minnesota; and (3) the continued growth in the Display and Specialty Packaging groups.

EBITDA has grown from $71 million in Fiscal Year 2013 to $136 million in Fiscal Year 2017, at a CAGR of 17%. The EBITDA CAGR was primarily due to a 9% CAGR in corrugated box shipments and a 3% CAGR increase in corrugated box prices.

PCH has a $225 million credit facility that matures in 2022. As of June 30, 2017, PCH had no borrowings under the facility and approximately $11 million of outstanding letters of credit. Additionally, PCH had approximately $48 million of available cash as of June 30, 2017.

PLAN OF FINANCE

The proceeds of the Bonds, together with other funds of the Company, are expected to be used for the purpose of (a) acquiring, constructing and installing the Facility, (b) funding the Debt Service Reserve Fund, (c) paying certain construction period interest on the Bonds, and (d) paying certain costs of issuing the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

Pursuant to the Equity Contribution Agreement, the Equity Provider will contribute an aggregate of $65,000,000 to an Equity Fund established by the Trustee under the Indenture. Twenty-five million dollars of such amount shall be deposited into the Equity Fund on the date of issuance of the Bonds and, of that amount, a portion equal to the Debt Service Reserve Requirement will be transferred to the Debt Service Reserve Fund. One or more additional deposits in the aggregate amount of $40,000,000 will be made by the Equity Provider into the Equity Fund after the date of issuance of the Bonds. Funds on deposit in the Equity Fund will be applied in accordance with the Indenture. In the event the Project achieves Completion under budget, the Equity Provider will have the ability to recover a portion of its unspent equity contribution in an amount not to exceed $10,000,000. See "THE INDENTURE – Equity Fund" and "THE EQUITY CONTRIBUTION AGREEMENT."

The Loan Agreement permits the Company to obtain the Working Capital Line, to be secured by a lien on the Company's accounts receivable and inventory, in an amount equal to a maximum of $15,000,000, adjusted upward annually for inflation based upon a formula specified in the Loan Agreement.

ESTIMATED SOURCES AND USES OF FUNDS

The Company anticipates the following sources of funds and uses of funds for the Project:

Estimated Sources of Funds:

Par Amount of Bonds	$
Company Equity	_______________
Total Estimated Sources	$

Estimated Use of Funds:

Construction costs	$
Capitalized Interest	
Costs of Issuance[1]	
Deposit to Debt Service Reserve Fund	_______________
Total Estimated Uses	$

[1] Includes underwriter's compensation.

CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS

Purchasers of the Bonds should consider the following discussion regarding the risks of the construction and operation of the Facility and risks relating to the security for the Bonds.

Construction Risk

The Facility has not yet been constructed, and as with any major construction effort, the completion of the Facility involves risks such as shortages of materials and labor, work stoppages, labor disputes, weather interferences, unforeseen engineering, environmental or geological problems, currency rate changes and other unanticipated cost overruns, any of which could increase the cost or delay the construction or commercial operation of the Facility. There can be no assurance that the Facility will be completed on the timetable projected by the Company or within the budget and other assumptions used by the Company and the Independent Engineer. See "APPENDIX E - THE INDEPENDENT ENGINEER'S REPORT."

The Company will act as the general contractor for the Facility. The Company and the Guarantor intend to use their personnel and resources to the extent possible to design and construct the Facility. Some design and construction work will be subcontracted to third-party vendors. The Guarantor, through its subsidiaries, has successfully acted as general contractor for the design and construction of its existing paper recycling mills: the Staten Island Mill, the Conyers Mill, the Shreveport Mill and the Valparaiso Mill. There can be no assurance that this experience will be transferred successfully to the construction of the Facility.

Completion of the Facility will depend on the performance by contractors and suppliers under construction and acquisition contracts. The Company has entered into the contract for the provision and installation of the paper machine at the Facility, but the Company has not entered into any other material agreements with respect to the construction and equipping of the Facility and such agreements will need to be negotiated and executed. See “THE PROJECT – Construction.” There can be no assurance that the necessary services and supplies can be obtained on the terms and conditions projected, or that any such subcontractor or supplier will adequately perform its contract on a timely basis.

Permits and Approvals

Certain permits and governmental approvals will be required for the construction and operation of the Facility. See “APPENDIX E - INDEPENDENT ENGINEER’S REPORT.” The Company has not yet filed any permit applications or obtained any of such permits. While the Company does not anticipate that obtaining these permits and approvals will involve unusual difficulties, there can be no assurance that all of the permits and approvals will be obtained in a timely manner or at all. Delay or failure to obtain such permits or approvals could delay or prevent completion and/or operation of the Facility and/or result in additional costs. In addition, permits may include unexpected conditions that could be difficult to satisfy and could adversely affect the Project.

Local Benefits

The Company expects to enter into the Development Agreement with the City of Wapakoneta, Ohio pursuant to which tax and financial benefits will be provided to the Company and the Project. However, the Development Agreement is expected to acknowledge that additional governmental approvals are required in order for the Company to receive such benefits. In addition to the benefits described in the Development Agreement, the Company expects to receive additional county and State benefits. There can be no assurance that such governmental approvals will be granted or that the Company will actually receive any such benefits. The failure to receive such benefits could adversely affect the Company’s ability to make payments on the Bonds. Furthermore, the City of Wapakoneta cannot provide any benefits to the Company or the Project until the annexation of the Project Site is complete.

Operating Risk

As with any complex plant, operation of the Facility will involve many risks, including breakdown or failure of equipment, labor disputes, events such as fires, hurricanes or other acts of God, changes in law, changes in permit requirements and technology changes in the industry. In addition, the Company’s business is dependent on many market factors that are beyond the control of the Company, including the costs for materials (including Recovered Paper for the Facility), the cost and availability of labor and the demand for containerboard. Such market factors can be volatile. In the event that such market factors move in a manner that adversely affects the Company, or other uncontrollable events occur, the Company’s ability to make payments under the Loan Agreement may be adversely affected.

The Company was formed in June 2017 and has no operating history. The Guarantor’s business involves the vertical integration of paper recycling, paper production and the manufacturing of corrugated products. Several affiliates of the Guarantor own and/or operate facilities within the vicinity of the Facility. In addition, the Company will enter into agreements with affiliates of the Guarantor in connection with both the supply of raw materials for, and output of, the Facility. The ability of the Company to efficiently operate and manage the Facility is dependent, to a great extent, on the operations of the affiliates of the Guarantor. Due to such reliance on affiliates, any downturn in any element of the Guarantor's business may adversely affect the operations of the Company and may adversely affect the ability of the Company to make payments under the Loan Agreement.

Special Obligations of the Issuer; Nature of Obligation of the Company

The Bonds are special obligations of the Issuer and do not represent or constitute a debt of the Issuer, the State or any other political subdivision thereof within the meaning of the provisions of the Constitution or statutes of the State or a pledge of the faith and credit of the Issuer, the State or any other political subdivision thereof or grant to the owners thereof any right to have the Issuer, the State or any other political subdivision thereof levy any taxes or appropriate any funds for the payment of principal of or premium, if any, or interest on the Bonds.

As a single purpose entity, the Company has limited assets, consisting of its interests in the Facility, and such interests are pledged or mortgaged to the Trustee. The Company has no ongoing sources of revenue other than from its interests in the Facility and will not undertake any activities other than those related to the Facility.

Termination of the Guaranty

The Guarantor's obligations under the Guaranty shall terminate upon the satisfaction of certain conditions. Such conditions include the completion of the Facility, the delivery by the Independent Engineer of the Ramp-Up Certificate, the satisfaction of production tests and the satisfaction for four consecutive calendar quarters of certain financial tests related to the Company.

The Company and the Guarantor expect to be able to satisfy the conditions for termination set forth in the Guaranty in the second half of calendar year 2021, which is significantly prior to the full ramp-up of the Facility. In addition, no assurance can be given regarding the continued creditworthiness of the Guarantor during the period of time in which the Guaranty is effective. No other Affiliate of the Company has any obligation with respect to the payment of the Bonds.

Effective Subordination of Guaranty

Because the Guarantor conducts its operations through Subsidiaries, the Guaranty (while it is in effect) will be effectively subordinated to all liabilities of the Guarantor's Subsidiaries. There are, and will continue to be so long as the Guaranty is in effect, restrictions on the ability of the Guarantor's Subsidiaries to make loans to Affiliates or to pay dividends, which could limit funds available to the Guarantor to pay its obligations under the Guaranty.

Substitution of the Guarantor

The Guaranty provides that the Guarantor may substitute for itself an entity to which it is permitted to transfer all or substantially all of its assets in accordance with the Guaranty. See

"THE GUARANTY – Guarantor Covenants – *Restrictions on Mergers, Consolidations and Sales of Assets*." Upon such a substitution, such substitute guarantor would assume all of the remaining obligations of the Guarantor under the Guaranty and the Guarantor would cease to have any further obligations thereunder.

Limited Commitment of Equity Provider

Pursuant to the Equity Contribution Agreement, the Equity Provider is required to deposit a total of $65,000,000 into the Equity Fund under the Indenture. There can be no assurance that the Equity Provider will be able to provide such funds or that such funds, together with other funds available to the Company, will be sufficient to complete the Project.

Reliance on Projections and Underlying Assumptions

The economic feasibility of the Project is based upon certain projections prepared by the Company. Such projections include the expected costs of the construction and operation of the Facility. In addition to the assumptions regarding the expected performance level of the completed Facility, certain assumptions were made with respect to general business and economic conditions, costs of materials, output prices, natural gas, power and other inputs. These assumptions, as well as all other assumptions used in the projections, are inherently subject to significant uncertainty, and the actual results of the Facility's operations may differ, perhaps materially, from these projections. Therefore, no representation is made, or intended to be made, nor should any be inferred, with respect to the likely existence or occurrence of any particular set of future facts and circumstances. If actual results are less favorable than those projected or if the assumptions used in formulating the projections prove to be incorrect, the Company's ability to operate the Facility and to make payment on the Bonds may be adversely affected.

Input Costs

The Facility requires certain raw materials and inputs including, without limitation, the supply of Recovered Paper, chemicals, energy, water and other utility services, which are subject to fluctuations in pricing, in order to manufacture containerboard. The Facility is exposed to changes in the availability and cost of such raw materials and inputs. In the event that such raw materials and inputs are more costly, the Company's ability to make payments on the Bonds may be adversely affected.

Market for Finished Product

The revenues for the Facility are derived from the sale of containerboard. Pursuant to the Output Purchase Agreement, PCH must purchase the minimum tons of containerboard set forth below:

OPERATIONS YEAR	MINIMUM TONS OF CONTAINERBOARD TO BE PURCHASED
Year 1	160,000
Year 2	230,000
Year 3	250,000
Year 4	260,000
Year 5	270,000
Year 6	280,000
Year 7	290,000
Year 8	295,000
Year 9	300,000
Year 10	300,000
Years 11-30	305,000

The purchase price set forth in the Output Purchase Agreement is subject to change, on a semi-annual basis, based on market factors. Thus, if the market factors decline, then the price under the Output Purchase Agreement will decrease which could cause the Company to fail to earn sufficient revenues to operate the Facility and pay all amounts due with respect to the Bonds. In addition, although the pricing under the Output Purchase Agreement is adjusted based on market factors, the actual pricing may not reflect market pricing.

Ramp-up Risk

The Company anticipates that the output of the Facility will be 180,829 tons of containerboard in the first Fiscal Year of operation and that such amount will gradually ramp-up to a maximum annual production capacity of 396,010 by the tenth Fiscal Year and remain at this level through the remaining term of the Bonds. This ramp-up schedule is based on the experience of the Guarantor with its other similar projects in the United States. However, there can be no assurance that the projected ramp-up schedule will be achieved and any shortfall can be expected to reduce Facility revenues and could adversely affect the Company's ability to pay amounts due on the Bonds. In addition, the full ramp-up of the Facility is not a requirement for the release of the Guaranty, and the Company expects to satisfy all conditions to release the Guaranty by the second half of calendar year 2021. See "APPENDIX E - INDEPENDENT ENGINEER'S REPORT."

Enforceability of Security Agreements

The Company has limited assets, all of which are pledged or mortgaged to the Trustee under the Mortgage, subject to certain exceptions. The Company has no assets or funds available to pay the costs of the Project other than as described herein under the heading "PLAN

OF FINANCE." The value of the proceeds upon a foreclosure of the Facility cannot be predicted. To the extent that the proceeds of such foreclosure, together with any funds derived by the Trustee under the Guaranty (for so long as the Guaranty is in effect), were insufficient to make all payments in respect of the Bonds, the Bondholders would be unsecured creditors of the Company, which will have no business other than the operation of the Facility. The Guarantor's obligations under the Guaranty are unsecured.

The remedies available to the Trustee or the Bondholders in the event of a default under the Loan Agreement are in many respects dependent upon judicial actions that often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the Federal Bankruptcy Code), the remedies provided in the Loan Agreement or the Mortgage may not be readily available or may be limited. Delay in the availability of such remedies or the absence thereof could have a material adverse effect upon the availability to Bondholders of full and timely payment of the Bonds.

The Trustee will be a party to, or will receive an assignment of, the Project Agreements. In the event of a default by the Company, the Trustee may attempt to enforce the contractual obligations of such third parties to the Company. If the Company declared bankruptcy, such third parties might attempt to cancel their agreements with the Company; in that event, the Trustee may attempt to cause such third parties to enter into similar contracts directly with the Trustee. There can be no assurance that the Trustee would be successful or that such proceedings would not result in delays to the completion of the Facility and/or substantial additional costs related to the continued operation of the Facility. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity.

Potential for Determination of Taxability

Under certain circumstances, interest on the Bonds could become includable in gross income for federal income tax purposes. See "THE BONDS – Redemption – *Mandatory Redemption on Determination of Taxability*." Furthermore, the occurrence of certain events, or the failure of the Company to comply with certain covenants contained in the Loan Agreement or the Use of Proceeds Certificate and Agreement, dated the date of issuance of the Bonds, between the Issuer and the Company, may result in the interest on the Bonds being includable in gross income for federal income tax purposes from the date the Bonds were first issued. Upon the occurrence of a Determination of Taxability, the Bonds are subject to mandatory redemption at a price equal to the principal amount thereof, plus accrued and unpaid interest to the redemption date. If a Determination of Taxability were to occur, the holders of the Bonds might incur a significant tax liability, and such holders would not in such event be entitled to receive any additional amounts from the Company to pay such liabilities.

Change of Control

Upon the occurrence of a Change of Control, unless the Company has exercised its right to optionally redeem the Bonds pursuant to the optional redemption provisions described herein, the Bonds are subject to mandatory redemption at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the redemption date.

Environmental Permitting and Governmental Regulation

The Project is subject to a number of federal, state and local laws and regulations related to the environment, health and safety compliance and permitting obligations (including those related to the use, storage, discharge, emission and disposal of waste). Failure to comply with such laws, regulations and permits could result in the need for capital expenditures and/or the imposition of penalties or restrictions on operations that could adversely affect present and future operations of the Facility. Such laws and regulations could change in a manner that could result in the need for capital expenditures or result in an increase in operating expenses. In addition, such laws and regulations could materially and adversely affect the ability of the Company to construct the Facility and/or operate the Facility.

Environmental Risks

With respect to the ownership of real property, there are potential risks and liabilities regarding environmental conditions on, under, arising from, relating to, or affecting such property. The presence of hazardous substances on, under, arising from or affecting such property, or the presence of hazardous substances on other real property but relating to such property, may result in the owners of such property being liable for the costs of investigation and remediation, without regard to knowledge or responsibility for the presence of such hazardous substances. The presence of such hazardous substances or the failure to properly remediate such when present may adversely affect the owners' ability to sell or rent such property or to borrow using property as collateral. The costs and liability for such investigation and remediation is generally not limited and could exceed the value of the property and/or the assets of the owner.

A Phase I Environmental Site Assessment (the "Site Assessment") was completed in October 2017 by CTL Engineering of Ohio, Inc. The purpose of the Site Assessment was to identify areas of environmental concern associated with the property on which the Facility will be located and surrounding properties. The Site Assessment concluded that there are no known material environmental issues on the Project Site. However, no assurance can be given that the Site Assessment revealed all potential environmental concerns, that any prior owners or tenants did not create any adverse environmental condition not known to the Company, that no environmental liabilities have developed since the Site Assessment was prepared, that future laws or regulations will not impose material environmental requirements or liability or that a material adverse environment condition does not otherwise exist.

Adequacy of Insurance

The Company is obligated to obtain and keep in force certain insurance with respect to the Facility. There is no assurance that such insurance coverage will be available in the future at commercially reasonable costs or that the amounts for which the Company is insured will cover all unanticipated losses and, in particular, outstanding debt service on the Bonds in the event of a casualty loss.

Absence of Market for Bonds; No Credit Rating

The Bonds have not been rated by any credit rating agency. The Underwriter is not obligated to repurchase any of the Bonds or to make any market therein. Accordingly, there can be no assurance that an active market for the Bonds will develop. If a market for the Bonds does not develop, holders of Bonds may be unable to resell such Bonds for an extended period of time, if at all. Consequently, such holders may not be able to liquidate their investments readily. Moreover, if a market for the Bonds does develop, the Bonds could trade at a substantial discount from their face amount.

Additional Indebtedness

Under specified circumstances, Additional Bonds may be issued by the Issuer at any time or from time to time, pursuant to and in accordance with the terms of the Indenture. In addition, Parity Indebtedness may be incurred, subject to compliance with the Indenture. Under the Indenture, any Additional Bonds and Parity Indebtedness will rank on a parity with all Bonds then outstanding. The issuance of Additional Bonds or Parity Indebtedness (other than for refinancing purposes) would create additional claims against the property described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Trust Estate" and the amounts available to repay amounts in respect of the Bonds in the event of foreclosure.

The Loan Agreement also permits the Company to maintain a Working Capital Line in an amount up to the Working Capital Ceiling. The Working Capital Ceiling is currently $15,000,000 but will be adjusted annually on each anniversary of the issuance of the Bonds by the percentage increase in the Consumer Price Index as published by the Bureau of Labor Statistics, U.S. Department of Labor during the immediately preceding twelve month period. The Company is permitted to secure the Working Capital Line with a first lien on accounts and inventory in accordance with the Loan Agreement.

THE BONDS

General

The Bonds will be dated their date of delivery and will mature on the dates and bear interest at the rates set forth on the inside cover of this Official Statement. Interest on the Bonds will be computed on the basis of a year of 360 days consisting of 12 months of 30 days each, and will be payable on each January 15 and July 15, commencing on July 15, 2018 and at maturity or upon earlier redemption.

The Bonds will be issued as fully registered bonds in denominations of $100,000 or any integral multiple of $5,000 in excess thereof, and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Purchases of beneficial interests in the Bonds initially will be made in book-entry-only form (without certificates) in denominations of $100,000 or any integral multiple of $5,000 in excess thereof, and, under certain circumstances, such beneficial interests are exchangeable for one or more fully registered bonds of the same maturity and of like principal amount, in denominations of $100,000 or any integral multiple of $5,000 in excess thereof (see "THE BONDS – Revision of Book-Entry System; Replacement Bonds").

So long as any of the Bonds are in book-entry form, the registered owner of the Bonds will be Cede & Co. for all purposes of the Indenture and the principal of, premium, if any, and interest on such Bonds will be payable as described under "THE BONDS – Book-Entry-Only System" below. If the book-entry-only system is discontinued with respect to the Bonds, the principal of and premium, if any, on the Bonds will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the principal office of the Paying Agent, by check or draft drawn upon the Paying Agent, and interest on the Bonds will be payable in lawful money of the United States of America by check or draft drawn upon the Paying Agent and mailed by first class mail to the bondholder at the addresses shown on the registration books maintained by the Bond Registrar at the close of business on the Record Date next preceding each Bond Payment Date, notwithstanding the exchange or registration of transfer of any such Bond after such Record Date. Notwithstanding any other provision of the Indenture, upon written request of any holder of Bonds in aggregate principal amount of not less than $1,000,000, interest on the Bonds will be paid by wire transfer in immediately available funds to an account designated by such bondholder.

Redemption

Optional Redemption. (A) The Bonds are subject to optional redemption at the option of the Issuer (at the direction of the Company), in whole or in part, on any Business Day before January 15, 2028* at a redemption price (the "Make-Whole Redemption Price") equal to the greater of:

(i) the initial offering price (but not less than 100%) of the principal amount of such Bonds to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed (assuming any future sinking fund installments for the applicable Bonds would have been applied on a pro rata basis to the applicable Bonds), not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Applicable Tax-Exempt Municipal Bond Rate plus 30* basis points;

plus, in each case, accrued and unpaid interest on such Bonds to be redeemed to the redemption date.

"Applicable Tax-Exempt Municipal Bond Rate" shall mean the "Comparable AAA General Obligations" yield curve rate for the maturity date of the Bonds to be redeemed (assuming that such maturity date is the redemption date of the Bonds) published by Municipal

* Preliminary, subject to change.

Market Data ("MMD") five business days prior to the date fixed for redemption. If no such yield curve rate is established for the applicable year, the "Comparable AAA General Obligations" yield curve rate for the two published maturities most closely corresponding to the applicable year will be determined, and the "Applicable Tax-Exempt Municipal Bond Rate" will be interpolated or extrapolated from those yield curve rates on a straight-line basis. This rate is made available by MMD and is available to its subscribers at: www.tm3.com. In calculating the Applicable Tax-Exempt Municipal Bond Rate, if MMD no longer publishes the "Comparable AAA General Obligations" yield curve rate, then the Applicable Tax-Exempt Municipal Bond Rate will equal the Municipal Market Advisors Consensus Municipal yield curve rate for the applicable year. In the further event that Municipal Market Analytics, Inc. no longer publishes the Consensus Municipal yield curve rate, the Applicable Tax-Exempt Municipal Bond Rate will be determined by the Quotation Agent, based upon the rate per annum equal to the semiannual equivalent yield to maturity of those tax-exempt general obligation bonds rated in the highest rating category by Moody's and S&P with a maturity date equal to the maturity date of the Bonds to be redeemed and having characteristics (other than the rating) most comparable to the Bonds to be redeemed, in the judgment of the Quotation Agent.

(B) The Bonds are subject to optional redemption at the option of the Issuer (at the direction of the Company), in whole or in part, on January 15, 2028* and any day thereafter at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the redemption date; provided however no partial redemption of Bonds may be made by the Issuer pursuant to this clause (B):

(i) until payment of Debt Service on the Bonds due and payable on or before such redemption date has been made; and

(ii) unless the Debt Service Reserve Fund is fully funded in the amount of Debt Service Reserve Requirement.

Optional Excess Equity Redemption. After the Completion Date, and following receipt by the Trustee of the Ramp-Up Certificate and confirmation by the Trustee that the full Additional Equity Contribution has been provided to the Trustee,

(i) (A) any moneys in the Equity Fund, will, at the written direction of the Company, be transferred by the Trustee to the Equity Provider, provided that such transferred amount shall not exceed a total of $10,000,000 (the "Equity Transfer Amount"), and (B) at the option of the Company, the Equity Transfer Amount shall be used to redeem the principal amount of the Bonds, in whole or in part, and, if in part, pro rata among each maturity of the Bonds, at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the redemption date; and

(ii) any moneys remaining in the Equity Fund following the transfer of the Equity Transfer Amount, if any, may, at the option of the Issuer (at the written direction of the Company), be (i)(A) transferred to the Principal Account of the Bond Fund,

* Preliminary, subject to change.

(B) invested as directed in an Opinion of Bond Counsel and (C) applied by the Trustee to redeem, at par (together with accrued and unpaid interest), the principal amount of the Bonds, in whole or in part (if in part, in Authorized Denominations and pro rata among each maturity of the Bonds) up to an aggregate amount with the Equity Transfer Amount of $16,000,000, and, with respect to any amounts greater than $16,000,000, applied to the next principal payments of the Bonds until all such amounts are expended, (ii) used by the Company to pay for Operating Expenses, Capital Expenditures or any Costs of the Project, or (iii) transferred or used in any combination of the foregoing. Any of said Bonds redeemed in accordance with this paragraph shall be cancelled and the Issuer will receive a credit against its next scheduled sinking fund redemption obligation for Bonds that are so redeemed and the Company will receive a credit corresponding to the principal amount of Bonds so redeemed against its obligations to make payments under the Loan Agreement and the Note.

Mandatory Sinking Fund Redemption. The Bonds maturing on ___________ will be redeemed prior to maturity in part on January 15 and July 15 of each year commencing on ___________, as set forth below, in each case at a redemption price of 100% of the principal amount to be redeemed, together with accrued and unpaid interest to the redemption date:

Date	Mandatory Sinking Fund Requirement	Date	Mandatory Sinking Fund Requirement

* final maturity

The Bonds maturing on ___________ will be redeemed prior to maturity in part on January 15 and July 15 of each year commencing on ___________, as set forth below, in each case at a redemption price of 100% of the principal amount to be redeemed, together with accrued and unpaid interest to the redemption date:

Date	Mandatory Sinking Fund Requirement	Date	Mandatory Sinking Fund Requirement

____

* final maturity

The Bonds maturing on ___________ will be redeemed prior to maturity in part on January 15 and July 15 of each year commencing on ___________, as set forth below, in each case at a redemption price of 100% of the principal amount to be redeemed, together with accrued and unpaid interest to the redemption date:

Date	Mandatory Sinking Fund Requirement	Date	Mandatory Sinking Fund Requirement

____

* final maturity

In order to satisfy its obligation to redeem Bonds pursuant to mandatory sinking fund redemption as set forth above, the Issuer shall have on deposit in the Bond Fund moneys in the amounts necessary to make the required redemptions and at the times required in the Indenture. At its option, to be exercised on or before the 45th day next preceding any sinking fund redemption date, the Issuer may receive a credit with respect to its sinking fund redemption obligation by, at the direction of the Company, (i) delivering to the Trustee for cancellation, Bonds, or portions thereof (in Authorized Denominations) in any aggregate principal amount desired, or (ii) designating such Bonds, or portions thereof (in Authorized Denominations) which prior to said date have been purchased or redeemed (otherwise than through sinking fund redemption) and cancelled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation. Each such Bond or portion thereof so delivered or previously purchased or redeemed and cancelled by the Trustee shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Issuer to redeem such Bonds on such sinking fund redemption date. To the extent that the aggregate principal amount of such Bonds or portions thereof exceeds the obligation of the Issuer to redeem Bonds on such sinking fund redemption date, any excess over such amount shall be credited against future sinking fund redemption obligations as directed by the Company (in a written request), and the principal amount of Bonds so to be redeemed shall be accordingly reduced

Extraordinary Redemption.

The Bonds are subject to extraordinary redemption in whole, at any time, at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the redemption date, without premium, upon the occurrence of any of the following events:

(a) The Company shall have delivered a certificate signed by an Authorized Representative of the Company to the Issuer and the Trustee to the effect that the Project has been damaged or destroyed by fire or other casualty to such extent that in the opinion of the Company (A) it cannot be reasonably repaired, rebuilt or restored within a period of one year to the condition thereof immediately preceding such damage or destruction, or (B) the Company is thereby prevented from carrying on its normal operation of the Project for a period of one year or more; or

(b) The Company shall have delivered a certificate signed by an Authorized Representative of the Company to the Issuer and the Trustee to the effect that title to, or the temporary use of all or a substantial part of the Project shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, and by virtue of such taking or takings, in the opinion of the Company, the normal operation of the Project will thereby be prevented for a period of one year or more; or

(c) As a result of changes in, or changes in the interpretation of, the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether local, state or Federal) or of a final decree, judgment or order of any court or administrative body (whether local, state or Federal) after the contest thereof by the Company in good faith, the Loan Agreement or the Bonds shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein.

Upon the occurrence of any of the above events, the Company shall give written notice to the Issuer and the Trustee, which shall specify therein such event and a redemption date not less than 45 nor more than 60 days thereafter.

Redemption upon a Change of Control. If a Change of Control occurs, unless the Company has exercised its right to optionally redeem all of the Bonds pursuant to the optional redemption provisions described above, the Bonds shall be subject to mandatory redemption in whole at a redemption price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the redemption date.

Mandatory Redemption on Determination of Taxability. Upon the occurrence of a Determination of Taxability, the Bonds are required to be redeemed in whole at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the redemption date. A Determination of Taxability means a determination that the interest income on any of the Bonds is includable in the gross income of a holder thereof for federal income tax purposes (other than a holder who is a "substantial user" of the Project or "related person" as such terms are defined in the Code and other than a holder who includes such interest in gross income for purposes of any alternative minimum income tax computations), which determination shall be deemed to have been made upon the occurrence of the first to occur of any of the following: (a) Bond Counsel, following a request for such opinion from the Company, is unable to deliver an opinion that the interest on the Bonds is excludable from the gross income of the recipient thereof for federal income tax purposes; (b) the date on which any change in law or regulation becomes effective or on which the Internal Revenue Service issues any public or private ruling, technical advice memorandum or any other written communication or on which there shall occur a ruling or decision of a court of competent jurisdiction with or to the effect that the interest income on any of the Bonds is includable in the gross income of the recipient thereof for Federal income tax purposes (other than a holder who is a "substantial user" of the Project or "related person" as such terms are defined in the Code, and other than a holder who includes such interest in gross income for purposes of any alternative minimum income tax computations); (c) the date on which the Company shall receive notice from the Trustee in writing that the Trustee has been notified of the entry of a final decree or judgment of any Federal court or the taking of final action by the Internal Revenue Service, which decree, judgment or action determines that interest paid or payable on any Bond is or was includable in the gross income of a holder of such Bond for Federal income tax purposes under Section 103 of the Code (other than a holder who is a "substantial user" or a "related person" within the meaning of the Code, and other than a holder who includes such interest in gross income for purpose of any alternative minimum income tax computations); or (d) in the case of an audit of the Bonds by the Internal Revenue Service, the date on which the Company and the Issuer execute a closing agreement with the Internal Revenue Service that settles any issues raised by the audit and requires as a condition of the settlement that all or a portion of the Bonds be redeemed. No such decree or judgment referenced in (c) above shall be considered final, however, until the earlier of (1) expiration of a period of 45 days after the giving of notice to the Company of such decree or judgment, during which the Company has failed to initiate action to contest such decree or judgment either directly or in the name of any holder of Bonds, or (2) conclusion unfavorable to the Company of any such action initiated by the Company within such 45-day period in its own name or in the name of any holder after being afforded the opportunity to contest the same either directly or in the name of the holder, to the extent legally allowed, including conclusion of any appellate review, if sought; provided, however, that prior to initiating such action the Company must deliver to the Trustee a written Opinion of Bond Counsel to the effect that the Company has a meritorious basis for such action and after initiating the same the Company pursues such action in good faith and with due diligence. Any such redemption shall be made not less than 30 nor more than 120 days after the occurrence of such Determination of Taxability.

Excess Bond Proceeds Redemption. If on the Completion Date, there shall remain any moneys in the Qualified Costs Account of the Construction Fund or in the Capitalized Interest Account in excess of the amount to be reserved for the payment of unpaid items of the Costs of the Project, as verified by the Independent Engineer (the "Excess Proceeds"), such Excess Proceeds shall be (i) transferred to the Principal Account of the Bond Fund, (ii) invested as directed in an Opinion of Bond Counsel and (iii) applied by the Trustee to redeem, at par (together with accrued and unpaid interest), that principal amount of the Bonds (adjusted to reflect Authorized Denominations) on the next principal payment date for the Bonds. Any remaining Excess Proceeds shall remain in such Account in the Bond Fund, invested as provided above, and used until depleted to redeem Bonds on each subsequent principal payment date for the Bonds. Any of said Bonds redeemed in accordance with subsection (iii) shall be cancelled and the Issuer will receive a credit against its next scheduled sinking fund redemption obligation for Bonds that are so redeemed and the Company will receive a credit corresponding to the principal amount of Bonds so redeemed against its obligations to make payments under the Loan Agreement and the Note.

Selection of Bonds to be Redeemed. With respect to any redemption of less than all of the Bonds of a Series then outstanding, the Trustee shall redeem Bonds of such Series in the order directed in writing by an Authorized Representative of the Company. Except as otherwise provided above, in the event of a redemption of less than all of the Bonds of a Series, the Paying Agent shall select the Bonds of a Series to be redeemed by lot, or in such other manner as the Paying Agent may deem appropriate. The Bonds shall be redeemed in the principal amount of $100,000 and integral multiples of $5,000 in excess thereof, and, in selecting portions of such Bonds called for redemption, the Paying Agent shall treat each such Bond of such Series as representing that number of Bonds which is obtained by dividing the principal amount of such Bond to be redeemed in part by $100,000 and integral multiples of $5,000 in excess thereof.

Notice of Redemption; Effect. Written notice of redemption in whole or in part of any Bond is required to be given not less than 30 days prior to the redemption date to the registered holder of each of the Bonds to be redeemed by first class mail, postage prepaid, at the last address for each such Bondholder shown on the registration books kept by the Bond Registrar.

If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, the notice will state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date. Such notice will be of no effect unless such moneys are so deposited.

Any notice mailed or otherwise transmitted as provided in the Indenture will be conclusively presumed to have been duly given, whether or not the owner of such Bonds or such other intended recipient receives such notice.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, all notices of redemption will be sent only to Cede & Co., and delivery of notices of redemption to the Direct Participants (as defined below), if any, will be solely the responsibility of DTC.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company, the Guarantor and the Underwriter make no representation as to the accuracy of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with the Trustee as custodian for DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934 (the "Exchange Act"). DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com; nothing contained in such website is incorporated into this Official Statement.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them. THE ISSUER, THE COMPANY, THE GUARANTOR AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT AND INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. In addition, the Issuer, or the Company on behalf of the Issuer, may terminate, upon provision of notice to the Trustee, the services of DTC with respect to the Bonds. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture.

THE ISSUER, THE TRUSTEE, THE COMPANY, THE GUARANTOR AND THE UNDERWRITER SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT OR INDIRECT PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS AN OWNER; OR ANY OTHER PROCEDURES OR OBLIGATIONS OF DTC UNDER THE BOOK-ENTRY SYSTEM.

SO LONG AS CEDE & CO. (OR SUCH OTHER NOMINEE AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS OR OWNERS OR REGISTERED HOLDERS OR REGISTERED OWNERS OF THE BONDS MEANS CEDE & CO., AS AFORESAID, AND DOES NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to Direct and Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the Direct and Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the Direct nor Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC.

Revision of Book-Entry System; Replacement Bonds

In the event that DTC determines not to continue as securities depository, the Issuer, or the Company on behalf of the Issuer, may determine to appoint a successor securities depository. In addition, the Company may in the future elect to have the Issuer issue Bonds to bondholders other than DTC or a successor securities depository. In such event the Bonds may be registered in the names of such bondholders as is provided by DTC or a DTC Participant, or by the successor securities depository as the case may be and subsequently in whatever name or names holders of the Bonds designate.

In the event that the book-entry-only system is discontinued, the principal of, premium, if any, and interest on the Bonds will be payable in the manner described above under "THE BONDS – General" and the following provisions will apply: So long as any of the Bonds remain outstanding, the Bond Registrar will maintain books for the registration and transfer of the Bonds. Upon surrender for transfer or exchange of any Bond at the principal office of the Bond Registrar, with a written instrument of transfer, duly executed by the registered owner or his duly authorized attorney, the Issuer will execute and the Trustee will authenticate and deliver in the name of the transferee(s) a new Bond or Bonds in authorized denominations in the same aggregate principal amount and of the same maturity. All Bonds surrendered for transfer or exchange will be cancelled by the Trustee. The Trustee will not be required to make a transfer or exchange of any Bond during the period after (i) any Record Date and prior to the next following Bond Payment Date or (ii) the mailing of notice calling such Bonds for redemption has been given as provided in the Indenture nor during the period from the Record Date with respect to any date fixed for redemption of Bonds to such redemption date.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds will be issued by the Issuer pursuant to the Indenture to be secured on a parity with any Additional Bonds as provided in the Indenture. The Bonds are special obligations of the Issuer payable solely from, and secured exclusively by, the Trust Estate, as described herein. Payment of principal of, premium, if any, and interest on the Bonds will be further secured by the Guaranty, subject to termination, and by the Mortgage, as described below. Additional Bonds may be issued under the Indenture and secured on a parity by the Trust Estate if permitted by the Loan Agreement and the Indenture. The Mortgage also may secure on a parity basis Additional Bonds and other Parity Indebtedness, to the extent permitted by the Loan Agreement, the Guaranty and the Indenture (see "THE INDENTURE - Additional Bonds and Parity Indebtedness"). The Equity Provider will provide $65,000,000 to the Trustee to be used as provided in the Indenture.

THE BONDS WILL BE SPECIAL OBLIGATIONS OF THE STATE OF OHIO ISSUED BY THE ISSUER, AND WILL NOT CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE ISSUER OR THE STATE OF OHIO OR OF ANY POLITICAL SUBDIVISION THEREOF, AND THE HOLDERS OR OWNERS OF THE BONDS WILL HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO OR ANY POLITICAL SUBDIVISION OF THE STATE OF OHIO FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE BONDS WILL BE PAYABLE SOLELY FROM THE PROPERTY

PLEDGED THERETO UNDER THE INDENTURE, INCLUDING PAYMENTS TO BE MADE UNDER THE LOAN AGREEMENT AND THE NOTE, AND WILL BE FURTHER SECURED BY THE GUARANTY (WHILE SUCH GUARANTY REMAINS IN EFFECT), TO THE EXTENT DESCRIBED HEREIN, AND THE MORTGAGE.

The Company is a single purpose entity and has no assets other than those related to the Facility.

Trust Estate

Payment of the principal of and redemption price and interest on the Bonds will be secured by the pledge of and lien on the Trust Estate. The Trust Estate includes the Issuer's right, title and interest in and to the following, subject in all cases to the provisions of the Indenture providing for the application thereof for the purposes and on the terms and conditions set forth in the Indenture:

A. All right, title and interest of the Issuer in and to the Revenues and to the Loan Agreement (except for certain rights of the Issuer to indemnification, to payment of fees and expenses, to give consents and to receive notices), the Note and all revenues and receipts derived by the Issuer therefrom and the security therefor;

B. The funds and accounts created under the Indenture and held by the Trustee or other financial institutions pursuant to the terms of the Indenture;

C. All other property of every name and nature from time to time mortgaged, pledged or hypothecated as and for additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent including, but not limited to, certain insurance proceeds, certain contracts and certain of the manufacturers' and contractors' warranties;

D. All of the right, title and interest of the Issuer in and to the Project Agreements; and

E. All of the right, title and interest of the Issuer in and to the Pledged Assets.

Under certain circumstances the Indenture permits the issuance of Additional Bonds and Parity Indebtedness, which, when and if issued, will be secured by the pledge of and lien on the Trust Estate (subject to certain exceptions) on a parity basis with the Bonds. See "THE INDENTURE - Additional Bonds and Parity Indebtedness."

Debt Service Reserve Fund

The Indenture requires the Trustee to initially deposit in the Debt Service Reserve Fund from the Equity Contribution the amount of the Debt Service Reserve Requirement. The Trustee will use amounts in the Debt Service Reserve Fund to make transfers to the Bond Fund to the extent necessary to pay the principal of, premium, if any, and interest on the Bonds as the same become due. Amounts in the Debt Service Reserve Fund will secure only the Bonds and will not secure any Additional Bonds or Parity Indebtedness.

In the event that the balance in the Debt Service Reserve Fund on any Bond Payment Date for the Bonds shall exceed the Debt Service Reserve Requirement, the excess will, prior to the Completion Date for the Facility, be transferred to the Capitalized Interest Account of the Bond Fund and, after the Completion Date, be transferred to the Interest Account of the Bond Fund, to be credited against required transfers thereto.

In the event of any withdrawal from the Debt Service Reserve Fund permitted under the Indenture, or in the event that any valuation of the amounts in the Debt Service Reserve Fund shows that the amount on deposit is less than the Debt Service Reserve Requirement because of a transfer from such Fund or a decline in value of the investments in such Fund the Trustee will promptly notify the Company of the deficiency. The amount of any such withdrawal from the Debt Service Reserve Fund and any such decline in value will be restored by the Company immediately upon receipt by the Company of the notice from the Trustee. See "THE INDENTURE – Debt Service Reserve Fund."

Loan Agreement

Pursuant to the Loan Agreement, the Issuer will loan the proceeds from the sale of the Bonds to the Company, and the Company will covenant to use such proceeds to pay the Costs of the Project. The Company will pay to the Trustee for the account of the Issuer an amount equal to the aggregate principal amount of the Bonds from time to time outstanding, and the premium, if any, and interest thereon at maturity, upon redemption, upon acceleration, or when otherwise payable. The obligation of the Company to make the payments on the Note to the Trustee and to perform and observe all other covenants, conditions and agreements under the Loan Agreement will be a general obligation of the Company without setoff, diminution or deduction (whether from taxes or otherwise) and will be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim it might otherwise have against the Issuer or the Trustee. The Company is also required pursuant to the Loan Agreement to comply with certain financial and other covenants intended to protect holders of the Bonds. See "THE LOAN AGREEMENT AND THE NOTE."

Guaranty

In connection with the issuance of the Bonds, the Guarantor will deliver the Guaranty to the Trustee. Under the Guaranty, the Guarantor will, subject to the termination provisions contained therein, guarantee all of the obligations of the Company pursuant to the Loan Agreement, including the payment when due of the principal of, premium, if any, and interest on the Bonds and all other amounts payable by the Company under the Loan Agreement. See "THE GUARANTY."

The Guarantor's obligations under the Guaranty shall terminate at the end of the fourth calendar quarter after the Completion Date, upon the satisfaction of certain conditions. Such conditions include the satisfaction of production tests with respect to the Facility and the satisfaction of certain financial tests related to the Company. See "THE GUARANTY – Termination of the Guaranty."

Equity Contribution Agreement

In connection with the issuance of the Bonds, the Equity Provider will deliver the Equity Contribution Agreement to the Trustee. Pursuant to the Equity Contribution Agreement, the Equity Provider will agree to contribute an aggregate of $65,000,000 to the Equity Fund established by the Trustee under the Indenture and a portion equal to the Debt Service Reserve Requirement will be transferred to the Debt Service Reserve Fund. Twenty-five million dollars of such amount shall be deposited into the Equity Fund on the date of issuance of the Bonds. One or more additional deposits in the aggregate amount of $40,000,000 will be made by the Equity Provider into the Equity Fund after the date of issuance of the Bonds. The Equity Provider's obligations under the Equity Contribution Agreement shall terminate upon the deposit of a total of $65,000,000 into the Equity Fund. Funds on deposit in the Equity Fund will be applied in accordance with the Indenture; provided that in the event that the entire Additional Equity Contribution has not been provided to the Trustee by the Completion Date, then the Trustee shall immediately notify the Equity Provider and request the immediate deposit of the remainder of the Additional Equity Contribution. See "THE INDENTURE – Equity Fund" and "THE EQUITY CONTRIBUTION AGREEMENT."

Mortgage

In connection with the issuance of the Bonds, the Company will deliver the Mortgage to the Trustee, which grants a mortgage on and a security interest in the following property, as more fully set out in the Mortgage: the land on which the Facility is to be built; the buildings, structures and improvements comprising the Facility; easements, rights of way and similar rights located on such land; furniture, fixtures, equipment and other tangible personal property of the Company related to the Facility; accounts and inventory (subject, as to inventory and accounts only, to the prior lien of any lender under the Working Capital Line), general intangibles, trade names and trademarks, goodwill and other tangible and intangible personal property of the Company related to the Facility; leases or other rental agreements related to the Facility, and guarantees thereof, and income, rents, profits and other rights arising therefrom; the Company's rights under any franchise agreements, management contracts, service contracts, supply contracts, utility contracts, equipment leases and other agreements related to the Facility (including, without limitation, the Project Agreements); construction, architectural and engineering contracts, designs, plans, specifications, drawings, surveys, tests, reports, bonds, governmental approvals and all other contracts, licenses and permits affecting the Facility and all guaranties and warranties with respect to the foregoing; the Company's rights to insurance policies or binders relating to the Facility; the Company's interest in any award or other payment in respect of casualty to or condemnation of the Facility; the Company's right to any utility, escrow, trust or other deposits relating to the Facility, including any trust funds created pursuant to the Indenture, but subject to the provisions of the Indenture with respect to Parity Indebtedness; the Company's cash accounts, certificates of deposit and other rights to cash presently or in the future held by the Trustee for the benefit of the Bonds; any claims or causes of action arising from or related to any of the foregoing, and any cash or other property relating thereto; and all extensions or additions to any of the foregoing and any proceeds of any of the foregoing.

Under the Mortgage, the Company may grant a first priority lien and security interest in the Company's accounts and inventory in order to secure the Working Capital Line as permitted in the Loan Agreement. The Trustee will hold a second lien on such accounts and inventory, subject only to the rights of any lender or lenders under the Working Capital Line.

As described under "THE INDENTURE - Additional Bonds and Parity Indebtedness," under the terms of the Indenture, Additional Bonds may be issued and Parity Indebtedness may be incurred which is secured on a parity with the Bonds by the Mortgage.

THE LOAN AGREEMENT AND THE NOTE

Certain provisions of the Loan Agreement and the Note are described below. Reference is made to the Loan Agreement and the Note for the detailed provisions thereof.

The Loan and Repayment

Pursuant to the Loan Agreement, the Issuer will loan the proceeds from the sale of the Bonds to the Company, and the Company will covenant to use such proceeds to pay the Costs of the Project. The Company will pay to the Trustee for the account of the Issuer an amount equal to the aggregate principal amount of the Bonds from time to time outstanding, and the premium, if any, and interest thereon at maturity, upon redemption, upon acceleration, or when otherwise payable. The obligation of the Company to make the payments on the Note to the Trustee and to perform and observe all other covenants, conditions and agreements under the Loan Agreement will be a general obligation of the Company without setoff, diminution or deduction (whether from taxes or otherwise) and will be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim it might otherwise have against the Issuer or the Trustee.

Agreement to Acquire, Construct and Equip the Facility

The Company is obligated under the Loan Agreement to proceed diligently and cause the acquisition, construction and installation of the Facility as described in the plans and the specifications to be prepared by the Company, and delivered to the Trustee. In the case of any material change in the Facility, the Loan Agreement requires that there shall be filed a written approving Opinion of Bond Counsel to the effect that such change will not cause interest on the Bonds to be included in gross income for federal income tax purposes. The Company will also covenant to obtain all licenses, permits and consents required for the acquisition, construction, equipping and operation of the Facility, and the Issuer shall have no responsibility therefor.

Disbursements from Construction Fund

The moneys on deposit in the Construction Fund will be disbursed from time to time to the Company to reimburse the Company for portions of the Costs of the Project paid by it or to make payments to persons designated by the Company in respect of portions of the Costs of the Project, upon receipt by the Trustee of a Written Requisition executed by an Authorized

Company Representative; provided, however, that no disbursement shall be made from the Construction Fund to pay Costs of the Project, other than Issuance Costs, unless or until (i) the Trustee has also received a Statement of Project Costs prepared by the Authorized Company Representative and (ii) the Funds Available (as defined below) to complete the Facility, as certified by the Authorized Company Representative in the Written Requisition, equal or exceed the Estimated Cost to Complete the Project, as provided in the Statement of Project Costs. The statement of Project Costs (the "Statement of Project Costs") is required to (a) list for all line item/specifications within the capital cost estimate, the percentage completion, budget (as adjusted for percentage completion), cost incurred and favorable or unfavorable variance as of the date of the Statement of Project Costs, (b) set forth the total Costs of the Project and total variance from budget as of such date, and (c) set forth the estimated cost to complete the Facility, taking into account the percentage completion, remaining budgeted items and variance enjoyed or suffered to the date of the Statement of Projected Costs (the "Estimated Cost to Complete the Project"). Upon request of the Trustee, the Company shall furnish invoices or other documentation in connection with each such Written Requisition.

The Written Requisition must show that funds available to the Company to complete the Facility as certified by the Authorized Company Representative, including funds on deposit in the Construction Fund and the Equity Fund and funds to be contributed pursuant to the Equity Contribution Agreement (the "Funds Available"), equal or exceed the Estimated Cost to Complete the Project, as set forth in the Statement of Project Costs accompanying the Written Requisition. If the Company is unable to certify that the Funds Available equal or exceed the Estimated Cost to Complete the Project as set forth in the accompanying Statement of Project Costs, the Company must advise the Trustee of the amount of the anticipated shortfall. Unless or until the Funds Available equal or exceed the Estimated Cost to Complete the Project, as set forth in the current Statement of Project Costs, the Trustee will not honor any Written Requisition, and the Company will have no claim upon any moneys in the Construction Fund.

The Company is not permitted to submit a Written Requisition, and has no claim upon any moneys in the Construction Fund, so long as there has occurred and is continuing an Event of Default under the Loan Agreement.

In the event that, for any reason, the Company does not require disbursement of funds from the Construction Fund in any month, it will nonetheless, by not later than the end of such month, submit to the Trustee a modified Written Requisition executed by an Authorized Company Representative which will require statements only as to the Estimated Cost to Complete the Project and Funds Available to complete the Project and such modified Written Requisition will include, as a schedule thereto, a Statement of Project Costs prepared and executed by the Authorized Company Representative.

Establishment of Completion Date

The Company expects to begin producing containerboard in the fourth calendar quarter of 2019 and expects to cause the Completion Date to occur by March 31, 2020. It is an event of default under the Loan Agreement if the Completion Date does not occur by December 31, 2020. The Completion Date will be evidenced to the Issuer and the Trustee by a certificate signed by an Authorized Representative of the Company and a certificate of the Independent Engineer. See "THE PROJECT – Facility Completion."

Company Required to Complete Project and Pay All Costs of Project

The Company is required to complete the Project and pay all Costs of the Project regardless of whether the proceeds derived from the sale of the Bonds, together with amounts received by the Trustee pursuant to the Equity Contribution Agreement are sufficient therefor.

Maintenance and Modification

The Loan Agreement requires the Company to use, maintain and operate the Facility or cause it to be used, maintained and operated, in good repair, in accordance with all applicable laws, rules and regulations and in accordance with accepted industry standards applicable to similar facilities, subject to ordinary wear and tear and obsolescence. The Company is also required to use its best efforts to obtain and maintain all licenses and governmental permits and approvals necessary to construct and operate the Facility.

The Company may make modifications, replacements and renewals of and to the Facility as the Company deems necessary or desirable and that do not adversely affect the value of the Facility, provided that all such additions, modifications or improvements comply with all applicable federal, state and local laws and codes. All such renewals, replacements, additions, modifications and improvements will become part of the Facility. The Company must comply with all material contractual obligations applicable to the Company in connection with the operation of the Facility, and will maintain title to all property it purports to own or lease, in each case to the extent that non-compliance or failure to so maintain would materially and adversely affect the Company's ability to carry on its business.

Construction Monitoring

The Loan Agreement requires the Company to cause the Independent Engineer to provide monthly construction monitoring reports (the "Monitoring Reports") to the Trustee commencing with the first month after execution and delivery of the Loan Agreement and continuing through and including the month that the Completion Date occurs. The Monitoring Reports will confirm the progress of the construction of the Facility in accordance with the Project construction schedule and will provide updates for Project related items including the status of major equipment and construction contracts, Project costs, labor issues and health and safety issues.

The Monitoring Reports are available to the Bondholders upon written request to the Trustee or the Company.

Financial Covenants of the Company

Limitation on Indebtedness. The Company is not permitted to incur any Indebtedness other than (a) Indebtedness incurred under the Loan Agreement; (b) Indebtedness required to be incurred in order to comply with applicable law or insurance requirements; (c) trade or other similar Indebtedness incurred in the ordinary course of business; (d) Indebtedness under the Working Capital Line not in excess of the Working Capital Ceiling; (e) unsecured Indebtedness incurred in connection with the issuance of a Credit Facility for deposit to the Debt Service Reserve Fund; (f) Indebtedness to finance additional Capital Expenditures in connection with the Project to the extent such Indebtedness incurred during any Fiscal Year does not exceed $1,000,000 (provided, however, in the event the Indebtedness incurred during any Fiscal Year pursuant to this clause (f) is less than the amount permitted for such Fiscal Year, then the unused amount may be carried over and used in succeeding Fiscal Years in an aggregate amount incurred not to exceed, in any Fiscal Year, $15,000,000); (g) Additional Bonds provided that the Company provides an Officer's Certificate to the Trustee evidencing that the Cash Flow Coverage Ratio for each of the four most recent quarterly fiscal periods is greater than or equal to 1.5 to 1; and (h) provided the Company is in compliance with the financial covenants set forth below as demonstrated by an Officer's Certificate and the supporting documentation required thereunder, Indebtedness (including, Parity Indebtedness and Subordinated Lien Indebtedness) to (i) finance expansions, enhancements, modifications, repairs and replacements to the Project or other Capital Expenditures related to the Project, (ii) paying the usual and necessary expenses incurred and to be incurred incident to accomplishing any of the foregoing and (iii) refinancing any Bonds issued under the Indenture, provided however, that Indebtedness under this clause (h) may only be issued in accordance with the further terms and conditions of the provisions of the Indenture relating to issuance of Additional Bonds, Parity Indebtedness and Subordinated Lien Indebtedness. In the event the Company wishes to incur Indebtedness described in clause (h) above, such Indebtedness must either (i) be unsecured or (ii) be secured pursuant to the provisions of the Indenture relating to issuance of Additional Bonds, Parity Indebtedness and Subordinated Lien Indebtedness. See "THE INDENTURE - Additional Bonds and Parity Indebtedness."

In order to issue Indebtedness described in clause (h) above, the Company must certify to the Trustee that: (i) the Debt Service Reserve Fund is funded at its required level, (ii) the Cash Flow Coverage Ratio for each of the four most recent quarterly fiscal periods is greater than or equal to 1.5 to 1, and (iii) the projected Cash Flow Coverage Ratio for each of the following four quarterly fiscal periods is greater than or equal to 1.5 to 1.

Limitation on Liens. The Company is not permitted to create or permit to exist any material lien or encumbrance upon any of its assets other than: (i) the security interests created under the Loan Agreement, the Indenture, the Mortgage and the Working Capital Line; (ii) Permitted Encumbrances; and (iii) liens or encumbrances arising in connection with Indebtedness incurred under "Limitation on Indebtedness" above.

Limitation on Guarantees. The Company is not permitted to incur any guaranty except (i) guarantees arising in the ordinary course of business; (ii) guarantees of Indebtedness to the extent that such Indebtedness would be permitted under "Limitation on Indebtedness" above if the Indebtedness were to be incurred by the Company; and (iii) indemnities and hold harmless arrangements in respect of unfiled mechanic's liens.

Limitation on Sale of Assets. The Company is not permitted to sell, transfer, assign, pledge or otherwise encumber any of the assets comprising the Pledged Assets except in the ordinary course of its business or in connection with a transaction complying with the covenant to maintain its existence described below.

<u>Limitation on Amendment or Termination of the Contracts</u>. The Company is not permitted, for so long as there are any unpaid amounts under the Loan Agreement or the Note, to amend or terminate the Project Agreements or any other agreements material to the Project in a manner that would materially and adversely affect the interest of the Bondholders.

<u>Prohibition on Business Activities and Subsidiaries</u>. The Company may not conduct or be involved in any business activities other than construction, equipping, owning, operation and maintenance of the Facility and the Company shall not establish or maintain any Subsidiary so long as any Bonds remain outstanding.

<u>Restricted Payments</u>. The Company may not directly or indirectly, make any Restricted Payment if at the time of such Restricted Payment or after giving effect thereto: (a) an Event of Default (as defined in the Loan Agreement) or an event that after the giving of notice or lapse of time or both would become such an Event of Default, has occurred and is continuing; (b) the Company fails to provide an Officer's Certificate to the Trustee evidencing that all of the following conditions are satisfied: (i) the Debt Service Reserve Fund is funded at the required level; and (ii) the Cash Flow Coverage Ratio for each of the four most recent quarterly fiscal periods is greater than or equal to 1.5 to 1; and (iii) the projected Cash Flow Coverage Ratio for each of the following four quarterly fiscal periods is greater than or equal to 1.5 to 1; and (c) the Completion Date has occurred. Restricted Payments may only be made within 15 Business Days after financial statements for the end of each quarterly fiscal period have been furnished to the Trustee pursuant to the Loan Agreement.

<u>Maintenance of Debt Service Reserve Fund</u>. The Company must maintain the Debt Service Reserve Fund at the Debt Service Reserve Fund Requirement and repay any funds drawn from the Debt Service Reserve Fund immediately on the date such funds were drawn. The Company also will restore any investment losses in the Debt Service Reserve Fund on each Bond Payment Date.

<u>Payment Priority</u>. The Company may not make (a) any optional repayment of any amounts drawn under the Working Capital Line, (b) any optional redemption of any Bonds pursuant to the Indenture, or (c) any Restricted Payment, unless the Debt Service Reserve Fund is fully funded at the Debt Service Reserve Requirement.

<u>Contracts Enforcement; Contracts with Affiliates</u>. The Company will enforce the material provisions of the Project Agreements and notify the Trustee regarding (1) the commencement of any enforcement activities and (2) the progress of any such enforcement activities on a monthly basis. The Company may not enter into any contract or transaction with any Person under the Control of the Company or the Guarantor except upon such terms as are customarily acceptable to a bona fide third party in an arm's length transaction. The Output Purchase Agreement, the Affiliation Cooperation Agreement and the Supply Agreement are deemed to satisfy the requirements of this provision.

<u>Maintenance of Existence</u>. The Company is required to maintain its existence, and cannot consolidate with or merge into any other entity or convey or transfer all or substantially all of its properties and assets to any person, unless:

(a) either the Company will be the continuing entity, or the entity (if other than the Company) formed by such consolidation or into which the Company is merged or the person which acquires by conveyance or transfer all or substantially all of the properties and assets of the Company is an entity organized and existing under the laws of the United States of America or any state thereof or the District of Columbia and qualified to do business in the State and expressly and unconditionally assumes, by an agreement supplemental to the Loan Agreement, executed and delivered to the Issuer and the Trustee, every payment obligation of the Company contained in the Loan Agreement and the performance of every covenant of the Loan Agreement on the part of the Company to be performed or observed; and

(b) immediately after giving effect to such transaction, no Event of Default under the Loan Agreement, and no event which, after notice or lapse of time or both, would become such an Event of Default, has occurred and is continuing; and

(c) the Company immediately after such merger or consolidation, or such sale, or conveyance, would not be in default in the performance or observance of any covenant or condition of the Loan Agreement; and

(d) the Trustee and the Issuer receive an opinion of legal counsel acceptable to the Trustee and Issuer as conclusive evidence that any such consolidation, merger, sale, or conveyance, and any such assumption, complies with the provisions of this covenant; and

(e) the Trustee and the Issuer shall receive an Opinion of Bond Counsel acceptable to the Issuer to the effect that such consolidation, merger, sale or conveyance and any such assumption, shall not adversely affect the exclusion of interest on any Bonds from the gross income of the Owners thereof for federal income tax purposes; and

(f) the Company has given written notice to the Trustee and the Issuer at least 30 days prior to such merger or consolidation, sale or conveyance; and

(g) the surviving entity immediately after such merger or consolidation, or such sale, or conveyance, would have a Net Worth at least equal to the Net Worth of the Company immediately prior to such merger, consolidation, sale or conveyance; and

(h) prior to the termination of the Guaranty in accordance with its terms, the Guarantor or a Substitute Guarantor shall have confirmed in writing that the Guaranty will remain in full force and effect following such merger, consolidation, sale or conveyance. See "THE GUARANTY – Guarantor Covenants – *Restrictions on Transfer of Ownership of the Company and the Project*."

Upon any consolidation or merger or any conveyance or transfer of all or substantially all of the properties and assets of the Company in accordance with the above restriction, the successor entity formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Loan Agreement with the same effect as if such successor entity had been named as the Company therein, and thereafter the predecessor entity will be relieved of all obligations and covenants under the Loan Agreement.

Financial Records and Statements. The Company is required to maintain proper books of record and account, in which full and correct entries are to be made in accordance with GAAP, of all its business and affairs, including the operation of the Facility. The Company is required to have an annual audit performed by the Independent Accountant and, within 160 days after the end of each of its Fiscal Years, must furnish the Trustee a copy of the balance sheet of the Company as of the end of such Fiscal Year and a copy of the statements of income, retained earnings and cash flow of the Company for such Fiscal Year, all in reasonable detail and certified by such accountants.

The Company is also required to furnish the Trustee within 75 days of the end of each quarterly fiscal period, including at the end of a Fiscal Year, a copy of the balance sheet of the Company as of the end of such quarterly fiscal period and a copy of the statements of income, retained earnings and cash flow of the Company for such quarterly fiscal period, which statements need not be audited.

The year end and quarterly financial statements delivered to the Trustee must be accompanied by: (i) in the event that the Guaranty has been terminated, a notice of such termination, and (ii) a Certificate of an Authorized Representative setting forth the Company's Cash Flow Coverage Ratio for the four preceding quarterly fiscal periods, the Company's projected Cash Flow Coverage Ratio for the next four quarterly fiscal periods, together with a representation to the effect that no Event of Default has occurred under the Loan Agreement and that no event exists, which with the passage of time or giving of notice, would result in an Event of Default occurring thereunder. The Company is required, promptly upon becoming aware of any event, act or condition that with the giving of notice or lapse of time or both, would permit the Trustee to declare an Event of Default, to provide notice to the Trustee of such event, act or condition.

The Company will, upon the written request of any holder of Bonds, provide such holder with a copy of the latest year-end financial statements of the Company and of the Guarantor (for so long as the Guaranty is in effect) and the summary financial information, if any, of the Guarantor (for so long as the Guaranty is in effect) delivered to the Trustee and of the quarterly financial statements, if any, of the Company and the Guarantor (for so long as the Guaranty is in effect) theretofore delivered for the current Fiscal Year.

The Company, the Guarantor and PCH have agreed to file certain financial information with the MSRB on a quarterly and annual basis in accordance with the Continuing Disclosure Agreement, as more particularly set forth in "APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto and made a part hereof.

Covenants Relating to Tax Matters

The Company will covenant that it will not take or omit, or permit to be taken or omitted, any action with respect to the use of the proceeds of the Bonds the taking or omission of which would result in the loss of the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Code or take or omit, or permit to be taken or omitted, any other action the taking or omission of which would cause the loss of such exclusion.

The Company further will covenant that it will not take or omit to take any action, or direct the Trustee's making any investment or use of any proceeds of the Bonds or any other moneys within its control or taking or omitting any other action, which would cause any Bonds to be "arbitrage bonds" the meaning of Section 148 of the Code.

In addition, the Company covenants that it will, at its sole expense, be responsible for computation and timely payment on behalf of the Issuer of the amount, if any, due the United States pursuant to Section 148(f) of the Code (the "Rebate Amount"), and shall retain records of all such computations and payments until six years after payment or deemed payment in full of all principal of and premium and interest on the Bonds.

Events of Default

Each of the following events constitutes an Event of Default under the Loan Agreement:

(a) Failure of the Company to make any payment on any Note when the same becomes due and payable;

(b) Failure of the Company to observe and perform any of its payments (other than the payments specified in clause (a) above), covenants, conditions or agreements under the Loan Agreement for a period of 30 days after receipt of notice, specifying such failure and requesting that it be remedied from the Issuer or the Trustee to the Company provided that, if such failure is not susceptible of cure within 30 days and the Company has commenced and is diligently pursuing a cure, such 30 day period will be extended for so long as is reasonably necessary to cure such failure and provided, further, that the failure to observe or perform certain covenants, conditions or agreements may be excused by force majeure as defined in and as more particularly described in the Loan Agreement;

(c) (i) Commencement by the Company of a voluntary case under the federal bankruptcy laws, as now or subsequently constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, (ii) consent by the Company to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the Company or any substantial part of its property, or to the taking possession by any such official of any substantial part of the property of the Company, (iii) making by the Company of any assignment for the benefit of creditors, or (iv) taking of any other corporate action by the Company in furtherance of any of the foregoing;

(d) (i) Entry against the Company of any decree for relief or order for relief by a court having jurisdiction over the Company or its property in an involuntary case under the federal bankruptcy law, as now or subsequently constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, (ii) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the Company or any substantial part of its property, or (iii) entry of any order for the termination or liquidation of the Company or its affairs;

(e) Failure of the Company within 60 days after the commencement of any proceedings against it under the federal bankruptcy laws or any other applicable federal or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed;

(f) Any warranty or representation of the Company contained in the Loan Agreement or the Indenture or in any instrument furnished in connection with the issuance or sale of the Bonds was false or misleading in any material respect at the time it was made or delivered;

(g) Failure to cause the Completion Date to occur by December 31, 2020, or the abandonment of the Project ("abandonment of the Project" will be presumed if, prior to the Completion Date, the Company fails to draw money from the Construction Fund during any 6 month period); or

(h) An Event of Default under the Indenture, the Mortgage, the Guaranty, the Equity Contribution Agreement, the Working Capital Line, any Parity Indebtedness or any Subordinated Lien Indebtedness.

Notwithstanding anything to the contrary, a Determination of Taxability will not constitute an Event of Default if the Note is prepaid pursuant to the Loan Agreement.

Remedies

Upon the occurrence of an Event of Default, and at any time thereafter during the continuation of such Event of Default, the Issuer may exercise any right or remedy available to it in law or equity to enforce its rights to payment of its expenses and indemnification and the Trustee, as assignee of the Issuer, may exercise any right or remedy available to it in law or equity to enforce all other rights under the Loan Agreement and the Trustee may take one or more of the following remedial steps; and in the event that as a result of such Event of Default, the Trustee declares the principal amount of all Bonds then outstanding, together with any accrued and unpaid interest thereon, to be immediately due and payable under the Indenture, the Trustee must take the remedial step set forth in paragraph (a) below:

(a) declare the entire unpaid portion of the loan made pursuant to the Loan Agreement and any other sums which the Company is obligated to pay thereunder and the entire principal amount of the Note to be due and payable forthwith, whereupon any such unpaid portion of the loan, any such other sums and the Note will become forthwith due and payable, both as to principal and interest, without presentment, demand, protest, or other notices of any kind, all of which are expressly waived under the Loan Agreement anything contained in the Loan Agreement or in the Note or elsewhere to the contrary notwithstanding;

(b) take any action at law or in equity to collect the payments then due and thereafter to become due under the Loan Agreement or under the Note or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Loan Agreement;

(c) exercise all rights and remedies provided for in the Indenture;

(d) after prior written notice to the Company, unless the giving of such notice would prejudice the Trustee (as determined in its sole discretion), perform for the account of the Company any covenant in the performance of which the Company is in default or make any payment for which the Company is in default, and to reimburse the Trustee for payments made by it in connection therewith, upon which demand the Company will pay the Trustee as set forth in the Loan Agreement;

(e) to pay or perform any obligation on behalf of the Company in connection with the Project;

(f) exercise remedies provided for in the Mortgage; or

(g) enforce the Guaranty.

Upon the occurrence of any Event of Default which stays or in any manner impairs the rights and remedies of the Owners of the Bonds against the Issuer or the Company, all amounts payable under the Loan Agreement or upon the Note will become immediately due and payable notwithstanding anything in the Loan Agreement or the Note to the contrary.

THE INDENTURE

Certain information with respect to the Indenture is set forth below. Reference is made to the Indenture for the detailed provisions thereof. See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Trust Estate."

Application of Proceeds and Equity Contribution

The Trustee will apply the proceeds of the Bonds (net of costs of issuing the Bonds) as follows: (a) an amount shall be deposited in the Capitalized Interest Account of the Bond Fund representing capitalized interest related to that portion of the Project to be financed with proceeds of the sale of the Bonds through November 2019[*], and (b) the remainder of the proceeds of the Bonds will be deposited in the Qualified Costs Account of the Construction Fund and shall be applied by the Trustee on behalf of the Issuer to fund the Cost of the Project as provided in the Indenture. On the date of issuance of the Bonds, the Equity Provider will deposit $25,000,000, representing the Initial Equity Contribution (as defined below), into the Equity Fund pursuant to the terms of the Equity Contribution Agreement, and the Trustee shall transfer an amount equal to the Debt Service Reserve Requirement from the Equity Fund to the Debt Service Reserve Fund.

[*] Preliminary, subject to change.

Bond Fund

The Bond Fund will contain the Interest Account and the Principal Account, both to be held by the Trustee. All interest and/or principal coming due on the Bonds and any other amounts required to be deposited therein pursuant to the Indenture will be deposited in the Interest Account and/or Principal Account as appropriate.

The Trustee is required to disburse amounts in the Interest Account of the Bond Fund on each Bond Payment Date to pay interest accrued on the Bonds, and to disburse amounts in the Principal Account of the Bond Fund to pay the principal of the Bonds as required pursuant to the Indenture.

In the event that at the close of business on the Business Day prior to any Bond Payment Date the balances in the Interest Account and/or the Principal Account of the Bond Fund are insufficient for the purposes thereof, the Trustee is required to transfer first to the Interest Account of the Bond Fund and then to the Principal Account of the Bond Fund such amounts as may be necessary therefor, first from the Debt Service Reserve Fund and second from the Equity Fund. If there remains a deficiency in either account after such transfers, the Trustee is required to immediately notify the Company of the amount of any such deficiency at which time the Company will be obligated to pay such amount to make up such deficiency in accordance with the Loan Agreement.

Construction Fund

Disbursements from the Construction Fund for Costs of the Project will be made in accordance with the Loan Agreement. See "THE LOAN AGREEMENT AND THE NOTE – Disbursements from the Construction Fund."

Following the Completion Date, the balance of any moneys remaining in the Construction Fund in excess of any amount to be reserved for payment of unpaid items of the Costs of the Project will be deposited in the Bond Fund and will be applied by the Trustee, at the direction of the Company, (a) to the purchase of Bonds at such price and on the terms directed by the Company, (b) to the partial redemption of Bonds, at par, on the next principal payment date occurring after the Completion Date for the Facility, or (c) to the payment of principal or interest on any of the Bonds; provided, that in all cases the Trustee has received an Opinion of Bond Counsel to the effect that any such payment or redemption will not cause interest on the Bonds to be includable in gross income for federal income tax purposes. See "THE BONDS – Redemption – *Excess Proceeds Redemption*."

Debt Service Reserve Fund

On the date of issuance of the Bonds, the Trustee will transfer an amount equal to the Debt Service Reserve Requirement into the Debt Service Reserve Fund. The Trustee will use amounts in the Debt Service Reserve Fund to make transfers to the Interest Account and the Principal Account of the Bond Fund to the extent necessary to pay the principal of, premium, if any, and interest on the Bonds as the same become due. Amounts in the Debt Service Reserve Fund will secure only the Bonds and will not secure any Additional Bonds or Parity Indebtedness.

In the event that the balance in the Debt Service Reserve Fund on any Bond Payment Date for the Bonds exceeds the Debt Service Reserve Requirement, the excess will, prior to the Completion Date for the Facility, be transferred to the Capitalized Interest Account of the Bond Fund and, after the Completion Date, be transferred to the Interest Account of the Bond Fund, to be credited against required transfers thereto.

In the event of any withdrawal from the Debt Service Reserve Fund as permitted under the Indenture, or in the event that any valuation of the Debt Service Reserve Fund shows that the amount on deposit is less than the Debt Service Reserve Requirement because of a transfer from such Fund or a decline in value of the investments in such Fund, the Trustee must promptly notify the Company of any such deficiency. Pursuant to the Loan Agreement and the Guaranty (for so long as the Guaranty is in effect), the Company or the Guarantor will be obligated to restore the amount of any such deficiency immediately upon receipt of notice from the Trustee.

The Trustee is required to compute the value of the assets held in the Debt Service Reserve Fund semiannually as of the last Business Day of the second month before each Bond Payment Date, at the lower of the purchase price or the then-current market value thereof, and to notify the Company and the Guarantor of the value of such Fund at least 25 days before the next Bond Payment Date.

The Company may satisfy all or a portion of the Debt Service Reserve Requirement by obtaining a Credit Facility payable to the Trustee for the benefit of Bondholders pursuant to which the Trustee may obtain an amount sufficient to satisfy said Debt Service Reserve Requirement. The Credit Facility will be payable (upon the giving of notice as required thereunder) (i) on the morning of any date on which moneys will be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of principal or interest on the Bonds and such withdrawal cannot be met by amounts on deposit in the Debt Service Reserve Fund (provided, however, that such Credit Facility need not provide for payment in the case of an optional redemption of any Bonds) and (ii) on any date provided in the last paragraph of this section below.

If the Credit Facility is a letter of credit, the letter of credit issuer must be a bank, trust company, national banking association or a corporation, whose senior unsubordinated long term debt is rated "A" or higher by S&P or "A2" or higher by Moody's. If a Credit Facility is an insurance policy, the insurer providing any insurance policy must be an insurer whose policies insuring the payment, when due, of the principal of and interest on long term tax exempt bond issues results in such issues being rated "A" or higher by S&P or "A2" or higher by Moody's. In the event that the Company is notified that the rating of the insurer or letter of credit issuer has fallen below that required in the previous sentence, the Company will notify the Trustee in writing and either (i) arrange for another Credit Facility which meets the rating requirements described above to be substituted in the Debt Service Reserve Fund within 12 months of such notification, or (ii) pay for deposit in the Debt Service Reserve Fund an amount equal to the maximum amount payable under such Credit Facility within three months of such notification.

Any Credit Facility will have an initial term of at least two years and may be renewed or extended for one or more additional terms of one year or more, at the option of the Company and the provider of the Credit Facility, so long as any such renewal term has been agreed to by the

Company and the provider of the Credit Facility no later than three Business Days prior to the stated expiration date of any such Credit Facility.

No such Credit Facility may be obtained to satisfy all or a portion of the Debt Service Reserve Requirement unless (i) the rating agency or agencies then rating the Bonds confirms in writing to the Company, the Issuer and the Trustee, that the use of any such Credit Facility would not by itself serve to reduce the current rating of the Bonds, (ii) the Company delivers to the Trustee and the Issuer an opinion of Bond Counsel to the effect that the funds being replaced by such Credit Facility are being expended for qualifying costs of the Project and such replacement and expenditure of funds will not adversely affect the exclusion from gross income of interest on the Bonds for Federal income tax purposes, if applicable, and (iii) the Company delivers an Officer's Certificate to the Trustee stating that the Credit Facility meets all of the requirements of the Indenture.

If a disbursement is made pursuant to a Credit Facility provided pursuant to this paragraph, the Company will either (i) cause the maximum limits of such Credit Facility to be reinstated, or (ii) deposit into the Debt Service Reserve Fund an amount equal to the amount of the disbursement made under such Credit Facility, or a combination of such alternatives, as will provide that the amount of cash, together with any such Credit Facility, in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement.

If funds on deposit in the Debt Service Reserve Fund, when added to the undrawn face amount of the then applicable Credit Facility, exceed the Debt Service Reserve Requirement (the "Excess Funds"), then the Excess Funds will be withdrawn at the written direction of the Company, provided that such funds will be used by the Company first, to pay to any letter of credit issuer any amounts previously drawn under any such letter of credit, together with accrued and unpaid interest thereon to the payment date, or to pay to the issuer of any such insurance policy any amounts then due under such policy. Except in the case of Excess Funds, no amounts may be withdrawn from the Debt Service Reserve Fund to pay the provider of a Credit Facility.

The Company will notify the Trustee immediately if by the date which is three Business Days prior to the stated expiration date of any Credit Facility, no arrangement has been made to renew or replace such Credit Facility, and the Company will deposit in the Debt Service Reserve Fund, not later than such third Business Day prior to the stated expiration date of such Credit Facility, an amount equal to the maximum amount payable under such Credit Facility and if the Company fails to make such payment by such date, the Trustee will, on such date, without further authorization or direction, draw upon such Credit Facility in the full available amount and deposit the proceeds of such drawing in the Debt Service Reserve Fund. The Trustee, at the written direction of the Company, will terminate any Credit Facility by giving the appropriate notice or certification to such effect to the issuer of the Credit Facility; provided that before such termination the Company will cause to be deposited in the Debt Service Reserve Fund another Credit Facility, or cash, or combination of such alternatives, equal to the Debt Service Reserve Requirement as evidenced by an Opinion of Bond Counsel.

Equity Fund

The Trustee will deposit the Equity Contribution delivered by the Equity Provider pursuant to the Equity Contribution Agreement into the Equity Fund and a portion equal to the Debt Service Reserve Requirement will be transferred to the Debt Service Reserve Fund. Prior to the Completion Date, funds in the Equity Fund may be applied by the Trustee (at the written direction of the Company) (i) to fund Non-Qualified Costs of the Project as provided in the Indenture, (ii) to fund Qualified Costs of the Project for which there are not sufficient proceeds of the Bonds, (iii) to initially fund the Debt Service Reserve Fund, (iv) thereafter, to fund any shortfalls in the Debt Service Reserve Fund or (v) to pay principal and interest on the Bonds.

Once the balance in the Equity Fund reaches $500,000, the Trustee will provide written notice to the Equity Provider to provide the Additional Equity Contribution (as set forth in the Equity Contribution Agreement); provided that in the event that the entire Additional Equity Contribution has not been provided to the Trustee by the Completion Date, then the Trustee will notify the Equity Provider and request the immediate deposit of the remainder of the Additional Equity Contribution.

After the Completion Date and following receipt by the Trustee of the Ramp-Up Certificate and confirmation by the Trustee that the full Additional Equity Contribution has been provided to the Trustee, (a) any moneys in the Equity Fund, at the written direction of the Company, will be transferred to the Equity Provider, provided that such transferred amount will not exceed a total of $10,000,000 (the “Equity Transfer Amount”) and (b) at the option of the Company, the Equity Transfer Amount will be used to redeem the principal amount of the Bonds, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest to the redemption date. Any moneys remaining in the Equity Fund following the transfer of the Equity Transfer Amount, if any, may, at the option of the Issuer (at the written direction of the Company), be (i) applied by the Trustee to redeem that principal amount of the Bonds (adjusted to reflect Authorized Denominations) on the next principal payment date for the Bonds or (ii) withdrawn to pay for Operating Expenses, Capital Expenditures or any Costs of the Project.

Investments

Except as described below, any moneys held in the Construction Fund, the Equity Fund, the Debt Service Reserve Fund and the Bond Fund may be separately invested and reinvested by the Trustee at the request of and as directed in writing by an Authorized Representative of the Company to the extent such investments are permitted by law, in Permitted Investments. All such investments will be held by or under the control of the Trustee and while so held will be deemed a part of the particular Fund in which held. Except as otherwise provided in the Indenture, the interest accruing thereon and any profit realized from such investments will be credited to such Fund and any loss resulting from such investments will be charged to such Fund.

To the extent the Debt Service Reserve Requirement exceeds the least of (a) 10% of the original principal amount of the Bonds, (b) the maximum annual Debt Service on the Bonds, or (c) 125% of the average Debt Service on the Bonds, such excess must be invested at a yield that does not exceed the yield on the Bonds unless the Trustee receives an Opinion of Bond Counsel that such restriction is unnecessary.

Moneys held in the following funds must be invested in securities and obligations maturing not later than the following dates:

(a) Bond Fund – not later than the dates on which such moneys will be needed to pay principal of or interest on the Bonds.

(b) Debt Service Reserve Fund – not later than 10 years from the date of acquisition of the security or obligation, provided that on any date at least 25% of the amount in such Fund must be invested in securities maturing no more than 5 years from such date.

Such investments will be considered as maturing on the date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to a repurchase agreement.

For the purpose of determining the amount on deposit to the credit of any such fund or account, obligations purchased as an investment of moneys therein will be valued semiannually at the lower of the purchase price or the then-current market value thereof, inclusive of accrued interest.

Discharge of Indenture

If the Issuer pays or causes to be paid to the holders and Owners of the Bonds the principal, premium, if any, and interest to become due thereon at the times and in the manner stipulated therein and if the Issuer keeps, performs and observes all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it on its part, then the estate and rights granted by the Indenture will cease, terminate and be discharged. Such cancellation and discharge of the Indenture will not terminate the powers and rights granted to the Trustee with respect to the payment, registration of transfer and exchange of Bonds or the rights of the Trustee under the Indenture.

Any Bond will be deemed to be paid when payment of the principal of and premium, if any, and interest on such Bond (whether at maturity or upon redemption or otherwise), either (a) has been made or caused to be made in accordance with the terms thereof, or (b) has been provided for by irrevocably depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment or (ii) Government Obligations (provided that such deposit will not affect the tax-exempt status of the interest on any of the Bonds or cause any of such Bonds to be classified as arbitrage bonds within the meaning of Section 148 of the Code as evidenced by an Opinion of Bond Counsel delivered to the Trustee), maturing as to principal and interest in such amount and at such times as will provide sufficient moneys to make such payment and to redeem such Bonds, and all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Bonds with respect to which such deposit is made and all other liabilities of the Company under the Loan Agreement have been paid or the payment thereof provided for to the satisfaction of the Trustee in its sole discretion. The Trustee may rely on a verification report of an Independent Auditor as to the sufficiency of Government Obligations to pay all such amounts.

Notwithstanding the fact that the lien of the Indenture upon the Trust Estate may have been discharged and cancelled in accordance with the paragraphs above, the Indenture and the rights granted and duties imposed by the Indenture, to the extent not inconsistent with the fact that the lien upon the Trust Estate has been discharged and cancelled, shall nevertheless continue and subsist, as provided in the Indenture, until the principal of, premium, if any, and interest of all the Bonds shall have actually been paid.

Events of Default

Each of the following events constitutes an Event of Default under the Indenture:

(a) Default in the due and punctual payment of any interest on any Bond;

(b) Default in the due and punctual payment of the principal of any Bond (whether at the stated maturity thereof, upon acceleration or call for redemption or otherwise);

(c) Subject to the last paragraph of this section below, failure to perform or observe any other of the covenants, agreements or conditions contained in the Indenture, or in the Bonds, and continuance thereof for a period of 30 days after written notice specifying such failure and requesting that it be remedied, has been received by the Issuer and the Company from the Trustee; and

(d) The occurrence of an "Event of Default" under the Loan Agreement, the Mortgage or the Guaranty (as such term is defined in those agreements).

No default specified in paragraph (c) above on the part of the Issuer shall constitute an Event of Default until (a) notice of such default shall be given (1) by the Trustee to the Issuer and the Company or (2) by the holders of 25% in aggregate principal amount of Bonds then outstanding to the Trustee, the Issuer and the Company, and (b) the Issuer and the Company shall have had 30 days after such notice to correct such default or cause such default to be corrected, and shall not have corrected such default or caused such default to be corrected within such period. With regard to any alleged default concerning which notice is given to the Company under this section, the Company may perform any covenant, condition or agreement the nonperformance of which is alleged in such notice to constitute a default, in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

Remedies

Upon the occurrence of an Event of Default, the Trustee may, and if requested by the holders of 25% in aggregate principal amount of Bonds then outstanding must, upon receipt of indemnification reasonably satisfactory to it, by notice to the Issuer, declare the entire unpaid principal of and interest on the Bonds due and payable and, thereupon, the entire unpaid principal of and interest on the Bonds will forthwith become due and payable. Upon any such declaration the Issuer shall forthwith pay to the holders of the Bonds the entire unpaid principal of and accrued and unpaid interest on the Bonds, but only from the Trust Estate. Upon the occurrence of an Event of Default and a declaration of acceleration under the Indenture, the Trustee as assignee of the Issuer will immediately exercise the option under the Note and the

Loan Agreement to declare all installments on the Note to be immediately due and payable and to take any or all of such remedies provided in the Loan Agreement, the Mortgage and the Equity Contribution Agreement.

In addition to acceleration of the Bonds, on the occurrence and continuance of any Event of Default, the Trustee in its discretion may, and on the written direction of Owners of not less than 25% in aggregate principal amount of the Bonds and receipt of indemnity to its satisfaction as provided in the Indenture, must, in its own name and as the trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights as the holder of the Note, and carry out any agreements with or for the benefit of the bondholders and to perform its duties under the Indenture, the Mortgage, the Guaranty, the Equity Contribution Agreement and the Project Agreements;

(b) take whatever action at law or in equity may appear necessary or desirable to enforce its rights against the Company under the Loan Agreement and the Note;

(c) by foreclosure or other proceeding in law or equity, exercise all rights and remedies provided for in the Mortgage; and

(d) appoint a receiver to enter into possession of the Facility, collect the rents, issues and profits therefrom and apply the same as the court may direct, all as more fully provided for in the Mortgage.

No remedy conferred by the Indenture upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or the Bondholders under the Indenture or thereafter existing at law or in equity or by statue.

No delay or omission to exercise any right or power accruing upon any default or Event of Default will impair any such right or power or will be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default under the Indenture, whether by the Trustee pursuant to the Indenture, or by the Owners, will extend to or effect any subsequent default or Event of Default or will impair any rights or remedies consequent thereon.

Notwithstanding the percentage of holders required for action otherwise set forth in the Indenture, the holders of a majority in aggregate principal amount of Bonds then outstanding will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or any other proceedings under the Indenture; provided, however, that such direction may not be otherwise than in accordance with the provisions of law and the Indenture.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture will, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee (including fees and expenses of Trustee's counsel), and the fees and expenses of the Issuer in carrying out the Indenture or the Loan Agreement, be deposited in the Bond Fund and applied as set forth in the Indenture.

Except as otherwise provided in the Indenture, no owner of any Bond will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy thereunder, unless (a) a default has occurred of which the Trustee has been notified as provided in the Indenture, or of which it is deemed to have notice, (b) such default has become an Event of Default and the Owners of 25% in aggregate principal amount of Bonds then outstanding have made written request to the Trustee and have offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (c) they have offered to the Trustee indemnity as provided in the Indenture, (d) the Trustee for 60 days after such notice fails or refuses to exercise the powers granted in the Indenture, or to institute such action, suit or proceeding in its own name or in the name of such Owners, (e) no direction inconsistent with such request has been given to the Trustee during such 60 day period by the Owners of a majority in aggregate principal amount of Bonds then outstanding, and (f) notice of such action, suit or proceeding is given to the Trustee.

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and rescind any declaration of maturity or principal of and interest on the Bonds and the Note, and must do so upon the written request of the Owners of (a) a majority in aggregate principal amount of Bonds then outstanding in respect of which default on the payment of principal and/or premium if any, and/or interest exists, or (b) a majority in aggregate principal amount of Bonds then outstanding in the case of any other default; provided, however, that

(1) there will not be waived without the consent of the owner of each Bond then outstanding and affected thereby

(a) any default in the payment of the principal of any outstanding Bonds whether at maturity or by mandatory redemption), or

(b) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission,

(i) there has been paid or provided for all arrears of interest at the rate borne by the Bonds on overdue installments of principal, all arrears of payments of principal when due and all expenses of the Trustee in connection with such default, and

(ii) in case of any such waiver or rescission, or in case of the discontinuance, abandonment or adverse determination of any proceeding taken by the Trustee on account of any such default, the Trustee and the bondholders will be restored to their respective former positions and rights under the Indenture, and

(2) no declaration of maturity under the Indenture made at the request of the holders of 25% in aggregate principal amount of Bonds then outstanding will be rescinded unless requested by the holders of a majority in aggregate principal amount of Bonds then outstanding.

No such waiver of rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Vote of Bondholders

Notwithstanding anything to the contrary provided herein or in the Indenture, for purposes of determining whether a particular action, consent, vote, waiver or instruction has received the requisite approval of the Owners of the Bonds, all Series of Bonds shall be considered one class unless the proposed action, consent, vote, waiver or instruction affects only one or more particular Series, in which case only such Series shall be considered for purposes of determining whether the requisite approval has been received.

Additional Bonds and Parity Indebtedness

Pursuant to the Indenture, the Issuer will covenant that it will not issue any Bonds or other obligations payable from the Bond Fund or otherwise payable from or secured by the Loan Agreement, other than the Bonds, as applicable, except that the Issuer may issue Additional Bonds pursuant to the provisions described below.

The Issuer will reserve the right to issue one or more series of Additional Bonds ranking equally as to lien of the Issuer on the Trust Estate (exclusive of any trust funds created for the sole benefit of the holders of Additional Bonds theretofore issued) securing the Bonds and any Additional Bonds theretofore issued, for the purpose of (a) providing financing for expansions, enhancements, modifications or replacements to the Facility, (b) paying for Capital Expenditures relating to the Project, (c) paying the usual and necessary expenses incurred and to be incurred incident to accomplishing the foregoing or (d) refinancing any Bonds issued under the Indenture, provided that in each instance all of the following conditions are met:

(a) At the time of issuance and sale of such Additional Bonds, the Company is not in default under the Loan Agreement, the Issuer is in compliance all the terms and conditions contained in the Indenture and any Supplemental Indenture pursuant to which Additional Bonds have been issued, and the Guarantor is in compliance with the applicable provisions of the Guaranty to the extent that the Guaranty has not been terminated and such provisions are in effect and the issuance of the Additional Bonds must be in compliance with the provisions of the Loan Agreement relating to limitations on Indebtedness. See "THE LOAN AGREEMENT AND THE NOTE - Financial Covenants of the Company - *Limitation on Indebtedness*."

(b) The Company, the Issuer and the Trustee, as applicable, must enter into a contract or an amendment or supplement to the Loan Agreement and the Mortgage reaffirming all applicable provisions of the Loan Agreement and the Mortgage and any other contract or contracts providing for issuance of Additional Bonds, and further obligating the Company to pay to the Issuer amounts sufficient to pay the principal of, premium, if any, and interest on all Bonds then outstanding and on the Additional Bonds proposed to be issued.

(c) The Issuer and the Trustee must execute and deliver a Supplemental Indenture adding such Additional Bonds to the Bonds secured by the Indenture, the Loan Agreement, and the Mortgage, and the Issuer, the Company and the Trustee, as applicable, must enter into an amendment or supplement to the Loan Agreement and the Mortgage, authorizing such Additional Bonds and expressly providing that, for all purposes of the Indenture, the Loan Agreement and the Mortgage, the Project will include the facilities being financed by the Additional Bonds.

(d) The Supplemental Indenture to be executed by the Issuer and the Trustee authorizing issuance of such Additional Bonds will recite that all of the above requirements have been met, must authorize the issuance of such Additional Bonds and provide among other things, the principal amount of the Additional Bonds to be issued, the date such Additional Bonds are issued, their rate or rates of interest, and their maturity dates, which may not extend beyond the termination date of the Loan Agreement, as it may have theretofore been extended, and redemption provisions. No such Supplemental Indenture may in any way diminish or postpone the amounts provided in the Indenture, as it may have theretofore been amended and supplemented in connection with the issuance of Additional Bonds, to be paid into and maintained in the Bond Fund created under the Indenture or under any Supplemental Indenture, and will require the Issuer to increase the payments then being made into the Bond Fund to the amounts necessary to pay the scheduled principal of and interest on all Bonds to be outstanding. Any such Supplemental Indenture will restate and reaffirm, by reference, all of the applicable terms, conditions and provisions of the Indenture.

(e) The proceeds of any Additional Bonds authorized to be issued must be used only for the purpose of (i) providing financing for expansions, enhancements, modifications or replacements to the Facility, (ii) paying for Capital Expenditures relating to the Project, (iii) paying the usual and necessary expenses incurred and to be incurred incident to accomplishing any of the foregoing or (iv) refinancing any Bonds issued under the Indenture.

(f) The Supplemental Indenture will provide for the deposit of the net proceeds from the sale of the Additional Bonds in a manner consistent with the use of the proceeds set forth in the supplement to the Loan Agreement.

(g) Each series of Additional Bonds will rank *pari passu* and be equally and ratably secured under the Indenture, the Loan Agreement, and the Mortgage, with the Bonds and all series of Additional Bonds, if any, theretofore issued and then outstanding, without preference, priority or distinction of any Bonds over any other thereof.

The Company may incur Parity Indebtedness which may be secured by a lien on all or a portion of the collateral pledged under the Mortgage of equal rank and priority with liens now or hereafter granted under the Mortgage to secure the obligation to pay the Bonds, in order to provide financing for expansions, enhancements, modifications or replacements to the Facility or other Capital Expenditures relating to the Project, for the usual and necessary expenses incurred and to be incurred incident to accomplishing any of the foregoing or refinancing any Bonds issued under the Indenture, provided that:

(a) the Completion Date has occurred in accordance with the Loan Agreement; and

(b) if the Parity Indebtedness is further secured by liens on properties and revenues of the Company other than the Mortgage, a lien of equal rank and priority must be granted upon the same properties and revenues to secure the obligations under the Bonds; and

(c) at the time the Parity Indebtedness is incurred, the new lender of the Parity Indebtedness ("Parity Lender"), the Trustee, the Company, the Issuer and the Guarantor must enter into intercreditor agreements with respect to the Parity Indebtedness and such documents must be satisfactory to all parties thereto and provide mutual cross default provisions under the Indenture, the Loan Agreement, the Mortgage or the Guaranty (if the Guaranty is in effect) and the instrument creating such Parity Indebtedness; provided that, the holders of Parity Indebtedness will have no interest in any of the Funds created under the Indenture; and

(d) the Company and the Trustee must enter into a supplement to the Mortgage to cover the Parity Indebtedness; and

(e) at the time of issuance of such Parity Indebtedness, the Company must be in compliance with the provisions of the Loan Agreement, the Issuer must be in compliance with all the terms and conditions contained in the Indenture and any Supplemental Indenture pursuant to which Additional Bonds have been issued, the Guarantor must be in compliance with the applicable provisions of the Guaranty to the extent that the Guaranty has not been terminated and such provisions are in effect and the incurrence of the Parity Indebtedness must be in compliance with the provisions of the Loan Agreement relating to restrictions on Indebtedness. See "THE LOAN AGREEMENT AND THE NOTE - Financial Covenants of the Company - *Limitation on Indebtedness*."

Under the terms of the Loan Agreement and the Indenture, the Company also may incur Subordinated Lien Indebtedness in order to provide financing for expansions, enhancements, modifications or replacements to the Facility or other Capital Expenditures relating to the Project and for the usual and necessary expenses incurred and to be incurred incident to accomplishing any of the foregoing. The incurrence of the Subordinated Lien Indebtedness must be in compliance with the provisions of the Loan Agreement relating to restrictions on Indebtedness. See “THE LOAN AGREEMENT AND THE NOTE - Financial Covenants of the Company - *Limitation on Indebtedness*.” At the time of incurring any Subordinated Lien Indebtedness, the new lender of such subordinated indebtedness, the Trustee, the Issuer and the Company are required to enter into an intercreditor agreement, and the documents providing for the repayment of and security for such Subordinated Lien Indebtedness must provide (i) mutual cross default provisions under the Indenture and the Loan Agreement, the instruments creating any Parity Indebtedness and the instruments creating the Subordinated Lien Indebtedness; (ii) that the holders of such Subordinated Lien Indebtedness have no right to foreclose the collateral under the Mortgage without the prior written consent of the Trustee and the lender with respect to any Parity Indebtedness; and (iii) that the holders of any Subordinated Lien Indebtedness will not be entitled to any payment so long as any Event of Default under the Loan Agreement exists, but may be paid on a current basis so long as all payments required under the Indenture and Loan Agreement have been made. In addition, no Subordinated Lien Indebtedness may be issued unless the Company is in compliance with the Loan Agreement, the Issuer is in compliance with the Indenture and any Supplemental Indenture pursuant to which Additional Bonds have been issued, and the Guarantor is in compliance with the applicable provisions of the Guaranty, to the extent that the Guaranty has not been terminated and such provisions are then in effect.

Supplemental Indentures

The Issuer and the Trustee may, without the consent of, or notice to, any of the Owners of Bonds, enter into an indenture or indentures supplemental to the Indenture:

(a) to cure any ambiguity or formal defect or omission in the Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the bondholders or the Trustee or either of them;

(c) to subject to the Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement the Indenture in such manner as required to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute subsequently in effect, to permit qualification of the Bonds for sale as exempt securities or in exempt transactions under the Securities Act, the Exchange Act, or the securities laws of any state or to avoid registration under the Investment Company Act of 1940, as amended, or any similar federal statute subsequently in effect, or to permit compliance with the Code; and

(e) to make any other change therein which, in the opinion of outside counsel to the Company or the Guarantor, will not prejudice in any material respect the rights of the Owners of the Bonds then outstanding.

The Owners of a majority in aggregate principal amount of Bonds then outstanding will have the right from time to time to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental to the Indenture as deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in the Indenture will permit, or be construed as permitting, without the consent and approval of the Owners of all the Bonds then outstanding (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of, or premium, if any, on any Bond or the rate of interest thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such supplemental indenture, or (v) a reduction in the payment obligations of the Company under the Note and the Loan Agreement.

The Issuer and the Trustee may enter into any indenture supplemental to the Indenture upon receipt of the consent of the holders of all Bonds then outstanding and, if required by the Indenture, the consent of the Company.

A supplemental indenture which affects any rights of the Company will not become effective until the Company has consented to the execution and delivery of such supplemental indenture.

The Trustee will not execute any indenture supplemental to the Indenture unless there has been filed with the Trustee an Opinion of Bond Counsel stating that such supplemental indenture is authorized or permitted by the Indenture and complies with its terms and that upon execution it will be valid, binding and enforceable upon the Issuer in accordance with its terms, and that it will not have an adverse impact on the exclusion of the interest on any Bonds from gross income for federal income tax purposes.

Amendments to Loan Agreement, Note, Mortgage, Guaranty and Equity Contribution Agreement

The Issuer and the Trustee may, without the consent of or notice to the Owners of the Bonds, consent to any amendment, change or modification of the Loan Agreement, the Note, the Guaranty, the Mortgage or the Equity Contribution Agreement as may be required:

(a) by the provisions of the Loan Agreement, the Note, the Guaranty, the Mortgage, the Equity Contribution Agreement or the Indenture;

(b) for the purpose of curing any ambiguity or formal defect or omission therein;

(c) in connection with the Project described in the Loan Agreement or the Mortgage so as to identify the same more precisely; and

(d) in connection with any other change therein, which, in the opinion of outside counsel to the Company or the Guarantor, will not prejudice in any material respect the rights of the Owners of the Bonds then outstanding.

Except for amendments, changes or modifications described above, neither the Issuer nor the Trustee may consent to any amendment, change or modification of the Loan Agreement, the Note, the Guaranty, the Mortgage or the Equity Contribution Agreement without the written approval or consent of the Owners of a majority in aggregate principal amount of Bonds then outstanding.

No amendment, change or modification of the Loan Agreement, Note, Guaranty, the Equity Contribution Agreement or the Mortgage may decrease the obligation of the Company, the Guarantor or the Equity Provider, respectively, under the Note, the Guaranty or the Equity Contribution Agreement to pay amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same become due.

The Issuer and the Trustee may consent to any amendment, change or modification of the Loan Agreement, the Note, the Guaranty, the Mortgage or the Equity Contribution Agreement upon receipt of the consent of the Owners of all Bonds then outstanding.

The Trustee may not execute any amendment, change of modification to the Loan Agreement, the Note, the Guaranty, the Mortgage or the Equity Contribution Agreement unless there has been filed with the Trustee an Opinion of Bond Counsel stating that such proposed amendment, change or modification is authorized or permitted by the Indenture, the Loan Agreement, the Note, the Guaranty, the Mortgage or the Equity Contribution Agreement and complies with its terms and that upon execution it will be valid and binding upon the party or parties executing it in accordance with its terms, and that it will not have an adverse impact on the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The Trustee

The Trustee, prior to the occurrence of any Event of Default and after the curing of all Events of Default which may have occurred, will undertake to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use in the circumstances in the conduct of his own affairs.

Prior to taking any action under the Indenture, the Loan Agreement, the Guaranty, or other related instrument, the Trustee may require that indemnification satisfactory to it in its sole discretion be furnished to it for the reimbursement of all its expenses and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from the Trustee's gross negligence or willful misconduct.

The Trustee and any successor Trustee may at any time resign from the trusts created by the Indenture by giving 30 days' notice to the Issuer, the Company, and each registered owner of Bonds then outstanding. Such resignation will take effect at the end of such 30 days, or upon the earlier appointment of a successor Trustee. In the event no successor Trustee is appointed pursuant to the terms of the Indenture within 30 days of the Trustee's resignation, the Trustee shall have the right to petition a court of competent jurisdiction for appointment of a successor Trustee and resignation shall become effective upon designation of such successor Trustee.

So long as no Event of Default has occurred and is continuing under the Indenture, the Trustee may be removed at any time by (i) the Company, with the consent of the Issuer, which consent may not be unreasonably withheld; or (ii) by the Issuer, with the consent of the

Company, by delivery to the Trustee of a written instrument signed by both the Issuer and the Company; or (iii) by the Owners of a majority in principal amount of Bonds then outstanding. Following an Event of Default, the Trustee may be removed only by the Owners of a majority in principal amount of the Bonds then outstanding, by delivery to the Trustee, the Issuer and the Company of an instrument or concurrent instruments signed by such Owners. Such removal will take effect only upon the appointment of a successor Trustee or the earlier appointment of a temporary Trustee by the Owners or a court of competent jurisdiction.

The Trustee or any successor to the Trustee must be a national banking association, trust company or bank in good standing and have a combined capital, surplus and undivided profits of not less than $100,000,000.

THE GUARANTY

Certain information with respect to the Guaranty is set forth below. Reference is made to the Guaranty for the detailed provisions thereof.

Guaranty of Obligations

Until terminated as discussed below, the Guarantor will guarantee absolutely, unconditionally and irrevocably to the Trustee in the Guaranty the payment and performance of all of the Company's obligations set forth in the Loan Agreement, including but not limited to, the prompt payment when due, whether at Stated Maturity, by acceleration, redemption or otherwise, of principal of, and interest and premium (if any) on the Bonds and all other amounts payable by the Company pursuant to the Loan Agreement, including all renewals, extensions, modifications and refinancings thereof whether for principal, interest, fees, expenses or otherwise, and all expenses (including reasonable attorney's fees and expenses) incurred by the Trustee in enforcing any of its or the Issuer's rights under the Loan Agreement and the other Bond Documents (collectively, the "Guaranteed Obligations").

The Guaranty provides that it is absolute, unconditional and irrevocable, guaranteeing prompt payment and performance of the Guaranteed Obligations strictly in accordance with the terms of the documents under which they arise. The Guaranty further provides that it is a guaranty of payment and performance and not of collection, and that the liability of the Guarantor thereunder will be immediate and primary, and not contingent upon the exercise or enforcement by the Trustee of any remedies it may have against the Company or any other person or the enforcement of any lien or realization upon any collateral the Trustee may at any time possess for any of the Guaranteed Obligations.

Termination of the Guaranty

The Guaranty will be automatically terminated if (i) the Completion Date has occurred, and (ii) the Independent Engineer has delivered to the Trustee the Ramp-Up Certificate, and (iii) the Company has delivered to the Trustee an Officer's Certificate for each of four consecutive calendar quarters (all of which calendar quarters are subsequent to the Completion Date) stating: (A) that no "Event of Default" under the Indenture, the Loan Agreement or the Guaranty or any event which, with notice or the passage of time or both, would constitute such an "Event of Default" has occurred or is continuing during each of such four consecutive calendar quarters and (B) that, for each of such four consecutive calendar quarters the Company's Cash Flow Coverage Ratio is greater than 1.5 to 1; and (iv) the Company has delivered to the Trustee an Officer's Certificate stating that (A) the Company has obtained all federal, State and local licenses, permits and approvals required to construct and operate the Project, (B) such licenses, permits and approvals are in full force and effect and any appeal periods related to such licenses, permits and approvals have expired and (C) the Company is in compliance with such licenses, permits and approvals.

Guarantor Covenants

For so long as the Guaranty is in effect, the Guarantor will expressly covenant and agree (for itself and its Subsidiaries) as follows:

Limitation on Indebtedness.

(a) the Guarantor may not incur, create, assume or otherwise cause to come into being, directly or indirectly any Indebtedness, unless after giving effect to the incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, the Fixed Charge Ratio of the Guarantor would be not less than 1.5 to 1 at the time of such incurrence, creation, assumption or causation and neither the Chief Executive Officer nor the Chief Financial Officer of the Guarantor have actual knowledge at that time that such Fixed Charge Ratio will be less than 1.5 to 1 on the last day of the Reference Period during which such Fixed Charge Ratio is calculated.

(b) Notwithstanding the foregoing, the Guarantor may incur each and all of the following:

(i) Indebtedness issued in exchange for, or the proceeds of which are used to Refinance, Indebtedness of the Guarantor in an amount (or, if such new Indebtedness provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration thereof, with an original issue price) not to exceed the amount so exchanged or Refinanced (plus accrued and unpaid interest and fees and expenses related to such exchange or Refinancing), the amount so exchanged or Refinanced being equal to the lesser of:

(x) the principal amount or liquidation preference of the Indebtedness so exchanged or Refinanced; and

(y) if the Indebtedness being exchanged or Refinanced was issued with an original issue discount, the accreted value thereof (as determined in accordance with GAAP) at the time of such Refinancing;

provided that the Average Life of the new Indebtedness must be equal to or greater than the Average Life of the Indebtedness to be exchanged or Refinanced; and

(ii) Indebtedness of the Guarantor to any of its Wholly Owned Subsidiaries, except that any transfer of such Indebtedness by a Wholly Owned Subsidiary (other than to another Wholly Owned Subsidiary) will be deemed to be an incurrence of Indebtedness; provided that such Indebtedness of the Guarantor must be expressly subordinated in right of payment to the Bonds.

For purposes of determining any particular amount of Indebtedness, Guarantees of, or obligations with respect to letters of credit supporting, Indebtedness otherwise included in the determination of such particular amount will not be included. For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described in the above clauses, the Guarantor, in its sole discretion, may classify such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of such clauses.

Limitation on Subsidiary Indebtedness.

(a) the Guarantor will not permit any Subsidiary to incur, create, assume or otherwise cause to come into being, directly or indirectly, any Indebtedness, except as follows:

(i) Indebtedness outstanding or, as identified in an exhibit to the Guaranty, anticipated as of the date hereof;

(ii) Indebtedness owed to the Guarantor:

(iii) Indebtedness incurred to finance the development, acquisition, construction or operation of a Business in which such Subsidiary has a direct or indirect interest; provided that

(A) such Indebtedness will be permitted only to the extent of the amount thereof which is Non-Recourse to the Guarantor and is Non-Recourse to any other Subsidiary other than the special-purpose Subsidiary created for the purpose of that development, acquisition, construction or operation; and

(B) the Guarantor, directly or through its Subsidiaries, either:

(x) controls, under an operating and management agreement or otherwise, the day-to day management and operation of the Business so financed; or

(y) has significant influence over the management and operation in all material respects of such Business (significant influence to include the right to control or veto any material act or decision in connection with such management or operation);

(iv) Indebtedness issued in exchange for, or the proceeds of which are used to Refinance, outstanding Indebtedness of such Subsidiary otherwise permitted under the Guaranty in an amount (or, if such new Indebtedness provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration thereof, with an original issue price) not to exceed the amount so exchanged or Refinanced (plus accrued and unpaid interest and fees and expenses related to such exchange or Refinancing), the amount so exchanged or Refinanced being equal to the lesser of:

(A) the principal amount or liquidation preference of the Indebtedness so exchanged or Refinanced; and

(B) if the Indebtedness being exchanged or Refinanced was issued with an original issue discount, the accreted value thereof (as determined in accordance with GAAP) at the time of such Refinancing;

provided that:

(x) the new Indebtedness must be Non-Recourse to the Guarantor to the same extent as the Indebtedness to be exchanged or Refinanced; and

(y) the new Indebtedness must be Non-Recourse to any other Subsidiary to the same extent as the Indebtedness to be exchanged or Refinanced; and

(z) the date of any payment of principal by way of sinking fund, mandatory redemption or otherwise (including defeasance) on any new Indebtedness must not occur prior to the date such payment would have been made on the Indebtedness so exchanged or Refinanced;

(v) Indebtedness incurred to support the performance obligations of a Subsidiary; provided that:

(A) such Indebtedness will be permitted only to the extent of the amount thereof which is Non-Recourse to the Guarantor and is Non-Recourse to any other Subsidiary other than the special-purpose Subsidiary created for the purpose of that development, acquisition, construction or operation; and

(B) the Guarantor directly or through its Subsidiaries either:

(x) controls, under an operating and management agreement or otherwise, the day-to-day management and operation of the Business so financed; or

(y) has significant influence over the management and operation in all material respects of such Business (significant influence to include the right to control or veto any material act or decision in connection with such management or operation);

(vi) Indebtedness of a Subsidiary to the extent that the Guarantor could itself incur such Indebtedness as described under paragraph (a) under "Limitation on Indebtedness" above;

(vii) Indebtedness incurred by a Person prior to the time:

(A) such Person became a Subsidiary of the Guarantor; or

(B) such Person merges with or into a Subsidiary of the Guarantor;

provided that, after giving effect to such transaction, such Indebtedness could have been incurred by the Guarantor as described under paragraph (a) under "Limitation on Indebtedness" above; and

(viii) Indebtedness of the Company permitted under and issued or incurred in accordance with the terms of the Loan Agreement and the Indenture (see "THE INDENTURE – Additional Bonds and Parity Indebtedness").

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described in the above clauses, the Guarantor, in its sole discretion, must classify such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of such clauses.

Limitation on Restricted Payments.

(a) The Guarantor will not, and will not permit any Subsidiary to, directly or indirectly, make any Restricted Payment if at the time of such Restricted Payment or after giving effect thereto:

(i) an Event of Default or an event that, after the giving of notice or lapse of time or both would become an Event of Default, has occurred and is continuing;

(ii) the Guarantor could not incur at least one dollar ($1.00) of Indebtedness as described under paragraph (a) under "Limitation on Indebtedness" as described above;

(iii) the aggregate amount of all Restricted Payments declared or made by the Guarantor and its Subsidiaries (the amount so made, if other than in cash, to be determined in good faith by the Board of Directors, as evidenced by a Board resolution after the date of issuance of the Bonds) during the period commencing on October 1, 2017 and ending on the date such

Restricted Payment is declared or made, inclusive, shall exceed the sum (without duplication) of:

(A) $125 million, plus (1) 75% of the Net Income, plus or minus, as the case may be, (2) any extraordinary and non-recurring gain or loss (including the income tax effect thereof), to the extent not included in Net Income, all as determined in accordance with GAAP for the Guarantor and its consolidated Subsidiaries for the period (taken as one accounting period) commencing with the quarterly fiscal period beginning October 1, 2017 and ending on the last day of the quarterly fiscal period immediately prior to the date of such calculation; provided that if Net Income for such period is less than zero, then minus 100% of the amount of such net loss; plus

(B) the aggregate net proceeds (including the fair market value of proceeds other than cash, as determined in good faith by the Board of Directors) received by the Guarantor from and after the date of issuance of the Bonds as contributions to capital for which no additional Capital Stock is issued and from the issuance and sale (other than to a Subsidiary) of its Capital Stock (excluding Redeemable Stock, but including Capital Stock other than Redeemable Stock issued upon conversion of, or in exchange for, Redeemable Stock or securities other than its Capital Stock), and warrants, options and rights to purchase its Capital Stock (other than Redeemable Stock), but excluding the net proceeds from the issuance, sale, exchange, conversion or other disposition of its Capital Stock convertible (whether at the option of the Guarantor or the holder thereof or upon the happening of any event) into (x) any security other than its Capital Stock or (y) its Redeemable Stock; plus

(C) any amount previously included as a Restricted Payment on account of an obligation by the Guarantor or any Subsidiary to make a Restricted Payment which has not actually been made by the Guarantor or any Subsidiary and which is no longer required to be made by the Guarantor or any Subsidiary;

provided that the provision described in clause (iii) above will not prevent the payment of any dividend within 60 days after the date of its declaration if such dividend could have been made on the date of its declaration without violation of the provisions of this covenant.

(b) If an Investment which the Guarantor or any Subsidiary is obligated to make either in part from time to time or in whole in the future is fixed in amount by the agreement setting forth such obligation, for purposes of determining whether such Investment is a Restricted Payment permitted under the provisions described above or is a Permitted Payment, the Investment will be deemed to have been made only once, in the amount so fixed, at the time the obligation first arises (and not when payments in respect thereof are later made). If an Investment which the Guarantor or any Subsidiary is obligated to make either in part from time to time or in whole in the future is not fixed in amount by the agreement setting forth such obligation, for purposes of determining whether such Investment is a Restricted Payment permitted under the provisions described above or is a Permitted Payment, the Investment will be deemed to have been made at the time the obligation first arises in an amount to be determined in good faith by the Board of Directors, as evidenced by a Board resolution, and any actual payments in respect of such Investment will be deemed to be Investments made on the date of payment thereof. Subject to the terms of clause (v) of the definition of Permitted Payments, such later Investments may be Permitted Payments.

Limitation on Lines of Business. The Guarantor and its Subsidiaries may engage only in the Business.

Limitations on Dividends and Other Payment Restrictions Affecting Subsidiaries. The Guarantor will not, and will not permit any Subsidiary to, incur, create, assume or otherwise cause to come into being, directly or indirectly, any consensual encumbrance or restriction of any kind on the ability of any Subsidiary to:

(a) pay dividends or make any other distributions permitted by applicable law on any Capital Stock of such Subsidiary owned by the Guarantor or any other Subsidiary;

(b) make payments in respect of any Indebtedness owed to the Guarantor or any other Subsidiary of the Guarantor;

(c) make loans or advances to the Guarantor or any other Subsidiary of the Guarantor; or

(d) transfer any of its property to the Guarantor or any other Subsidiary;

other than those encumbrances and restrictions created or existing

(i) in connection with the incurrence of any Indebtedness permitted under the provisions described in clauses (a)(iii), (v) or (vi) under "Limitation on Subsidiary Indebtedness"; provided that the Board of Directors determines in good faith, as evidenced by a Board resolution, that such encumbrances or restrictions are required in order to effect such financing and are not materially more restrictive, taken as a whole, on the ability of the applicable Subsidiary to make the payments, distributions, loans, advances or transfers referred to in clauses (a) through (d) above than encumbrances and restrictions, taken as a whole, customarily accepted in such transactions;

(ii) in connection with any Indebtedness of a Person outstanding when such Person becomes a Subsidiary as permitted under the provisions described in clause (a)(vii) under "Limitation on Subsidiary Indebtedness", other than Indebtedness incurred to finance any such transaction; or

(iii) in connection with the incurrence of any Indebtedness permitted under the provisions described in clause (a)(iv) under "Limitation on Subsidiary Indebtedness"; provided that the Board of Directors determines in good faith, as evidenced by a Board resolution, that such encumbrances or restrictions taken as a whole are not materially more restrictive on the ability of the applicable Subsidiary to make the payments, distributions, loans, advances or transfers referred to in clauses (a) through (d) above than those that are then in effect, taken as a whole, in connection with existing Indebtedness of such Subsidiary or other Subsidiaries of the same nature as the Indebtedness being incurred.

Limitation on Issuance of Preferred Stock of Subsidiaries. The Guarantor will not permit any Subsidiary to incur, create, assume or otherwise cause to come into being, directly or indirectly, any Preferred Stock except:

(a) Preferred Stock outstanding on the date of the Guaranty;

(b) Preferred Stock issued to and held by the Guarantor or a Wholly Owned Subsidiary of the Guarantor (but only so long as held or owned by the Guarantor or a Wholly Owned Subsidiary of the Guarantor);

(c) Preferred Stock issued by a Person prior to the time:

(i) such Person became a Subsidiary of the Guarantor; or

(ii) such Person merges with or into a Subsidiary of the Guarantor;

provided that if any such Preferred Stock is Redeemable Stock, giving effect to such transaction, such Redeemable Stock could have been issued by the Guarantor pursuant to the provisions described under paragraph (a) under "Limitation on Indebtedness" above;

(d) Preferred Stock issued by a Subsidiary of the Guarantor in connection with an Asset Disposition permitted under "Restrictions on Dispositions" below; and

(e) Preferred Stock which is exchanged for, or the proceeds of which are used to Refinance, any Preferred Stock permitted to be outstanding pursuant to clauses (a) through (d) above (or any extension, renewal or refinancing thereof), having a dividend yield and a liquidation preference not to exceed the dividend yield and the liquidation preference of the Preferred Stock so exchanged or Refinanced; provided that the date of any payment of outstanding shares by way of sinking fund, mandatory redemption or otherwise on any new Preferred Stock may not occur prior to the date such payment would have been made on the Preferred Stock so exchanged or Refinanced.

Restrictions on Dispositions.

(a) Subject to the provisions described below under "Restrictions on Mergers, Consolidations and Sales of Assets," the Guarantor will not make, and will not permit any of its Subsidiaries to make, any Asset Disposition unless:

(i) the Guarantor (or the Subsidiary, as the case may be) receives consideration at the time of each such Asset Disposition at least equal to the fair market value of the shares or assets sold or otherwise disposed of (determined in good faith by the Board of Directors, as evidenced by a Board resolution); and

(ii) not less than 75% of the consideration received (excluding consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the property disposed of in such Asset Disposition) by the Guarantor (or such Subsidiary as the case may be) is in the form of cash or cash equivalents, provided that any note or other obligation received by the Guarantor (or such Subsidiary, as the case may be) that is immediately converted into cash will be deemed to be cash for purposes of this provision;

provided that, if, after giving effect to such Asset Disposition on a pro forma basis as if it had occurred on the first day of the Reference Period, the Guarantor could not incur at least one dollar ($1.00) of Indebtedness pursuant to the provisions described under paragraph (a) under "Limitation on Indebtedness", then the Net Cash Proceeds derived from such Asset Disposition must be applied, within 90 days from the later of the date of such Asset Disposition or the receipt of Net Cash Proceeds related thereto, to the payment of the principal of, and interest on, Indebtedness of the Guarantor or any Wholly Owned Subsidiary (other than Indebtedness owed to the Guarantor or another Subsidiary) but only to the extent necessary to permit the Guarantor to incur at least one dollar ($1.00) of Indebtedness pursuant to the provisions described under paragraph (a) under "Limitation on Indebtedness."

(b) Notwithstanding the foregoing, the Guarantor and its Subsidiaries may make an Asset Disposition:

(i) to the Guarantor; or

(ii) to a Wholly Owned Subsidiary

Limitations on Transactions with Affiliates.

(a) The Guarantor will not, and will not permit any of its Subsidiaries to, directly or indirectly enter into any transaction (including without limitation, the sale, purchase or lease of any assets or properties or the rendering of any services) with any Affiliate or holder of 5% or more of any class of Capital Stock of the Guarantor except for transactions (including, subject to the limitation described under "Limitation on Restricted Payments" above, any loan or advance by or to, or Guarantee on behalf of, any Affiliate or holder) made in good faith the terms of which are fair and reasonable to the Guarantor or such Subsidiary, as the case may be, and are at least as favorable as the terms which could be obtained by the Guarantor or such Subsidiary, as the case may be, in a comparable transaction made on an arm's-length basis with Persons who are not such a holder or Affiliate; provided that any such transaction will be conclusively deemed to be on terms which are fair and reasonable to the Guarantor or any of its Subsidiaries and on terms which are at least as favorable as the terms which could be obtained on an arm's-length basis with Persons who are not such a holder or Affiliate if such transaction is approved by a majority of the Guarantor's directors (including a majority of the Guarantor's independent directors); and provided further that the fairness, reasonableness and arm's-length nature of the terms of any transaction which is part of a series of related transactions may be determined on the basis of the terms of the series of related transactions taken as a whole.

(b) The provisions described above will not apply to:

(i) transactions between the Guarantor or any of its Subsidiaries and any employee of the Guarantor or any of its Subsidiaries (who is not a holder of 5% or more of any class of Capital Stock of the Guarantor, or a member of such holder's immediate family) that are approved by the Board of Directors or any committee of the Board of Directors consisting of the Guarantor's independent directors;

(ii) the payment of reasonable and customary regular fees to directors of the Guarantor or a Subsidiary of the Guarantor;

(iii) any transaction between the Guarantor and any of its Wholly Owned Subsidiaries or between any of its Wholly Owned Subsidiaries; or

(iv) any Permitted Payment and any Restricted Payment not otherwise prohibited by the limitations described under "Limitation on Restricted Payments" above.

Limitation on Liens. The Guarantor will not, and will not permit any Subsidiary to, incur, create, assume or otherwise cause to come into being, directly or indirectly, any Lien upon any property of the Guarantor or, as the case may be, of any Subsidiary, to secure any Indebtedness other than:

(a) Liens on assets or property of an entity existing prior to such time as such assets or property are acquired by the Guarantor or, as the case may be, a Subsidiary; or

(b) with respect to any assets and property of any Subsidiary, other customary Liens created in good faith in connection with reasonable and customary financing transactions and which are not materially more restrictive than is customary; or

(c) Permitted Encumbrances.

Restrictions on Mergers, Consolidations and Sales of Assets.

(a) The Guarantor must at all times during the term of the Guaranty maintain its corporate existence and may not consolidate with, merge with or into, or transfer all or substantially all of its assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any Person unless:

(i) the Guarantor is the continuing Person, or the Person (if other than the Guarantor) formed by such consolidation or into which the Guarantor is merged or to which properties and assets of the Guarantor are transferred is a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia and expressly assumes in writing all the obligations of the Guarantor under the Bonds;

(ii) immediately after giving effect to such transaction, no Event of Default or event or condition which through the giving of notice or lapse of time or both would become an Event of Default has occurred and is continuing;

(iii) the Net Worth of the Guarantor or the surviving entity or transferee, as the case may be, on a pro forma basis after giving effect to such transaction, is not less than the Net Worth of the Guarantor immediately prior to such transaction; and

(iv) immediately after giving effect to such transaction on a pro forma basis, the Guarantor or the surviving entity or transferee is able to incur at least one dollar ($1.00) of Indebtedness under the provisions described in paragraph (a) under "Limitation on Indebtedness" above.

(b) Notwithstanding the foregoing, the provisions described in clause (a) above will not prohibit a transaction, the principal purpose of which is (as determined in good faith by the Board of Directors and evidenced by a Board resolution) to change the state of incorporation of the Guarantor, if such transaction does not have as one of its purposes the evasion of the limitations imposed by the provisions described above.

Restrictions on Transfer of Ownership of the Company and the Project. The Guarantor may not directly or indirectly transfer or otherwise dispose of any of the Capital Stock of or membership interests in the Company, or permit the Company directly or indirectly to transfer or dispose of any of the Company's right, title or interest in the Project (subject to the Mortgage) unless after giving effect to such transfer or disposition, no Event of Default under the Guaranty nor any event or condition which through the giving of notice or lapse of time or both would become such an Event of Default has occurred and is continuing, and

(a) The Guarantor has confirmed in writing that the Guaranty will continue in full force and effect in accordance with its terms as an obligation of the Guarantor following any such transfer or disposition, or

(b) A Person to whom the Guarantor would be permitted to transfer all or substantially all of its assets pursuant to the provisions described above in "Restrictions on Mergers, Consolidations and Sales of Assets" (a "Substitute Guarantor") expressly assumes in writing all of the obligations of the Guarantor under the Guaranty and the Bond Documents.

An opinion of Bond Counsel, to the effect that the assumption by the Substitute Guarantor of all of the obligations of the Guarantor under the Guaranty will not cause the interest on the Bonds to be includable in the gross income of the Bondholders for federal income tax purposes, will also be required as a condition of any such assumption. Upon any assumption by a Substitute Guarantor of the obligations of the Guarantor, the Substitute Guarantor will succeed to and be substituted for, and have all of the rights and obligations of the Guarantor, under the Guaranty as if the Substitute Guarantor had been named the "Guarantor" in the Guaranty, and thereafter the Guarantor (or the previous Substitute Guarantor, if any) will be relieved of all obligations and covenants under the Guaranty.

Financial Records and Statements; Other Guarantor Covenants

The Guarantor is required to maintain proper books of record and account, in which full and correct entries will be made in accordance with GAAP, of all of the business and affairs of the Guarantor and its Subsidiaries. The Guarantor is required to have an annual audit performed by the Independent Accountant and, within 160 days after the end of each of its Fiscal Years, must furnish the Trustee a copy of the balance sheet of the Guarantor as of the end of such Fiscal Year and a copy of the statements of income, retained earnings and cash flow of the Guarantor for such Fiscal Year, all determined on a consolidated basis for the Guarantor and its consolidated Subsidiaries in accordance with GAAP and certified by such accountant.

The Guarantor is also required to furnish the Trustee within 75 days of the end of each quarterly fiscal period which is not also the end of a Fiscal Year, a copy of the balance sheet of the Guarantor as of the end of such quarterly fiscal period and a copy of the statements of income, retained earnings and cash flow of the Guarantor for such quarterly fiscal period, all determined on a consolidated basis for the Guarantor and its consolidated Subsidiaries, which statements need not be audited, reviewed or certified by the Independent Accountant.

The Fiscal Year end and quarterly statements delivered to the Trustee must be accompanied by an Officer's Certificate to the effect that, as of the date of such statements and as of the date of such certificate, no Event of Default has occurred under the Guaranty and that no event exists which, with the passage of time or giving of notice, would result in such Event of Default. The Guarantor is required to give prompt notice of the occurrence of any such event or Event of Default.

The Guarantor will not permit the Guaranteed Obligations to be subordinated to any other obligations guaranteed by the Guarantor.

Defaults

Under the Guaranty "Event of Default" means:

(i) failure to pay principal or interest on the Bonds when due;

(ii) failure to make any payments relating to the Equity Contribution Amount when due;

(iii) except for its obligations set forth in (i) and (ii) above, failure of the Guarantor to comply with its covenants under the Guaranty if such failure continues unremedied for 30 days after written notice thereof has been given to the Guarantor by the Trustee or the holders of not less than 25% of the outstanding principal amount of the Bonds provided that, if such failure is not susceptible of cure within 30 days and the Guarantor has commenced and is diligently pursuing a cure, such 30 day period will be extended for an additional sixty (60) days;

(iv) an event of default, as defined in any indenture or instrument evidencing or under which the Guarantor or any Subsidiary has at the date of the Guaranty or subsequently has outstanding any Indebtedness, has happened and is continuing and either:

(1) such default results from the failure to pay principal of such Indebtedness in excess of $15,000,000 at final maturity of such Indebtedness; or

(2) as a result of such default, the maturity of such Indebtedness has been accelerated so that the same has become due and payable prior to the date on which the same would otherwise have become due and payable, and such acceleration has not been rescinded or annulled within 30 days after notice thereof has been given to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Bonds at the time outstanding or the principal amount of such Indebtedness of the Guarantor or any Subsidiary in default, and the maturity of which has been accelerated aggregates $15,000,000 or more, provided that:

(x) if such event of default under such indenture or instrument is remedied or cured by the Guarantor or otherwise or waived by the holders of such Indebtedness, then the Event of Default under the Guaranty by reason thereof (so long as no acceleration of the maturity of the Bonds has occurred) will be deemed likewise to have been thereupon remedied, cured or waived (without further action upon the part of either the Trustee or any of the holders), and

(y) such default will not be an Event of Default if such Indebtedness is Non-Recourse to the Guarantor or the Company in respect of the amounts not paid or due upon acceleration;

(v) the commencement of voluntary bankruptcy proceedings with respect to the Guarantor or any Significant Subsidiary or the failure by the Guarantor or any Significant Subsidiary, within 60 days after the commencement of any involuntary bankruptcy proceedings against it, to have such proceedings dismissed or stayed; or

(vi) a judgment or order for the payment of money is rendered against the Guarantor or any Subsidiary for an amount in excess of $15,000,000 (excluding the amount thereof covered by insurance or by a bond written by third parties) individually or in the aggregate for all such judgments or orders against all such Persons (treating any deductibles, self-insurance or retentions as not so covered) that is not discharged or waived, and all such judgments and orders remain outstanding and there is any period of 30 consecutive days following entry of such judgment or order which causes the aggregate amount to exceed $15,000,000 during which a stay of enforcement of such judgment or order by reason of a pending appeal or otherwise, is not in effect; provided that such a judgment or order will not be an Event of Default if such judgment or order is:

(1) against a Subsidiary other than the Company; and

(2) does not require any payment by the Guarantor; or

(vii) an Event of Default has occurred under the Loan Agreement or the Indenture.

THE MORTGAGE

Certain information with respect to the Mortgage is set forth below. Reference is made to the Mortgage for the detailed provisions thereof.

Pursuant to the Mortgage, the Facility and certain property related to the Facility are mortgaged by the Company to the Trustee as security for the Bonds and, subject to the provisions of the Indenture, for any Additional Bonds and Parity Indebtedness (see "THE INDENTURE – Additional Bonds and Parity Indebtedness").

In addition, pursuant to the Mortgage, the Company will covenant to pay the Note according to its terms; to pay taxes, liens and other charges related to the Bonds or the Facility; to obtain and maintain for the benefit of the Trustee insurance for the Facility, including but not limited to "all risk" permanent real and personal property and builder's risk insurance, public liability, business interruption and other coverages; to observe and perform all conditions and covenants of all leases and contracts relating to the Facility and pledged as security under the Mortgage (including the Project Agreements); to operate the Facility in accordance with applicable laws and regulations and to maintain it in good condition and repair; to maintain proper and accurate books and records; not to pledge or encumber any of the property subject to the Mortgage except as permitted in the Loan Agreement and the Indenture; and to comply with all applicable environmental laws. In the Mortgage the Company also makes certain representations and warranties with respect to environmental conditions related to the Facility.

Under the Mortgage each of the following constitutes a "Default": (i) the occurrence of an Event of Default and the lapse of any applicable notice and cure period under the Loan Agreement; (ii) the breach or failure by the Company to perform, observe or satisfy any other terms, covenants, conditions and agreements contained in the Mortgage, and the continuance of such failure for 30 days after written notice thereof from the Trustee, provided that if such breach or failure is not susceptible of cure within 30 days and the Company has commenced and is diligently pursuing a cure, such 30 day period will be extended for so long as is reasonably necessary to cure such breach or failure; (iii) all or any substantial portion of the Facility is taken through condemnation or through forfeiture proceedings, or any substantial portion of the Facility is damaged by or taken through condemnation or through forfeiture proceedings and the value of the Facility is materially and permanently diminished; or (iv) the institution of any proceeding seeking the forfeiture of the Facility or any portion thereof or any interest therein as a result of any criminal or quasi-criminal activity by the Company (or any person so related to the Company or the Facility that the Facility or any portion thereof or any interest therein might be forfeited on account of the activity of such person).

Upon a Default under the Mortgage, the Trustee may enter upon and take possession of the Facility and may, at its option, operate the Facility or employ a managing agent to do so. The Trustee may also exercise other remedies, including applying for the appointment of a receiver; paying or performing the obligations of the Company under the Mortgage or the other Bond Documents; proceeding by suit to foreclose the liens and security interests of the Mortgage as against all or any part of the Facility, and to have all or any part of the Facility sold under the judgment or decree of a court of competent jurisdiction; or suing in law or equity to enforce the Note.

THE EQUITY CONTRIBUTION AGREEMENT

Certain information with respect to the Equity Contribution Agreement is set forth below. Reference is made to the Equity Contribution Agreement for the detailed provisions thereof.

Pursuant to the Equity Contribution Agreement, the Equity Provider irrevocably and unconditionally undertakes to the Company and the Trustee to provide a cash equity contribution in the amount of $25,000,000 (the "Initial Equity Contribution") to be deposited by the Trustee into the Equity Fund in accordance with the Indenture on the date of issuance of the Bonds, a portion of which (equal to the Debt Service Reserve Requirement) will be transferred to the Debt Service Reserve Fund.

The Equity Provider further irrevocably and unconditionally undertakes to the Company and the Trustee to provide additional equity contributions (the "Additional Equity Contribution") to be deposited in the Equity Fund in accordance with the Indenture in two equal installments of $20,000,000 upon 15 days' written notice from the Trustee in accordance with Indenture that the balance in the Equity Fund is less than $500,000; provided that in the event that the entire Additional Equity Contribution has not been provided to the Trustee by the Completion Date, then the Equity Provider will immediately provide the remainder of the Additional Equity Contribution to the Trustee for deposit into the Equity Fund.

If an Event of Default has occurred under the Indenture and the Trustee has declared the entire unpaid principal of and interest on the Bonds to be due and payable, the Equity Provider shall immediately provide the remaining balance of the Additional Equity Contribution to the Trustee.

In the Equity Contribution Agreement, the Equity Provider agrees that its obligations thereunder are absolute, unconditional and irrevocable until the Additional Equity Contribution Amount has been paid, regardless of any applicable law now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Trustee with respect thereto.

TAX MATTERS

Federal Income Taxes

In the opinion of Ballard Spahr LLP, Co-Bond Counsel, interest on the Bonds is excluded from gross income for federal income tax purposes, assuming the accuracy of the certifications of the Issuer and the Company and the continuing compliance with the requirements of the Code, as enacted and construed on the date thereof, except for interest on any Bond during any period while it is held by a "substantial user" of the Facility or a "related person" with the meaning of Section 147(a) of the Code. Interest on the Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on Bonds held by foreign corporations may be subject to the branch profits tax imposed by the Code.

Section 103 of the Code provides generally that interest on an issue of bonds, the proceeds of which will be used to finance qualifying solid waste disposal facilities within the meaning of Section 142(a)(6) of the Code, will be excluded from the gross income of the holders thereof. The Code imposes various requirements pertaining to such bonds, including the use and investment of the proceeds of the bonds, the maturity of and security for the bonds, the procedure for issuance of the bonds, the payment to the United States of certain amounts earned from investment of proceeds of the bonds, and filings with the IRS in respect of the bonds, Ballard Spahr LLP has concluded that the Bonds meet the requirements of the Code in reliance on the covenants and certifications of the Issuer and the Company, including covenants of continuing compliance with the requirements of the Code. Failure by the Issuer or the Company to comply with such covenants or the inaccuracy of such certificates could cause interest on the Bonds to be subject to federal income tax from the date of issuance of the Bonds or as of some later date. Ballard Spahr LLP has not undertaken to determine or to inform any person whether any actions taken or not taken or events occurring or not occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Ballard Spahr LLP expresses no opinion regarding such consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences.

The form of the opinion of Ballard Spahr LLP is set forth in Appendix F hereto.

State Taxes

In the opinion of Thompson Hine LLP, Co-Bond Counsel, under existing laws, interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from all Ohio state and local income taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, and the tax levied on the basis of the total equity capital of financial institutions. See Appendix F herein for the form of opinion of Thompson Hine LLP, Co-Bond Counsel.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may affect the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to indebtedness issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be affected thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Co-Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Co-Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

CONTINUING DISCLOSURE

Reports and Material Event Notices

No financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Bonds and the Issuer will not provide any such information. The Company, the Guarantor (for so long as the Guaranty remains in effect) and PCH have undertaken all responsibilities for any continuing disclosure to Bondholders as described below, and the Issuer will have no liability to the Bondholders or any other person with respect to such disclosures.

The Company, the Guarantor and PCH have covenanted for the benefit of Bondholders to provide certain financial information relating to the Company, the Guarantor and PCH by not later than 160 days following the end of the Company's Fiscal Year beginning with the Fiscal Year ending June 30, 2018 (the "Annual Report"), to provide certain quarterly financial data relating to the Company, the Guarantor and PCH and to provide notices of the occurrence of certain enumerated events, in accordance with the requirements of Rule 15c2-12, as amended, under the Securities Exchange Act of 1934. The Annual Report, the quarterly financial data and notices of material events, if any, will be filed by the Company with the MSRB in an electronic format as prescribed by the MSRB. The specific nature of the information to be contained in the

Annual Report, the quarterly financial data and the notices of material events is set forth in "APPENDIX G—CONTINUING DISCLOSURE AGREEMENT."

Compliance With Prior Undertakings

The Company has no prior continuing disclosure undertakings. The Guarantor has had instances of failing to comply with its continuing disclosure obligations. The Guarantor is required to file annual audited financial statements in connection with the financing of the Conyers Mill and failed to do so for the Fiscal Year ended 2012. However, as of October 18, 2013, the Guarantor made such filing with the MSRB. The Guarantor also filed its annual audited financial statements one day late for the Fiscal Year ended 2015. In addition, the Guarantor has had instances of late filings under its continuing disclosure undertaking for the Valparaiso Mill. Its quarterly filings for the fiscal quarters ending September 30, 2014 and December 31, 2016 were filed late. PCH is required to make continuing disclosure filings in connection with the financings of the Staten Island Mill and the Valparaiso Mill. PCH's quarterly filings under those continuing disclosure agreements for the following fiscal quarters were filed late: September 30, 2014 (Valparaiso Mill only), June 30, 2016 (Staten Island Mill only) and December 31, 2016. In addition, the Guarantor's subsidiaries that operate the Staten Island Mill, the Conyers Mill and the Valparaiso Mill have had instances of missed or late filings. The Guarantor's subsidiaries which own and operate the Staten Island Mill and the Conyers Mill failed to file annual disclosure materials for the Fiscal Year ended 2012. However, as of October 24, 2013, each such subsidiary made such filing with the MSRB. In addition, the Guarantor's subsidiaries had late quarterly filings in the following fiscal quarters: September 30, 2014 (Valparaiso Mill only), June 30, 2016 and December 31, 2016. The subsidiary that owns and operates the Valparaiso Mill also failed to file a quarterly independent engineer's report for the fiscal quarter ended September 30, 2016. However, as of October 20, 2017, such subsidiary made such filing with the MSRB. The Guarantor has implemented procedures to ensure compliance by the Guarantor, PCH, the Guarantor's subsidiaries that own other mills and the Company with any on-going continuing disclosure obligation.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds, and with regard to the tax status of the interest thereon, are subject to the approving opinions of Ballard Spahr LLP, Philadelphia, Pennsylvania, as Co-Bond Counsel, and Thompson Hine LLP, Columbus, Ohio, as Co-Bond Counsel. Certain legal matters will be passed upon for the Company and the Guarantor by Dentons US LLP, Atlanta, Georgia and Thompson Hine LLP, as local counsel. Certain legal matters will be passed upon for the Underwriter by Nixon Peabody LLP, New York, New York.

INDEPENDENT ENGINEER'S REPORT

The Independent Engineer is Talo Analytic International, Inc., a provider of strategic business services since 1992 which is solely owned by Jim Thompson, the Project Manager, Industry Expert and Primary Engineer for the Independent Engineer's Report. The Independent Engineer's Report, attached as Appendix E to this Official Statement, is included based upon the authority of said firm as experts in the forest products industry. The Independent Engineer's

Report presents the findings and technical opinions of the Independent Engineer's due diligence review.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The financial statements of Pratt Industries, Inc. and subsidiaries as of June 30, 2017, 2016, 2015, 2014 and 2013 and for the years then ended, included in the Official Statement, have been audited by Grant Thornton LLP, independent certified public accountants, as stated in their reports appearing herein.

The financial statements of Pratt Corrugated Holdings, Inc. and subsidiaries as of June 30, 2017, 2016, 2015, 2014 and 2013 and for the years then ended, included in the Official Statement, have been audited by Grant Thornton LLP, independent certified public accountants, as stated in their reports, such reports being qualified as to the recognition of certain affiliate leasing transactions, appearing herein.

LITIGATION

The Issuer

There is not now pending against the Issuer any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present officials of the Issuer to their respective offices, is being contested or questioned. There is no litigation pending against the Issuer which in any manner questions the right of the Issuer to enter into the Loan Agreement and the Indenture, or to secure the Bonds in the manner provided in the Loan Agreement and the Indenture.

The Company

No action, suit, proceeding or investigation is pending against the Company or, to the Company's knowledge, threatened which might materially adversely affect the business or properties or financial condition of the Company, or in which an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Loan Agreement and the Mortgage, or any other documents executed by the Company in connection with the Bonds, the performance by the Company of any of its obligations thereunder, or the consummation of any of the transactions contemplated thereby.

The Guarantor

No action, suit, proceeding or investigation is pending against the Guarantor or, to the Guarantor's knowledge, threatened which might materially adversely affect the business or properties or financial condition of the Guarantor, or in which an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Guaranty, or any other documents executed by the Guarantor in connection with the Bonds, the performance by the Guarantor of any of its obligations thereunder, or the consummation of any of the transactions contemplated thereby.

PCH

No action, suit, proceeding or investigation is pending against PCH or, to PCH's knowledge, threatened which might materially adversely affect the business or properties or financial condition of PCH, or in which an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the documents executed by PCH in connection with the Facility, the performance by PCH of any of its obligations thereunder, or the consummation of any of the transactions contemplated thereby.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the Issuer at a purchase price equal to $__________ (representing the principal amount of the Bonds), and initially will offer the Bonds to the public at the offering prices stated on the inside cover page of this Official Statement. The Underwriter has agreed to purchase all the Bonds if any Bonds are purchased. The Company will pay the Underwriter an amount equal to $__________ as an underwriter's commission, plus out-of-pocket fees and expenses, on the date of delivery of the Bonds.

The Bonds may be offered and sold to certain dealers (including dealers depositing the Bonds into investment accounts) and to others at prices lower than the public offering price set forth on the inside cover page hereof. After the Bonds are released for sale to the public, the public offering price and other selling terms may from time to time be varied by the Underwriter. The Company and the Guarantor have agreed to indemnify the Underwriter and the Issuer against certain civil liabilities.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Company, the Guarantor or the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Company, the Guarantor or the Issuer.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

CERTAIN RELATIONSHIPS

Ballard Spahr LLP, Co-Bond Counsel, Thompson Hine LLP, Co-Bond Counsel, and Dentons US LLP act as counsel to the Underwriter in unrelated transactions. In addition, Thompson Hine LLP is also acting as local counsel to the Company and the Guarantor in connection with the Project and the issuance of the Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer, the Company, the Guarantor or the Underwriter and the Owners of the Bonds.

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

By:__________________________________
Name:
Title:

PRATT PAPER (OH), LLC

By: __________________________________
Name:
Title:

APPENDIX A

DEFINITIONS

"Act" means the Constitution and laws of the State, particularly Chapter 3706 of the Ohio Revised Code, as amended.

"Additional Bonds" means the Bonds of the Issuer of one or more series issued pursuant to the Indenture.

"Additional Equity Contribution Amount" means $40,000,000, as such amount may be decreased from time to time by the amount of any Additional Equity Contributions pursuant to the Equity Contribution Agreement.

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with") when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Affiliate Cooperation Agreement" means the Affiliate Cooperation Agreement dated as of December 1, 2017, by and among the Company, the Guarantor and PCH.

"Applicable Tax-Exempt Municipal Bond Rate" means the "Comparable AAA General Obligations" yield curve rate for the maturity date of the Bonds to be redeemed (assuming that such maturity date is the redemption date of the Bonds) published by Municipal Market Data ("MMD") five business days prior to the date fixed for redemption. If no such yield curve rate is established for the applicable year, the "Comparable AAA General Obligations" yield curve rate for the two published maturities most closely corresponding to the applicable year will be determined, and the "Applicable Tax-Exempt Municipal Bond Rate" will be interpolated or extrapolated from those yield curve rates on a straight-line basis. This rate is made available by MMD and is available to its subscribers at: www.tm3.com. In calculating the Applicable Tax-Exempt Municipal Bond Rate, if MMD no longer publishes the "Comparable AAA General Obligations" yield curve rate, then the Applicable Tax-Exempt Municipal Bond Rate will equal the Municipal Market Advisors Consensus Municipal yield curve rate for the applicable year. In the further event that Municipal Market Analytics, Inc. no longer publishes the Consensus Municipal yield curve rate, the Applicable Tax-Exempt Municipal Bond Rate will be determined by the Quotation Agent, based upon the rate per annum equal to the semiannual equivalent yield to maturity of those tax-exempt general obligation bonds rated in the highest rating category by Moody's and S&P with a maturity date equal to the maturity date of the Bonds to be redeemed and having characteristics (other than the rating) most comparable to the Bonds to be redeemed, in the judgment of the Quotation Agent.

"Asset Acquisition" means

(i) an investment by the Guarantor or any of its Subsidiaries in any other Person pursuant to which such Person shall become a Subsidiary of the Guarantor or any of its Subsidiaries or shall be merged into or consolidated with the Guarantor or any of its Subsidiaries; or

(ii) an acquisition by the Guarantor or any of its Subsidiaries of the property of any Person other than the Guarantor or any of its Subsidiaries that constitute substantially all of an operating unit or business of such Person.

"Asset Disposition" means, with respect to any Person, any sale, transfer, conveyance, lease or other disposition (including by way of merger, consolidation or sale-leaseback) by such Person or any of its Subsidiaries to any Person (other than to such Person or a Wholly Owned Subsidiary of such Person and other than in the ordinary course of business) of (a) any assets of such Person or any of its Subsidiaries or (b) any shares of Capital Stock of such Person's Subsidiaries. For purposes of this definition, any disposition in connection with director's qualifying shares or investments by foreign nationals mandated by applicable law shall not constitute an Asset Disposition. In addition, the term "Asset Disposition" shall not include (i) that portion of any transaction which constitutes a Permitted Investment or (ii) any sale, transfer, conveyance, lease or other disposition of assets governed by the Guaranty. The term "Asset Disposition" also shall not include the grant of a security interest by any Person in any assets or shares of Capital Stock securing a borrowing by, or contractual performance of an obligation of, such Person or any Subsidiary of such Person.

"Asset Sale" means the sale or other disposition by the Guarantor or any of its Subsidiaries (other than to the Guarantor or another Subsidiary of the Guarantor) of (i) all or substantially all of the Capital Stock of any Subsidiary of the Guarantor or (ii) all or substantially all of the property that constitutes an operating unit or business of the Guarantor or any of its Subsidiaries.

"Authorized Denominations" means with respect to the Bonds $100,000 and any integral multiple of $5,000 in excess thereof and, with respect to Additional Bonds, such denominations as designated in a Supplemental Indenture.

"Authorized Representative of the Company" or "Authorized Company Representative" means such person or persons as may be designated to act on behalf of the Company by a certificate signed by its duly authorized officer and filed with the Issuer and the Trustee.

"Authorized Representative of the Issuer" means such person or persons (other than a representative of the Company) as may be designated to act on behalf of the Issuer by a certificate or certificates signed by its Executive Director or Secretary-Treasurer and filed with the Company and the Trustee.

"Average Life" means, at any date of determination with respect to any debt security, the quotient obtained by dividing:

(i) the sum of the product of:

(1) the number of years from such date of determination to the dates of each successive scheduled principal payment (whether by sinking fund, other mandatory redemption, at maturity or otherwise) of such security, multiplied by

(2) the amount of such principal payment; divided by

(ii) the sum of all such principal payments.

"Bankruptcy Code" means the Bankruptcy Code of 1978, as amended (11 U.S.C. § 101 et seq.).

"Beneficial Owners" means the actual purchasers of the Bonds.

"Board of Directors" means either the Board of Directors of the Guarantor or any committee of such Board duly authorized to act.

"Bond Counsel" means an attorney at law or a firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Bond Documents" means the Indenture, the Loan Agreement, the Note and the Mortgage.

"Bond Fund" means the Ohio Air Quality Development Authority (Pratt Paper (OH), LLC Project) Bond Fund created in the Indenture.

"Bond Payment Date" means, (i) with respect to the Bonds, each January 15 and July 15, beginning with July 15, 2018 and with respect to any Additional Bonds, means the dates specified in a Supplemental Indenture relating thereto; and (ii) with respect to any redemption of Bonds under the Indenture, the redemption date thereof.

"Bond Registrar" means such bond registrar appointed under the Indenture.

"Bonds" means one or more of any of the revenue bonds of the Issuer issued under the Indenture, including the Bonds, Additional Bonds and any Bonds thereafter delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Business" means the sale, manufacture, distribution or collection of products or services within or related to the paper and packaging industry as well as any activities reasonably related or incidental thereto; including, with respect to the Guarantor, ownership and leasing of real property.

"Business Day" means any day on which banks located in New York City, and in the city in which the principal corporate trust office of the Trustee is located, are not required or authorized by law to remain closed and on which the New York Stock Exchange is not closed.

"Capital Expenditures" means, for any period, the amount of the Company's expenditures which, in accordance with GAAP, would be capitalized on the Company's balance sheet.

"Capitalized Interest Account" means the Capitalized Interest Account in the Bond Fund created by the Indenture.

"Capitalized Lease" means, as applied to any Person, any lease of any property of which the discounted present value of the rental obligations of such Person as lessee, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person; provided that any lease that would be considered to be an operating lease on the date hereof shall remain an operating lease for all purposes hereafter, notwithstanding its subsequent treatment as a capital lease in accordance with GAAP; and "Capitalized Lease Obligation" means the rental obligation, as aforesaid, under such lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of, or interests in (however designated), the equity of such Person which is outstanding or issued on or after the date of issuance of the Bonds, including, without limitation, all Common Stock and Preferred Stock and partnership and joint venture interests of such Person.

"Cash Flow Coverage Ratio" means, for any period, the ratio of the Company's revenues received during such period, less Operating Expenses, less Capital Expenditures (other than those payable from a Funding Source), less required deposits to the Debt Service Reserve Fund, to the sum of: (i) the Company's Interest Expense for such period; plus (ii) the Company's Principal Amortization Requirements for such period**.** For purposes of this definition, (i) Principal Amortization Requirements and Interest Expense for any period shall be deemed to be required to be repaid as if such Principal Amortization Requirement and Interest Expense were payable on the basis of 1/360 for each day during such period, and (ii) a future maturity of the Working Capital Line is not deemed to be a Principal Amortization Requirement so long as the Company has a written commitment for the provider of such Working Capital Line to extend or refinance.

"Change of Control" means, at any time, (i) any Person or Persons, other than one or more Permitted Shareholders, are or become the beneficial owner or owners of at least 50% in aggregate of the outstanding ownership interests in the Guarantor, the Company or PCH; or (ii) any Person or Persons, other than one or more Permitted Shareholders, are or become the beneficial owner or owners of at least 50% in aggregate of the outstanding ownership interests in the Project.

"Code" means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of the Code, and all applicable regulations thereunder whether proposed, temporary or final, including regulations issued and proposed pursuant to the statutory predecessor of the Code, and, in addition, all official rulings and judicial determinations applicable to the Bonds under the Code and under the statutory predecessor of the Code and any successor provisions to the relevant provisions of the Code or regulations.

"Common Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of common stock of such Person which is outstanding or issued on or after the date of issuance of the Bonds, including, without limitation, all series and classes of such common stock.

"Company" means Pratt Paper (OH), LLC, a Delaware limited liability company, its successors and any surviving, resulting or transferee entity as permitted by the Loan Agreement.

"Completion Date" means the date of completion of the Project established pursuant to the Loan Agreement.

"Consent and Agreement" means, collectively, each of the Consent and Agreements substantially in the form of Exhibit D to the Loan Agreement, executed in connection with the assignment of the Project Agreements.

"Consolidated EBITDA" of any Person for any period means the Net Income of such Person, plus the following to the extent deducted in calculating Net Income:

(i) income taxes determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP;

(ii) Consolidated Fixed Charges;

(iii) depreciation and amortization expense, all determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP;

(iv) all other non-cash items reducing Net Income for such period (other than accounts payable arising in the ordinary course of business) all determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP; and

(v) interest income, reorganization and start-up costs.

less all non-cash items increasing Net Income during such period (other than accounts receivable arising in the ordinary course of business) all determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP.

"Consolidated Fixed Charges" of any Person means, for any period, the aggregate of:

(i) Consolidated Interest Expense;

(ii) the interest component of Capitalized Leases, determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP excluding any interest component of Capitalized Leases in respect of that portion of a Capitalized Lease obligation of a Subsidiary that is Non-Recourse to such Person; and

(iii) cash and non-cash dividends due (whether or not declared) on the Preferred Stock of any Subsidiary and any Redeemable Stock of such Person.

"Consolidated Interest Expense" of any Person means, for any period, the aggregate net interest expense in respect of Indebtedness (including amortization of original issue discount and non-cash interest payments or accruals and net of any interest income) of such Person and its consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP, including all commissions, discounts, other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs associated with Interest Rate Agreements and any amounts paid during such period in respect of such interest expense, commissions, discounts, other fees and charges that have been capitalized; provided that Consolidated Interest Expense of the Guarantor shall not include any interest expense (including all commissions, discounts other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs associated with Interest Rate Agreements) in respect of that portion of Indebtedness of a Subsidiary of the Guarantor that is Non-Recourse to the Guarantor; and provided further that Consolidated Interest Expense of the Guarantor in respect of a Guarantee by the Guarantor of Indebtedness of a Subsidiary, to the extent not otherwise taken into account above, shall be equal to the commissions, discounts, other fees and charges that would be due with respect to a hypothetical letter of credit issued under a bank credit agreement that can be drawn by the beneficiary thereof in the amount of the Indebtedness so guaranteed if (i) the Guarantor is not actually making directly or indirectly interest payments on such Indebtedness and (ii) GAAP does not require the Guarantor on an unconsolidated basis to record such Indebtedness as a liability of the Guarantor.

"Consolidated Total Assets" means, with respect to any Person at any time, the total assets of such Person and its consolidated Subsidiaries at such time determined in accordance with GAAP.

"Construction Fund" means the Ohio Air Quality Development Authority (Pratt Paper (OH), LLC Project) Construction Fund created in Section 601 of the Indenture.

"Control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Costs of the Project" means all costs paid or incurred in connection with the planning, designing, acquisition, rehabilitation, construction, equipping, installation and financing of the Project, for which the Issuer is authorized to issue Bonds under the Act, and shall include, without limitation: (a) obligations paid or incurred by the Company for labor, materials and other expenses and to contractors, materialmen, and servicemen in connection with the construction of the Project; (b) engineering and inspection costs; (c) administration expenses paid or incurred in connection with the construction of the Project; (d) issuance costs of the Bonds; (e) interest accruing upon the Bonds until the latest date authorized under the Act for the use of the proceeds of the sale of the Bonds to pay such interest; (f) all other costs that the Company shall be required to pay under the terms of any contract or contracts for the construction of the Project; and (g) any other costs or expenses paid or incurred by the Company, and other sums required to reimburse the Company for work done by it or advances made by it with respect to the Project which are properly chargeable to the capital account of the Company with respect to the Project or would be so chargeable for federal income tax purposes either with a proper election or but for a proper election to deduct the same. Notwithstanding anything to the contrary, no Costs of the Project shall be permitted to be included within this definition unless authorized under the Act.

"Credit Facility" means any of the following: (i) a letter of credit; and (ii) any other credit facility, insurance policy or other credit support agreement or mechanism obtained, delivered, made, entered into or otherwise arranged by the Company for the purpose of satisfying the Debt Service Reserve Requirement.

"Currency Agreement" means, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in currency values to or under which such Person or any of its Subsidiaries is a party or a beneficiary on the date of issuance of the Bonds or becomes a party or a beneficiary thereafter.

"Debt Service" means (A) with respect to the Bonds:

i. Scheduled sinking fund payments, to be due semi-annually on each January 15 and July 15, commencing __________ with respect to the Bonds, as set forth in the form of such Bonds,

ii. Interest due and payable on each Bond Payment Date,

iii. Principal due and payable thereon (whether at maturity, by redemption or otherwise), and

(B) with respect to any Additional Bonds: the payment provisions with respect to interest, redemption (optional or mandatory) and principal specified in any Supplemental Indenture relating to Additional Bonds.

"Debt Service Requirements" means, with respect to any particular Fiscal Year, an amount equal to Debt Service on the Bonds due and payable during such Fiscal Year (excluding any capitalized interest and investment income).

"Debt Service Reserve Fund" means the Ohio Air Quality Development Authority (Pratt Paper (OH), LLC Project) Debt Service Reserve Fund created by Section 601 of the Indenture.

"Debt Service Reserve Requirement" means an amount required to be deposited and maintained in the Debt Service Reserve Fund equal to six months of maximum annual Debt Service on the Bonds to be used to pay Debt Service on the Bonds in the event that the cash available to pay such Debt Service is insufficient.

"Determination of Taxability" means a determination that the interest income on any of the Bonds is includable in the gross income of a holder thereof for federal income tax purposes (other than a holder who is a "substantial user" of the Facility or "related person" as such terms are defined in the Code and other than a holder who includes such interest in gross income for purposes of any alternative minimum income tax computations), which determination shall be deemed to have been made upon the occurrence of the first to occur of any of the following: (a) Bond Counsel, following a request for such opinion from the Company, is unable to deliver an opinion that the interest on the Bonds is excludable from the gross income of the recipient thereof for federal income tax purposes; (b) the date on which any change in law or regulation becomes effective or on which the Internal Revenue Service issues any public or private ruling, technical advice memorandum or any other written communication or on which there shall occur a ruling or decision of a court of competent jurisdiction with or to the effect that the interest income on any of the Bonds is includable in the gross income of the recipient thereof for Federal income tax purposes (other than a holder who is a "substantial user" of the Facility or "related person" as such terms are defined in the Code, and other than a holder who includes such interest in gross income for purposes of any alternative minimum income tax computations); (c) the date on which the Company shall receive notice from the Trustee in writing that the Trustee has been notified of the entry of a final decree or judgment of any Federal court or the taking of final action by the Internal Revenue Service, which decree, judgment or action determines that interest paid or payable on any Bond is or was includable in the gross income of a holder of such Bond for Federal income tax purposes under Section 103 of the Code (other than a holder who is a "substantial user" or a "related person" within the meaning of the Code, and other than a holder who includes such interest in gross income for purpose of any alternative minimum income tax computations); or (d) in the case of an audit of the Bonds by the Internal Revenue Service, the date on which the Company and the Issuer execute a closing agreement with the Internal Revenue Service that settles any issues raised by the audit and requires as a condition of the settlement that all or a portion of the Bonds be redeemed.

"DLK" means double-lined kraft paper.

"DTC" means The Depository Trust Company, New York, New York, or its nominee, or its successors and assigns, or any other depository performing similar functions.

"DTC Indirect Participant" means brokers and dealers, banks and trust companies that clear through, or maintain a custodial relationship with, a DTC Participant, either directly or indirectly.

"DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"EBITDA" of the Company for any period means the Net Income of the Company, plus the following to the extent deducted in calculating Net Income:

(i) income taxes for the Company determined in accordance with GAAP;

(ii) Fixed Charges;

(iii) depreciation and amortization expenses, all determined for the Company in accordance with GAAP;

(iv) all other non-cash items reducing Net Income for such period (other than accounts payable arising in the ordinary course of business) all determined for the Company in accordance with GAAP; and

(v) interest income, reorganization and start-up costs;

less all non-cash items increasing Net Income during such period (other than accounts receivable arising in the ordinary course of business), all determined in accordance with GAAP.

"Eligible Investments" means any of the following: (i) Investments by the Company in Permitted Investments, (ii) Investments by the Company in securities issued by insurance companies rated 1 or 2 by the National Association of Insurance Commissioners, and (iii) guaranties by the Company permitted under the Loan Agreement.

"Equity Contribution" means (i) the Initial Equity Contribution and (ii) the Additional Equity Contribution pursuant to the Equity Contribution Agreement.

"Equity Contribution Agreement" means the Equity Contribution Agreement dated as of December 1, 2017, by and among the Equity Provider, the Company and the Trustee.

"Equity Fund" means the Ohio Air Quality Development Authority (Pratt Paper (OH), LLC Project) Equity Fund created under the Indenture.

"Equity Provider" means Pratt Industries, Inc., a Delaware corporation.

"Excess Cash Flow" of any Person for any period means Consolidated EBITDA less Consolidated Fixed Charges less any income taxes actually paid during such period.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Facility" means the recycled linerboard and corrugating medium manufacturing facility to be constructed by the Company.

"Fiscal Year" means each twelve month period commencing July 1 and ending June 30, or such other period as may be adopted by the Company, PCH or the Guarantor, as applicable, as its Fiscal Year.

"Fixed Charge Ratio" means the ratio, on a pro forma basis, of

(i) the aggregate amount of Consolidated EBITDA of any Person for the Reference Period immediately prior to the date of the transaction giving rise to the need to calculate the Fixed Charge Ratio (the "Transaction Date") to

(ii) the aggregate Consolidated Fixed Charges of such Person during such Reference Period;

provided that for purposes of such computation in calculating Consolidated EBITDA and Consolidated Fixed Charges, without duplication:

(i) the incurrence of the Indebtedness giving rise to the need to calculate the Fixed Charge Ratio and the application of the proceeds therefrom shall be assumed to have occurred on the first day of the Reference Period;

(ii) Asset Sales and Asset Acquisitions which occur during the Reference Period or subsequent to the Reference Period and prior to the Transaction Date (but including any Asset Acquisition to be made with the Indebtedness incurred pursuant to (i) above) shall be assumed to have occurred on the first day of the Reference Period;

(iii) the incurrence of any Indebtedness during the Reference Period or subsequent to the Reference Period and prior to the Transaction Date and the application of the proceeds therefrom shall be assumed to have occurred on the first day of such Reference Period;

(iv) Consolidated Interest Expense attributable to any Indebtedness (whether existing or being incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period unless such Person or any of its Subsidiaries is a party to an Interest Rate Agreement (which shall remain in effect for the twelve month period after the Transaction Date) which has the effect of fixing the interest rate on the date of computation, in which case such rate (whether higher or lower) shall be used; and

(v) there shall be excluded from Consolidated Fixed Charges any Consolidated Fixed Charges related to any amount of Indebtedness which was outstanding during or subsequent to the Reference Period but is not outstanding on the Transaction Date

For the purpose of making this computation, Asset Sales and Asset Acquisitions which have been made by any Person which has become a Subsidiary of the Guarantor or been merged with or into the Guarantor or any Subsidiary of the Guarantor during the Reference Period, or subsequent to the Reference Period and prior to the Transaction Date, shall be calculated on a pro forma basis (including all of the calculations referred to in clauses (i) through (v) above assuming such Asset Sales or Asset Acquisitions occurred on the first day of the Reference Period).

"Fixed Charges" of the Company means, for any period, the aggregate of:

(i) Interest Expense; and

(ii) the interest component of Capitalized Leases; and

(iii) cash and non-cash dividends due (whether or not declared) on the Preferred Stock and any Redeemable Stock of the Company.

"Funding Sources" means (i) Indebtedness or (ii) a written commitment to fund Capital Expenditures by a parent or an Affiliate so long as the repayment if any, of such commitment is expressly subordinate to Debt Service on the Bonds and any Parity Indebtedness.

"GAAP" means generally accepted accounting principles in the United States as in effect as of the date of issuance of the Bonds applied on a basis consistent with the principles, methods, procedures and practices employed in the preparation of the Company's and the Guarantor's audited financial statements, including, without limitation, those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

"Government Obligations" means (a) obligations of the United States and of its agencies and instrumentalities, (b) obligations fully insured or guaranteed by the United States government or United States government agency, (c) obligations of any corporation of the United States government (including any obligations described in (a), (b) or (c) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or (d) tax-exempt municipal obligations that have been defeased with obligations described in (a), (b) or (c), which obligations, in any case, are rated in the highest rating category by Moody's or S&P.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person

(i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, or to take-or-pay, or to maintain financial statement conditions or otherwise); or

(ii) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligees against loss in respect thereof (in whole or in part); provided that:

(1) the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business; and

(2) the term "Guarantee" used as a verb has a corresponding meaning.

"Guarantor" means Pratt Industries, Inc., a Delaware corporation, and subject to the provisions of the Guaranty, its successors, assigns and any Substitute Guarantor (as defined in the Guaranty).

"Guaranty" means, until terminated in accordance with its terms, that certain Guaranty Agreement, dated as of December 1, 2017, from the Guarantor to the Trustee, as the same may be amended from time to time.

"Indebtedness" means with respect to the Company, at any date of determination, determined in conformity with GAAP (without duplication):

(i) all indebtedness of the Company for borrowed money;

(ii) all obligations of the Company evidenced by bonds, indentures, notes or other similar instruments;

(iii) all obligations of the Company in respect of letters of credit or bankers' acceptances or other similar instruments (or reimbursement obligations with respect thereto);

(iv) all obligations of the Company to pay the deferred purchase price of property or services, except accounts payable arising in the ordinary course of business;

(v) all obligations of the Company as lessee under Capitalized Leases;

(vi) all Indebtedness of others secured by a Lien on any asset of the Company whether or not such Indebtedness is assumed by the Company; provided that, for purposes of determining the amount of any Indebtedness of the type described in this clause, if recourse with respect to such Indebtedness is limited to such asset, the amount of such Indebtedness shall be limited to the lesser of the fair market value of such asset or the amount of such Indebtedness;

(vii) all Indebtedness of others guaranteed by the Company to the extent such Indebtedness is guaranteed by the Company; and

(viii) to the extent not otherwise included in this definition, all obligations of the Company under Currency Agreements and Interest Rate Agreements.

"Indebtedness" means, with respect to any Person other than the Company, at any date of determination (without duplication) and on a consolidated basis determined in conformity with GAAP,

(i) all indebtedness of such Person for borrowed money;

(ii) all obligations of such Person evidenced by bonds, indentures, notes or other similar instruments;

(iii) all obligations of such Person in respect of letters of credit or bankers' acceptance or other similar instruments (or reimbursement obligations with respect thereto);

(iv) all obligations of such Person to pay the deferred purchase price of property or services, except Trade Payables;

(v) all obligations of such Person as lessee under Capitalized Leases;

(vi) all Indebtedness of others secured by a Lien on any asset of such Person whether or not such Indebtedness is assumed by such Person; provided that, for purposes of determining the amount of any Indebtedness of the type described in this clause, if recourse with respect to such Indebtedness is limited to such asset, the amount of such Indebtedness shall be limited to the lesser of the fair market value of such asset or the amount of such Indebtedness;

(vii) all Indebtedness of others Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(viii) all Redeemable Stock valued at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends; and

(ix) to the extent not otherwise included in this definition, all obligations of such Person under Currency Agreements and Interest Rate Agreements.

"Indenture" means the Indenture of Trust between the Issuer and Regions Bank, as Trustee, dated as of December 1, 2017, including any supplements or amendments thereto as permitted therein.

"Independent Accountant" or "Independent Auditor" means Grant Thorton LLP, or any nationally recognized firm of independent certified public accountants, selected by the Guarantor in its discretion from time to time.

"Independent Engineer" or "Independent Consultant" means Talo Analytic International, Inc., or any nationally recognized engineering firm with expertise in the Business, selected by the Guarantor in its discretion from time to time.

"Initial Equity Contribution" means $25,000,000.

"Intercreditor Agreement" means an intercreditor agreement entered into at the time Parity Indebtedness is incurred among the Parity Lender, the Trustee, the Company, the Issuer and the Guarantor.

"Interest Account" means the Interest Account in the Bond Fund created by Section 601 of the Indenture.

"Interest Expense" of the Company means the aggregate interest expense in respect of Indebtedness determined in accordance with GAAP, and including (without duplication) (i) amortization of original issue discount and non-cash interest payments or accruals, (ii) commissions, discounts, other fees and charges owed with respect to letters of credit and bankers' acceptances and similar instruments, (iii) net costs associated with Interest Rate Agreements and Currency Agreements, and (iv) the interest component of Capitalized Lease Obligations.

"Interest Rate Agreement" means, with respect to the Company, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement designed to protect the Company against fluctuations in interest rates to or under which the Company is a party or a beneficiary on the date of issuance of the Bonds or becomes a party or a beneficiary thereafter.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates to or under which each Person or any of its Subsidiaries is a party or a beneficiary on the date of issuance of the Bonds or becomes a party or a beneficiary thereafter.

"Investment" in a Person means any investment in, loan, advance to, guarantee on behalf of, directly or indirectly, or other transfer of assets to such Person.

"Issuance Costs" means the Purchaser's discount and any other financial, legal, administrative and other fees or costs incurred in connection with the issuance of the Bonds and to be paid or reimbursed from the proceeds of the sale of the Bonds.

"Issuer" means the Ohio Air Quality Development Authority, a body politic and corporate duly organized and validly existing under the laws of the State of Ohio.

"Joint Venture" means a joint venture, partnership or other similar arrangement, whether in corporate, partnership or other legal form; provided that, as to any such arrangement in corporate form, such corporation shall not, as to any Person of which such corporation is a Subsidiary, be considered to be a Joint Venture to which such Person is a party.

"Lien" means, with respect to any property, any mortgage, lien, pledge, charge, security interest or encumbrance or any kind in respect of such property, except for Permitted Encumbrances. For purposes of this term, the Company or the Guarantor, as applicable, shall be deemed to own subject to a Lien any property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property.

"Loan Agreement" means the Loan Agreement relating to the Bonds between the Issuer and the Company, dated as of December 1, 2017, including any supplements or amendments thereto as permitted in the Indenture.

"Long-Term Indebtedness" means (a) any Indebtedness or portion thereof which is due and payable more than one year from the date of determination; (b) any Indebtedness or portion thereof regardless of its term, if such Indebtedness or portion thereof is renewable or extendable, at the option of the obligor of such Indebtedness pursuant to the terms thereof or of a revolving credit or a similar agreement, to a date more than one year from the date of determination; and (c) any Indebtedness or portion thereof, regardless of its term, which by its terms or the agreement pursuant to which it is issued may be paid with the proceeds of other Indebtedness which may be incurred pursuant to the terms of such first mentioned Indebtedness or of such agreement, which other Indebtedness is due and payable more than one year from the date of determination.

"Management Fees" means fees payable by the Company to the Guarantor in amounts equal to the Guarantor's actual costs related to management and support services provided with respect to the Project.

"Mixed Paper" means mixed waste paper.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company, with the consent of the Issuer. All notices to Moody's shall be sent to 99 Church Street, New York, New York 10007, or to such other address as designated in writing by Moody's to the Trustee.

"Mortgage" means that certain Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of December 1, 2017 by and between the Company, as Mortgagor, and the Trustee, as Mortgagee, including any amendments thereto.

"Net Cash Proceeds" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received (including any cash received upon sale or disposition of such note or receivable), excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the property disposed of in such Asset Disposition or received in any other noncash form) therefrom, in each case, net of all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP:

(i) as a consequence of such Asset Disposition; or

(ii) as a result of the repayment of any Indebtedness in any jurisdiction other than the jurisdiction where the property disposed of was located; or

(iii) as a result of any repatriation to the United States of any proceeds of such Asset Disposition;

and in each case net of a reasonable reserve for the after-tax cost of any indemnification payments (fixed and contingent) attributable to seller's indemnities to the purchaser undertaken by the Guarantor or any of its Subsidiaries in connection with such Asset Disposition (but excluding any payments, which by the terms of the indemnities will not, under any circumstances, be made during the term of the Bonds), and net of all payments made on any Indebtedness which is secured by such property, in accordance with the terms of any Lien upon or with respect to such property or which must by its terms or by applicable law be repaid out of the proceeds from such Asset Disposition, and net of all distributions and other payments made to minority interest holders in Subsidiaries or Joint Ventures as a result of such Asset Disposition.

"Net Income" of any Person for any period means the net income (loss) of such Person for such period, determined in accordance with GAAP, except that extraordinary and nonrecurring gains and losses (including the income tax effect thereof) as determined in accordance with GAAP shall be excluded.

"Net Proceeds," when used with respect to any insurance recovery or condemnation award with respect to the Project, mean the gross proceeds from such insurance recovery or condemnation award less payment of attorneys' fees, fees and expenses of the Trustee and all other expenses properly incurred in the collection of such gross proceeds.

"Net Worth" of any Person means, as of any date, the aggregate of capital, surplus and retained earnings (including any cumulative translation adjustment) of such Person and its consolidated Subsidiaries as would be shown on a consolidated balance sheet of such Person and its consolidated Subsidiaries prepared as of such date in accordance with GAAP.

"Non-Qualified Costs Account means the Non-Qualified Costs Account in the Construction Fund created by Section 601of the Indenture.

"Non-Recourse" to a Person as applied to any Indebtedness (or portion thereof) means that such Person is not directly or indirectly liable to make any payments with respect to such Indebtedness (or portion thereof), that no Guarantee of such Indebtedness (or portion thereof) has been made by such Person and that such Indebtedness (or any portion thereof) is not secured by a Lien on any asset of such Person.

"Note" means the promissory note of the Company corresponding to the Bonds, substantially in the form attached to the Loan Agreement as Exhibit B, issued pursuant to the Loan Agreement and delivered to the Issuer by the Company, and any amendment or supplement thereto or substitution therefor.

"OCC" means old corrugated containers.

"Officer's Certificate" of any Person which is a corporation means a certificate executed by the Chief Executive Officer, Chief Financial Officer or any Vice President of such Person.

“Operating Expenses” means an amount consisting of cash expenses of assembling the waste paper supply and operating the Project including, but not limited to, the cost of raw materials, chemicals, fuel, labor, insurance, property taxes, Tax Allocation Amounts paid, Management Fees, water and other expenses appropriate and necessary to the continued operation of the Project.

“Operations Year” means, initially, the year commencing on the date the first ton of containerboard is produced at the Facility and, thereafter, the year commencing on the applicable anniversary thereof.

“Opinion of Bond Counsel” means the written Opinion of Bond Counsel or such other legal counsel of recognized standing on the subject of municipal bonds and reasonably acceptable to the Trustee.

“Output Contract” or “Output Purchase Agreement” means the Output Purchase Agreement dated as of December 1, 2017 between the Company and PCH, and any extension or replacement thereof.

“Outstanding” or “outstanding” when used with reference to the Bonds at any date as of which the amount of outstanding Bonds is to be determined, means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

i. Bonds cancelled at or prior to such date;

ii. Bonds paid or deemed paid in accordance with the defeasance provisions of the Indenture;

iii. Bonds in lieu of which others have been authenticated under the Indenture;

iv. For purposes of any consent or other action to be taken by the holders of a specified percentage of outstanding Bonds under the Indenture, all Bonds owned on behalf of the Issuer or the Company (unless one hundred percent (100%) of the Bonds are owned by or on behalf of the Issuer or the Company), except that for purposes of any such consent or action, the Trustee shall be obligated to consider as not being outstanding only those Bonds known by the Trustee to be so held.

“Owner” or “owner” or “Registered Owner” or “holder” or “bondholder” or “Bondholder” or words of similar import means the person or person in whose name or names a Bond is registered on the books of the Issuer kept for that purpose by the Bond Registrar in accordance with the provisions of the Indenture.

“Parity Indebtedness” means Indebtedness ranking as to parity with and of equal dignity as to lien under the Mortgage with the Bonds, including any Additional Bonds.

“Parity Lender” means the lender of Parity Indebtedness.

“Paying Agent” means, initially, the Trustee, and, thereafter, such other banking or trust company appointed pursuant to the Indenture.

“PCH means Pratt Corrugated Holdings, Inc. a Delaware corporation and Wholly Owned Subsidiary of the Guarantor.

"Permitted Encumbrances" means, with respect to any property of any Person, the following liens, mortgages, pledges, charges, security interests or encumbrances (collectively, for purposes of this definition, "liens") in respect of such property:

(i) liens on the property of such Person existing on the date of issuance of the Bonds, including, with respect to the Company, liens on the property of the Company created pursuant to the Mortgage;

(ii) with respect to any Subsidiary, liens upon property securing Indebtedness issued in accordance with the provisions of the Guaranty in connection with the Refinancing of Indebtedness, if, but only if, such property was subject to liens prior to such Refinancing of Indebtedness;

(iii) liens for taxes (including ad valorem taxes), assessments or other governmental charges or levies not yet due or which are being actively contested in good faith by appropriate proceedings, if adequate reserves with respect thereto are maintained in accordance with GAAP;

(iv) statutory liens of landlords and liens of carriers, warehousemen, mechanics, materialmen and other liens imposed by law created in the ordinary course of business for amounts not yet due or which are being contested in good faith by appropriate proceedings, if adequate reserves with respect thereto are maintained in accordance with GAAP;

(v) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(vi) with respect to the Company, any liens upon property securing Indebtedness incurred or assumed for the purpose of financing all or any part of the acquisition cost of such property to the extent such Indebtedness is permitted under the Loan Agreement;

(vii) zoning ordinances, easements, licenses, restrictions on the use of real property and minor irregularities in title thereto which do not materially impair the use of such property in the operation of the Business of such Person or the value of such property;

(viii) inchoate liens arising under ERISA to secure current service pension liabilities as they are incurred under the provisions of the pension plans of such Person from time to time in effect;

(ix) rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate any property of such Person, or to use such property in a manner which does not materially impair the use of such property for the purposes for which it is held;

(x) customary rights of setoff, revocation, refund or chargeback under deposit agreements, under the Uniform Commercial Code or otherwise of banks or other financial institutions where the Company or the Guarantor or any of its Subsidiaries, as applicable, maintains deposits (other than deposits intended as cash collateral) in the ordinary course of business;

(xi) liens that arise in favor of banks under Article 4 of the Uniform Commercial Code or otherwise on items in collection and the documents relating thereto and proceeds thereof and liens encumbering reasonable and customary initial deposits and margin deposits and similar liens attaching to brokerage accounts incurred in the ordinary course of business; and

(xii) with respect to the Company, liens upon the accounts receivable and inventories of the Company securing Indebtedness under the Working Capital Line.

"Permitted Investment" for the purposes of the Guaranty means any Investment of the type specified in clauses (iv) through (vii) of the definition of Restricted Payment which is:

(a) made with new equity funds received for such purpose from the Guarantor (whether received directly from the Guarantor or through a subsidiary of the Guarantor); or

(b) made directly or indirectly by the Guarantor and its Subsidiaries, provided that

(1) at the time such Investment is made, the Guarantor could incur at least $1 of Indebtedness under the Guaranty;

(2) at the time such Investment is made, no Event of Default or event that, after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing;

(3) the Person in which the Investment is made is engaged only in the Business;

(4) the Guarantor directly or through its Subsidiaries either:

(a) controls, under an operating and management agreement or otherwise, the day-to-day management and operation of any business of the Person in which the Investment is made; or

(b) has significant influence over the management and operation of any such business in all material respects (significant influence to include the right to control or veto any material act or decision) in connection with such management or operation; and

(5) any restriction on the ability of the Person in which the Investment is made to pay dividends, fees or interest or make loans or other distributions to the Guarantor is limited to such encumbrances or restrictions which, taken as a whole, are customarily accepted in such transactions.

"Permitted Investments" for purposes of the Indenture and Loan Agreement means:

(a) any bonds or obligations of the State or of any counties, municipal corporations, school districts, authorities, bodies and political subdivisions of the State which are rated in the highest or second highest rating category of S&P or Moody's;

(b) any bonds or other obligations of the United States of America which as to principal and interest constitute direct obligations of the United States of America, or any obligations of subsidiary corporations of the United States of America fully guaranteed as to payment by the United States of America;

(c) obligations of the Federal Land Bank;

(d) obligations of the Federal Home Loan Bank;

(e) obligations of the Federal Intermediate Credit Bank;

(f) obligations of the Central Bank for Cooperatives;

(g) securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(1) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;

(2) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and

(3) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within this state;

(h) repurchase agreements with respect to obligations included in (b) through (f) above and any other investments to the extent at the time permitted by then applicable law for the investment of public funds purchased pursuant to a repurchase agreement with any bank within the United States of America or any government bond dealer reporting to, trading with and recognized as a primary dealer by a Federal Reserve Bank, provided such bank or dealer has an investment grade rating, and such repurchase agreement shall be considered a purchase of such securities even if title and/or possession of such securities is not transferred to the purchaser so long as (a) the repurchase obligation of the bank or dealer is collateralized by the securities themselves, (b) the securities have on the date of the repurchase agreement a fair market value equal to 100% of the amount of the repurchase obligation of the bank or dealer, and (c) (i) a perfected security interest in such securities is created for the benefit of the Trustee under (A) book entry procedures prescribed by 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq., or (B) the Uniform Commercial Code of the State of Ohio, (ii) the securities are held by a third party as agent for the Trustee, and are in any case segregated from securities owned generally by the bank or dealer or (iii) the repurchase agreement is entered into with a bank or dealer having a long-term rating by either Moody's or S&P that is in one of its two highest rating categories without regard to gradations within such categories;

(i) demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and certificates of deposit or bankers acceptances of depository institutions, including the Trustee or any of its affiliates; and

(j) obligations of other states and investment contracts which obligations or investment contracts are rated at the time of purchase by each rating agency, then maintaining a rating on the Bonds, in one of the three highest categories (as determined without regard to any refinement or graduation of such rating by a numerical modifier or otherwise) of such rating agency.

"Permitted Payments" for purposes of the Loan Agreement means with respect to the Company:

(i) any dividend on shares of Capital Stock payable (or to the extent paid) solely in shares of Capital Stock (other than Redeemable Stock) or in options, warrants or other rights to purchase Capital Stock (other than Redeemable Stock);

(ii) the repurchase or other acquisition or retirement for value of any shares of the Company's Capital Stock, or any option, warrant or other right to purchase shares of the Company's Capital Stock with additional shares of, or out of the proceeds of a substantially contemporaneous issuance of, the Company's Capital Stock other than Redeemable Stock (unless the redemption provisions of such Redeemable Stock prohibit the redemption thereof prior to the date on which the Capital Stock to be acquired or retired was by its terms required to be redeemed);

(iii) any defeasance, redemption, repurchase or other acquisition for value of any Indebtedness which by its terms ranks subordinate in right of payment to, the Bonds with the proceeds from the issuance of:

(a) Indebtedness which is also subordinate to the Bonds at least to the extent and in the manner as the Indebtedness to be defeased, redeemed, repurchased or otherwise acquired is subordinate in right of payment to the Bonds; provided that such subordinated Indebtedness provides for no payments of principal by way of sinking fund, mandatory redemption or otherwise (including defeasance) by the Company (including, without limitation, at the option of the holder thereof) prior to, or in an amount greater than, any Stated Maturity of the Indebtedness being replaced and the proceeds of such subordinated Indebtedness are utilized for such purpose within 45 days of issuance; or

(b) Capital Stock (other than Redeemable Stock); or

(iv) any transfer of funds to the Equity Provider pursuant to the Indenture.

"Permitted Payments" for purposes of the Guaranty means with respect to the Guarantor or any of its Subsidiaries other than the Company:

(i) any dividend on shares of Capital Stock payable (or to the extent paid) solely in shares of Capital Stock (other than Redeemable Stock) or in options, warrants or other rights to purchase Capital Stock (other than Redeemable Stock);

(ii) any dividend or other distribution payable to the Guarantor by any of its Subsidiaries or by a Subsidiary to a Wholly Owned Subsidiary;

(iii) the repurchase or other acquisition or retirement for value of any shares of the Guarantor's Capital Stock, or any option, warrant or other right to purchase shares of the Guarantor's Capital Stock with additional shares of, or out of the proceeds of a substantially contemporaneous issuance of, Capital Stock other than Redeemable Stock (unless the redemption provisions of such Redeemable Stock prohibit the redemption thereof prior to the date on which the Capital Stock to be acquired or retired was by its terms required to be redeemed);

(iv) any defeasance, redemption, repurchase or other acquisition for value of any Indebtedness which by its terms ranks subordinate in right of payment to the Bonds with the proceeds from the issuance of:

(1) Indebtedness which is also subordinate to the Bonds at least to the extent and in the manner as the Indebtedness to be defeased, redeemed, repurchased or otherwise acquired is subordinate in right of payment to the Bonds; provided that such subordinated Indebtedness provides for no payments of principal by way of sinking fund, mandatory redemption or otherwise (including defeasance) by the Guarantor (including, without limitation, at the option of the holder thereof) prior to, or in an amount greater than, any Stated Maturity of

the Indebtedness being replaced and the proceeds of such subordinated Indebtedness are utilized for such purpose within 45 days of issuance; or

(2) Capital Stock (other than Redeemable Stock);

(v) in respect of any actual payment on account of an Investment which is not fixed in amount at the time when made, the amount determined by the Board of Directors to be a Restricted Payment on the date such Investment was originally deemed to have been made (the "Original Restricted Payment Charge") plus an amount equal to the interest on a hypothetical investment in a principal amount equal to the Original Restricted Payment Charge assuming interest at the rate borne by the Bonds compounded annually for a period beginning on the date the Investment was originally deemed to have been made and ending with respect to any portion of the Original Restricted Payment Charge actually paid on the date of actual payment less any actual payments previously made on account of such Investment; provided that the Permitted Payment under this clause (v) shall in no event exceed the payment actually made; or

(vi) a Permitted Investment.

"Permitted Shareholders" means (a) Anthony Pratt, (b) any individual who is a lineal descendent of Anthony Pratt, (c) any individual who is the spouse of Anthony Pratt or the spouse of any lineal descendent of Anthony Pratt, (d) the estate, executor, administrator or legal guardian of any of the individuals referred to in clauses (a) and (b), (e) any Person in which any one or more of the individuals referred to in any of the preceding clauses of this definition Control a majority of the voting shares of Capital Stock of such Person, and (f) any trust of which any one or more individuals referred to in any of the preceding clauses (a) - (d) are beneficiaries.

"Person" or "person" means any natural person, partnership, trust, association, joint venture, corporation, government or governmental body or agency, political subdivision or other legal entity, as in the context may be appropriate.

"Pledged Assets" means all the assets and real and personal property comprising the Project, including furniture, fixtures, and equipment now owned or hereafter acquired, and all proceeds thereof, all as defined in the Uniform Commercial Code of Ohio, certain of the manufacturers' and contractors' warranties, all permits and licenses required to own and operate the Project and certain insurance proceeds, and including all assets that comprise the "Trust Estate" as described in the Indenture.

"Preferred Stock" means, with respect to the Company, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of preferred or preference stock of the Company which is outstanding or issued on or after the date of issuance of the Bonds.

"Preferred Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of preferred or preference stock of such Person which is outstanding or issued on or after the date of issuance of the Bonds.

"Principal" wherever used with reference to the Bonds or any security or any portion thereof, shall be deemed to include "and premium, if any".

"Principal Account" means the Principal Account in the Bond Fund created by Section 601 of the Indenture.

"Principal Amortization Requirements" means, for the Company, with respect to any period, the portion of the Company's Indebtedness and Capitalized Lease Obligations representing the amount of principal which, pursuant to the terms of the instruments creating or evidencing the Indebtedness or the Capitalized Lease (as the case may be), is required to be repaid during such period.

"Project" means the approximately 470,000 square foot recycled linerboard and corrugating medium mill and related facilities that will recycle mixed waste paper and old corrugated containers to be located in or near Wapakoneta, Ohio, which real estate is more fully described in Exhibit A to the Loan Agreement; including but not limited to, buildings, structures, equipment and related property as the same may be modified or replaced from time to time in accordance with the Loan Agreement, as it may at any time exist.

"Project Agreements" means collectively, the agreements relating to the Project listed on Schedule 1 to the Indenture and any other material agreements relating to the construction, equipping, operation or maintenance of the Project, including waste paper supply agreements, fuel supply agreements and output sales agreements.

"Purchaser" means with respect to the Bonds, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as underwriter under that certain Bond Purchase Agreement, dated _____________, 2017, between the Issuer and the Purchaser, and approved by the Company and the Guarantor.

"Qualified Costs Account" means the Qualified Costs Account of the Construction Fund created by Section 601 of the Indenture.

"Quotation Agent" means Merrill Lynch, Pierce, Fenner & Smith Incorporated or such other bank, underwriter or other financial institution reasonably acceptable to the Company and the Issuer.

"Ramp-Up Certificate" means a certificate of the Independent Consultant stating that the ramp-up period for the Project has been completed in accordance with Exhibit F of the Loan Agreement.

"Rebate Fund" means the Ohio Air Quality Development Authority (Pratt Paper (OH), LLC Project) Rebate Fund created in Section 611 of the Indenture.

"Record Date" means (a) with respect to any Bond Payment Date, the 15^{th} day of the calendar month preceding the Bond Payment Date, (b) with respect to any date fixed for redemption, the 15^{th} day preceding such date fixed for redemption, whether or not in either case such day is a Business Day, or (c) such other date or dates as shall be specified in any Supplemental Indenture.

"Recovered Paper" means OCC, DLK and Mixed Paper.

"Redeemable Stock" means any class or series of Capital Stock of the Company or any Person that by its terms or otherwise is:

(i) required to be redeemed prior to the Stated Maturity of the Bonds;

(ii) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Bonds; or

(iii) convertible into or exchangeable for Capital Stock referred to in clause (i) or (ii) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Bonds;

provided that, for purposes of the Guaranty, any Capital Stock that would not constitute Redeemable Stock but for provisions thereof giving holders thereof the right to require the Guarantor to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" occurring prior to the Stated Maturity of the Bonds shall not constitute Redeemable Stock if the "asset sale" provision applicable to such Capital Stock is no more favorable to the holders of such Capital Stock than the provisions contained in the Guaranty with respect to the restrictions on dispositions and such Capital Stock specifically provides that the Guarantor will not repurchase or redeem any such Capital Stock pursuant to such provisions prior to the Guarantor's repurchase of the Bonds required to be repurchased by the Guarantor under such section of the Guaranty.

"Redemption Price" means the principal of, premium, if any, and accrued and unpaid interest on any Bond as of the redemption date thereof.

"Reference Period" means the quarterly fiscal period, being the three consecutive month period ending March 31, June 30, September 30 and December 31 of any calendar year, which three month period immediately precedes the date of a transaction or event giving rise to the need to make a financial calculation or to deliver financial reports under the provisions of the Guaranty; or, in the event of a change in the Fiscal Year of the Guarantor, the corresponding quarterly fiscal period which immediately precedes the date of such transaction or event.

"Refinance" means to issue Indebtedness in order to substantially concurrently repay, redeem, defease, refund, refinance, discharge or otherwise retire for value, in whole or in part, other Indebtedness or the Bonds.

"Remaining Scheduled Payments" means, with respect to the Bonds to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due assuming such Bonds were not so optionally redeemed but, however, giving effect to any mandatory sinking fund installments applicable to such Bonds; provided, however, that, if such redemption date is not an interest payment date with respect to such Bonds, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced by the amount of interest accrued thereon to such redemption date.

"Representation Letter" means the Blanket Issuer Letter of Representations from the Issuer to DTC.

"Restricted Payment" means, with respect to any Person other than the Company,

(i) any dividend or other distribution on any shares of such Person's Capital Stock;

(ii) any payment on account of the purchase, redemption, retirement or acquisition for value of such Person's Capital Stock;

(iii) any defeasance, redemption, repurchase or other acquisition or retirement for value prior to Stated Maturity of any Indebtedness ranked subordinated in right of payment to the Bonds;

(iv) any Investment made in a Subsidiary that is subject to restrictions on its ability to pay dividends or make other similar distributions to the Guarantor;

(v) any Investment in any Joint Venture in which the Guarantor or its Subsidiaries owns less than 90% of the Capital Stock;

(vi) any Investment in any Subsidiary unless at least 90% of the Capital Stock of the Subsidiary is owned directly or indirectly by the Guarantor; and

(vii) any Investment made in an Affiliate (other than the Guarantor or a Subsidiary unless at least 90% of the Subsidiary is owned directly or indirectly by the Guarantor).

Notwithstanding the foregoing, "Restricted Payment" shall not include any Permitted Payment.

"Restricted Payments" means with respect to the Company,

(i) any dividend or other distribution on any shares of the Company's Capital Stock;

(ii) any payment on account of the purchase, redemption, retirement or acquisition for value of the Company's Capital Stock;

(iii) any defeasance, redemption, repurchase or other acquisition or retirement for value prior to Stated Maturity of any Indebtedness ranked subordinated in right of payment to the Bonds;

(iv) any Investment other than an Eligible Investment; and

(v) any payment other than payments made for (1) Operating Expenses, (2) Capital Expenditures, (3) payments required to be made to replenish the Debt Service Reserve Fund, (4) payments related to Tax Allocation Amounts and (5) payments due with respect to the Bonds.

Notwithstanding the foregoing, "Restricted Payment" shall not include any Permitted Payment.

"Revenues" means: (i) all amounts payable by, or on behalf of, the Company pursuant to the Loan Agreement, the Note and the Mortgage; (ii) any proceeds of Bonds originally deposited with the Trustee and all money deposited and held from time to time by the Trustee in the funds and accounts under the Indenture (except the Rebate Fund) including amounts paid by the Guarantor under the Guaranty; and (iii) investment income with respect to any money held by the Trustee in the funds and accounts established under the Indenture (except the Rebate Fund); (iv) all amounts realized by the Trustee pursuant to the exercise of its rights and remedies under the Indenture and the Mortgage; and (v) the Equity Contribution.

"S&P" means S&P Global Ratings, a division of The McGraw-Hill Companies and its successors and assigns, and, if such division shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company, with the consent of the Issuer. All notices to S&P shall be sent to 55 Water Street, New York, New York 10041-0003, or to such other address as designated in writing by S&P to the Trustee.

"Securities Act" means the Securities Act of 1933, as amended.

"Series" means any series of Bonds authorized by the Indenture.

"Short-Term Indebtedness" means (a) any Indebtedness or portion thereof, which is due and payable within one year from the date of determination; and (b) any Indebtedness or portion thereof, regardless of its term which is due and payable within one year from the date of determination.

"Significant Subsidiary" of a Person means, as of any date, any Subsidiary which has two or more of the following attributes:

(i) it contributed 10% or more of such Person's Excess Cash Flow for its most recently completed fiscal quarter; or

(ii) it contributed 10% or more of Net Income before tax or such Person and its consolidated Subsidiaries for such Person's most recently completed Reference Period; or

(iii) it constituted 10% or more of Consolidated Total Assets of such Person at the end of such Person's most recently completed Reference Period.

"State" means the State of Ohio.

"Stated Maturity" means, with respect to any debt security or any installment of interest thereon, the date specified in such debt security as the fixed date on which any principal of such debt security or any such installment of interest is due and payable (including by sinking fund or other mandatory redemption).

"Subordinated Lien Indebtedness" means the Indebtedness described in the Indenture which is expressly subordinate in priority of lien and right of payment to the liens now or hereafter granted under the Mortgage to secure the Company's obligations under the Loan Agreement and the Indenture.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which 50% or more of the capital stock is at the time directly or indirectly owned by such Person, and any other corporation or entity which is controlled by such Person or by one or more Subsidiaries of such Person.

"Supplemental Indenture" means any supplemental indenture executed and delivered pursuant to the provisions of the Indenture.

"Supply Agreement" means the Recovered Paper Supply Agreement dated as of December 1, 2017 between the Company and PCH and any extension or replacement thereof.

"Tax Allocation Amount" means an amount equal to the maximum aggregate federal and state income taxes allocated to the Company and its subsidiaries for any fiscal period.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Trustee" means Regions Bank, and its successors serving as Trustee under the Indenture.

"Trust Estate" means the property, pledged and assigned to the Trustee pursuant to the Indenture.

"Unrestricted Investments" means

(a) Permitted Investments;

(b) Money Market accounts with a financial institution whose long term debt is rated in either of the two highest long-term rating categories by either S&P or Moody's, or, if rated by both S&P and Moody's, in either of the two highest long term rating categories by both S&P and Moody's;

(c) Commercial paper rated in the highest rating category by either S&P or Moody's, or, if rated by both S&P and Moody's, in the highest rating category by both S&P and Moody's;

(d) Long-term or medium-term (maturity date greater than one year from date of purchase) corporate debt issued or guaranteed by any corporation that is rated by both S&P and Moody's in one of their two highest rating categories;

(e) Commercial paper maturing in 181 days or less, rated A2 or P2 by Moody's or S&P and for maturities out to 270 days, A1 or P1 by Moody's or S&P;

(f) Long-term or medium-term (maturity date greater than one year from date of purchase) corporate debt issued or guaranteed by any corporation that is rated by either S&P or Moody's as investment grade – top three categories; and

(g) Asset-backed or Mortgage-backed security trust's securities may be used if rated "A" or better by Moody's or S&P.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors of such Person.

"Wholly Owned Subsidiary" means, with respect to any Person, any Subsidiary of such Person if all of the Capital Stock or other ownership interests in such Subsidiary having ordinary voting power to elect the entire board of directors or entire group of other persons performing similar functions (other than any director's qualifying shares or investments by foreign nationals mandated by applicable law) is owned directly or indirectly by such Person.

"Working Capital Ceiling" means $15,000,000 on the date of issuance of the Bonds, and which amount will be adjusted annually on each anniversary of the issuance of the Bonds by the percentage increase in the Consumer Price Index as published by the Bureau of Labor Statistics, U.S. Department of Labor during the immediately preceding twelve month period.

"Working Capital Line" means a revolving credit facility available to the Company from banks or other financial institutions arranged by the Company or the Guarantor for funding working capital requirements of the Project in an amount not to exceed the Working Capital Ceiling.

"Written Requisition" shall mean the requisition for Costs of the Project in the form attached to and made a part of the Loan Agreement.

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APPENDIX B

FINANCIAL PROJECTIONS OF PRATT PAPER (OH), LLC (FY 2020 - FY 2049)

The following forecasts have been prepared by the Company using certain assumptions and expectations that the Company and the Guarantor believe are reasonable. Actual results could differ and those differences could be material. In addition, the Company's independent auditors and the Underwriter have not been engaged to perform and have not performed any procedures related to the forecasts, the underlying assumptions or the basis of its presentation.

BASE CASE

Projected Cash Flow Coverage Ratio

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Net Sales	$ 91,742	$ 154,925	$ 163,440	$ 172,911	$ 185,388	$ 198,248	$ 202,125	$ 204,264	$ 206,678	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658
Operating expenses	(81,812)	(124,677)	(127,953)	(131,516)	(138,112)	(144,863)	(146,989)	(148,475)	(150,235)	(151,077)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)
Capex (Maintenance)	(1,500)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)
Taxes Paid	2,988	(2,617)	(4,662)	(6,973)	(9,277)	(11,723)	(12,431)	(12,716)	(13,005)	(13,101)	(13,008)	(13,062)	(13,123)	(13,188)	(13,264)
Net cash flow	11,418	24,381	27,576	31,172	34,749	38,412	39,454	39,824	40,188	40,230	39,947	39,894	39,833	39,767	39,692
Interest expense	8,433	11,121	10,945	10,759	10,562	10,355	10,138	9,910	9,672	9,412	9,134	8,845	8,538	8,217	7,872
Principal amortization	-	3,500	3,700	3,900	4,100	4,300	4,500	4,700	4,900	5,200	5,400	5,700	6,000	6,300	6,700
Net cash flow / P+I	1.35x	1.67x	1.88x	2.13x	2.39x	2.62x	2.70x	2.73x	2.76x	2.75x	2.75x	2.74x	2.74x	2.74x	2.72x
EBITDA	$ 9,942	$ 30,260	$ 35,499	$ 41,406	$ 47,288	$ 53,397	$ 55,147	$ 55,801	$ 56,454	$ 56,593	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217

	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Net Sales	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658	$ 207,658
Operating expenses	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)
Capex (Maintenance)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)
Taxes Paid	(13,343)	(13,433)	(13,528)	(13,632)	(13,755)	(17,617)	(17,817)	(18,030)	(18,256)	(18,492)	(18,744)	(19,008)	(19,289)	(19,587)	(19,659)
Net cash flow	39,612	39,522	39,427	39,323	39,201	35,339	35,138	34,925	34,699	34,463	34,211	33,947	33,666	33,368	33,296
Interest expense	7,517	7,134	6,738	6,321	5,855	5,353	4,826	4,270	3,677	3,058	2,399	1,708	974	197	-
Principal amortization	7,000	7,400	7,700	8,100	8,600	9,100	9,600	10,100	10,700	11,200	11,900	12,500	13,200	14,000	-
Net cash flow / P+I	2.73x	2.72x	2.73x	2.73x	2.71x	2.45x	2.44x	2.43x	2.41x	2.42x	2.39x	2.39x	2.38x	2.35x	
EBITDA	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217	$ 56,217

Key Assumptions:

- First five (5) years of production are 21% lower than the Valparaiso Mill's actual tons
- PCH purchases 90% of Facility output with the remaining 10% sold to third parties
- Sales price based on current market prices (approximately $565 per ton for linerboard)
- Recovered paper costs of $150 per ton for OCC and $65 per ton for Mixed Paper
- Current costs for other materials and freight
- Energy usage based on projected output and costs based on negotiated and futures prices

STRESS CASE

Projected Cash Flow Coverage Ratio

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Net Sales	$ 79,804	$ 132,419	$ 140,788	$ 147,978	$ 156,885	$ 166,009	$ 169,962	$ 172,027	$ 174,367	$ 174,859	$ 175,759	$ 175,759	$ 175,759	$ 175,759	$ 175,759
Operating expenses	(81,812)	(124,677)	(127,953)	(131,516)	(138,112)	(144,863)	(146,989)	(148,475)	(150,235)	(151,077)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)
Capex (Maintenance)	(1,500)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)
Taxes Paid	7,644	6,160	4,173	2,751	1,839	850	112	(144)	(403)	(309)	(568)	(621)	(682)	(748)	(823)
Net cash flow	4,135	10,653	13,757	15,963	17,362	18,746	19,835	20,159	20,478	20,223	20,489	20,436	20,375	20,309	20,234
Interest expense	8,433	11,121	10,945	10,759	10,562	10,355	10,138	9,910	9,672	9,412	9,134	8,845	8,538	8,217	7,872
Principal amortization	-	3,500	3,700	3,900	4,100	4,300	4,500	4,700	4,900	5,200	5,400	5,700	6,000	6,300	6,700
Net cash flow / P+I	0.49x	0.73x	0.94x	1.09x	1.18x	1.28x	1.36x	1.38x	1.41x	1.38x	1.41x	1.40x	1.40x	1.40x	1.39x
EBITDA	$ (1,997)	$ 7,754	$ 12,846	$ 16,474	$ 18,785	$ 21,157	$ 22,984	$ 23,564	$ 24,143	$ 23,794	$ 24,319	$ 24,319	$ 24,319	$ 24,319	$ 24,319

	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Net Sales	$ 175,759	$ 175,759	$ 175,759	$ 175,759	$ 175,759	$ 175,759	$ 175,759	$ 175,759	$ 175,759	$ 175,759	$ 175,759	$ 175,759	$ 175,759	$ 176,261	$ 176,261
Operating expenses	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)	(151,452)
Capex (Maintenance)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)	(3,250)
Taxes Paid	(903)	(993)	(1,088)	(1,192)	(1,314)	(5,176)	(5,377)	(5,590)	(5,816)	(6,052)	(6,304)	(6,568)	(6,849)	(7,343)	(7,415)
Net cash flow	20,154	20,064	19,969	19,865	19,743	15,881	15,680	15,467	15,241	15,005	14,753	14,489	14,208	14,216	14,145
Interest expense	7,517	7,134	6,738	6,321	5,855	5,353	4,826	4,270	3,677	3,058	2,399	1,708	974	197	-
Principal amortization	7,000	7,400	7,700	8,100	8,600	9,100	9,600	10,100	10,700	11,200	11,900	12,500	13,200	14,000	-
Net cash flow / P+I	1.39x	1.38x	1.38x	1.38x	1.37x	1.10x	1.09x	1.08x	1.06x	1.05x	1.03x	1.02x	1.00x	1.00x	
EBITDA	$ 24,319	$ 24,319	$ 24,319	$ 24,319	$ 24,319	$ 24,319	$ 24,319	$ 24,319	$ 24,319	$ 24,319	$ 24,319	$ 24,319	$ 24,319	$ 24,821	$ 24,821

Key Assumptions:

- $200 per ton drop in published containerboard prices
- Contracted output purchased by PCH at contracted floor price
- Output sold to third parties with a $200 per ton decrease in published containerboard prices

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF PRATT INDUSTRIES, INC. FOR THE FIVE FISCAL YEARS ENDED JUNE 30, 2017 AND AUDITED FINANCIAL STATEMENTS OF PRATT CORRUGATED HOLDINGS, INC. FOR THE FIVE FISCAL YEARS ENDED JUNE 30, 2017

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Consolidated Financial Statements and Report of Independent Certified Public Accountants

Pratt Industries, Inc. and Subsidiaries

June 30, 2017 and 2016

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholder of
Pratt Industries, Inc.:

We have audited the accompanying consolidated financial statements of **Pratt Industries, Inc.** (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in stockholder's equity, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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 Pratt Industries, Inc. and subsidiaries as of June 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Atlanta, Georgia
September 28, 2017

Consolidated balance sheets

(Dollars in thousands, except number of shares)

June 30	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 230,908**	$ 188,829
Short-term investments	**19,847**	17,399
Accounts receivable, net of allowance for doubtful accounts of $9,303 and $8,500 in 2017 and 2016, respectively	**290,304**	239,229
Inventories	**179,436**	166,377
Prepaid expenses and other	**59,669**	59,677
Total current assets	**780,164**	671,511
Property, plant and equipment:		
Land	**24,044**	23,854
Buildings and improvements	**287,752**	282,153
Machinery and equipment	**1,062,650**	1,043,542
Construction in progress	**46,094**	28,392
	1,420,540	1,377,941
Less - accumulated depreciation	**(716,515)**	(670,901)
Property, plant and equipment, net	**704,025**	707,040
Due from affiliates	**1,533**	838
Restricted cash	**29,437**	31,613
Goodwill	**89,878**	92,060
Intangible assets, net	**20,390**	23,471
Other assets	**39,214**	40,217
Total assets	**$ 1,664,641**	$ 1,566,750

Consolidated balance sheets (cont'd)

(Dollars in thousands, except number of shares)

June 30		2017		2016
Liabilities and stockholder's equity				
Current liabilities:				
Bank overdraft	**$**	**278**	$	294
Accounts payable		**194,386**		178,203
Accrued liabilities		**168,147**		166,556
Current maturities of long-term debt		**13,986**		13,885
Total current liabilities		**376,797**		358,938
Long-term debt		**502,225**		515,480
Due to affiliates		**4,950**		4,684
Deferred income taxes		**125,673**		124,815
Other liabilities		**24,389**		21,965
Total liabilities		**1,034,034**		1,025,882
Commitments and contingencies (Note 7)				
Stockholder's equity:				
Common stock, $1 par value; 1,000 shares authorized, 635 shares issued and outstanding		**1**		1
Additional paid-in capital		**151,655**		174,852
Retained earnings		**485,734**		371,925
Accumulated other comprehensive loss		**(6,783)**		(5,910)
Total stockholder's equity		**630,607**		540,868
Total liabilities and stockholder's equity	**$**	**1,664,641**	$	1,566,750

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

Consolidated statements of operations

(Dollars in thousands)

For the years ended June 30	2017	2016
Net sales	**$ 2,326,006**	$ 2,047,950
Cost and expenses:		
Cost of goods sold	**(1,767,490)**	(1,550,203)
Selling, general, and administrative expenses	**(274,938)**	(239,829)
Reorganization and start-up costs (Note 10)	**(1,844)**	(7,228)
Depreciation and amortization	**(70,430)**	(63,317)
Operating income	**211,304**	187,373
Other income (expense):		
Interest income	**590**	383
Interest expense	**(35,455)**	(32,771)
Other, net	**185**	287
Income before income taxes	**176,624**	155,272
Provision for income taxes	**(62,815)**	(51,725)
Net income	**$ 113,809**	$ 103,547

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

Consolidated statements of comprehensive income

(Dollars in thousands)

For the years ended June 30	2017	2016
Net income	**$ 113,809**	$ 103,547
Other comprehensive income, net of taxes:		
Cash flow hedges	**303**	(694)
Cumulative translation adjustment	**(1,176)**	-
Comprehensive income	**$ 112,936**	$ 102,853

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

Consolidated statements of changes in stockholder's equity

(Dollars in thousands, except number of shares)

	Common Stock					
	Number of Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, June 30, 2015	635	$ 1	$ 190,200	$ 268,378	$ (5,216)	$ 453,363
Distribution to parent company	-	-	(15,348)	-	-	(15,348)
Other comprehensive loss	-	-	-	-	(694)	(694)
Net income	-	-	-	103,547	-	103,547
Balance, June 30, 2016	635	1	174,852	371,925	(5,910)	540,868
Distribution to parent company	-	-	(23,197)	-	-	(23,197)
Other comprehensive loss	-	-	-	-	(873)	(873)
Net income	-	-	-	113,809	-	113,809
Balance, June 30, 2017	**635**	**$ 1**	**$ 151,655**	**$ 485,734**	**$ (6,783)**	**$ 630,607**

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

Consolidated statements of cash flows

(Dollars in thousands)

For the years ended June 30		2017		2016
Operating activities:				
Net income	**$**	**113,809**	$	103,547
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		**70,430**		63,317
Interest amortization		**1,010**		998
Deferred income taxes		**858**		26,924
(Gain) loss on disposal and writedown of assets		**(185)**		45
Gain on sale of investments		**-**		(456)
Changes in assets and liabilities:				
Accounts receivable		**(54,574)**		(6,769)
Inventories		**(11,177)**		(9,501)
Prepaid expenses and other		**(2,176)**		(7,767)
Accounts payable		**15,391**		4,814
Accrued liabilities		**1,566**		(205)
Total adjustments		**21,143**		71,400
Net cash provided by operating activities		**134,952**		174,947
Investing activities:				
Capital expenditures		**(112,631)**		(209,198)
Purchase of businesses, net of cash acquired		**(184)**		(62,343)
Proceeds from sale of assets		**55,853**		72,258
Proceeds from sale of investments		**3,539**		675
Purchases of investments		**(1,490)**		(452)
Restricted cash		**-**		76,569
Other		**(949)**		(6,367)
Net cash used in investing activities		**(55,862)**		(128,858)
Financing activities:				
Decrease in bank overdraft		**(16)**		(401)
Principal payments on long-term debt		**(13,804)**		(10,285)
Distribution to parent company		**(23,197)**		(15,348)
Debt issuance costs		**-**		(76)
Restricted cash		**2,176**		5
(Decrease) increase in due to affiliates		**(2,170)**		3,074
Net cash used in financing activities		**(37,011)**		(23,031)
Net increase in cash and cash equivalents		**42,079**		23,058
Cash and cash equivalents:				
Beginning of year		**188,829**		165,771
End of year	**$**	**230,908**	$	188,829
Supplemental disclosures of cash flow information:				
Interest paid	**$**	**34,632**	$	35,400
Income taxes paid	**$**	**56,958**	$	33,701
Accrued capital expenditures	**$**	**7,705**	$	5,172

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

Notes to consolidated financial statements

1 Organization and Nature of Business

Pratt Industries, Inc. (Pratt) is a wholly owned subsidiary of Pratt Holdings, Inc. (Pratt Holdings). Pratt and subsidiaries (collectively, the Company) consist of Pratt and its wholly owned subsidiaries, as follows:

- Pratt Corrugated Holdings, Inc. (PCH)
- Pratt Paper (GA), LLC (PPGA)
- Pratt Paper (NY), Inc. (PPNY)
- Pratt Paper (LA), LLC (PPLA)
- Pratt Paper (IN), LLC (PPIN)
- FMK, Inc.
- Pratt Properties, Inc. (PPI)
- Pratt Investments (USA), Inc.
- Container Packaging, Inc.
- Pratt (Corrugated Logistics), LLC (CL)
- HMSH, Inc. (HMSH)
- Pratt Properties II, LLC
- Pratt Paper (2.0), LLC

The wholly owned subsidiaries of PCH are: Pratt (Jet Corr), Inc., Pratt (Target Container), Inc. , Pratt (Georgia Box), Inc., Pratt (Mississippi Box), Inc., Pratt Recycling, Inc., Pratt (Bell Packaging), Inc. (Bell), Pratt (Delta Container), Inc., Pratt (Virginia Box), Inc., Pratt (Classic Container), Inc., Wil-Mac Container Corp., Pratt RHB, Inc., Pratt Industries de Monterrey, S. DER.L. DE. C.V., Pratt Mexico Holding, LLC, Pratt (Love Box), LLC, Pratt Retail Specialties, LLC, Staten Island Corrugator, LLC, Pratt (Converting Division LA), LLC, Pratt (Allentown Corrugating), LLC, Pratt (Impress Manufacturing), Inc., Pratt (Rock Solid), LLC, Pratt (Quality Carton), LLC, Pratt (Lewisburg Corrugating), LLC, Pratt (Triad Packaging), LLC, Pratt (Beloit Corrugating), LLC, Pratt (Robert Mann Packaging), LLC, Pratt (Minnesota Corrugated Box), LLC, Pratt (Rockwall Corrugating), LLC, Pratt (Midwest Displays), LLC, Pratt (Southeast Displays), LLC, Pratt (Lathrop Corrugating), LLC and Pratt San Antonio, S.A. de C.V. The wholly owned subsidiary of Pratt Recycling, Inc. is Pratt Recycling (LA), LLC. The wholly owned subsidiary of PPI is Pratt Financial Holdings, LLC (PFH). The wholly owned subsidiary of CL is Pratt Logistics, LLC.

The Company manufactures recycled containerboard, corrugated sheets, and related packaging containers. The Company's manufacturing facilities are located primarily in the midwestern, western, and eastern United States of America. The Company also owns and develops primarily industrial manufacturing and distribution properties used in the operations of its subsidiaries through its wholly owned subsidiary, PPI.

2 Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Pratt and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to be cash on deposit and short-term investments with remaining maturity at acquisition of three months or less. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Short-term Investments

Short-term investments are comprised of marketable equity and fixed income securities designated as trading securities and an investment portfolio in community banks. Short-term investments designated as trading securities are recorded at fair market value based on quoted market prices with changes in fair value reflected in the accompanying consolidated statements of operations. Short-term investments not designated as trading securities are recorded at cost. The Company performs an impairment analysis on short-term investments not designated as trading securities each fiscal year and impairment losses, if any, are recognized in the accompanying consolidated statements of operations.

Accounts Receivable

Accounts receivable consist primarily of trade receivables and are stated at net realizable value. An allowance for doubtful accounts has been established based on the Company's collection experience and an assessment of the collectability of specific accounts. The Company evaluates the collectability of accounts based on a combination of factors. The allowance is adjusted when the Company becomes aware of changes in a specific customer's ability to meet its financial obligations or as a result of changes in the overall aging of accounts receivable. Accounts receivable are charged off against the allowance for doubtful accounts when it is probable the receivable will not be recovered.

Inventories

All inventories are stated at the lower of cost or market. Market with respect to finished goods is net realizable value, and market for raw materials is replacement cost. Cost of finished goods includes a proportionate share of material, labor, and manufacturing overhead.

The Company accounts for nonmonetary exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 845-10-15, "Nonmonetary Transactions." This guidance requires that exchanges of similar inventory be valued at the carrying value of the inventory given up instead of the fair value of the inventory received and is applied to exchange agreements entered into or renewed. The Company enters into these agreements that generally represent the exchange of manufactured linerboard for linerboard manufactured by others. During fiscal 2017 and 2016, the Company reported certain inventory buy/sell transactions of similar containerboard types at our cost basis, rather than fair value, in the consolidated statements of operations, thereby reducing net sales and costs of goods sold by approximately $35,712,000 and $33,753,000, respectively.

Inventories consist of the following (in thousands):

June 30	2017	2016
Raw materials	**$ 103,497**	$ 97,861
Finished goods and work in process	**75,939**	68,516
Total inventories	**$ 179,436**	$ 166,377

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Expenditures for repairs and maintenance not considered to substantially lengthen the asset lives are charged to expense as incurred. Interest expense attributable to funds used in financing the construction of major renewals and improvements is capitalized. Amounts capitalized for interest incurred on borrowed funds for the years ended June 30, 2017 and 2016 totaled $0 and $3,379,000, respectively, which is net of interest income of $0 and $43,000, respectively.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Buildings	30 years
Machinery and equipment	3 to 30 years
Leasehold improvements	Lesser of useful life or term of lease
Furniture and fixtures	5 to 7 years

Depreciation expense related to property, plant and equipment amounted to $63,470,000 and $58,375,000 in fiscal 2017 and 2016, respectively.

Restricted Cash

Restricted cash includes amounts held in a trust restricted to PPIN construction costs, PPNY qualified capital improvements and in a trust restricted to the repayment of long-term debt and accrued interest (see Note 6) for PPNY, PPGA and PPIN’s recycled linerboard facilities.

Other Assets

Other assets include notes receivable, spare parts, and debt issuance costs. Certain long-lived spare parts are depreciated over the estimated useful lives of the corresponding machinery and equipment. Depreciation expense related to depreciable spare parts amounted to $1,503,000 and $1,077,000 in fiscal 2017 and 2016, respectively. All other spare parts consist of repairable and expendable parts. Expense for repairable and expendable parts is recognized when repair costs are incurred or when parts are used or consumed in operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Long-lived Assets

The Company periodically reviews the values assigned to long-lived assets, such as property, plant and equipment, for indicators of impairment and reviews the amortization periods on an annual basis. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the asset is not recoverable, it is written down to its fair value. Recoverability is measured based on the anticipated undiscounted cash flows from operations. Fair value is estimated based on projected discounted cash flows or comparable market transactions. During the years ended June 30, 2017 and 2016, there were no events or changes in circumstance that required an impairment analysis.

Goodwill

Goodwill represents costs of businesses acquired in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not subject to amortization, but is tested for impairment, on a reporting unit basis, annually (at the end of its fiscal year) and when events and circumstances indicate that an impairment may have occurred. Potential impairments of goodwill are identified by comparing the fair value of the reporting unit to its carrying amount, including goodwill. The Company has not performed a qualitative analysis for goodwill impairment but may elect to do so in future periods. Fair value is estimated using a discounted cash flow and market-multiple approach. If the fair value of the reporting unit exceeds its carrying amount the related goodwill is not considered impaired. If the fair value of the reporting unit is less than the related carrying value, the amount of goodwill impairment loss, if any, must be measured. The amount of goodwill impairment is measured by comparing the implied fair value of the goodwill to its carrying amount. If the carrying amount exceeds its implied fair value, then an impairment loss is recognized through a charge to earnings. The Company's annual impairment test did not indicate any impairment during fiscal 2017 or 2016.

Intangible Assets

Intangible assets consist primarily of acquired customer lists, customer contracts and related relationships, covenants not to compete, and trade names. These assets are amortized on a straight-line basis over the estimated periods of benefit of 3 to 25 years.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a greater than 50% cumulative likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. No adjustments were recognized for uncertain tax positions at June 30, 2017 or 2016. The Company recognizes interest and penalties related to tax positions in income tax expense.

The Company is subject to federal and state income taxes in various jurisdictions. The Company joins with its parent, Pratt Holdings, in filing a consolidated federal income tax return. Generally, the Company's tax years for fiscal year June 30, 2014 through June 30, 2017 remain open to examination for federal and state income tax purposes.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred, the price to the buyer is fixed or determinable, and collectability is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated free on board (f.o.b.) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when the product is delivered to the customer's delivery site. Provisions for discounts and rebates to customers, estimated returns and allowances and other adjustments are provided for in the same period the related sales are recorded.

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 goods sold in the accompanying consolidated statements of operations.

Debt Issuance Costs

Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the term of the debt using the effective interest method. The unamortized amount is presented as a reduction of long-term debt in the balance sheet. Debt issuance costs associated with the Company's revolving credit facilities are presented, net of amortization, as a component of other assets in the balance sheet.

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting stockholder's equity. For the Company, such items consist of gains and losses on foreign currency forward contracts and interest rate swaps as well as foreign currency translation adjustments.

Derivatives

The Company enters into derivative instruments, primarily consisting of commodity and interest rate swaps, in order to manage its risk to fluctuations in natural gas prices and floating interest rate debt. The Company also entered into foreign currency forward contracts in order to manage its risk to fluctuations in forecasted foreign currency denominated purchases. The fair value of the foreign currency forward contracts was based on quotes from the issuer and represents the estimated amounts that the Company would expect to pay to terminate the contracts. The Company does not utilize derivatives for speculative purposes. Derivative instruments are recorded in the consolidated balance sheets as either assets or liabilities measured at fair value, and changes in the fair value of the derivative instruments are recorded as unrealized gains or losses in either net income or other comprehensive income, depending on whether specific hedge accounting criteria are met. The Company has recorded changes in the fair value of its interest rate swap agreements as interest expense and its effective portion of foreign currency forward contracts as other comprehensive income in the accompanying consolidated financial statements.

Derivatives are classified in the accompanying consolidated balance sheets as follows (in thousands):

June 30		2017		2016
Assets				
Prepaid expenses and other	$	314	$	-
Other assets		130		-
	$	444	$	-
Liabilities				
Accrued liabilities	$	-	$	(74)
	$	-	$	(74)

The realized and unrealized gains (losses) for the effective portion of foreign currency forward contracts approximated $130,000 and $(78,000) at June 30, 2017 and 2016, respectively, and is recorded in accumulated other comprehensive income.

Fair Value Measurements

The guidance for fair value measurements establishes the authoritative definition for fair value, sets out a framework for measuring fair value, and outlines the required disclosures regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurements date.

The Company uses a three-tier fair value hierarchy based upon observable and non-observable inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Company's financial instruments measured at fair value as of June 30, 2017 and 2016, respectively, consist primarily of derivatives and certain short-term investments. The following table summarizes the valuation of derivatives and short-term investments measured at fair value on a recurring basis in the balance sheet:

June 30, 2017		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Short-term investments	$	17,523	$	-	$	-
Foreign currency forward contracts		-		444		-
June 30, 2016						
Short-term investments	$	15,089	$	-	$	-
Foreign currency forward contracts		-		(74)		-

The Company's financial instruments that are not measured at fair value in the financial statements consist primarily of short-term investments not designated as trading securities, accounts receivable, accounts payable, bank overdraft and debt. The carrying amounts of accounts receivable, accounts payable and bank overdraft approximate their fair value at June 30, 2017 and 2016 because of their nature and relatively short maturity. The estimated aggregate fair value of the Company's short-term investments not designated as trading securities, with a carrying value of $2,324,000 and $2,310,000 in 2017 and 2016, respectively, approximated $6,964,000 and $4,419,000 at June 30, 2017 and 2016, respectively. The estimated fair value of the short-term investments was obtained by a third-party appraisal. In determining the estimated fair value, the third-party appraiser used various inputs and significant estimates including comparable investments, asset and cash flow analysis, and overall market conditions (Level 3).

The estimated fair value of the Company's long-term debt with a carrying value of $524,586,000 and $538,476,000 in 2017 and 2016, respectively, approximated $508,861,000 and $508,102,000 at June 30, 2017 and 2016. The Company estimated the fair value of the long-term debt by discounting the future flow using the Company's estimated current borrowing rates for similar types and maturities of debt (Level 3).

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of accounts receivable and cash and cash equivalents. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base. The Company performs periodic credit evaluations of its customer's financial condition and generally does not require collateral.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no effect on the previously reported results of operations or retained earnings.

During the year ended June 30, 2017, the Company made adjustments to goodwill for certain tax assets and assumed liabilities recorded at June 30, 2016. The adjustments had no effect on operating income and resulted in a decrease to goodwill by approximately $2,181,000.

Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", as subsequently amended, which establishes a comprehensive revenue recognition standard under US GAAP for virtually all industries. The new standard is effective for annual periods beginning after December 15, 2017 for public entities, as defined, and for annual periods beginning after December 15, 2018 for all other entities. The Company has not yet selected a transition method nor has it determined the effects, if any, adoption of this update may have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 "Leases", which is codified in Accounting Standards Codification (ASC) 842 "Leases" and supersedes current lease guidance in ASC 840. These provisions require lessees to recognize a right-of-use asset and lease liability on the balance sheet for operating and financing leases that have a term of more than one year. For lessors, the ASU modifies the classification criteria and the accounting for sales-type and direct financing leases. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2020. The Company is currently evaluating the impact this update may have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)", which is intended to create uniformity in how certain transactions are classified in the statement of cash flows. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2019. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash", which requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2019. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

3 Business Combinations

In July 2016, the Company acquired certain assets of Quality Associates, Inc., a designer, manufacturer and distributor of corrugated paper and plastic packaging with locations in Wester Chester, Ohio, Cincinnati Ohio and Belcamp, Maryland. The total purchase price of $4,933,000, net of cash acquired was funded with available cash of $184,000, forgiveness of existing receivables with the Company, and the assumption of certain liabilities and accounts payable. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Midwest Displays), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	1,883
Property, plant and equipment		765
Intangible assets		2,376
Total assets acquired		5,024
Liabilities		
Accounts payable and accrued liabilities		(91)
Total liabilities assumed		(91)
Net assets acquired	$	4,933

In May 2016, the Company acquired certain real estate assets and all of the outstanding stock of Minnesota Corrugated Box, Inc., a manufacturer of shipping boxes, industrial containers, and corrugated displays based in Albert Lea, Minnesota. The total purchase price of $68,800,000, net of cash acquired was funded with available cash of $62,343,000 and the assumption of certain liabilities and accounts payable. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Minnesota Corrugated Box), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $25,965,000 of goodwill.

The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	8,262
Property, plant and equipment		32,314
Intangible assets		11,637
Goodwill		25,965
Total assets acquired		78,178
Liabilities		
Accounts payable and accrued liabilities		(9,378)
Total liabilities assumed		(9,378)
Net assets acquired	$	68,800

4 Intangible Assets

The gross carrying amounts and accumulated amortization by major intangible asset class were as follows (in thousands):

June 30	Period of Benefit	2017 Gross Carrying Amount	2017 Accumulated Amortization	2017 Net Amount	2016 Gross Carrying Amount	2016 Accumulated Amortization	2016 Net Amount
Customer lists and customer relationships	5 - 10 years	**$ 30,190**	**$ (12,709)**	**$ 17,481**	$ 27,814	$ (9,127)	$ 18,687
Non-compete arrangements, favorable in-place operating lease agreements and patents	3 - 5 years	**2,979**	**(1,842)**	**1,137**	2,979	(1,326)	1,653
Trade names	3 - 10 years	**7,018**	**(5,596)**	**1,422**	7,018	(4,257)	2,761
Emission credits	25 years	**504**	**(154)**	**350**	504	(134)	370
		$ 40,691	**$ (20,301)**	**$ 20,390**	$ 38,315	$ (14,844)	$ 23,471

During fiscal 2017 and 2016, aggregate amortization expense was $5,457,000 and $3,865,000, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows (in thousands):

		Amount
For the year ending June 30:		
2018	$	4,957
2019		4,119
2020		3,363
2021		3,231
2022		2,854

5 Transactions with Affiliates

Due from Affiliates

The Company had the following affiliated receivables (in thousands):

June 30	2017	2016
Receivable from:		
Visy West Coast Pty. Ltd.	**$ 141**	**$ -**
Visy Board Pty. Ltd.	**1,392**	838
	$ 1,533	$ 838

Due to Affiliates

The Company had the following affiliated payables (in thousands):

June 30	2017	2016
Payable to:		
Build Run Repair Pte. Ltd.	**$ 3,581**	$ 320
Visy Trading Singapore Pte. Ltd.	**1,354**	4,360
Visy Logistics Pty. Ltd.	**15**	4
	$ 4,950	$ 4,684

Affiliates' balances result from various administrative and operating cost allocations and charges between the Company and its affiliates. Affiliated balances are noninterest-bearing and unsecured and have been classified as long-term in the accompanying consolidated balance sheet as payment is not anticipated within one year.

The Company entered into certain transactions to provide goods, services, and a lease to an entity in which an officer and owner of the Company has a minority interest. As of June 30, 2017 and 2016, the Company had $1,406,000 and $1,958,000, respectively, of secured trade receivables due on demand, and a $1,710,000 and $1,932,000 note receivable over a 15 year lease agreement, respectively.

During the years ended June 30, 2017 and 2016, the Company purchased additional workers compensation, additional auto liability, loss of key customer, loss of key employee, and various other insurance coverages from Pratt Insurance (VT), Inc., a wholly owned subsidiary of Pratt Holdings. Total premium expenses under these polices were $29,035,000 and $21,862,000 for the years ended June 30, 2017 and 2016, respectively, and are included within cost of goods sold and selling, general and administrative expenses based on the type of coverage provided.

6 Long-term Debt

The following is a summary of the amounts outstanding under Company's long-term debt arrangements (in thousands):

June 30	2017	2016
Pratt Paper (NY), Inc.		
Build NYC Resource Corporation Solid Waste Disposal Revenue Bonds, due in semiannual varying increments through January 1, 2035; interest payable semiannually at a weighted fixed interest rate of 4.95%, secured by land, buildings, other assets, and paper supply contract	**$ 90,100**	$ 93,300
Pratt Paper (GA), LLC		
Development Authority of Rockdale County Tax Exempt Project Revenue Bonds (Series 2007A) and Taxable Project Revenue Bonds (Series 2007B), due in varying increments through January 1, 2034; interest payable semiannually at 6.13% for Series 2007A and 8.25% for Series 2007B, secured by land, buildings, other assets and paper supply contract and guaranteed by Pratt	**101,050**	103,845
Pratt Paper (LA), LLC		
Senior Secured Notes, due in semiannual varying increments through June 30, 2033; interest payable semiannually at 6.36%, secured by land, buildings, other assets and paper supply contract and guaranteed by Pratt	**96,000**	97,000
Pratt Paper (IN), LLC		
City of Valparaiso, Indiana Exempt Facilities Revenue Bonds, due in semiannual varying increments through January 1, 2044; interest payable semiannually at a weighted fixed interest rate of 6.78%, secured by land, buildings, other assets and paper supply contract and guaranteed by Pratt	**197,325**	200,000
Pratt Industries, Inc.		
Note payable to the Ohio Development Services Agency, principal and interest payable monthly at 3.00%, due March 2027, secured by the Project Equipment	**2,516**	2,735
State of Ohio State Economic Development Revenue Bonds, due in monthly varying increments through November 15, 2025; interest payable monthly at a fixed interest rate of 3.85%, secured by the Project Equipment	**5,321**	5,840
Notes payable to former shareholders of acquired entities; with interest rates ranging from 4.00% to 6.00% and maturing at varying dates through 2021	**2,041**	3,395
Pratt Corrugated Holdings, Inc.		
Note payable to former shareholder of acquired business; interest payable annually at 5.00% maturing July 2019	**1,125**	1,500
Pratt Properties, Inc.		
Senior Secured Notes, payable monthly through November 12, 2023; interest payable monthly at 5.85%, secured by land, buildings and other assets	**29,108**	30,859
	524,586	538,474
Less - Unamortized discount and debt issuance costs	**(8,375)**	(9,109)
	516,211	529,365
Less - Current maturities	**(13,986)**	(13,885)
Total long-term debt, net of current maturities	**$ 502,225**	$ 515,480

Pratt Paper (NY), Inc.

In December 2014, Build NYC Resource Corporation issued tax exempt Solid Waste Disposal Revenue Bonds Series 2014 (the Series 2014 Bonds) totaling $96,300,000 for the purpose of retiring previously outstanding long-term debt. The Series 2014 Bonds bear interest, payable semiannually, ranging from 3.75% to 5.00% and mature in 2035. The Series 2014 Bonds are secured by land, buildings, and other assets of PPNY, a paper supply contract with PCH, and contain certain restrictive covenants, which, among others, place a limitation on future indebtedness based on certain financial ratios, as defined. The repayment terms of the Series 2014 Bonds require annual sinking fund payments commencing July 1, 2015, to be made in varying increments of $1,600,000 to $3,700,000 through maturity.

The Series 2014 Bonds are supported by a paper supply contract with PCH, whereby PCH is obligated to purchase a minimum of 260,000 tons annually, whether or not ordered, at a contract price based on market conditions for select grades of containerboard.

Pratt Paper (GA), Inc.

In August 2007, the Development Authority of Rockdale County issued Tax Exempt Project Revenue Bonds Series 2007A totaling $54,315,000 and Taxable Project Revenue Bonds Series 2007B totaling $66,010,000 (collectively, the 2007 Bonds). The Series 2007A Bonds were issued for the purpose of financing a clean energy cogeneration plant for the Company and bear interest, payable semiannually, at 6.125% and mature in 2034. The Series 2007B Bonds were issued for the purpose of retiring previously outstanding long-term debt. The 2007B Bonds bear interest, payable semiannually, at 8.25% and mature in 2028. The 2007 Bonds are secured by land, buildings, and other assets of the PPGA, a paper supply contract with PCH, and contain certain restrictive covenants, which, among others, place a limitation on future indebtedness based on certain financial ratios, as defined. The repayment terms of the 2007 Bonds require annual sinking fund payments commencing January 1, 2008, to be made in varying increments of $565,000 to $9,620,000 through maturity. The 2007 Bonds are also guaranteed by Pratt, as defined, and include among other things, limitations of future indebtedness based on certain financial ratios for the guarantor.

The 2007 Bonds are supported by a paper supply contract with PCH which matures on the date no amounts remain outstanding on the 2007 Bonds, whereby PCH is obligated to purchase a minimum of 300,000 tons of containerboard annually, whether or not ordered, at a contract price based on market conditions for select grades of containerboard.

Pratt Paper (LA), LLC

In July 2013, PPLA entered into a $100,000,000 Note Purchase Agreement (the PPLA Notes), the proceeds of which were used to redeem its previously outstanding long-term debt. The PPLA Notes, due in semiannual varying increments, bear interest, payable semi-annually, at the fixed rate of 6.36% and mature in June 2033. The PPLA Notes are secured by land, buildings, and other assets of PPLA, a paper supply contract with PCH, and contain certain maintenance covenants including minimum fixed charge coverage ratio and maximum leverage ratio. The PPLA Notes are guaranteed by Pratt.

In connection with the PPLA Notes, PPLA entered into a twenty year paper supply contract with PCH to ensure PPLA's ability to sell a substantial amount of containerboard production. Under the terms of the contract, PCH is obligated to purchase from PPLA a minimum of 260,000 tons of containerboard, whether or not ordered, at a contract price based on market conditions for select grades of containerboard.

Pratt Paper (IN), LLC

In November 2013, the City of Valparaiso, Indiana issued Exempt Facility Revenue Bonds Series 2013 (the 2013 Bonds) totaling $200,000,000. The 2013 Bonds were issued for the construction of a recycled linerboard mill facility and bear interest, payable semiannually at a weighted fixed interest rate of 6.78% and mature in January 2044. The 2013 Bonds are secured by land, buildings and other assets of PPIN, a paper supply contract with PCH, and contain certain restrictive covenants, which, among other things, place a limitation on future indebtedness and restricted payments, as defined. The repayment terms of the 2013 Bonds require semiannual principal payments in varying increments commencing July 2016 through February 2044. The 2013 Bonds are also guaranteed by Pratt, as defined, and include, among other things, limitations of future indebtedness and the maintenance of certain financial ratios for the guarantor. The guarantor obligations will automatically terminate in the fiscal year following completion date of the Mill and compliance with certain milestones outlined in the guaranty agreement.

The 2013 Bonds are supported by a paper supply contact with PCH to ensure PPIN's ability to sell a substantial amount of containerboard production. The contract terminates on the date that is the later of: 30 years from Mill completion or the date all amounts under the 2013 Bonds are paid in full. Under the terms of the contract, PCH is obligated to purchase from PPIN a minimum of 170,000 tons of containerboard in year one up to a minimum of 300,000 tons of containerboard by year nine, whether or not ordered, at a contact price based on market conditions for select grades of containerboard.

Pratt Industries, Inc.

In February 2015, the Company entered into a note payable with the Director of the Ohio Development Services Agency (the 2015 OH Loan) totaling $3,000,000. The proceeds of the 2015 OH Loan were used for project equipment located in the Company's Lewisburg, Ohio manufacturing facility and bear interest, payable monthly at a fixed interest rate of 3.00% and mature in March 2027.

In December 2013, the State of Ohio issued State Economic Development Revenue Bonds Series 2013-3 (the 2013 OH Bonds) totaling $7,000,000. The 2013 OH Bonds were issued for project equipment located in the Company's Lewisburg, Ohio manufacturing facility and bear interest, payable monthly at a fixed interest rate of 3.85% and mature in November 2025. The 2013 OH Bonds are secured by the Project Equipment of the Company and contain certain restrictive covenants, which, among other things, require notice and places restrictions related to the project equipment, as defined. The repayment terms of the 2013 OH Bonds require principal payments in varying increments commencing January 2014 through November 2025.

Pratt Properties, Inc.

In November 2013, PPI entered into a $35,000,000 Note Purchase Agreement (the PPI Notes) for the purpose of retiring previously outstanding long-term debt. The Notes, due monthly in varying increments, bear interest, payable monthly, at a fixed rate of 5.85% and mature in November 2023. The PPI Notes are secured by land, buildings and other assets of PPI and contain certain maintenance covenants including minimum fixed change ratio and minimum unrestricted cash balance.

Debt Issuance Costs

In fiscal 2017, the Company adopted ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs;" which requires that debt issuance costs related to a recognized debt liability be presented as a reduction to the carrying amount of that debt liability, not as an asset. Unamortized debt issuance costs of $7,720,000 and $8,425,000 are presented as a reduction on long-term debt in fiscal 2017 and 2016, respectively. Debt issuance costs associated with the Company's revolving credit facilities continue to be presented, net of amortization, as a component of other assets as clarified by ASU 2015-15 "Interest- Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements."

Exclusive of unamortized discount and debt issuance costs, future maturities of long-term debt as of June 30, 2017, are as follows (in thousands):

		Amount
For the year ending June 30:		
2018	$	13,986
2019		14,710
2020		14,815
2021		15,289
2022		15,859
Thereafter		449,927
Total	$	524,586

Pratt Corrugated Holdings, Inc.

In July 2011, PCH entered into a syndicated credit agreement (the Credit Agreement), subsequently amended, providing for up to $225,000,000 in revolving credit facilities including up to $45,000,000 in letters of credit commitment. Interest on borrowings under the Credit Agreement is determined based upon the LIBOR rate plus an applicable margin (ranging from 1.75% to 2.50% based on the Company's Total Leverage Ratio, as defined) and matures May 31, 2018. PCH did not have borrowings outstanding under the Credit Agreement as of June 30, 2017 or June 30, 2016. The amended Credit Agreement contains certain restrictive covenants including, but not limited to, limitations on the incurrence of debt and maintenance of certain financial covenants. Total Leverage Ratio cannot be greater than 3.25 to 1.0 and Interest Coverage Ratio cannot be less than 5.0 to 1.0. Consolidated net worth must not be less than the sum of $90,000,000 plus 25% of positive consolidated net income beginning in fiscal year 2012. Outstanding letters of credit totaled $10,575,000 and $11,460,000 at June 30, 2017 and 2016, respectively. The Credit Agreement is secured by substantially all property and guaranteed by each of PCH's wholly owned subsidiaries.

7 Commitments and Contingencies

Operating Leases

The Company leases certain land, office facilities, and equipment under noncancelable operating lease agreements expiring at various dates through 2041. The leases, which include escalation clauses, generally require that the Company pay taxes, maintenance, and insurance. Future minimum rental payments required under such leases having initial or remaining noncancelable terms in excess of one year as of June 30, 2017, are as follows (in thousands):

		Amount
For the year ending June 30:		
2018	$	87,227
2019		79,098
2020		65,858
2021		53,771
2022		39,682
Thereafter		199,877
Total	$	525,513

Total rent expense under noncancelable operating leases for the years ended June 30, 2017 and 2016 was approximately $86,304,000 and $71,968,000, respectively.

Asset Sales and Leaseback

In May 2017, the Company sold a building located in Rockwall, TX to an unrelated party for $28,600,000 with such property being leased back to the Company. A gain of $7,066,000 was realized in this transaction and has been deferred and amortized to income in proportion to rent charged over an eighteen and one-half year lease term beginning in July 2018.

In June 2016, the Company sold land and a building located in Beloit, WI to an unrelated party for $22,500,000 with such property being leased back to the Company. A gain of $5,688,000 was realized in this transaction and has been deferred and amortized to income in proportion to rent charged over an eighteen and one-half year lease term beginning in July 2016.

During fiscal 2017 and 2016, the Company sold new manufacturing equipment to various unrelated equipment leasing entities for $30,249,000 and $49,395,000, respectively with such equipment being leased back to PCH at terms ranging from five to seven years. The Company did not realize any gain in these transactions.

Purchase Commitments

PPNY, PPLA, PPIN and PCH, wholly owned subsidiaries of the Company, have purchase commitments for natural gas and electricity in quantities expected to be used in production over a reasonable period in the normal course of business.

Legal and Environmental Matters

The Company is also a party to certain litigation and environmental claims incidental to the Company's business. In management's opinion, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position or results of operations.

8 Income Taxes

The Company is included in the consolidated federal income tax return of Pratt Holdings. Under an informal tax-sharing agreement with Pratt Holdings, the Company provides for income taxes as if it were a standalone entity. Amounts paid to Pratt Holdings for prior and current year tax liabilities pursuant to the tax sharing agreement were $50,747,000 and $30,000,000 in 2017 and 2016, respectively.

The provision for income taxes consists of the following (in thousands):

For the years ended June 30	2017	2016
Current:		
Federal	**$ (55,113)**	$ (24,766)
State	**(5,473)**	(3,442)
	(60,586)	(28,208)
Deferred:		
Federal	**(1,806)**	(19,806)
State	**(423)**	(3,711)
	(2,229)	(23,517)
Provision for income taxes	**$ (62,815)**	$ (51,725)

Reconciliation of the United States federal rate to the Company's effective tax rate is as follows:

For the years ended June 30	2017	2016
U.S. federal statutory tax rate	**35.0%**	35.0%
Blended state rate, net of federal benefit	**2.6%**	3.6%
Nondeductible expenses	**0.8%**	0.7%
Tax benefit on manufacturing activities	**(3.0%)**	(1.7%)
Tax credits and other	**0.2%**	(4.3%)
Effective tax rate	**35.6%**	33.3%

The components of the net deferred income tax liability are as follows (in thousands):

June 30	2017	2016
Deferred tax liabilities:		
Property, plant and equipment	**$ (125,151)**	$ (122,472)
Prepaid assets	**(13,772)**	(13,346)
Intangibles	**(3,677)**	(4,779)
Investment in pass through entities	**-**	(1,592)
Total deferred tax liabilities	**(142,600)**	(142,189)
Deferred tax assets:		
Net operating loss and tax credit carryforwards	**7,485**	9,150
Accounts receivable	**3,628**	3,315
Accrued liabilities and other	**12,899**	12,236
Total deferred tax assets	**24,012**	24,701
Valuation allowance	**(7,085)**	(7,327)
Net deferred tax assets	**16,927**	17,374
Net deferred income tax liability	**$ (125,673)**	$ (124,815)

At June 30, 2017, the Company has accumulated net operating loss carryforwards of approximately $158,000,000 in numerous state jurisdictions in which it operates. These state net operating losses will expire in various years from 2017 through 2037 if not utilized to reduce income taxes payable in future years. The Company has determined that it is more likely than not that a significant portion of these net operating losses will not be realized in the future. As such, the Company has recorded a valuation allowance against the future tax benefit of these state net operating losses. The Company increased its valuation allowance related to state net operating losses by approximately $301,000 during 2017, net of reductions related to net operating loss expirations and changes in state income tax rates. The Company decreased its valuation allowance related to state net operating losses by approximately $591,000 during 2016, as a result of utilization, net of changes to state apportionment factors in certain jurisdictions where the Company operates.

At June 30, 2017, the Company decreased its valuation allowance related to foreign tax credits by approximately $543,000 and $1,788,000 during 2017 and 2016, respectively, as a result of utilization and expiration of the credits.

9 Employee Benefit Plans

Supplemental Executive Retirement Plan

In connection with the Company's fiscal 1998 acquisition of Bell, the Company acquired a supplemental executive retirement plan (SERP), which provides benefits to certain employees of Bell commencing upon retirement. The SERP is unfunded and accrual of benefits was ceased in fiscal 1998. The Company uses June 30 as the measurement date for determining the projected benefit obligation.

The SERP benefit obligation as of June 30, 2017 and 2016, totaled $1,593,000 and $1,810,000, respectively. Net periodic pension expense for this plan equaled $61,000 and $56,000 for fiscal years 2017 and 2016, respectively, and related primarily to interest costs. The net periodic benefit costs and the benefit obligation as of June 30, 2017 and 2016 were determined using a weighted average discount rate of 3.2% and 2.6%, respectively.

Company contributions and benefits paid under the plan totaled $47,000 in fiscal year 2017 and 2016. The estimated benefits and contributions expected to be paid in each of the next five fiscal years and taken together for the five fiscal years thereafter are as follows (in thousands):

		Amount
For the year ending June 30:		
2018	$	139
2019		135
2020		131
2021		127
Five fiscal years thereafter		556
	$	1,088

Savings Plan

The Company has a 401(k) savings plan (the Plan) for full-time eligible employees (defined as employees with over 90 days of service). Under the Plan, the Company may make matching contributions up to 3% of eligible wages. The Company recorded $7,787,000 and $6,483,000 in the statement of operations to fund matching contributions during fiscal years 2017 and 2016, respectively.

Collective Bargaining Agreement

During fiscal 2012, the Company entered into a new collective bargaining agreement with International Union of Operating Engineers Local 30 (Local 30), which covers approximately 2% of the Company's labor force. The agreement became effective January 1, 2011 and was extended through December 31, 2017. Under the terms of the agreement, the Company contributes to a trust established by Local 30 used to administer benefits that principally cover production employees. The Company's obligation is limited to monthly trust contributions based on certain employee information as specified in the agreement. Total contributions were $1,345,000 and $1,361,000 for 2017 and 2016, respectively.

Deferred Compensation Plan

The Company has a deferred compensation plan covering certain employees. The plan allows a participant to defer a portion of his or her income and provides for supplemental contributions by the Company. There were no Company contributions into the Plan during the years ended June 30, 2017 and 2016. The Company holds cash, cash equivalents and investments for fulfillment of the liabilities of the Plan, which are carried at fair value of $19,504,000 and $17,323,000 as of June 30, 2017 and 2016, respectively. Amounts payable under the plan of $19,504,000 and $17,323,000 are included in accrued liabilities at June 30, 2017 and 2016, respectively.

10 Reorganization and Start-Up Costs

During fiscal year 2017, the Company incurred start-up and other costs of approximately $1,844,000 for various corrugating, converting, material recycling facilities. During fiscal year 2016, the Company incurred start-up and other costs of approximately and $7,228,000 for the PPIN mill facility and various corrugating, converting, material recycling facilities. These costs were expensed as incurred and paid during fiscal 2017 and 2016, respectively.

11 Subsequent Events

The Company evaluated all events or transactions that occurred after June 30, 2017 up through September 28, 2017, the date the financial statements were available to be issued. During this period, no material recognizable subsequent events occurred.

Consolidated Financial Statements and
Report of Independent Certified Public Accountants

Pratt Industries, Inc. and Subsidiaries

June 30, 2016 and 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholder of
Pratt Industries, Inc.:

We have audited the accompanying consolidated financial statements of **Pratt Industries, Inc**. (a Delaware corporation), and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in stockholder's equity, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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 Pratt Industries, Inc. and subsidiaries as of June 30, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Atlanta, Georgia
October 25, 2016

Consolidated balance sheets

(Dollars in thousands, except number of shares)

June 30	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	**$ 188,829**	$ 165,771
Short-term investments	**17,399**	16,277
Accounts receivable, net of allowance for doubtful accounts of $8,500 and $7,303 in 2016 and 2015, respectively	**239,229**	228,726
Inventories	**166,377**	154,891
Prepaid expenses and other	**59,677**	48,397
Total current assets	**671,511**	614,062
Property, plant and equipment:		
Land	**23,854**	18,984
Buildings and improvements	**282,153**	182,103
Machinery and equipment	**1,043,542**	823,942
Construction in progress	**28,392**	236,802
	1,377,941	1,261,831
Less - accumulated depreciation	**(670,901)**	(614,820)
Property, plant and equipment, net	**707,040**	647,011
Due from affiliates	**838**	623
Restricted cash	**31,613**	108,187
Goodwill	**92,060**	63,914
Intangible assets, net	**23,471**	15,683
Other assets	**48,642**	40,551
Total assets	**$ 1,575,175**	$ 1,490,031

Consolidated balance sheets (cont'd)

(Dollars in thousands, except number of shares)

June 30	2016	2015
Liabilities and stockholder's equity		
Current liabilities:		
Bank overdraft	**$ 294**	$ 695
Accounts payable	**178,203**	213,485
Accrued liabilities	**166,556**	163,286
Current maturities of long-term debt	**13,885**	10,239
Total current liabilities	**358,938**	387,705
Long-term debt	**523,905**	537,894
Due to affiliates	**4,684**	3,105
Deferred income taxes	**124,815**	91,028
Other liabilities	**21,965**	16,936
Total liabilities	**1,034,307**	1,036,668
Commitments and contingencies (Note 7)		
Stockholder's equity:		
Common stock, $1 par value; 1,000 shares authorized, 635 shares issued and outstanding	**1**	1
Additional paid-in capital	**174,852**	190,200
Retained earnings	**371,925**	268,378
Accumulated other comprehensive loss	**(5,910)**	(5,216)
Total stockholder's equity	**540,868**	453,363
Total liabilities and stockholder's equity	**$ 1,575,175**	$ 1,490,031

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

Consolidated statements of operations

(Dollars in thousands)

For the years ended June 30	2016	2015
Net sales	**$ 2,047,950**	$ 1,831,037
Cost and expenses:		
Cost of goods sold	**(1,527,675)**	(1,377,727)
Selling, general, and administrative expenses	**(262,357)**	(221,754)
Reorganization and start-up costs (Note 10)	**(7,228)**	(1,687)
Depreciation and amortization	**(63,317)**	(49,228)
Operating income	**187,373**	180,641
Other income (expense):		
Interest income	**383**	348
Interest expense	**(32,771)**	(22,992)
Loss on debt extinguishment	**-**	(623)
Other, net	**287**	1,689
Income before income taxes	**155,272**	159,063
Provision for income taxes	**(51,725)**	(56,544)
Net income	**$ 103,547**	$ 102,519

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

Consolidated statements of comprehensive income

(Dollars in thousands)

For the years ended June 30		2016		2015
Net income	**$**	**103,547**	$	102,519
Other comprehensive income, net of taxes:				
Cash flow hedges		**(694)**		(4,662)
Comprehensive income	**$**	**102,853**	$	97,857

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

Consolidated statements of changes in stockholder's equity

(Dollars in thousands, except number of shares)

	Common Stock					
	Number of Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, June 30, 2014	635	$ 1	$ 205,122	$ 165,859	$ (554)	$ 370,428
Distribution to parent company	-	-	(14,922)	-	-	(14,922)
Other comprehensive loss	-	-	-	-	(4,662)	(4,662)
Net income	-	-	-	102,519	-	102,519
Balance, June 30, 2015	635	1	190,200	268,378	(5,216)	453,363
Distribution to parent company	-	-	(15,348)	-	-	(15,348)
Other comprehensive loss	-	-	-	-	(694)	(694)
Net income	-	-	-	103,547	-	103,547
Balance, June 30, 2016	**635**	**$ 1**	**$ 174,852**	**$ 371,925**	**$ (5,910)**	**$ 540,868**

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

Consolidated statements of cash flows

(Dollars in thousands)

For the years ended June 30	2016	2015
Operating activities:		
Net income	$ 103,547	$ 102,519
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	63,317	49,228
Interest amortization	998	771
Deferred income taxes	26,924	2,267
Loss (gain) on disposal and w ritedow n of assets	45	(51)
Gain on sale of investments	(456)	(1,906)
Changes in assets and liabilities:		
Accounts receivable	(6,769)	(12,136)
Inventories	(9,501)	(25,033)
Prepaid expenses and other	(7,767)	(21,835)
Accounts payable	4,814	17,095
Accrued liabilities	(205)	28,286
Total adjustments	71,400	36,686
Net cash provided by operating activities	174,947	139,205
Investing activities:		
Capital expenditures	(209,198)	(216,590)
Purchase of businesses, net of cash acquired	(62,343)	(48,477)
Proceeds from sale of assets	72,258	53,087
Proceeds from sale of investments	675	773
Purchases of investments	(452)	(775)
Restricted cash	76,569	101,319
Other	(6,367)	(1,228)
Net cash used in investing activities	(128,858)	(111,891)
Financing activities:		
Decrease in bank overdraft	(401)	(325)
Principal payments on long-term debt	(10,285)	(94,793)
Proceeds from issuance of long-term debt	-	99,300
Distribution to parent company	(15,348)	(14,922)
Debt issuance costs	(76)	(2,415)
Restricted cash	5	(3,820)
Increase in due to affiliates	3,074	147
Net cash used in financing activities	(23,031)	(16,828)
Net increase in cash and cash equivalents	23,058	10,486
Cash and cash equivalents:		
Beginning of year	165,771	155,285
End of year	$ 188,829	$ 165,771
Supplemental disclosures of cash flow information:		
Interest paid	$ 35,400	$ 37,760
Income taxes paid	$ 33,701	$ 33,521
Accrued capital expenditures	$ 5,172	$ 47,132
Long-term debt issued in acquisition of business	$ -	$ 1,500
Securities exchanged	$ -	$ 1,356

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

Notes to consolidated financial statements

1 Organization and Nature of Business

Pratt Industries, Inc. (Pratt) is a wholly owned subsidiary of Pratt Holdings, Inc. (Pratt Holdings). Pratt and subsidiaries (collectively, the Company) consist of Pratt and its wholly owned subsidiaries, as follows:

- Pratt Corrugated Holdings, Inc. (PCH)
- Pratt Paper (GA), LLC (PPGA)
- Pratt Paper (NY), Inc. (PPNY)
- Pratt Paper (LA), LLC (PPLA)
- Pratt Paper (IN), LLC (PPIN)
- FMK, Inc. (FMK)
- Pratt Properties, Inc. (PPI)
- Pratt Investments (USA), Inc. (PI USA)
- Container Packaging, Inc. (CPI)
- Pratt (Corrugated Logistics), LLC (CL)
- HMSH, Inc. (HMSH)
- Pratt Properties II, LLC

The wholly owned subsidiaries of PCH are: Pratt (Jet Corr), Inc. (Jet Corr), Pratt (Target Container), Inc. (Target), Pratt (Georgia Box), Inc., Pratt (Mississippi Box), Inc., Pratt Recycling, Inc., Pratt (Bell Packaging), Inc. (Bell), Pratt (Delta Container), Inc., Pratt (Virginia Box), Inc., Pratt (Classic Container), Inc., Wil-Mac Container Corp., Pratt RHB, Inc., Pratt Industries de Monterrey, S. DER.L. DE. C.V., Pratt Mexico Holding, LLC, Pratt (Love Box), LLC, Pratt Retail Specialties, LLC, Staten Island Corrugator, LLC, Pratt (Converting Division LA), LLC, Pratt (Allentown Corrugating), LLC, Pratt (Impress Manufacturing), Inc., Pratt (Rock Solid), LLC, Pratt (Quality Carton), LLC, Pratt (Lewisburg Corrugating), LLC, Pratt (Triad Packaging), LLC, Pratt (Beloit Corrugating), LLC, Pratt (Robert Mann Packaging), LLC, Pratt (Minnesota Corrugated Box), LLC, Pratt (Rockwall Corrugating), LLC, Pratt (Midwest Displays), LLC and Pratt San Antonio, S.A. de C.V. The wholly owned subsidiary of Pratt Recycling, Inc. is Pratt Recycling (LA), LLC. The wholly owned subsidiary of PPI is Pratt Financial Holdings, LLC (PFH). The wholly owned subsidiary of CL is Pratt Logistics, LLC.

In July 2014, Pratt (Corrugated Logistics), LLC, a wholly owned subsidiary of Pratt (Jet Corr), Inc. entered into an agreement and plan of merger with Pratt Logistics, LLC, a wholly owned subsidiary of Pratt with Pratt (Corrugated Logistics), LLC the surviving parent company and wholly owned subsidiary of Pratt.

The Company manufactures recycled containerboard, corrugated sheets, and related packaging containers. The Company's manufacturing facilities are located primarily in the midwestern, western, and eastern United States of America. The Company also owns and develops primarily industrial manufacturing and distribution properties used in the operations of its subsidiaries through its wholly owned subsidiary, PPI.

2 Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Pratt and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to be cash on deposit and short-term investments with remaining maturity at acquisition of three months or less. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Short-term Investments

Short-term investments are comprised of marketable equity and fixed income securities designated as trading securities and an investment portfolio in community banks. Short-term investments designated as trading securities are recorded at fair market value based on quoted market prices with changes in fair value reflected in the accompanying consolidated statements of operations. Short-term investments not designated as trading securities are recorded at cost. The Company performs an impairment analysis each fiscal year and impairment losses, if any, are recognized in the accompanying consolidated statements of operations.

Accounts Receivable

Accounts receivable consist primarily of trade receivables and are stated at net realizable value. An allowance for doubtful accounts has been established based on the Company's collection experience and an assessment of the collectability of specific accounts. The Company evaluates the collectability of accounts based on a combination of factors. The allowance is adjusted when the Company becomes aware of changes in a specific customer's ability to meet its financial obligations or as a result of changes in the overall aging of accounts receivable. Accounts receivable are charged off against the allowance for doubtful accounts when it is probable the receivable will not be recovered.

Inventories

All inventories are stated at the lower of cost or market. Market with respect to finished goods is net realizable value, and market for raw materials is replacement cost. Cost of finished goods includes a proportionate share of material, labor, and manufacturing overhead.

The Company accounts for nonmonetary exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 845-10-15, "Nonmonetary Transactions." This guidance requires that exchanges of similar inventory be valued at the carrying value of the inventory given up instead of the fair value of the inventory received and is applied to exchange agreements entered into or renewed. The Company enters into these agreements that generally represent the exchange of manufactured linerboard for linerboard manufactured by others. During fiscal 2016 and 2015, the Company reported certain inventory buy/sell transactions of similar containerboard types at our cost basis, rather than fair value, in the consolidated statements of operations, thereby reducing net sales and costs of goods sold by approximately $33,753,000 and $50,681,000, respectively.

Inventories consist of the following (in thousands):

June 30	2016	2015
Raw materials	$ 97,861	$ 89,172
Finished goods and work in process	68,516	65,719
	$ 166,377	$ 154,891

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Expenditures for repairs and maintenance not considered to substantially lengthen the asset lives are charged to expense as incurred. Interest expense attributable to funds used in financing the construction of major renewals and improvements is capitalized. Amounts capitalized for interest incurred on borrowed funds for the years ended June 30, 2016 and 2015 totaled $3,379,000 and $13,260,000, respectively, which is net of interest income of $43,000 and $422,000, respectively.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Buildings	25 to 30 years
Machinery and equipment	3 to 30 years
Leasehold improvements	Lesser of useful life or term of lease
Furniture and fixtures	5 to 7 years

Depreciation expense related to property, plant and equipment amounted to $58,375,000 and $45,744,000 in fiscal 2016 and 2015, respectively.

In June 2011, the Company received a total of $18,531,000 in grant awards from the U.S. Treasury Department (US Treasury) under Section 1603 of the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA authorized the US Treasury to make payments to eligible persons who place in service qualifying renewable energy projects. The grants are paid in lieu of investment tax credits. All of the proceeds from the grants were used and recorded as a reduction in the cost basis of the applicable project assets. If the Company disposes of the property, or the property ceases to qualify as specified energy property, within five years from the date the property is placed in service, then a prorated portion of the Section 1603 payment must be repaid. For federal income tax purposes, the Section 1603 payments are not included in federal and certain state taxable income and the basis of the property is reduced by 50% of the payment received.

Restricted Cash

Restricted cash includes amounts held in a trust restricted to PPIN construction costs, PPNY qualified capital improvements and in a trust restricted to the repayment of long-term debt and accrued interest (see Note 6) for PPNY, PPGA and PPIN's recycled linerboard facilities.

Other Assets

Other assets include notes receivable, spare parts, and debt issuance costs. Spare parts are depreciated over the estimated useful lives of the corresponding machinery and equipment. Depreciation expense related to spare parts amounted to $1,077,000 and $947,000 in fiscal 2016 and 2015, respectively. Debt issuance costs of $12,943,000 and $12,867,000 (net of $3,885,000 and $2,828,000 accumulated amortization) at June 30, 2016 and 2015, respectively, are amortized over the life of the related obligations using the effective interest method. Amortization was $1,052,000 and $925,000, respectively, in fiscal 2016 and 2015.

Use of Estimates

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

Long-lived Assets

The Company periodically reviews the values assigned to long-lived assets, such as property, plant and equipment, for indicators of impairment and reviews the amortization periods on an annual basis. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the asset is not recoverable, it is written down to its fair value. Recoverability is measured based on the anticipated undiscounted cash flows from operations. Fair value is estimated based on projected discounted cash flows or comparable market transactions. During the years ended June 30, 2016 and 2015, there were no events or changes in circumstance that required an impairment analysis.

Goodwill

Goodwill represents costs of businesses acquired in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not subject to amortization, but is tested for impairment, on a reporting unit basis, annually (at the end of its fiscal year) and when events and circumstances indicate that an impairment may have occurred. Potential impairments of goodwill are identified by comparing the fair value of the reporting unit to its carrying amount, including goodwill. The Company has not performed a qualitative analysis for goodwill impairment but may elect to do so in future periods. Fair value is estimated using a discounted cash flow and market-multiple approach. If the fair value of the reporting unit exceeds its carrying amount the related goodwill is not considered impaired. If the fair value of the reporting unit is less than the related carrying value, the amount of goodwill impairment loss, if any, must be measured. The amount of goodwill impairment is measured by comparing the implied fair value of the goodwill to its carrying amount. If the carrying amount exceeds its implied fair value, then an impairment loss is recognized through a charge to earnings. The Company's annual impairment test did not indicate any impairment during fiscal 2016 or 2015.

Intangible Assets

Intangible assets consist primarily of acquired customer lists, customer contracts and related relationships, covenants not to compete, and trade names. These assets are amortized on a straight-line basis over the estimated periods of benefit of 3 to 25 years.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a greater than 50% cumulative likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. No adjustments were recognized for uncertain tax positions at June 30, 2016 or 2015. The Company recognizes interest and penalties related to tax positions in income tax expense.

The Company is subject to federal and state income taxes in various jurisdictions. The Company joins with its parent, Pratt Holdings, in filing a consolidated federal income tax return. Generally, the Company's tax years for fiscal year June 30, 2008 through June 30, 2016 remain open to examination for federal and state income tax purposes.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred, the price to the buyer is fixed or determinable, and collectability is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated free on board (f.o.b.) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when the product is delivered to the customer's delivery site. Provisions for discounts and rebates to customers, estimated returns and allowances and other adjustments are provided for in the same period the related sales are recorded.

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 goods sold in the accompanying consolidated statements of operations.

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting stockholder's equity. For the Company, such items consist of gains and losses on foreign currency forward contracts and interest rate swaps.

Derivatives

The Company enters into derivative instruments, primarily consisting of commodity and interest rate swaps, in order to manage its risk to fluctuations in natural gas prices and floating interest rate debt. The Company also entered into foreign currency forward contracts in order to manage its risk to fluctuations in forecasted foreign currency denominated purchases. The fair value of the foreign currency forward contracts was based on quotes from the issuer and represents the estimated amounts that the Company would expect to pay to terminate the contracts. The Company does not utilize derivatives for speculative purposes. Derivative instruments are recorded in the consolidated balance sheets as either assets or liabilities measured at fair value, and changes in the fair value of the derivative instruments are recorded as unrealized gains or losses in either net income or other comprehensive income, depending on whether specific hedge accounting criteria are met. The Company has recorded changes in the fair value of its interest rate swap agreements as interest expense and its effective portion of foreign currency forward contracts as other comprehensive income in the accompanying consolidated financial statements.

Derivatives are classified in the accompanying consolidated balance sheets as follows (in thousands):

June 30	2016	2015
Liabilities		
Accrued liabilities	$ (74)	$ (1,815)
Other non-current liabilities	-	(244)
	$ (74)	$ (2,059)

The realized and unrealized losses for the effective portion of foreign currency forward contracts approximated $78,000 and $6,160,000 at June 30, 2016 and 2015, respectively, and is recorded in accumulated other comprehensive income.

Fair Value Measurements

The guidance for fair value measurements establishes the authoritative definition for fair value, sets out a framework for measuring fair value, and outlines the required disclosures regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurements date.

The Company uses a three-tier fair value hierarchy based upon observable and non-observable inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Company's financial instruments measured at fair value as of June 30, 2016 and 2015, respectively, consist primarily of derivatives and certain short-term investments. The following table summarizes the valuation of derivatives and short-term investments measured at fair value on a recurring basis in the balance sheet:

June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments	$ 15,089	$ -	$ -
Foreign currency forward contracts	-	(74)	-
June 30, 2015			
Interest rate swaps			
Short-term investments	$ 13,755	$ -	$ -
Foreign currency forward contracts	-	(2,059)	-

The Company's financial instruments that are not measured at fair value in the financial statements consist primarily of short-term investments not designated as trading securities, accounts receivable, accounts payable, bank overdraft and debt. The carrying amounts of accounts receivable, accounts payable and bank overdraft approximate their fair value at June 30, 2016 and 2015 because of their nature and relatively short maturity. The estimated aggregate fair value of the Company's short-term investments not designated as trading securities, with a carrying value of $2,310,000 and $2,529,000 in 2016 and 2015, respectively, approximated $4,419,000 and $4,192,000 at June 30, 2016 and 2015, respectively. The estimated fair value of the short-term investments was obtained by a third-party appraisal. In determining the estimated fair value, the third-party appraiser used various inputs and significant estimates including comparable investments, asset and cash flow analysis, and overall market conditions (Level 3).

The estimated fair value of the Company's long-term debt with a carrying value of $537,791,000 and $548,133,000 in 2016 and 2015, respectively, approximated $508,102,000 and $510,658,000 at June 30, 2016 and 2015. The Company estimated the fair value of the long-term debt by discounting the future flow using the Company's estimated current borrowing rates for similar types and maturities of debt (Level 3).

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of accounts receivable and cash and cash equivalents. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base. The Company performs periodic credit evaluations of its customer's financial condition and generally does not require collateral.

Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", as subsequently amended, which establishes a comprehensive revenue recognition standard under GAAP for virtually all industries. The new standard is effective for annual periods beginning after December 15, 2017 for public entities, as defined, and for annual periods beginning after December 15, 2018 for all other entities. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs", which requires that debt issuance costs related to a recognized debt liability be presented as a reduction to the carrying amount of that debt liability, not as an asset. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2016.

In February 2016, the FASB issued ASU 2016-02 "Leases", which is codified in Accounting Standards Codification (ASC) 842 "Leases" and supersedes current lease guidance in ASC 840. These provisions require lessees to recognize a right-of-use asset and lease liability on the balance sheet for operating and financing leases that have a term of more than one year. For lessors, the ASU modifies the classification criteria and the accounting for sales-type and direct financing leases. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2020. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)", which is intended to create uniformity in how certain transactions are classified in the statement of cash flows. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2019. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

3 Business Combinations

In May 2016, the Company acquired certain real estate assets and all of the outstanding stock of Minnesota Corrugated Box, Inc., a manufacturer of shipping boxes, industrial containers, and corrugated displays based in Albert Lea, Minnesota. The total purchase price of $68,800,000, net of cash acquired was funded with available cash of $62,343,000 and the assumption of certain liabilities and accounts payable. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Minnesota Corrugated Box), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $28,146,000 of goodwill. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	8,262
Property, plant and equipment		32,314
Intangible assets		11,637
Goodwill		28,146
Total assets acquired		80,359
Liabilities		
Accounts payable and accrued liabilities		(11,559)
Total liabilities assumed		(11,559)
Net assets acquired	$	68,800

In April 2015, the Company acquired certain assets of Robert Mann Packaging, Inc., a manufacturer of shipping boxes, industrial containers, and agricultural containers based in Salinas, California. The total purchase price of $65,802,000, net of cash acquired was funded with available cash of $48,477,000, a note payable to a former shareholder of $1,500,000, and the assumption of certain liabilities and amounts payable. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Robert Mann Packaging), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $17,383,000 of goodwill. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	30,527
Property, plant and equipment		8,830
Intangible assets		13,496
Other assets		2,858
Goodwill		17,383
Total assets acquired		73,094
Liabilities		
Accounts payable and accrued liabilities		(7,292)
Total liabilities assumed		(7,292)
Net assets acquired	$	65,802

4 Intangible Assets

The gross carrying amounts and accumulated amortization by major intangible asset class were as follows (in thousands):

June 30	Period of Benefit	2016 Gross Carrying Amount	2016 Accumulated Amortization	2016 Net Amount	2015 Gross Carrying Amount	2015 Accumulated Amortization	2015 Net Amount
Customer lists and customer relationships	5 - 10 years	**$ 27,814**	**$ (9,127)**	**$ 18,687**	$ 18,269	$ (6,649)	$ 11,620
Non-compete arrangements, favorable in-place operating lease agreements and patents	3 - 5 years	**2,979**	**(1,326)**	**1,653**	1,961	(1,111)	850
Trade names	3 - 10 years	**7,018**	**(4,257)**	**2,761**	5,944	(3,120)	2,824
Emission credits	25 years	**504**	**(134)**	**370**	504	(115)	389
		$ 38,315	**$ (14,844)**	**$ 23,471**	$ 26,678	$ (10,995)	$ 15,683

During fiscal 2016 and 2015, aggregate amortization expense was $3,865,000 and $2,537,000, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows (in thousands):

	Amount
For the year ending June 30:	
2017	$ 5,146
2018	4,617
2019	3,779
2020	3,023
2021	2,891

5 Transactions with Affiliates

Due from Affiliates

The Company had the following affiliated receivables (in thousands):

June 30		2016		2015
Receivable from:				
Visy Board Pty. Ltd.	**$**	**838**	$	623
	$	**838**	$	623

Due to Affiliates

The Company had the following affiliated payables (in thousands):

June 30		2016		2015
Payable to:				
Build Run Repair Pte. Ltd.	**$**	**320**	$	136
Visy Trading Singapore Pte. Ltd.		**4,360**		1,264
Visy Logistics Pty. Ltd.		**4**		1,705
	$	**4,684**	$	3,105

Affiliates' balances result from various administrative and operating cost allocations and charges between the Company and its affiliates. Affiliated balances are noninterest-bearing and unsecured and have been classified as long-term in the accompanying consolidated balance sheet as payment is not anticipated within one year. All of the above entities are subsidiaries of Pratt Holdings, Pty., Ltd., an Australian entity affiliated through common ownership.

The Company entered into certain transactions to provide goods, services, and a lease to an entity in which an officer and owner of the Company has a minority interest. As of June 30, 2016 and 2015, the Company had $1,958,000 and $2,017,000, respectively, of secured trade receivables due on demand, and a $1,932,000 and $2,139,000 note receivable over a 15 year lease agreement, respectively.

During the years ended June 30, 2016 and 2015, the Company purchased additional workers compensation, additional auto liability, loss of key customer, loss of key employee, and various other insurance coverages from Pratt Insurance (VT), Inc., a wholly owned subsidiary of Pratt Holdings. Total premium expenses under these polices were $21,862,000 and $17,577,000 for the years ended June 30, 2016 and 2015, respectively, and are included within cost of goods sold and selling, general and administrative expenses based on the type of coverage provided.

6 Long-term Debt

The following is a summary of the amounts outstanding under Company's long-term debt arrangements (in thousands):

June 30	2016	2015
Pratt Paper (NY), Inc.		
Build NYC Resource Corporation Solid Waste Disposal Revenue Bonds, due in semiannual varying increments through January 1, 2035; interest payable semiannually at a weighted fixed interest rate of 4.95%, secured by land, buildings, other assets, and paper supply contract	**$ 93,300**	$ 96,300
Pratt Paper (GA), LLC		
Development Authority of Rockdale County Tax Exempt Project Revenue Bonds (Series 2007A) and Taxable Project Revenue Bonds (Series 2007B), due in varying increments through January 1, 2034; interest payable semiannually at 6.13% for Series 2007A and 8.25% for Series 2007B, secured by land, buildings, other assets and paper supply contract and guaranteed by Pratt	**103,845**	106,425
Pratt Paper (LA), LLC		
Senior Secured Notes, due in semiannual varying increments through June 30, 2033; interest payable semiannually at 6.36%, secured by land, buildings, other assets and paper supply contract and guaranteed by Pratt	**97,000**	98,000
Pratt Paper (IN), LLC		
City of Valparaiso, Indiana Exempt Facilities Revenue Bonds, due in semiannual varying increments through January 1, 2044; interest payable semiannually at a weighted fixed interest rate of 6.78%, secured by land, buildings, other assets and paper supply contract and guaranteed by Pratt	**200,000**	200,000
Pratt Industries, Inc.		
Note payable to the Ohio Development Services Agency, principal and interest payable monthly at 3.00%, due March 2027, secured by the Project Equipment	**2,735**	2,948
State of Ohio State Economic Development Revenue Bonds, due in monthly varying increments through November 15, 2025; interest payable monthly at a fixed interest rate of 3.85%, secured by the Project Equipment	**5,840**	6,340
Notes payable to former shareholders of acquired entities; with interest rates ranging from 4.00% to 6.00% and maturing at varying dates through 2021	**3,395**	4,820
Pratt Corrugated Holdings, Inc.		
Note payable to former shareholder of acquired business; interest payable annually at 5.00% maturing July 2019	**1,500**	1,500
Pratt Properties, Inc.		
Senior Secured Notes, payable monthly through November 12, 2023; interest payable monthly at 5.85%, secured by land, buildings and other assets	**30,859**	32,511
	538,474	548,844
Less - Unamortized discount, PPGA Series 2007A Bonds	**(684)**	(711)
	537,790	548,133
Less - Current maturities	**(13,885)**	(10,239)
	$ 523,905	$ 537,894

In December 2014, Build NYC Resource Corporation issued tax exempt Solid Waste Disposal Revenue Bonds Series 2014 (the Series 2014 Bonds) totaling $96,300,000. The Series 2014 Bonds were issued for the purpose of defeasing and redeeming all of the outstanding Solid Waste Disposal Revenue Bonds Series 1995 and bear interest, payable semiannually, ranging from 3.75% to 5.00% and mature in 2035.

The Series 2014 Bonds are secured by land, buildings, and other assets of PPNY, a paper supply contract with PCH, and contain certain restrictive covenants, which, among others, place a limitation on future indebtedness based on certain financial ratios, as defined. The repayment terms of the Series 2014 Bonds require annual sinking fund payments commencing July 1, 2015, to be made in varying increments of $1,600,000 to $3,700,000 through maturity. PPNY incurred debt issuance costs of approximately $2,481,000 for the Series 2014 Bond issuance.

The New York City Development Agency Solid Waste Disposal Revenue Bonds Series 1995 contain certain restrictive covenants on the part of PPNY, including, but not limited to, a limitation on future indebtedness and payment of dividends based on certain financial ratios, as defined. PPNY is required to make semiannual sinking fund payments beginning January 1, 1999, in varying increments of $600,000 to $5,100,000 through maturity.

In August 2007, the Development Authority of Rockdale County issued Tax Exempt Project Revenue Bonds Series 2007A totaling $54,315,000 and Taxable Project Revenue Bonds Series 2007B totaling $66,010,000 (collectively, the 2007 Bonds). The Series 2007A Bonds were issued for the purpose of financing a clean energy cogeneration plant for the Company and bear interest, payable semiannually, at 6.125% and mature in 2034.

The Series 2007B Bonds were issued for the purpose of defeasing and redeeming all of the outstanding Solid Waste Disposal Revenue Bonds Series 1993 and bear interest, payable semiannually, at 8.25% and mature in 2028. The 2007 Bonds are secured by land, buildings, and other assets of the Company, the paper supply contract with PCH, and contain certain restrictive covenants, which, among others, place a limitation on future indebtedness based on certain financial ratios, as defined. The repayment terms of the 2007 Bonds require annual sinking fund payments commencing January 1, 2008, to be made in varying increments of $565,000 to $9,620,000 through maturity. The 2007 Bonds are also guaranteed by Pratt, as defined, and include among other things, limitations of future indebtedness based on certain financial ratios for the guarantor. The Company incurred bond discount of $877,000 and debt issuance costs of approximately $2,762,000 for the Series 2007A and 2007B bond issues.

The Series 2014 Bonds and 2007 Bonds are supported by a paper supply arrangement with PCH, whereby PCH is obligated to purchase a minimum of 480,000 tons annually. PPNY, PPGA and PCH entered into the supply arrangements in April 2004 for a period of five years. In May 2007, PPGA's supply agreement with PCH was amended to extend the term from five years to the later of (i) June 30, 2012, and (ii) the date of which the Series 2007B Bonds remain outstanding. Prices are established by contract, and adjust semiannually as determined by an independent third party, subject to a floor price ranging from $200 to $290 per ton. In November 2008, PPNY's contract was amended to extend the term from five years to ten years and to increase the contracted price. Under the terms of the contract, PCH is obligated to purchase annually from PPNY a minimum of 180,000 tons per year of containerboard whether or not ordered at a contract price based on market conditions for linerboard and medium. The contract price is adjusted on a semiannual basis in October and April. Price adjustments are limited to twenty five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $240 to $330 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

The amended PPNY contract term expired in April 2014 and PPNY and PCH continued to operate under the terms and conditions of the amended contract through fiscal 2014. In 2015, PCH entered into a twenty year paper supply contract with PPNY. Under the terms of the contract, PCH is obligated to purchase annually from PPNY a minimum of 260,000 tons per year of containerboard, whether or not ordered, at a contract price based on market conditions for linerboard and medium. The contract price is adjustable on a semiannual basis in October and April. Price adjustments are based on a percentage of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $415 to $505 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In July 2013, PPLA completed a refinancing of the Caddo-Bossier Parishes Port Commission Fixed Rate and Floating Rate Taxable Revenue Senior Secured Notes Series 2008 and entered into a $100,000,000 Note Purchase Agreement (the PPLA Notes) for the purpose of retiring the 2008 Notes. The PPLA Notes, due in semiannual varying increments, bear interest, payable semi-annually, at the fixed rate of 6.36% and mature in June 2033.

The PPLA Notes are secured by land, buildings and other assets of PPLA and contain certain maintenance covenants including minimum fixed charge coverage ratio and maximum leverage ratio. As of June 30, 2016, PPLA was in compliance with these covenants. The PPLA Notes are guaranteed by Pratt. PPLA incurred debt issuance costs of approximately $643,000 for the PPLA Notes, which are amortized using the effective interest method over the life of the agreement beginning in fiscal year 2014.

In July 2013, PPLA entered into a twenty year paper supply contract with PCH to ensure PPLA's ability to sell a substantial amount of containerboard production. Under the terms of the contract, PCH is obligated to purchase from PPLA a minimum of 260,000 tons of containerboard whether or not ordered at a contract price based on market conditions for linerboard and medium. The contract price is adjusted on a semiannual basis in October and April. Price adjustments are limited to twenty five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $398 to $488 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In November 2013, the City of Valparaiso, Indiana issued Exempt Facility Revenue Bonds Series 2013 (the 2013 Bonds) totaling $200,000,000. The 2013 Bonds were issued for the construction of a recycled linerboard mill facility and bear interest, payable semiannually at a weighted fixed interest rate of 6.78% and mature in January 2044.

The 2013 Bonds are secured by land, buildings and other assets of PPIN and contain certain restrictive covenants, which, among other things, place a limitation on future indebtedness and restricted payments, as defined. The repayment terms of the 2013 Bonds require semiannual principal payments in varying increments commencing July 2016 through February 2044. The 2013 Bonds are also guaranteed by Pratt, as defined, and include, among other things, limitations of future indebtedness and the maintenance of certain financial ratios for the guarantor. The guarantor obligations will automatically terminate in the fiscal year following completion date of the Mill and compliance with certain milestones outlined in the guaranty agreement. The Company incurred debt issuance costs of approximately $3,263,000 for the 2013 Bonds, which are amortized using the effective interest method over the life of the agreement beginning in fiscal year 2014.

In November 2013, PPIN entered into a paper supply contact with PCH to ensure PPIN's ability to sell a substantial amount of containerboard production. The contract is effective for a period of thirty years from the commencement of operations. Under the terms of the contract, PCH is obligated to purchase from PPIN a minimum of 170,000 tons of containerboard in year one up to a minimum of 300,000 tons of containerboard by year nine, whether or not ordered at a contact price based on market conditions for linerboard and medium. The contract price is adjusted on a semi-annual basis in October and April. Price adjustments are limited to twenty-five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $430 to $530 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In July 2011, PCH entered into a syndicated credit agreement (the Credit Agreement) providing for up to $200,000,000 in revolving credit facilities including up to $40,000,000 in letters of credit commitment. Borrowings under the Credit Agreement bear interest at one month Libor plus an applicable margin (ranging from 2.00% to 2.75%) based on the PCH's Total Leverage Ratio, as defined. The Credit Agreement is secured by substantially all property and guaranteed by each of PCH's wholly owned subsidiaries.

In May 2013, PCH amended the Credit Agreement (the First Amendment). The First Amendment increased the maximum revolving credit availability to $225,000,000 including up to $45,000,000 in letters of credit commitment. The First Amendment also reduced the applicable interest rate margin on Libor borrowings by 0.25% (ranging from 1.75% to 2.50% based on the Company's Total Leverage Ratio, as defined) and extended the maturity date to May 31, 2018. PCH did not have borrowings outstanding under the Credit Agreement as of June 30, 2016 or June 30, 2015. Outstanding letters of credit totaled $11,460,000 at June 30, 2016.

The amended Credit Agreement contains certain restrictive covenants including, but not limited to, limitations on the incurrence of debt and maintenance of certain financial covenants. Total Leverage Ratio cannot be greater than 3.25 to 1.0 and Interest Coverage Ratio cannot be less than 5.0 to 1.0. Consolidated net worth must not be less than the sum of $90 million plus 25% of positive consolidated net income beginning in fiscal year 2012.

In February 2015, the Company entered into a note payable with the Director of the Ohio Development Services Agency (the 2015 OH Loan) totaling $3,000,000. The proceeds of the 2015 OH Loan were used for project equipment located in the Company's Lewisburg, Ohio manufacturing facility and bear interest, payable monthly at a fixed interest rate of 3.00% and mature in March 2027.

In December 2013, the State of Ohio issued State Economic Development Revenue Bonds Series 2013-3 (the 2013 OH Bonds) totaling $7,000,000. The 2013 OH Bonds were issued for project equipment located in the Company's Lewisburg, Ohio manufacturing facility and bear interest, payable monthly at a fixed interest rate of 3.85% and mature in November 2025.

The 2013 OH Bonds are secured by the Project Equipment of the Company and contain certain restrictive covenants, which, among other things, require notice and places restrictions related to the project equipment, as defined. The repayment terms of the 2013 OH Bonds require principal payments in varying increments commencing January 2014 through November 2025. The Company incurred debt issuance costs of approximately $259,000 for the 2013 OH Bonds, which will be amortized using the effective interest method over the life of the agreement beginning in fiscal year 2014.

In November 2013, PPI entered into a $35,000,000 Note Purchase Agreement (the PPI Notes) for the purpose of retiring its existing Cash Advance Facility Agreement. The Notes, due monthly in varying increments, bear interest, payable monthly, at a fixed rate of 5.85% and mature in November 2023.

The PPI Notes are secured by land, buildings and other assets of PPI and contain certain maintenance covenants including minimum fixed change ratio and minimum unrestricted cash balance. As of June 30, 2016 PPI was in compliance with these covenants. PPI incurred debt issuance costs of approximately $1,166,000 for the PPI Notes which are amortized using the effective interest method over the life of the agreement beginning in fiscal 2014. In connection with the refinancing, PPI expensed approximately $666,000 of unamortized debt issuance costs.

Exclusive of unamortized discount, future maturities of long-term debt as of June 30, 2016, are as follows (in thousands):

	Amount
For the year ending June 30:	
2017	$ 13,822
2018	14,322
2019	14,441
2020	14,815
2021	15,289
Thereafter	465,785
Total	$ 538,474

7 Commitments and Contingencies

Operating Leases

The Company leases certain land, office facilities, and equipment under noncancelable operating lease agreements expiring at various dates through 2041. The leases, which include escalation clauses, generally require that the Company pay taxes, maintenance, and insurance. Future minimum rental payments required under such leases having initial or remaining noncancelable terms in excess of one year as of June 30, 2016, are as follows (in thousands):

		Amount
For the year ending June 30:		
2017	$	77,324
2018		69,170
2019		55,917
2020		44,893
2021		35,346
Thereafter		119,288
Total	$	401,938

Total rent expense under noncancelable operating leases for the years ended June 30, 2016 and 2015 was approximately $71,968,000 and $57,822,000, respectively.

Asset Sales and Leaseback

In June 2016, the Company sold land and a building located in Beloit, WI to an unrelated party for $22,500,000 with such property being leased back to the Company. A gain of $5,688,000 was realized in this transaction and has been deferred and amortized to income in proportion to rent charged over an eighteen and one-half year lease term beginning in July 2016.

In November 2014, the Company sold land and a building located in Lewisburg, Ohio to an unrelated party for $19,318,000 with such property being leased back to PCH. A gain of $5,367,000 was realized in this transaction and has been deferred and amortized to income in proportion to rent charged over an eighteen and one-half year lease term beginning in November 2014.

During fiscal 2016 and 2015, the Company sold new manufacturing equipment to various unrelated equipment leasing entities for $49,395,000 and $33,490,000, respectively with such equipment being leased back to PCH at terms ranging from five to seven years. The Company did not realize any gain in these transactions.

Purchase Commitments

PPNY, PPLA, PPIN and PCH, wholly owned subsidiaries of the Company, have purchase commitments for natural gas and electricity in quantities expected to be used in production over a reasonable period in the normal course of business.

Legal and Environmental Matters

The Company is also a party to certain litigation and environmental claims incidental to the Company's business. In management's opinion, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position or results of operations.

8 Income Taxes

The Company is included in the consolidated federal income tax return of Pratt Holdings. Under an informal tax-sharing agreement with Pratt Holdings, the Company provides for income taxes as if it were a standalone entity. Amounts paid to Pratt Holdings pursuant to the tax sharing agreement were $30,000,000 and $29,400,000 in 2016 and 2015, respectively.

The provision for income taxes consists of the following (in thousands):

For the years ended June 30	2016	2015
Current:		
Federal	$ (24,766)	$ (47,749)
State	(3,442)	(5,121)
	(28,208)	(52,870)
Deferred:		
Federal	(19,806)	(3,094)
State	(3,711)	(580)
	(23,517)	(3,674)
Provision for income taxes	$ (51,725)	$ (56,544)

Reconciliation of the United States federal rate to the Company's effective tax rate is as follows:

For the years ended June 30	2016	2015
U.S. federal statutory tax rate	35.0%	35.0%
Blended state rate, net of federal benefit	3.6%	2.9%
Nondeductible expenses	0.7%	0.5%
Tax benefit on manufacturing activities	(1.7%)	(2.8%)
Tax credits and other	(4.3%)	(0.1%)
Effective tax rate	33.3%	35.5%

The components of the net deferred income tax liability are as follows (in thousands):

June 30	2016	2015
Deferred tax liabilities:		
Property, plant and equipment	$ (122,472)	$ (95,412)
Prepaid assets	(13,346)	(9,781)
Intangibles	(4,779)	(1,136)
Investment in pass through entities	(1,592)	-
Total deferred tax liabilities	(142,189)	(106,329)
Deferred tax assets:		
Net operating loss and tax credit carryforwards	9,150	9,706
Accounts receivable	3,315	2,848
Accrued liabilities and other	12,236	9,862
Total deferred tax assets	24,701	22,416
Valuation allowance	(7,327)	(9,706)
Net deferred tax assets	17,374	12,710
Net deferred income tax liability	$ (124,815)	$ (93,619)

At June 30, 2016, the Company has accumulated net operating loss carryforwards of approximately $153,000,000 in numerous state jurisdictions in which it operates. These state net operating losses will expire in various years from 2016 through 2036 if not utilized to reduce income taxes payable in future years. The Company has determined that it is more likely than not that a significant portion of these net operating losses will not be realized in the future. As such, the Company has recorded a valuation allowance against the future tax benefit of these state net operating losses. The Company decreased its valuation allowance related to state net operating losses by approximately $591,000 and $1,355,000 during 2016 and 2015, respectively, as a result of utilization, net of changes to state apportionment factors in certain jurisdictions where the Company operates.

At June 30, 2016, the Company had foreign tax credit carryforwards of approximately $543,000 which will expire starting in 2022. The Company has determined that it is more likely than not that these foreign tax credit carryforwards will not be realized prior to their expiration. Accordingly, the Company has recorded a valuation allowance against the future tax benefit of these credits. The Company decreased its valuation allowance related to foreign tax credits by approximately $1,788,000 during 2016 as a result of utilization and expiration of a portion of the credit. The Company increased its valuation allowance related to foreign tax credits by approximately $94,000 during 2015.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes", which simplifies the presentation of deferred income taxes. The standard requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is permitted and the standard may be applied either prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. The Company has elected to early adopt ASU 2015-17 prospectively in the fourth quarter of fiscal 2016. As such, the Company has presented all deferred tax assets and liabilities as noncurrent on the consolidated balance sheet as of June 30, 2016, but has not reclassified current deferred tax assets and liabilities on the consolidated balance sheet as of June 30, 2015.

9 Employee Benefit Plans

Supplemental Executive Retirement Plan

In connection with the Company's fiscal 1998 acquisition of Bell, the Company acquired a supplemental executive retirement plan (SERP), which provides benefits to certain employees of Bell commencing upon retirement. The SERP is unfunded and accrual of benefits was ceased in fiscal 1998. The Company uses June 30 as the measurement date for determining the projected benefit obligation.

The SERP benefit obligation as of June 30, 2016 and 2015, totaled $1,810,000 and $1,577,000, respectively. Net periodic pension expense for this plan equaled $56,000 and $62,000 for fiscal years 2016 and 2015, respectively, and related primarily to interest costs. The net periodic benefit costs and the benefit obligation as of June 30, 2016 and 2015 were determined using a weighted average discount rate of 2.6% and 3.5%, respectively.

Company contributions and benefits paid under the plan totaled $47,000 in fiscal year 2016 and 2015. The estimated benefits and contributions expected to be paid in each of the next five fiscal years and taken together for the five fiscal years thereafter are as follows (in thousands):

	Amount
For the year ending June 30:	
2017	$ 141
2018	137
2019	134
2020	130
Five fiscal years thereafter	585
	$ 1,127

Savings Plan

The Company has a 401(k) savings plan (the Plan) for full-time eligible employees (defined as employees with over 90 days of service). Under the Plan, the Company may make matching contributions up to 3% of eligible wages. The Company recorded $6,483,000 and $5,575,000 in the statement of operations to fund matching contributions during fiscal years 2016 and 2015, respectively.

Collective Bargaining Agreement

During fiscal 2012, the Company entered into a new collective bargaining agreement with International Union of Operating Engineers Local 30 (Local 30), which covers approximately 2% of the Company's labor force. The agreement became effective January 1, 2011 and was extended through December 31, 2017. Under the terms of the agreement, the Company contributes to a trust established by Local 30 used to administer benefits that principally cover production employees. The Company's obligation is limited to monthly trust contributions based on certain employee information as specified in the agreement. Total contributions were $1,361,000 and $1,308,000 for 2016 and 2015, respectively.

Deferred Compensation Plan

The Company has a deferred compensation plan covering certain employees. The plan allows a participant to defer a portion of his or her income and provides for supplemental contributions by the Company. There were no Company contributions into the Plan during the years ended June 30, 2016 and 2015. The Company holds cash, cash equivalents and investments for fulfillment of the liabilities of the Plan, which are carried at fair value of $17,323,000 and $15,631,000 as of June 30, 2016 and 2015, respectively. Amounts payable under the plan of $17,323,000 and $15,631,000 are included in accrued liabilities at June 30, 2016 and 2015, respectively.

10 Reorganization and Start-Up Costs

The Company incurred start-up and other costs of approximately $7,228,000 and $1,687,000 in fiscal years 2016 and 2015, respectively, for the PPIN mill facility and various corrugating, converting, material recycling facilities. These costs were expensed as incurred and paid during fiscal 2016 and 2015, respectively.

11 Subsequent Events

The Company evaluated all events or transactions that occurred after June 30, 2016 up through October 25, 2016, the date the financial statements were available to be issued. During this period, the Company completed an acquisition of a packaging and displays business.

In July 2016, the Company acquired certain assets of Quality Associates, Inc. located in Ohio and Maryland. The business was acquired to increase vertical integration of the Company's packaging and displays business and expand geographically. The total purchase price approximated $4,000,000.

Consolidated Financial Statements and
Report of Independent Certified Public Accountants

Pratt Industries, Inc. and Subsidiaries

June 30, 2015 and 2014

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Audit • Tax • Advisory

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Report of Independent Certified Public Accountants

To the Board of Directors and Stockholder of
Pratt Industries, Inc.:

We have audited the accompanying consolidated financial statements of **Pratt Industries, Inc**. (a Delaware corporation), and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in stockholder's equity, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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 Pratt Industries, Inc. and subsidiaries as of June 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Atlanta, Georgia
September 29, 2015

Consolidated balance sheets

(Dollars in thousands, except number of shares)

June 30	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 165,771**	$ 155,285
Short-term investments	**16,277**	13,727
Accounts receivable, net of allowance for doubtful accounts of $7,303 and $6,875 in 2015 and 2014, respectively	**228,726**	199,052
Inventories	**154,891**	118,103
Prepaid expenses and other	**48,397**	28,059
Total current assets	**614,062**	514,226
Property, plant and equipment:		
Land	**18,984**	18,832
Buildings and improvements	**182,103**	178,522
Machinery and equipment	**823,942**	788,432
Construction in progress	**236,802**	68,160
	1,261,831	1,053,946
Less - accumulated depreciation	**(614,820)**	(575,824)
Property, plant and equipment, net	**647,011**	478,122
Due from affiliates	**623**	166
Restricted cash	**108,187**	205,686
Goodwill	**63,914**	46,531
Intangible assets, net	**15,683**	4,664
Other assets	**40,551**	33,758
Total assets	**$ 1,490,031**	$ 1,283,153

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

Consolidated balance sheets (continued)

(Dollars in thousands, except number of shares)

June 30	2015	2014
Liabilities and stockholder's equity		
Current liabilities:		
Bank overdraft	**$ 695**	$ 1,020
Accounts payable	**213,485**	154,673
Accrued liabilities	**163,286**	118,321
Current maturities of long-term debt	**10,239**	10,380
Total current liabilities	**387,705**	284,394
Long-term debt	**537,894**	531,807
Due to affiliates	**3,105**	790
Deferred income taxes	**91,028**	89,557
Other liabilities	**16,936**	6,177
Total liabilities	**1,036,668**	912,725
Commitments and contingencies (Note 8)		
Stockholder's equity:		
Common stock, $1 par value; 1,000 shares authorized, 635 shares issued and outstanding	**1**	1
Additional paid-in capital	**190,200**	205,122
Retained earnings	**268,378**	165,859
Accumulated other comprehensive loss	**(5,216)**	(554)
Total stockholder's equity	**453,363**	370,428
Total liabilities and stockholder's equity	**$ 1,490,031**	$ 1,283,153

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

Consolidated statements of operations

(Dollars in thousands)

For the years ended June 30	2015	2014
Net sales	**$ 1,831,037**	$ 1,621,657
Cost and expenses:		
Cost of goods sold	**(1,377,727)**	(1,200,792)
Selling, general, and administrative expenses	**(221,754)**	(211,623)
Reorganization and start-up costs (Note 11)	**(1,687)**	(2,145)
Depreciation and amortization	**(49,228)**	(48,629)
Operating income	**180,641**	158,468
Other income (expense):		
Interest income	**348**	318
Interest expense	**(22,992)**	(24,501)
Loss on debt extinguishment	**(623)**	(13,508)
Other, net	**1,689**	1,321
Income before income taxes	**159,063**	122,098
Provision for income taxes	**(56,544)**	(46,057)
Net income	**102,519**	76,041
Preferred stock dividends	**-**	(1,424)
Net income available to common stockholder	**$ 102,519**	$ 74,617

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

Consolidated statements of comprehensive income

(Dollars in thousands)

For the years ended June 30	2015	2014
Net income	**$ 102,519**	$ 76,041
Other comprehensive income, net of taxes:		
Cash flow hedges	**(4,662)**	3,137
Comprehensive income	**$ 97,857**	$ 79,178

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

Consolidated statements of changes in stockholder's equity

(Dollars in thousands, except number of shares)

	Preferred Stock		Common Stock				Accumulated	
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Total
Balance, June 30, 2013	178	$ 17,800	635	$ 1	$ 196,854	$ 91,242	$ (3,691)	$ 302,206
Distribution to parent company	-	-	-	-	(9,532)	-	-	(9,532)
Preferred stock dividends	-	-	-	-	-	(1,424)	-	(1,424)
Preferred stock cancellation	(178)	(17,800)	-	-	17,800	-	-	-
Other comprehensive income	-	-	-	-	-	-	3,137	3,137
Net income	-	-	-	-	-	76,041	-	76,041
Balance, June 30, 2014	-	-	635	1	205,122	165,859	(554)	370,428
Distribution to parent company	-	-	-	-	(14,922)	-	-	(14,922)
Other comprehensive loss	-	-	-	-	-	-	(4,662)	(4,662)
Net income	-	-	-	-	-	102,519	-	102,519
Balance, June 30, 2015	**-**	**$ -**	**635**	**$ 1**	**$ 190,200**	**$ 268,378**	**$ (5,216)**	**$ 453,363**

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

Consolidated statements of cash flows

(Dollars in thousands)

For the years ended June 30	2015	2014
Operating activities:		
Net income	**$ 102,519**	$ 76,041
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**49,228**	48,629
Amortization of debt issuance cost	**771**	595
Loss on debt extinguishment	**-**	3,394
Deferred income taxes	**2,267**	13,083
(Gain) loss on disposal and writedown of assets	**(51)**	410
Gain on sale of investments	**(1,906)**	-
Changes in assets and liabilities:		
Accounts receivable	**(12,136)**	(17,204)
Inventories	**(25,033)**	(12,930)
Prepaid expenses and other	**(21,835)**	(15,779)
Accounts payable	**17,095**	13,102
Accrued liabilities	**28,286**	16,730
Total adjustments	**36,686**	50,030
Net cash provided by operating activities	**139,205**	126,071
Investing activities:		
Capital expenditures	**(216,590)**	(64,783)
Purchase of businesses, net of cash acquired	**(48,477)**	(4,019)
Proceeds from sale of assets	**53,087**	879
Proceeds from sale of investments	**773**	-
Purchases of investments	**(775)**	-
Restricted cash	**101,319**	(197,541)
Other	**(1,228)**	(2,780)
Net cash used in investing activities	**(111,891)**	(268,244)
Financing activities:		
Decrease in bank overdraft	**(325)**	(1,133)
Principal payments on long-term debt	**(94,793)**	(112,157)
Proceeds from issuance of long-term debt	**99,300**	342,000
Dividends paid on preferred stock	**-**	(1,424)
Distribution to parent company	**(14,922)**	(9,532)
Debt issuance costs	**(2,415)**	(5,374)
Restricted cash	**(3,820)**	-
Increase in due to affiliates	**147**	748
Net cash (used in) provided by financing activities	**(16,828)**	213,128
Net increase in cash and cash equivalents	**10,486**	70,955
Cash and cash equivalents:		
Beginning of year	**155,285**	84,330
End of year	**165,771**	155,285
Supplemental disclosures of cash flow information:		
Interest paid	**$ 37,760**	$ 26,497
Income taxes paid	**$ 33,521**	$ 17,523
Accrued capital expenditures	**$ 47,132**	$ 10,261
Long-term debt issued in acquisition of business	**$ 1,500**	$ 1,276
Securities exchanged	**$ 1,356**	$ -

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

Notes to consolidated financial statements

1 Organization and Nature of Business

Pratt Industries, Inc. (Pratt) is a wholly owned subsidiary of Pratt Holdings, Inc. (Pratt Holdings). Pratt and subsidiaries (collectively, the Company) consist of Pratt and its wholly owned subsidiaries, as follows:

- Pratt Corrugated Holdings, Inc. (PCH)
- Pratt Paper (GA), LLC (PPGA)
- Pratt Paper (NY), Inc. (PPNY)
- Pratt Paper (LA), LLC (PPLA)
- Pratt Paper (IN), LLC (PPIN)
- FMK, Inc. (FMK)
- Pratt Properties, Inc. (PPI)
- Pratt Investments (USA), Inc. (PI USA)
- Container Packaging, Inc. (CPI)
- Pratt (Corrugated Logistics), LLC (CL)
- HMSH, Inc. (HMSH)
- Pratt Properties II, LLC

The wholly owned subsidiaries of PCH are: Pratt (Jet Corr), Inc. (Jet Corr), Pratt (Target Container), Inc. (Target), Pratt (Georgia Box), Inc., Pratt (Mississippi Box), Inc., Pratt Recycling, Inc., Pratt (Bell Packaging), Inc. (Bell), Pratt (Delta Container), Inc., Pratt (Virginia Box), Inc., Pratt (Classic Container), Inc., Wil-Mac Container Corp., Pratt RHB, Inc., Pratt Industries de Monterrey, S. DER.L. DE. C.V., Pratt Mexico Holding, LLC, Pratt (Love Box), LLC, Pratt Retail Specialties, LLC, Staten Island Corrugator, LLC, Pratt (Converting Division LA), LLC, Pratt (Allentown Corrugating), LLC, Impress Industries, Inc., Pratt (Rock Solid), LLC, Pratt (Quality Carton), LLC, Pratt (Lewisburg Corrugating), LLC, Pratt (Triad Packaging), LLC, Pratt (Beloit Corrugating), LLC, Pratt (Robert Mann Packaging), LLC, and Pratt San Antonio, S.A. de C.V. The wholly owned subsidiary of Pratt Recycling, Inc. is Pratt Recycling (LA), LLC. The wholly owned subsidiary of PPI is Pratt Financial Holdings, LLC (PFH). The wholly owned subsidiary of CL is Pratt Logistics, LLC.

In July 2014, Pratt (Corrugated Logistics), LLC, a wholly owned subsidiary of Pratt (Jet Corr), Inc. entered into an agreement and plan of merger with Pratt Logistics, LLC, a wholly owned subsidiary of Pratt with Pratt (Corrugated Logistics), LLC the surviving parent company and wholly owned subsidiary of Pratt.

The Company manufactures recycled containerboard, corrugated sheets, and related packaging containers. The Company's manufacturing facilities are located primarily in the midwestern, western, and eastern United States of America. The Company also owns and develops primarily industrial manufacturing and distribution properties used in the operations of its subsidiaries through its wholly owned subsidiary, PPI.

2 Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Pratt and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to be cash on deposit and short-term investments with remaining maturity at acquisition of three months or less. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Short-term Investments

Short-term investments are comprised of marketable equity and fixed income securities designated as trading securities and an investment portfolio in community banks. Short-term investments designated as trading securities are recorded at fair market value based on quoted market prices with changes in fair value reflected in the accompanying consolidated statements of operations. Short-term investments not designated as trading securities are recorded at cost. The Company performs an impairment analysis each fiscal year and impairment losses, if any, are recognized in the accompanying consolidated statements of operations.

Accounts Receivable

Accounts receivable consist primarily of trade receivables and are stated at net realizable value. An allowance for doubtful accounts has been established based on the Company's collection experience and an assessment of the collectibility of specific accounts. The Company evaluates the collectibility of accounts based on a combination of factors. The allowance is adjusted when the Company becomes aware of changes in a specific customer's ability to meet its financial obligations or as a result of changes in the overall aging of accounts receivable. Accounts receivable are charged off against the allowance for doubtful accounts when it is probable the receivable will not be recovered.

Inventories

All inventories are stated at the lower of cost or market. Market with respect to finished goods is net realizable value, and market for raw materials is replacement cost. Cost of finished goods includes a proportionate share of material, labor, and manufacturing overhead.

In fiscal 2007, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 845-10-15, *Nonmonetary Transactions*, for new arrangements and modifications or renewals of existing arrangements. This guidance requires that exchanges of similar inventory be valued at the carrying value of the inventory given up instead of the fair value of the inventory received and is applied to exchange agreements entered into or renewed. The Company enters into these agreements that generally represent the exchange of manufactured linerboard for linerboard manufactured by others. During fiscal 2015 and 2014, the Company reported certain inventory buy/sell transactions of similar containerboard types at our cost basis, rather than fair value, in the consolidated statements of operations, thereby reducing net sales and costs of goods sold by approximately $50,681,000 and $62,222,000, respectively.

Inventories consist of the following (in thousands):

June 30	2015	2014
Raw materials	**$ 89,172**	$ 71,671
Finished goods and work in process	**65,719**	46,432
	$ 154,891	$ 118,103

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Expenditures for repairs and maintenance not considered to substantially lengthen the asset lives are charged to expense as incurred. Interest expense attributable to funds used in financing the construction of major renewals and improvements is capitalized.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Buildings	25 to 30 years
Machinery and equipment	3 to 30 years
Leasehold improvements	Lesser of useful life or term of lease
Furniture and fixtures	5 to 7 years

Depreciation expense related to property, plant and equipment amounted to $45,744,000 and $45,487,000 in fiscal 2015 and 2014, respectively.

In June 2011, the Company received a total of $18,531,000 in grant awards from the U.S. Treasury Department (US Treasury) under Section 1603 of the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA authorized the US Treasury to make payments to eligible persons who place in service qualifying renewable energy projects. The grants are paid in lieu of investment tax credits. All of the proceeds from the grants were used and recorded as a reduction in the cost basis of the applicable project assets. If the Company disposes of the property, or the property ceases to qualify as specified energy property, within five years from the date the property is placed in service, then a prorated portion of the Section 1603 payment must be repaid. For federal income tax purposes, the Section 1603 payments are not included in federal and certain state taxable income and the basis of the property is reduced by 50% of the payment received.

Restricted Cash

Restricted cash includes amounts held in a trust restricted to PPIN construction costs, PPNY qualified capital improvements and in a trust restricted to the repayment of long-term debt and accrued interest (see Note 7) for PPNY, PPGA and PPIN's recycled linerboard facilities.

Other Assets

Other assets include notes receivable, spare parts, and debt issuance costs. Spare parts are depreciated over the estimated useful lives of the corresponding machinery and equipment. Depreciation expense related to spare parts amounted to $947,000 and $1,179,000 in fiscal 2015 and 2014, respectively. Debt issuance costs of $12,867,000 and $10,303,000 (net of $2,828,000 and $1,903,000 accumulated amortization) at June 30, 2015 and 2014, respectively, are amortized over the life of the related obligations using the effective interest method. Amortization was $925,000 and $670,000, respectively, in fiscal 2015 and 2014.

Use of Estimates

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

Long-lived Assets

The Company periodically reviews the values assigned to long-lived assets, such as property, plant and equipment, for indicators of impairment and reviews the amortization periods on an annual basis. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the asset is not recoverable, it is written down to its fair value. Recoverability is measured based on the anticipated undiscounted cash flows from operations. Fair value is estimated based on projected discounted cash flows or comparable market transactions. During the years ended June 30, 2015 and 2014, there were no events or changes in circumstance that required an impairment analysis.

Goodwill

Goodwill represents costs of businesses acquired in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not subject to amortization, but is tested for impairment, on a reporting unit basis, annually (at the end of its fiscal year) and when events and circumstances indicate that an impairment may have occurred. Potential impairments of goodwill are identified by comparing the fair value of the reporting unit to its carrying amount, including goodwill. The Company has not performed a qualitative analysis for goodwill impairment but may elect to do so in future periods. Fair value is estimated using a discounted cash flow and market-multiple approach. If the fair value of the reporting unit exceeds its carrying amount the related goodwill is not considered impaired. If the fair value of the reporting unit is less than the related carrying value, the amount of goodwill impairment loss, if any, must be measured. The amount of goodwill impairment is measured by comparing the implied fair value of the goodwill to its carrying amount. If the carrying amount exceeds its implied fair value, then an impairment loss is recognized through a charge to earnings. The Company's annual impairment test did not indicate any impairment during fiscal 2015 or 2014.

Intangible Assets

Intangible assets consist primarily of acquired customer lists, customer contracts and related relationships, covenants not to compete, and trade names. These assets are amortized on a straight-line basis over the estimated periods of benefit of 3 to 25 years.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a greater than 50% cumulative likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. No adjustments were recognized for uncertain tax positions at June 30, 2015 or 2014. The Company recognizes interest and penalties related to tax positions in income tax expense.

The Company is subject to federal and state income taxes in various jurisdictions. The Company joins with its parent, Pratt Holdings, in filing a consolidated federal income tax return. Generally, the Company's tax years for fiscal year June 30, 2008 through June 30, 2015 remain open to examination for federal and state income tax purposes.

Preferred Stock

In June 2014, the Company and Pratt Investments, Inc. (a wholly owned subsidiary of Pratt Holdings) entered into an agreement and plan of merger with Pratt as the surviving company. As a result of the agreement and plan of merger, all outstanding preferred shares in the amount of $17,800,000 were cancelled and recorded as additional paid in capital in the accompanying statement of stockholder's equity.

The following table sets forth, for the Series 1, Series 2, and Series 3 preferred shares, the authorized shares, par value, dividend, issued shares, proceeds to the Company and liquidation preferences in the case of preferred Series 3 as of June 30, 2015. All preferred series are non-voting.

	Authorized	Par Value	Cumulative Dividend	Issued and outstanding	Proceeds	Liquidation Preference
Preferred Series 1	2,000	$ 1,000	10%	-	$ -	$ -
Preferred Series 2	1,500	10,000	12%	-	-	-
Preferred Series 3	1,000	100,000	8%	-	-	-

Revenue Recognition

The Company recognizes revenue when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred, the price to the buyer is fixed or determinable, and collectibility is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated free on board (f.o.b.) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when the product is delivered to the customer's delivery site. Provisions for discounts and rebates to customers, estimated returns and allowances and other adjustments are provided for in the same period the related sales are recorded.

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 goods sold in the accompanying consolidated statements of operations.

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting stockholder's equity. For the Company, such items consist of gains and losses on foreign currency forward contracts and interest rate swaps.

Derivatives

The Company enters into derivative instruments, primarily consisting of commodity and interest rate swaps, in order to manage its risk to fluctuations in natural gas prices and floating interest rate debt. The Company also entered into foreign currency forward contracts in order to manage its risk to fluctuations in forecasted foreign currency denominated purchases. The fair value of the foreign currency forward contracts was based on quotes from the issuer and represents the estimated amounts that the Company would expect to pay to terminate the contracts. The Company does not utilize derivatives for speculative purposes. Derivative instruments are recorded in the consolidated balance sheets as either assets or liabilities measured at fair value, and changes in the fair value of the derivative instruments are recorded as unrealized gains or losses in either net income or other comprehensive income, depending on whether specific hedge accounting criteria are met. The Company has recorded changes in the fair value of its interest rate swap agreements as interest expense and its effective portion of foreign currency forward contracts as other comprehensive income in the accompanying consolidated financial statements.

Derivatives are classified in the accompanying consolidated balance sheets as follows (in thousands):

June 30	2015	2014
Assets		
Prepaid and other current assets	$ -	$ 1,553
Other non-current assets	-	28
	$ -	$ 1,581
Liabilities		
Accrued liabilities	$ (1,815)	$ -
Other non-current liabilities	(244)	-
	$ (2,059)	$ -

The Company's interest rate swaps were terminated during fiscal 2014 in relation to certain debt refinancing activities (see Note 7). Realized net losses from derivatives instruments during the period were as follows (in thousands):

For the years ended June 30	2015	2014
Interest rate swaps	$ -	$ (4,013)
	$ -	$ (4,013)

The realized and unrealized (losses) gains for the effective portion of foreign currency forward contracts approximated $(6,160,000) and $1,581,000 at June 30, 2015 and 2014, respectively, and is recorded in accumulated other comprehensive income.

Fair Value Measurements

The guidance for fair value measurements establishes the authoritative definition for fair value, sets out a framework for measuring fair value, and outlines the required disclosures regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurements date.

The Company uses a three-tier fair value hierarchy based upon observable and non-observable inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Company's financial instruments measured at fair value as of June 30, 2015 and 2014, respectively, consist primarily of derivatives and certain short-term investments. The following table summarizes the valuation of derivatives and short-term investments measured at fair value on a recurring basis in the balance sheet:

June 30, 2015	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Short-term investments	**$ 13,755**	**$ -**	**$ -**
Foreign currency forward contracts	**-**	**(2,059)**	**-**
June 30, 2014			
Short-term investments	$ 12,330	$ -	$ -
Foreign currency forward contracts	-	1,581	-

The Company's financial instruments that are not measured at fair value in the financial statements consist primarily of short-term investments not designated as trading securities, accounts receivable, accounts payable, bank overdraft and debt. The carrying amounts of accounts receivable, accounts payable and bank overdraft approximate their fair value at June 30, 2015 and 2014 because of their nature and relatively short maturity. The estimated aggregate fair value of the Company's short-term investments not designated as trading securities, with a carrying value of $2,529,000 and $1,396,000 in 2015 and 2014, respectively, approximated $4,192,000 and $4,022,000 at June 30, 2015 and 2014, respectively. The estimated fair value of the short-term investments was obtained by a third-party appraisal. In determining the estimated fair value, the third-party appraiser used various inputs and significant estimates including comparable investments, asset and cash flow analysis, and overall market conditions (Level 3).

The estimated fair value of the Company's long-term debt with a carrying value of $548,133,000 and $542,187,000 in 2015 and 2014, respectively, approximated $510,658,000 and $524,708,000 at June 30, 2015 and 2014. The Company estimated the fair value of the long-term debt by discounting the future flow using the Company's estimated current borrowing rates for similar types and maturities of debt (Level 3).

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of accounts receivable and cash and cash equivalents. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base. The Company performs periodic credit evaluations of its customer's financial condition and generally does not require collateral.

Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers", which establishes a comprehensive revenue recognition standard under GAAP for virtually all industries. The new standard is effective for annual periods beginning after December 15, 2017 for public entities, as defined, and for annual periods beginning after December 15, 2018 for all other entities. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

In April 2015, FASB issued Accounting Standards Update 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs related to a recognized debt liability be presented as a reduction to the carrying amount of that debt liability, not as an asset. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2016. The Company has not yet determined the effects, if any, adoption of this update may have on the Company's consolidated financial statements.

3 Property in Process of Development

The Company is developing a tract of land in Valparaiso, Indiana upon which it is constructing a recycling linerboard mill facility with an estimated annual production capacity of 379,000 tons. Construction of the mill began in April 2014 with completion scheduled for October 2015.

The total estimated development cost of the mill is $260,000,000. Development of the Mill is being funded from the proceeds received from the City of Valparaiso, Indiana Exempt Facilities Revenue Bonds (Note 7) and equity contribution of Pratt. In management's opinion, proceeds available from the revenue bonds and equity contributions are sufficient to complete development of the mill. Amounts capitalized for interest incurred on borrowed funds to finance the development of the mill as of June 30, 2015 and 2014 totaled $13,260,000 and $8,092,000 which is net of interest income of $422,000 and $264,000, respectively.

4 Business Combinations

In April 2015, the Company acquired certain assets of Robert Mann Packaging, Inc., a manufacturer of shipping boxes, industrial containers, and agricultural containers based in Salinas, California. The total purchase price of $65,802,000, net of cash acquired was funded with available cash of $48,477,000, a note payable to a former shareholder of $1,500,000, and the assumption of certain liabilities and amounts payable. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Robert Mann Packaging), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $17,383,000 of goodwill. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	30,527
Property, plant and equipment		8,830
Intangible assets		13,496
Other assets		2,858
Goodwill		17,383
Total assets acquired		73,094
Liabilities		
Accounts payable and accrued liabilities		(7,292)
Total liabilities assumed		(7,292)
Net assets acquired	$	65,802

In March 2014, the Company acquired from two shareholders certain assets of Triad Packaging Design & Display, Inc., manufacturer of shipping boxes, industrial containers, and corrugated displays based in Bristol, Tennessee. The total purchase price of $5,294,000, net of cash acquired, was funded with available cash of $4,019,000, notes payable to the former shareholders of $1,275,000 and the assumption of certain liabilities. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Triad Packaging), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $1,116,000 of goodwill. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

	Amount
Assets	
Accounts receivable, inventories and other current assets	**$ 2,285**
Property, plant and equipment	**1,744**
Intangible assets	**1,704**
Goodwill	**1,116**
Total assets acquired	**6,849**
Liabilities	
Accounts payable and accrued liabilities	**(1,555)**
Total liabilities assumed	**(1,555)**
Net assets acquired	**$ 5,294**

5 Goodwill and Other Intangible Assets

The gross carrying amounts and accumulated amortization by major intangible asset class were as follows (in thousands):

	2015			2014		
June 30	Period of Benefit	Gross Carrying Amount	Accumulated Amortization	Period of Benefit	Gross Carrying Amount	Accumulated Amortization
Customer lists and customer relationships	5 - 10 years	**$ 18,269**	**$ (6,649)**	5 - 10 years	$ 7,717	$ (5,080)
Non-compete arrangements, favorable in-place operating lease agreements and patents	3 - 5 years	**1,961**	**(1,111)**	3 - 5 years	1,961	(769)
Trade names	3 - 10 years	**5,944**	**(3,120)**	10 years	3,000	(2,575)
Emission credits	25 years	**504**	**(115)**	25 years	504	(94)
		$ 26,678	**$ (10,995)**		$ 13,182	$ (8,518)

During fiscal 2015 and 2014, aggregate amortization expense was $2,537,000 and $1,963,000, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows (in thousands):

	Amount
For the year ending June 30:	
2016	$ 3,652
2017	2,815
2018	1,795
2019	1,752
2020	1,679
Total	$ 11,693

6 Transactions with Affiliates

Due from Affiliates

The Company had the following affiliated receivables (in thousands):

June 30	2015	2014
Receivable from:		
Visy Board Pty. Ltd.	**$ 623**	$ 166
	$ 623	$ 166

Due to Affiliates

The Company had the following affiliated payables (in thousands):

June 30	2015	2014
Payable to:		
Build Run Repair Pte. Ltd.	**$ 136**	$ 127
Visy Trading Singapore Pte. Ltd.	**1,264**	663
Visy Logistics Pty. Ltd.	**1,705**	-
	$ 3,105	$ 790

Affiliates' balances result from various administrative and operating cost allocations and charges between the Company and its affiliates. Affiliated balances are noninterest-bearing and unsecured and have been classified as long-term in the accompanying consolidated balance sheet as payment is not anticipated within one year. All of the above entities are subsidiaries of Pratt Holdings, Pty., Ltd., an Australian entity affiliated through common ownership.

As of and for the year ended June 30, 2015 the Company had entered into certain transactions to provide goods, services, and a lease to an entity in which an officer and owner of the Company has a minority interest. As of June 30, 2015 and 2014, the Company had $2,017,000 and $2,548,000, respectively, of secured trade receivables due on demand, and $2,139,000 and $2,331,000 receivable over a 15 year lease agreement, respectively.

During the years ended June 30, 2015 and 2014, the Company purchased additional workers compensation, additional auto liability, loss of key customer, loss of key employee, and various other insurance coverages from Pratt Insurance (VT), Inc., a wholly owned subsidiary of Pratt Holdings. Total premium expenses under these polices were $17,577,000 and $6,518,000 for the years ended June 30, 2015 and 2014, respectively, and are included within cost of goods sold and selling, general and administrative expenses based on the type of coverage provided.

7 Long-term Debt

The following is a summary of the amounts outstanding under Company's long-term debt arrangements (in thousands):

June 30	2015	2014
Pratt Paper (NY), Inc.		
Build NYC Resource Corporation Solid Waste Disposal Revenue Bonds, due in semiannual varying increments through January 1, 2035; interest payable semiannually at a weighted fixed interest rate of 4.95%, secured by land, buildings, other assets, and paper supply contract	**$ 96,300**	$ -
New York City Development Agency Solid Waste Disposal Revenue Bonds, due in varying increments through January 1, 2028; interest payable semiannually at a weighted fixed interest rate of 7.86%; secured by land, buildings, other assets, and paper supply contract	**-**	88,100
Pratt Paper (GA), LLC		
Development Authority of Rockdale County Tax Exempt Project Revenue Bonds (Series 2007A) and Taxable Project Revenue Bonds (Series 2007B), due in varying increments through January 1, 2034; interest payable semiannually at 6.13% for Series 2007A and 8.25% for Series 2007B, secured by land, buildings, other assets and paper supply contract and guaranteed by Pratt	**106,425**	108,810
Pratt Paper (LA), LLC		
Senior Secured Notes, due in semiannual varying increments through June 30, 2033; interest payable semiannually at 6.36%, secured by land, buildings, other assets and paper supply contract and guaranteed by Pratt	**98,000**	99,000
Pratt Paper (IN), LLC		
City of Valparaiso, Indiana Exempt Facilities Revenue Bonds, due in semiannual varying increments through January 1, 2044; interest payable semiannually at a weighted fixed interest rate of 6.78%, secured by land, buildings, other assets and paper supply contract and guaranteed by Pratt	**200,000**	200,000
Pratt Industries, Inc.		
Note payable to the Ohio Development Services Agency, principal and interest payable monthly at 3%, due March 2027, secured by the Project Equipment	**2,948**	-
State of Ohio State Economic Development Revenue Bonds, due in monthly varying increments through November 15, 2025; interest payable monthly at a fixed interest rate of 4.00%, secured by the Project Equipment	**6,340**	6,820
Notes payable to former shareholders of acquired entities; with interest rates ranging from 4.00% to 6.00% and maturing at varying dates through 2021	**4,820**	6,124
Pratt Corrugated Holdings, Inc.		
Note payable to former shareholder of acquired business; interest payable annually at 5.00% maturing July 2019	**1,500**	-
Pratt Properties, Inc.		
Senior Secured Notes, payable monthly through November 12, 2023; interest payable monthly at 5.85%, secured by land, buildings and other assets	**32,511**	34,070
	548,844	542,924
Less - Unamortized discount, PPGA Series 2007A Bonds	**(711)**	(737)
	548,133	542,187
Less - Current maturities	**(10,239)**	(10,380)
	$ 537,894	$ 531,807

In December 2014, Build NYC Resource Corporation issued tax exempt Solid Waste Disposal Revenue Bonds Series 2014 (the Series 2014 Bonds) totaling $96,300,000. The Series 2014 Bonds were issued for the purpose of defeasing and redeeming all of the outstanding Solid Waste Disposal Revenue Bonds Series 1995 and bear interest, payable semiannually, ranging from 3.75% to 5.00% and mature in 2035.

The Series 2014 Bonds are secured by land, buildings, and other assets of PPNY, a paper supply contract with PCH, and contain certain restrictive covenants, which, among others, place a limitation on future indebtedness based on certain financial ratios, as defined. The repayment terms of the Series 2014 Bonds require annual sinking fund payments commencing July 1, 2015, to be made in varying increments of $1,600,000 to $3,700,000 through maturity. PPNY incurred debt issuance costs of approximately $2,481,000 for the Series 2014 Bond issuance.

The New York City Development Agency Solid Waste Disposal Revenue Bonds Series 1995 contain certain restrictive covenants on the part of PPNY, including, but not limited to, a limitation on future indebtedness and payment of dividends based on certain financial ratios, as defined. PPNY is required to make semiannual sinking fund payments beginning January 1, 1999, in varying increments of $600,000 to $5,100,000 through maturity.

In August 2007, the Development Authority of Rockdale County issued Tax Exempt Project Revenue Bonds Series 2007A totaling $54,315,000 and Taxable Project Revenue Bonds Series 2007B totaling $66,010,000 (collectively, the 2007 Bonds). The Series 2007A Bonds were issued for the purpose of financing a clean energy cogeneration plant for the Company and bear interest, payable semiannually, at 6.125% and mature in 2034.

The Series 2007B Bonds were issued for the purpose of defeasing and redeeming all of the outstanding Solid Waste Disposal Revenue Bonds Series 1993 and bear interest, payable semiannually, at 8.25% and mature in 2028. The 2007 Bonds are secured by land, buildings, and other assets of the Company, the paper supply contract with PCH, and contain certain restrictive covenants, which, among others, place a limitation on future indebtedness based on certain financial ratios, as defined. The repayment terms of the 2007 Bonds require annual sinking fund payments commencing January 1, 2008, to be made in varying increments of $565,000 to $9,620,000 through maturity. The 2007 Bonds are also guaranteed by Pratt, as defined, and include among other things, limitations of future indebtedness based on certain financial ratios for the guarantor. The Company incurred bond discount of $877,000 and debt issuance costs of approximately $2,762,000 for the Series 2007A and 2007B bond issues.

The Series 2014 Bonds and 2007 Bonds are supported by a paper supply arrangement with PCH, whereby PCH is obligated to purchase a minimum of 480,000 tons annually. PPNY, PPGA and PCH entered into the supply arrangements in April 2004 for a period of five years. In May 2007, PPGA's supply agreement with PCH was amended to extend the term from five years to the later of (i) June 30, 2012, and (ii) the date of which the Series 2007B Bonds remain outstanding. Prices are established by contract, and adjust semiannually as determined by an independent third party, subject to a floor price ranging from $200 to $290 per ton. In November 2008, PPNY's contract was amended to extend the term from five years to ten years and to increase the contracted price. Under the terms of the contract, PCH is obligated to purchase annually from PPNY a minimum of 180,000 tons per year of containerboard whether or not ordered at a contract price based on market conditions for linerboard and medium. The contract price is adjusted on a semiannual basis in October and April. Price adjustments are limited to twenty five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $240 to $330 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

The amended PPNY contract term expired in April 2014 and PPNY and PCH continued to operate under the terms and conditions of the amended contract through fiscal 2014. In 2015, PCH entered into a twenty year paper supply contract with PPNY. Under the terms of the contract, PCH is obligated to purchase annually from PPNY a minimum of 260,000 tons per year of containerboard, whether or not ordered, at a contract price based on market conditions for linerboard and medium. The contract price is adjustable on a semiannual basis in October and April. Price adjustments are based on a percentage of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $415 to $505 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In July 2013, PPLA completed a refinancing of the Caddo-Bossier Parishes Port Commission Fixed Rate and Floating Rate Taxable Revenue Senior Secured Notes Series 2008 (the 2008 Notes) and entered into a $100,000,000 Note Purchase Agreement (the PPLA Notes) for the purpose of retiring the 2008 Notes. The PPLA Notes, due in semiannual varying increments, bear interest, payable semi-annually, at the fixed rate of 6.36% and mature in June 2033.

The PPLA Notes are secured by land, buildings and other assets of PPLA and contain certain maintenance covenants including minimum fixed charge coverage ratio and maximum leverage ratio. As of June 30, 2015 and 2014, PPLA was in compliance with these covenants. The PPLA Notes are guaranteed by Pratt. PPLA incurred debt issuance costs of approximately $643,000 for the PPLA Notes, which are amortized using the effective interest method over the life of the agreement beginning in fiscal year 2014.

In connection with the refinancing, PPLA incurred approximately $6,697,000 in prepayment penalties under the 2008 Notes, expensed approximately $2,728,000 of unamortized debt issuance costs and terminated its interest rate swap agreement incurring breakage fees of approximately $3,417,000.

The 2008 Notes were issued for the construction of the Mill and bore interest, payable quarterly, for the $30,000,000 fixed rate notes (8.75%) and Libor plus 3.75% for the $82,000,000 floating rate notes and were scheduled to mature in June 2018. The 2008 Notes were secured by land, buildings and other assets of PPLA.

In June 2008, PPLA entered into a paper supply contract with PCH to ensure PPLA's ability to sell a substantial amount of containerboard production. This contract was replaced on July 26, 2013 with a new paper supply agreement with PCH in connection with the refinancing of the 2008 Notes and changed the contract term from fourteen years to twenty years. Under the terms of the contract, PCH is obligated to purchase from PPLA a minimum of 260,000 tons of containerboard whether or not ordered at a contract price based on market conditions for linerboard and medium. The contract price is adjusted on a semiannual basis in October and April. Price adjustments are limited to twenty five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $398 to $488 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In January 2012, PPLA entered into an amended and restated Common Terms Agreement (CTA) under the Notes. The amendment included, among other things, changes to restrictions on cash and cash equivalents along with the termination of the Depository Agreement contained in the CTA. As such, the amendment authorized the transfer of funds from restricted cash accounts.

In November 2013, the City of Valparaiso, Indiana issued Exempt Facility Revenue Bonds Series 2013 (the 2013 Bonds) totaling $200,000,000. The 2013 Bonds were issued for the construction of the Mill (Note 3) and bear interest, payable semiannually at a weighted fixed interest rate of 6.78% and mature in January 2044.

The 2013 Bonds are secured by land, buildings and other assets of PPIN and contain certain restrictive covenants, which, among other things, place a limitation on future indebtedness and restricted payments, as defined. The repayment terms of the 2013 Bonds require semiannual principal payments in varying increments commencing July 2016 through February 2044. The 2013 Bonds are also guaranteed by Pratt, as defined, and include, among other things, limitations of future indebtedness and the maintenance of certain financial ratios for the guarantor. The guarantor obligations will automatically terminate in the fiscal year following completion date of the Mill and compliance with certain milestones outlined in the guaranty agreement. The Company incurred debt issuance costs of approximately $3,263,000 for the 2013 Bonds, which will be amortized using the effective interest method over the life of the agreement beginning in fiscal year 2014.

In November 2013, PPIN entered into a paper supply contact with PCH to ensure PPIN's ability to sell a substantial amount of containerboard production. The contract is effective for a period of thirty years from the commencement of operations. Under the terms of the contract, PCH is obligated to purchase from PPIN a minimum of 170,000 tons of containerboard in year one up to a minimum of 300,000 tons of containerboard by year nine, whether or not ordered at a contact price based on market conditions for linerboard and medium. The contract price is adjusted on a semi-annual basis in October and April. Price adjustments are limited to twenty-five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $430 to $530 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In July 2011, PCH entered into a syndicated credit agreement (the Credit Agreement) providing for up to $200,000,000 in revolving credit facilities including up to $40,000,000 in letters of credit commitment. Borrowings under the Credit Agreement bear interest at one month Libor plus an applicable margin (ranging from 2.00% to 2.75%) based on the PCH's Total Leverage Ratio, as defined, and was scheduled to mature in July 2016. The Credit Agreement is secured by substantially all property and guaranteed by each of PCH's wholly owned subsidiaries.

In May 2013, PCH amended the Credit Agreement (the First Amendment). The First Amendment increased the maximum revolving credit availability to $225,000,000 including up to $45,000,000 in letters of credit commitment. The First Amendment also reduced the applicable interest rate margin on Libor borrowings by 0.25% (ranging from 1.75% to 2.50% based on the Company's Total Leverage Ratio, as defined) and extended the maturity date to May 31, 2018. PCH did not have borrowings outstanding under the Credit Agreement as of June 30, 2015 or June 30, 2014. Outstanding letters of credit totaled $3,775,000 and $20,274,000 at June 30, 2015 and 2014, respectively.

The amended Credit Agreement contains certain restrictive covenants including, but not limited to, limitations on the incurrence of debt and maintenance of certain financial covenants. Total Leverage Ratio cannot be greater than 3.25 to 1.0 and Interest Coverage Ratio cannot be less than 5.0 to 1.0. Consolidated net worth must not be less than the sum of $90 million plus 25% of positive consolidated net income beginning in fiscal year 2012.

In February 2015, the Company entered into a note payable with the Director of the Ohio Development Services Agency (the 2015 OH Loan) totaling $3,000,000. The proceeds of the 2015 OH Loan were used for project equipment located in the Company's Lewisburg, Ohio manufacturing facility and bear interest, payable monthly at a fixed interest rate of 3% and mature in March 2027.

In December 2013, the State of Ohio issued State Economic Development Revenue Bonds Series 2013-3 (the 2013 OH Bonds) totaling $7,000,000. The 2013 OH Bonds were issued for project equipment located in the Company's Lewisburg, Ohio manufacturing facility and bear interest, payable monthly at a fixed interest rate of 4.00% and mature in November 2025.

The 2013 OH Bonds are secured by the Project Equipment of the Company and contain certain restrictive covenants, which, among other things, require notice and places restrictions related to the project equipment, as defined. The repayment terms of the 2013 OH Bonds require principal payments in varying increments commencing January 2014 through November 2025. The Company incurred debt issuance costs of approximately $259,000 for the 2013 OH Bonds, which will be amortized using the effective interest method over the life of the agreement beginning in fiscal year 2014.

In November 2013, PPI entered into a $35,000,000 Note Purchase Agreement (the PPI Notes) for the purpose of retiring its existing Cash Advance Facility Agreement (the 2007 Facility). The Notes, due monthly in varying increments, bear interest, payable monthly, at a fixed rate of 5.85% and mature in November 2023.

The PPI Notes are secured by land, buildings and other assets of PPI and contain certain maintenance covenants including minimum fixed change ratio and minimum unrestricted cash balance. As of June 30, 2015 PPI was in compliance with these covenants. PPI incurred debt issuance costs of approximately $1,166,000 for the PPI Notes which are amortized using the effective interest method over the life of the agreement beginning in fiscal 2014. In connection with the refinancing, PPI expensed approximately $666,000 of unamortized debt issuance costs.

On September 11, 2007, PPI entered into the 2007 Facility which provided for up to $50 million to acquire property, vacant land, and develop acquired property. The 2007 Facility was scheduled to mature September 2014, was secured by land and buildings of PPI, bore interest at Libor plus a margin, as defined, and contained certain restrictive covenants, which, among other things, placed restrictions on distributions, permitted sale of properties, required valuation of properties, and required maintenance of a loan to value ratio not to exceed 90%. The 2007 Facility included a commitment fee at an initial rate of 0.30% on $50,000,000 paid quarterly. The amount paid for the commitment fee totaled $60,000 in fiscal 2014.

Exclusive of unamortized discount, future maturities of long-term debt as of June 30, 2015, are as follows (in thousands):

		Amount
For the year ending June 30:		
2016	$	10,239
2017		13,781
2018		14,308
2019		14,558
2020		14,883
Thereafter		481,075
Total	$	548,844

8 Commitments and Contingencies

Impact of Superstorm Sandy

In October 2012, the Company was impacted by widespread flooding caused by Superstorm Sandy. During the year ended June 30, 2014 additional amounts under insurance recovery claims were finalized resulting in a recorded gain of approximately $1,929,000. This amount is included within other income in the accompanying statement of operations.

Operating Leases

The Company leases certain land, office facilities, and equipment under noncancelable operating lease agreements expiring at various dates through 2041. The leases, which include escalation clauses, generally require that the Company pay taxes, maintenance, and insurance. Future minimum rental payments required under such leases having initial or remaining noncancelable terms in excess of one year as of June 30, 2015, are as follows (in thousands):

		Amount
For the year ending June 30:		
2016	$	63,427
2017		54,194
2018		46,129
2019		34,644
2020		25,677
Thereafter		99,838
Total	$	323,909

Total rent expense under noncancelable operating leases for the years ended June 30, 2015 and 2014 was approximately $57,822,000 and $50,280,000, respectively.

Asset Sales and Leaseback

In November 2014, the Company sold land and building located in Lewisburg, Ohio to an unrelated party for $19,318,000 with such property being leased back to PCH. A gain of $5,367,000 was realized in this transaction and has been deferred and will be amortized to income in proportion to rent charged over an eighteen and one-half year lease term beginning in November 2014.

During fiscal 2015, the Company sold new manufacturing equipment to various unrelated equipment leasing entities for $33,490,000 with such equipment being leased back to PCH. The Company did not realize any gain in these transactions. The lease terms range from five to seven years beginning in fiscal 2015.

Purchase Commitments

PPNY, PPLA and PCH, wholly owned subsidiaries of the Company, have purchase commitments for natural gas and electricity in quantities expected to be used in production over a reasonable period in the normal course of business.

Legal and Environmental Matters

The Company is also a party to certain litigation and environmental claims incidental to the Company's business. In management's opinion, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position or results of operations.

9 Income Taxes

The Company is included in the consolidated federal income tax return of Pratt Holdings. Under an informal tax-sharing agreement with Pratt Holdings, the Company provides for income taxes as if it were a standalone entity. Amounts paid to Pratt Holdings pursuant to the tax sharing agreement were $29,400,000 and $15,200,000 in 2015 and 2014, respectively.

The provision for income taxes consists of the following (in thousands):

For the years ended June 30	2015	2014
Current:		
Federal	$ (47,749)	$ (30,880)
State	(5,121)	(4,062)
	(52,870)	(34,942)
Deferred:		
Federal	(3,094)	(9,361)
State	(580)	(1,754)
	(3,674)	(11,115)
Provision for income taxes	$ (56,544)	$ (46,057)

Reconciliation of the United States federal rate to the Company's effective tax rate is as follows:

For the years ended June 30	2015	2014
U.S. federal statutory tax rate	35.0%	35.0%
Blended state rate, net of federal benefit	2.9%	3.4%
Nondeductible expenses	0.5%	0.7%
Tax benefit on manufacturing activities	(2.8%)	(2.2%)
Tax credits and other	(0.1%)	0.8%
Effective tax rate	35.5%	37.7%

The components of the net deferred income tax liability are as follows (in thousands):

June 30	2015	2014
Deferred tax liabilities:		
Property, plant and equipment	$ (95,412)	$ (88,088)
Prepaid assets	(9,781)	(5,939)
Intangibles	(1,136)	(1,785)
Total deferred tax liabilities	(106,329)	(95,812)
Deferred tax assets:		
Net operating loss and tax credit carryforwards	9,706	10,967
Accounts receivable	2,848	945
Accrued liabilities and other	9,862	3,515
Total deferred tax assets	22,416	15,427
Valuation Allowance	(9,706)	(10,967)
Net deferred tax assets	12,710	4,460
Net deferred income tax liability	$ (93,619)	$ (91,352)

At June 30, 2015, the Company has accumulated net operating loss carryforwards of approximately $166,000,000 in numerous state jurisdictions in which it operates. These state net operating losses will expire in various years from 2015 through 2035 if not utilized to reduce income taxes payable in future years. The Company has determined that it is more likely than not that a significant portion of these net operating losses will not be realized in the future. As such, the Company has recorded a valuation allowance against the future tax benefit of these state net operating losses. The Company decreased its valuation allowance related to state net operating losses by approximately $1,355,000 and $285,000 during 2015 and 2014, respectively, as a result of utilization, net of changes to state apportionment factors in certain jurisdictions where the Company operates.

At June 30, 2015, the Company had foreign tax credit carryforwards of approximately $2,331,000 which will expire starting in 2016. The Company has determined that it is more likely than not that these foreign tax credit carryforwards will not be realized prior to their expiration. Accordingly, the Company has recorded a valuation allowance against the future tax benefit of these credits. The Company increased its valuation allowance related to foreign tax credits by approximately $94,000 during 2015. The Company increased its valuation allowance related to foreign tax credits by approximately $461,000 during 2014.

10 Employee Benefit Plans

Supplemental Executive Retirement Plan

In connection with the Company's fiscal 1998 acquisition of Bell, the Company acquired a supplemental executive retirement plan (SERP), which provides benefits to certain employees of Bell commencing upon retirement. The SERP is unfunded and accrual of benefits was ceased in fiscal 1998. The Company uses June 30 as the measurement date for determining the projected benefit obligation.

The SERP benefit obligation as of June 30, 2015 and 2014, totaled $1,577,000 and $1,646,000, respectively. Net periodic pension expense for this plan equaled $62,000 and $70,000 for fiscal years 2015 and 2014, respectively, and related primarily to interest costs. The net periodic benefit costs and the benefit obligation as of June 30, 2015 and 2014 were determined using a weighted average discount rate of 3.5% and 3.4%, respectively.

Company contributions and benefits paid under the plan totaled $47,000 in fiscal year 2015 and 2014. The estimated benefits and contributions expected to be paid in each of the next five fiscal years and taken together for the five fiscal years thereafter are as follows (in thousands):

		Amount
For the year ending June 30:		
2016	$	143
2017		140
2018		137
2019		133
2020		129
Five fiscal years thereafter		573
	$	1,255

Savings Plan

The Company has a 401(k) savings plan (the Plan) for full-time eligible employees (defined as employees with over 90 days of service). Under the Plan, the Company may make matching contributions up to 3% of eligible wages. The Company recorded $5,575,000 and $4,841,000 in the statement of operations to fund matching contributions during fiscal years 2015 and 2014, respectively.

Collective Bargaining Agreement

During fiscal 2012, the Company entered into a new collective bargaining agreement with International Union of Operating Engineers Local 30 (Local 30), which covers approximately 2% of the Company's labor force. The agreement became effective January 1, 2011 and expires on December 31, 2015. Under the terms of the agreement, the Company contributes to a trust established by Local 30 used to administer benefits that principally cover production employees. The Company's obligation is limited to monthly trust contributions based on certain employee information as specified in the agreement. Total contributions were $1,308,000 and $1,259,000 for 2015 and 2014, respectively.

Deferred Compensation Plan

The Company has a deferred compensation plan covering certain employees. The plan allows a participant to defer a portion of his or her income and provides for supplemental contributions by the Company. There were no Company contributions into the Plan during the years ended June 30, 2015 and 2014. The Company holds cash and investments for fulfillment of the liabilities of the Plan, which are carried at fair value of $15,631,000 and $14,259,000 as of June 30, 2015 and 2014, respectively. Amounts payable under the plan of $15,631,000 and $14,259,000 are included in accrued liabilities at June 30, 2015 and 2014, respectively.

11 Reorganization and Start-Up Costs

The Company incurred start-up and other costs of approximately $1,687,000 and $2,145,000 in fiscal years 2015 and 2014, respectively, for various corrugating, converting, material recycling, and mill facilities. These costs were expensed as incurred and paid during fiscal 2015 and 2014, respectively.

12 Subsequent Events

The Company evaluated all events or transactions that occurred after June 30, 2015 up through September 29, 2015, the date the financial statements were available to be issued. During this period, no material recognizable subsequent events occurred.

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Consolidated Financial Statements and
Report of Independent Certified Public Accountants

Pratt Industries, Inc. and Subsidiaries

June 30, 2014 and 2013

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Grant Thornton LLP
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Report of Independent Certified Public Accountants

To the Board of Directors and Stockholders of
Pratt Industries, Inc.:

We have audited the accompanying consolidated financial statements of **Pratt Industries, Inc**. (a Delaware corporation), and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholder's equity, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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 Pratt Industries, Inc. and subsidiaries as of June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Atlanta, Georgia
October 3, 2014

Consolidated balance sheets

(Dollars in thousands, except number of shares)

June 30	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	**$ 155,285**	$ 84,330
Short-term investments	**13,727**	11,744
Accounts receivable, net of allowance for doubtful accounts of $6,875 and $1,520 in 2014 and 2013, respectively	**199,052**	180,614
Inventories	**118,103**	104,159
Deferred income taxes	**-**	6,609
Prepaid expenses and other	**28,059**	14,224
Total current assets	**514,226**	401,680
Property, plant and equipment:		
Land	**18,832**	18,832
Buildings and improvements	**178,522**	173,219
Machinery and equipment	**788,432**	765,474
Construction in progress	**68,160**	19,815
	1,053,946	977,340
Less - accumulated depreciation	**(575,824)**	(532,971)
Property, plant and equipment, net	**478,122**	444,369
Due from affiliates	**166**	307
Restricted cash	**205,686**	8,145
Goodwill	**46,531**	45,426
Intangible assets, net	**4,664**	4,863
Other assets	**33,758**	30,310
Total assets	**$ 1,283,153**	$ 935,100

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

Consolidated balance sheets (continued)

(Dollars in thousands, except number of shares)

June 30	2014	2013
Liabilities and stockholder's equity		
Current liabilities:		
Bank overdraft	**$ 1,020**	$ 2,153
Accounts payable	**154,673**	132,862
Accrued liabilities	**118,321**	90,041
Current maturities of long-term debt	**10,380**	18,009
Total current liabilities	**284,394**	243,065
Long-term debt	**531,807**	293,120
Due to affiliates	**790**	37
Deferred income taxes	**89,557**	84,877
Other liabilities	**6,177**	11,795
Total liabilities	**912,725**	632,894
Commitments and contingencies (Note 8)		
Stockholder's equity:		
Preferred stock, series 3, $100,000 par value with 8% cumulative dividend payable quarterly; 1,000 shares authorized, 0 and 178 shares issued and outstanding at June 30, 2014 and 2013, respectively	**-**	17,800
Common stock, $1 par value; 1,000 shares authorized, 635 shares issued and outstanding	**1**	1
Additional paid-in capital	**205,122**	196,854
Retained earnings	**165,859**	91,242
Accumulated other comprehensive loss	**(554)**	(3,691)
Total stockholder's equity	**370,428**	302,206
Total liabilities and stockholder's equity	**$ 1,283,153**	$ 935,100

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

Consolidated statements of operations

(Dollars in thousands)

For the years ended June 30	2014	2013
Net sales	**$ 1,621,657**	$ 1,411,543
Cost and expenses:		
Cost of goods sold	**(1,200,792)**	(1,065,648)
Selling, general, and administrative expenses	**(211,623)**	(200,482)
Reorganization and start-up costs (Note 11)	**(2,145)**	(1,181)
Depreciation and amortization	**(48,629)**	(47,628)
Operating income	**158,468**	96,604
Other income (expense):		
Interest income	**318**	338
Interest expense	**(24,501)**	(25,915)
Loss on debt extinguishment	**(13,508)**	-
Other, net	**1,321**	(4,521)
Income before income taxes	**122,098**	66,506
Provision for income taxes	**(46,057)**	(23,997)
Net income	**76,041**	42,509
Preferred stock dividends	**(1,424)**	(1,424)
Net income available to common stockholders	**$ 74,617**	$ 41,085

Consolidated statements of comprehensive income

(Dollars in thousands)

For the years ended June 30	2014	2013
Net income	**$ 76,041**	$ 42,509
Other comprehensive income, net of taxes:		
Cash flow hedges	**3,137**	1,167
Comprehensive income	**$ 79,178**	$ 43,676

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

Consolidated statements of stockholder's equity

(Dollars in thousands, except number of shares)

	Preferred Stock		Common Stock				Accumulated Other	
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Retained Earnings	Comprehensive Loss	Total
Balance, June 30, 2012	178	$ 17,800	635	$ 1	$ 212,529	$ 50,157	$ (4,858)	$ 275,629
Distribution to parent company	-	-	-	-	(15,675)	-	-	(15,675)
Preferred stock dividends	-	-	-	-	-	(1,424)	-	(1,424)
Other comprehensive income	-	-	-	-	-	-	1,167	1,167
Net income	-	-	-	-	-	42,509	-	42,509
Balance, June 30, 2013	178	17,800	635	1	196,854	91,242	(3,691)	302,206
Distribution to parent company	-	-	-	-	(9,532)	-	-	(9,532)
Preferred stock dividends	-	-	-	-	-	(1,424)	-	(1,424)
Preferred stock cancellation	(178)	(17,800)	-	-	17,800	-	-	-
Other comprehensive income	-	-	-	-	-	-	3,137	3,137
Net income	-	-	-	-	-	76,041	-	76,041
Balance, June 30, 2014	**-**	**$ -**	**635**	**$ 1**	**$ 205,122**	**$ 165,859**	**$ (554)**	**$ 370,428**

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

Consolidated statements of cash flows

(Dollars in thousands)

For the years ended June 30		2014		2013
Operating activities:				
Net income	**$**	**76,041**	$	42,509
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		**48,629**		47,628
Interest amortization		**595**		1,364
Loss on debt extinguishment		**3,394**		-
Deferred income taxes		**13,083**		2,980
Loss on disposal and writedown of assets		**410**		144
Changes in assets and liabilities:				
Accounts receivable		**(17,204)**		(28,242)
Inventories		**(12,930)**		15,063
Prepaid expenses and other		**(15,779)**		5,142
Accounts payable		**13,102**		11,808
Accrued liabilities		**16,730**		23,884
Total adjustments		**50,030**		79,771
Net cash provided by operating activities		**126,071**		122,280
Investing activities:				
Capital expenditures		**(64,783)**		(27,109)
Purchase of businesses, net of cash acquired		**(4,019)**		(2,445)
Proceeds from sale of assets		**879**		41
Increase in restricted cash		**(197,541)**		-
Other		**(2,780)**		453
Net cash used in investing activities		**(268,244)**		(29,060)
Financing activities:				
(Decrease) increase in bank overdraft		**(1,133)**		1,212
Principal payments on long-term debt		**(112,157)**		(147,652)
Proceeds from issuance of long-term debt		**342,000**		125,000
Dividends paid on preferred stock		**(1,424)**		(1,424)
Distribution to parent company		**(9,532)**		(15,675)
Debt issuance costs		**(5,374)**		(706)
Decrease (increase) in due to affiliates		**748**		(1,406)
Net cash provided by (used in) financing activities		**213,128**		(40,651)
Net increase in cash and cash equivalents		**70,955**		52,569
Cash and cash equivalents:				
Beginning of year		**84,330**		31,761
End of year		**155,285**		84,330
Supplemental disclosures of cash flow information:				
Interest paid	**$**	**26,497**	$	25,685
Income taxes paid	**$**	**17,523**	$	12,500
Accrued capital expenditures	**$**	**10,261**	$	2,554
Long-term debt issued in acquisition of business	**$**	**1,276**	$	340

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

Notes to consolidated financial statements

1 Organization and Nature of Business

Pratt Industries, Inc. (Pratt) is a wholly owned subsidiary of Pratt Holdings, Inc. (Pratt Holdings). Pratt and subsidiaries (collectively, the Company) consist of Pratt and its wholly owned subsidiaries, as follows:

- Pratt Corrugated Holdings, Inc. (PCH)
- Pratt Paper (GA), LLC (PPGA)
- Pratt Paper (NY), Inc. (PPNY)
- Pratt Paper (LA), LLC (PPLA)
- Pratt Paper (IN), LLC (PPIN)
- FMK, Inc. (FMK)
- Pratt Properties, Inc. (PPI)
- Pratt Investments (USA), Inc. (PI USA)
- Container Packaging, Inc. (CPI)
- Pratt Logistics, LLC
- HMSH, Inc. (HMSH)
- Pratt Properties II, LLC

The wholly owned subsidiaries of PCH are: Pratt (Jet Corr), Inc. (Jet Corr), Pratt (Target Container), Inc. (Target), Pratt (Georgia Box), Inc., Pratt (Mississippi Box), Inc., Pratt Recycling, Inc., Pratt (Bell Packaging), Inc. (Bell), Pratt (Delta Container), Inc., Pratt (Virginia Box), Inc., Pratt (Classic Container), Inc., Wil-Mac Container Corp., Pratt RHB, Inc., Pratt Industries de Monterrey, S. DER.L. DE. C.V., Pratt Mexico Holding, LLC, Pratt (Love Box), LLC, Pratt Retail Specialties, LLC, Staten Island Corrugator, LLC, Pratt (Converting Division LA), LLC, Pratt (Allentown Corrugating), LLC, Impress Industries, Inc., Pratt (Rock Solid), LLC, Pratt (Quality Carton), LLC, Pratt (Lewisburg Corrugating), LLC, Pratt (Triad Packaging), LLC, and Pratt San Antonio, S.A. de C.V. The wholly owned subsidiary of Pratt Recycling, Inc. is Pratt Recycling (LA), LLC. The wholly owned subsidiary of PPI is Pratt Financial Holdings, LLC (PFH).

In July 2013, PPLA, its wholly owned parent Pratt Paper (LA) Holdings, LLC (PP(LA)) and its wholly owned parent, Pratt Louisiana, LLC (PL) entered into an agreement and plan of merger with PPLA as the surviving company.

The Company manufactures recycled containerboard, corrugated sheets, and related packaging containers. The Company's manufacturing facilities are located primarily in the midwestern and eastern United States of America. The Company also owns, operates and develops primarily industrial manufacturing and distribution properties used in the operations of PCH and manages an investment portfolio in community banks through its wholly owned subsidiary, PPI.

2 Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Pratt and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to be cash on deposit and short-term investments with remaining maturity at acquisition of three months or less. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Short-term Investments

Short-term investments are comprised of marketable equity and fixed income securities designated as trading securities and an investment portfolio in community banks. Short-term investments designated as trading securities are recorded at fair market value based on quoted market prices with changes in fair value reflected in the accompanying consolidated statements of operations. Short-term investments not designated as trading securities are recorded at cost. The Company performs an impairment analysis each fiscal year and impairment losses, if any, are recognized in the accompanying consolidated statements of operations.

Accounts Receivable

Accounts receivable consist primarily of trade receivables and are stated at net realizable value. An allowance for doubtful accounts has been established based on the Company's collection experience and an assessment of the collectibility of specific accounts. The Company evaluates the collectibility of accounts based on a combination of factors. The allowance is adjusted when the Company becomes aware of changes in a specific customer's ability to meet its financial obligations or as a result of changes in the overall aging of accounts receivable. Accounts receivable are charged off against the allowance for doubtful accounts when it is probable the receivable will not be recovered.

Inventories

All inventories are stated at the lower of cost or market. Market with respect to finished goods is net realizable value, and market for raw materials is replacement cost. Cost of finished goods includes a proportionate share of material, labor, and manufacturing overhead.

In fiscal 2007, the Company adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 845-10-15, *Nonmonetary Transactions*, for new arrangements and modifications or renewals of existing arrangements. This guidance requires that exchanges of similar inventory be valued at the carrying value of the inventory given up instead of the fair value of the inventory received and is applied to exchange agreements entered into or renewed. The Company enters into these agreements that generally represent the exchange of manufactured linerboard for linerboard manufactured by others. During fiscal 2014 and 2013, the Company reported certain inventory buy/sell transactions of similar containerboard types at our cost basis, rather than fair value, in the consolidated statements of operations, thereby reducing net sales and costs of goods sold by approximately $62,222,000 and $62,432,000, respectively.

Inventories consist of the following (in thousands):

June 30	2014	2013
Raw materials	**$ 71,671**	$ 61,459
Finished goods and work in process	**46,432**	42,700
	$ 118,103	$ 104,159

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Expenditures for repairs and maintenance not considered to substantially lengthen the asset lives are charged to expense as incurred. Interest expense attributable to funds used in financing the construction of major renewals and improvements is capitalized.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Buildings	25 to 30 years
Machinery and equipment	3 to 30 years
Leasehold improvements	Lesser of useful life or term of lease
Furniture and fixtures	5 to 7 years

Depreciation expense related to property, plant and equipment amounted to $45,487,000 and $44,220,000 in fiscal 2014 and 2013, respectively.

In June 2011, the Company received a total of $18,531,000 in grant awards from the U.S. Treasury Department (US Treasury) under Section 1603 of the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA authorized the US Treasury to make payments to eligible persons who place in service qualifying renewable energy projects. The grants are paid in lieu of investment tax credits. All of the proceeds from the grants were used and recorded as a reduction in the cost basis of the applicable project assets. If the Company disposes of the property, or the property ceases to qualify as specified energy property, within five years from the date the property is placed in service, then a prorated portion of the Section 1603 payment must be repaid. For federal income tax purposes, the Section 1603 payments are not included in federal and certain state taxable income and the basis of the property is reduced by 50% of the payment received.

Restricted Cash

Restricted cash includes amounts held in a trust restricted to PPIN construction costs, repayment of long-term debt and accrued interest (see Note 6) for PPIN, PPGA and PPIN's recycled linerboard facilities.

Other Assets

Other assets include notes receivable, spare parts, and debt issuance costs. Spare parts are depreciated over the estimated useful lives of the corresponding machinery and equipment. Depreciation expense related to spare parts amounted to $1,179,000 and $1,367,000 in fiscal 2014 and 2013, respectively. Debt issuance costs of $10,303,000 and $12,596,000 (net of $1,903,000 and $5,986,000 accumulated amortization) at June 30, 2014 and 2013, respectively, are amortized over the life of the related obligations using the effective interest method. Amortization was $670,000 and $1,418,000, respectively, in fiscal 2014 and 2013.

Use of Estimates

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

Long-lived Assets

The Company periodically reviews the values assigned to long-lived assets, such as property, plant and equipment, for indicators of impairment and reviews the amortization periods on an annual basis. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the asset is not recoverable, it is written down to its fair value. Recoverability is measured based on the anticipated undiscounted cash flows from operations. Fair value is estimated based on projected discounted cash flows or comparable market transactions. During the years ended June 30, 2014 and 2013, there were no events or changes in circumstance that required an impairment analysis.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a greater than 50% cumulative likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. No adjustments were recognized for uncertain tax positions at June 30, 2014 or 2013. The Company recognizes interest and penalties related to tax positions in income tax expense.

The Company is subject to federal and state income taxes in various jurisdictions. The Company joins with its parent, Pratt Holdings, in filing a consolidated federal income tax return. Generally, the Company's tax years for fiscal year June 30, 2008 through June 30, 2014 remain open to examination for federal and state income tax purposes.

Preferred Stock

The following table sets forth, for the Series 1, Series 2, and Series 3 preferred shares, the authorized shares, par value, dividend, issued shares, proceeds to the Company and liquidation preferences in the case of preferred Series 3 as of June 30, 2014. All preferred series are non-voting.

	Authorized	Par Value	Cumulative Dividend	Issued and outstanding	Proceeds	Liquidation Preference
Preferred Series 1	2,000	$ 1,000	10%	-	-	-
Preferred Series 2	1,500	10,000	12%	-	-	-
Preferred Series 3	1,000	100,000	8%	-	-	-

The holder of preferred Series 3 shares, Pratt Investments, Inc. (a wholly owned subsidiary of Pratt Holdings), is entitled to receive dividends, when and as declared by the Board of Directors, at the annual rate of 8%. Dividends are paid annually.

Upon liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, before any distribution of cash or other assets is made to the holder of common shares, the holder of any series of preferred stock shall be paid all accrued dividends not previously paid, plus the par value per share.

At its option, the Company may redeem the outstanding preferred Series 3 stock at any time upon no less than 30 days prior written notice to the holder of the preferred stock. At any time on or after May 23, 2015, the holder of the preferred stock, at its option, may redeem the outstanding preferred stock upon no less than 90 days prior written notice to the Company. The Series 1 and Series 2 preferred shares do not have redemption provisions.

In June 2014, the Company and Pratt Investments, Inc. entered into an agreement and plan of merger with Pratt as the surviving company. As a result of the agreement and plan of merger, the outstanding preferred Series 3 shares in the amount of $17,800,000 were cancelled and recorded as additional paid in capital in the accompanying statement of stockholder's equity.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred, the price to the buyer is fixed or determinable, and collectibility is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated free on board (f.o.b.) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when the product is delivered to the customer's delivery site. Provisions for discounts and rebates to customers, estimated returns and allowances and other adjustments are provided for in the same period the related sales are recorded.

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 goods sold in the accompanying consolidated statements of operations.

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting stockholder's equity. For the Company, such items consist of gains and losses on foreign currency forward contracts and interest rate swaps.

Derivatives

The Company enters into derivative instruments, primarily consisting of commodity and interest rate swaps, in order to manage its risk to fluctuations in natural gas prices and floating interest rate debt. The Company also entered into foreign currency forward contracts in order to manage its risk to fluctuations in the euro exchange rates for the purchase of a paper machine. The Company does not utilize derivatives for speculative purposes. Derivative instruments are recorded in the consolidated balance sheets as either assets or liabilities measured at fair value, and changes in the fair value of the derivative instruments are recorded as unrealized gains or losses in either net income or other comprehensive income, depending on whether specific hedge accounting criteria are met. The Company has recorded changes in the fair value of its interest rate swap agreements as interest expense and its effective portion of foreign currency forward contracts as other comprehensive income in the accompanying consolidated financial statements.

Derivatives are classified in the accompanying consolidated balance sheets as follows (in thousands):

June 30	2014	2013
Assets		
Prepaid and other current assets	$ 1,553	$ 54
Other non-current assets	28	-
	$ 1,581	$ 54
Liabilities		
Accrued liabilities	$ -	$ (2,634)
Other non-current liabilities	-	(2,540)
	$ -	$ (5,174)

The Company's interest rate swaps were terminated during fiscal 2014 in relation to certain debt refinancing activities (see Note 7). Realized net losses from derivatives instruments during the period were as follows (in thousands):

For the years ended June 30	2014	2013
Interest rate swaps	$ (4,013)	$ (2,902)
	$ (4,013)	$ (2,902)

The unrealized gains for the effective portion of foreign currency forward contracts approximated $1,581,000 and $54,000 at June 30, 2014 and 2013, respectively, and is recorded in accumulated other comprehensive income. The unrealized loss for the effective portion of interest rate swaps approximated $3,489,000 at June 30, 2013 and is recorded in accumulated other comprehensive income.

Fair Value Measurements

The guidance for fair value measurements establishes the authoritative definition for fair value, sets out a framework for measuring fair value, and outlines the required disclosures regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurements date.

The Company uses a three-tier fair value hierarchy based upon observable and non-observable inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Company's financial instruments measured at fair value as of June 30, 2014 and 2013, respectively, consist primarily of derivatives and certain short-term investments. The following table summarizes the valuation of derivatives and short-term investments measured at fair value on a recurring basis in the balance sheet:

June 30, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Signicant Other Observable Inputs (Level 2)	Signicant Unobservable Inputs (Level 3)
Short-term investments	$ 12,330	$ -	$ -
Foreign currency forward contracts	-	1,581	-
June 30, 2013			
Interest rate swaps	$ -	$ (5,174)	$ -
Short-term investments	10,348	-	-
Foreign currency forward contracts	-	54	-

The Company's financial instruments that are not measured at fair value in the financial statements consist primarily of short-term investments not designated as trading securities, accounts receivable, accounts payable, bank overdraft and debt. The carrying amounts of accounts receivable, accounts payable and bank overdraft approximate their fair value at June 30, 2014 and 2013 because of their nature and relatively short maturity. The estimated aggregate fair value of the Company's short-term investments not designated as trading securities, with a carrying value of $1,396,000 in 2014 and 2013, approximated $4,022,000 and $2,828,000 at June 30, 2014 and 2013, respectively. The estimated fair value of the short-term investments was obtained by a third-party appraisal. In determining the estimated fair value, the third-party appraiser used various inputs and significant estimates including comparable investments, asset and cash flow analysis, and overall market conditions (Level 3).

The estimated fair value of the Company's long-term debt with a carrying value of $542,187,000 and $311,129,000 in 2014 and 2013, respectively, approximated $524,708,000 and $301,110,000 at June 30, 2014 and 2013. The Company estimated the fair value of the long-term debt by discounting the future flow using the Company's estimated current borrowing rates for similar types and maturities of debt (Level 3).

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of accounts receivable and cash and cash equivalents. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base. The Company performs periodic credit evaluations of its customer's financial condition and generally does not require collateral.

Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers", which establishes a comprehensive revenue recognition standard under GAAP for virtually all industries. The new standard is effective for annual periods beginning after December 15, 2016 for public entities, as defined, and for annual periods beginning after December 15, 2017 for all other entities. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

3 Property in Process of Development

The Company is developing a tract of land in Valparaiso, Indiana upon which it is constructing a recycling linerboard mill facility with an estimated annual production capacity of 379,000 tons. Construction of the mill began in April 2014 with completion scheduled for October 2015.

The total estimated development cost of the mill is $260,000,000. Development of the Mill is being funded from the proceeds received from the City of Valparaiso, Indiana Exempt Facilities Revenue Bonds (Note 7) and equity contribution of Pratt. In management's opinion, proceeds available from the revenue bonds and equity contributions are sufficient to complete development of the mill. Amounts capitalized for interest incurred on borrowed funds to finance the development of the mill as of June 30, 2014 totaled $8,092,000 which is net of interest income of $264,000.

4 Business Combinations

In March 2014, the Company acquired from two shareholders certain assets of Triad Packaging Design & Display, Inc., manufacturer of shipping boxes, industrial containers, and corrugated displays based in Bristol, Tennessee. The total purchase price of $5,294,000, net of cash acquired, was funded with available cash of $4,019,000, notes payable to the former shareholders of $1,275,000 and the assumption of certain liabilities. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Triad Packaging), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $1,116,000 of goodwill. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	**2,285**
Property, plant and equipment		**1,744**
Intangible assets		**1,704**
Goodwill		**1,116**
Total assets acquired		**6,849**
Liabilities		
Accounts payable and accrued liabilities		**(1,555)**
Total liabilities assumed		**(1,555)**
Net assets acquired	$	**5,294**

In July 2012, the Company acquired from a single shareholder certain assets of Quality Carton Inc. and ProPak, Inc., manufacturers of shipping boxes, industrial containers, and corrugated displays based in New Windsor, New York. The total purchase price of $2,785,000, net of cash acquired, was funded with available cash of $2,445,000, notes payable to the former shareholder of $340,000 and the assumption of certain liabilities. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Quality Carton Inc. and ProPak, Inc. are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $418,000 of goodwill. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	6,374
Property, plant and equipment		3,026
Intangible assets		1,714
Goodwill		418
Total assets acquired		11,532
Liabilities		
Accounts payable and accrued liabilities		(8,747)
Notes payable		(340)
Total liabilities assumed		(9,087)
Net assets acquired	$	2,445

5 Goodwill and Other Intangible Assets

Goodwill

Goodwill represents costs of businesses acquired in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not subject to amortization, but is tested for impairment, on a reporting unit basis, annually (at the end of its fiscal year) and when events and circumstances indicate that an impairment may have occurred. Potential impairments of goodwill are identified by comparing the fair value of the reporting unit to its carrying amount, including goodwill. The Company has not performed a qualitative analysis for goodwill impairment but may elect to do so in future periods. Fair value is estimated using a discounted cash flow and market-multiple approach. If the fair value of the reporting unit exceeds its carrying amount the related goodwill is not considered impaired. If the fair value of the reporting unit is less than the related carrying value, the amount of goodwill impairment loss, if any, must be measured. The amount of goodwill impairment is measured by comparing the implied fair value of the goodwill to its carrying amount. If the carrying amount exceeds its implied fair value, then an impairment loss is recognized through a charge to earnings. The Company's annual impairment test did not indicate any impairment during fiscal 2014 or 2013.

Intangible Assets

Intangible assets consist primarily of acquired customer lists, customer contracts and related relationships, covenants not to compete, and trade name. These assets are amortized on a straight-line basis over the estimated periods of benefit of 3 to 25 years.

The gross carrying amounts and accumulated amortization by major intangible asset class were as follows (in thousands):

June 30	Period of Benefit	2014 Gross Carrying Amount	2014 Accumulated Amortization	2013 Gross Carrying Amount	2013 Accumulated Amortization
Customer lists and customer relationships	5 - 10 years	**$ 7,717**	**$ (5,080)**	$ 7,074	$ (3,841)
Non-compete arrangements, favorable in-place operating lease agreements and patents	3 - 5 years	**1,961**	**(769)**	955	(480)
Trade names	10 years	**3,000**	**(2,575)**	3,000	(2,275)
Emission credits	25 years	**504**	**(94)**	504	(74)
		$ 13,182	**$ (8,518)**	$ 11,533	$ (6,670)

During fiscal 2014 and 2013, aggregate amortization expense was $1,963,000 and $2,041,000, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows (in thousands):

	Amount
For the year ending June 30:	
2015	$ 1,829
2016	1,164
2017	571
2018	288
2019	244
Total	$ 4,096

6 Transactions with Affiliates

Due from Affiliates

The Company had the following affiliated receivables (in thousands):

June 30	2014	2013
Receivable from:		
Visy Board Pty. Ltd.	**$ 166**	$ 307
	$ 166	$ 307

Due to Affiliates

The Company had the following affiliated payables (in thousands):

June 30		2014		2013
Payable to:				
Build Run Repair Pte. Ltd.	$	**127**	$	6
Visy Trading Singapore Pte. Ltd.		**663**		31
	$	**790**	$	37

Affiliates' balances result from various administrative and operating cost allocations and charges between the Company and its affiliates. Affiliated balances are noninterest-bearing and unsecured and have been classified as long-term in the accompanying consolidated balance sheet as payment is not anticipated within one year. All of the above entities are subsidiaries of Pratt Holdings, Pty., Ltd., an Australian entity affiliated through common ownership.

As of and for the year ended June 30, 2014 the Company had entered into certain transactions to provide goods, services, and a lease to an entity in which an officer and owner of the Company has a minority interest. As of June 30, 2014 and 2013, the Company had $2,548,000 and $1,866,000, respectively, of secured trade receivables due on demand, and $2,331,000 and $2,511,000, respectively, receivable over a 15 year lease agreement.

During the year ended June 30, 2014, the Company purchased additional workers compensation and auto liability insurance coverage from Pratt Insurance (VT), Inc., a wholly owned subsidiary of Pratt Holdings, and loss of key customer, loss of key employee, and various other insurance coverages from Security Atlantic Insurance, Ltd., an affiliate of Pratt Holdings. Total premium expenses under these polices were $6,518,000 for the year ended June 30, 2014 and are included within cost of goods sold and selling, general and administrative expenses based on the type of coverage provided.

7 Long-term Debt

The following is a summary of the amounts outstanding under Company's long-term debt arrangements (in thousands):

June 30	2014	2013
Pratt Paper (NY), Inc.		
New York City Development Agency Solid Waste Disposal Revenue Bonds (the Bonds), due in varying increments through January 1, 2028; interest payable semiannually at a weighted fixed interest rate of 7.86% and 7.87%; secured by land, buildings, other assets, and paper supply contract	**$ 88,100**	$ 91,500
Pratt Paper (GA), LLC		
Development Authority of Rockdale County Tax Exempt Project Revenue Bonds (Series 2007A) and Taxable Project Revenue Bonds (Series 2007B), due in varying increments through January 1, 2034; interest payable semiannually at 6.13% for Series 2007A and 8.25% for Series 2007B, secured by land, buildings, other assets and paper supply contract and guaranteed by Pratt	**108,810**	111,015
Pratt Paper (LA), LLC		
Senior Secured Notes, due in semiannual varying increments through June 30, 2033; interest payable semiannually at 6.36%, secured by land, buildings and other assets and guaranteed by Pratt.	**99,000**	-
Caddo-Bossier Parishes Port Commission Fixed Rate and Floating Rate Taxable Revenue Senior Secured Notes, due in quarterly increments through June 30, 2018; interest payable quarterly for the fixed rate notes at 8.75% and for the floating rate notes at Libor plus 4.00%, (3.95% at June 2013), secured by land, buildings, and other assets and guaranteed by PPLA	**-**	69,876
Pratt Paper (IN), LLC		
City of Valparaiso, Indiana Exempt Facilities Revenue Bonds, due in semiannual varying increments through January 1, 2044; interest payable semiannually at a weighted fixed interest rate of 6.78%, secured by land, buildings and other assets and guaranteed by Pratt	**200,000**	-
Pratt Industries, Inc.		
State of Ohio State Economic Development Revenue Bonds, due in monthly varying increments through November 15, 2025; interest payable monthly at a fixed interest rate of 4.00%, secured by the project equipment	**6,820**	-
Notes payable to former shareholders of acquired entities; with interest rates ranging from 4.00% to 6.00% and maturing at varying dates through 2021	**6,124**	5,999
Pratt Properties, Inc.		
Senior Secured Notes, payable monthly through November 12, 2023; interest payable monthly at 5.85%, secured by land, buildings and other assets	**34,070**	-
2007 Cash Advance Facility Agreement, maximum borrowing of up to $50,000, interest payable at LIBOR period maturity plus .375%, (0.8% at June 2013) due September 2014	**-**	33,500
	542,924	311,890
Less - Unamortized discount, PPGA Series 2007A Bonds	**(737)**	(761)
	542,187	311,129
Less - Current maturities	**(10,380)**	(18,009)
	$ 531,807	$ 293,120

The New York City Development Agency Solid Waste Disposal Revenue Bonds contain certain restrictive covenants on the part of PPNY including, but not limited to, a limitation of future indebtedness, payment of dividends, and restricted payments to affiliates, based on certain financial ratios, as defined. PPNY is required to make semiannual sinking fund payments in varying increments of $600,000 to $5,100,000 through maturity.

In fiscal 2011, PPNY also maintained a revolving line of credit with a bank for maximum borrowings of $10,624,000, reduced by any outstanding standby letters of credit. In fiscal 2012, the revolving line of credit was closed and replaced with stand by letters of credit for $10,624,000 issued under the new credit agreement of PCH completed on July 20, 2011.

In August 2007, the Development Authority of Rockdale County issued Tax Exempt Project Revenue Bonds Series 2007A totaling $54,315,000 and Taxable Project Revenue Bonds Series 2007B totaling $66,010,000 (collectively, the 2007 Bonds). The Series 2007A Bonds were issued for the purpose of financing a clean energy cogeneration plant for the Company and bear interest, payable semiannually, at 6.125% and mature in 2034.

The Series 2007B Bonds were issued for the purpose of defeasing and redeeming all of the outstanding Solid Waste Disposal Revenue Bonds Series 1993 and bear interest, payable semiannually, at 8.25% and mature in 2028. The 2007 Bonds are secured by land, buildings, and other assets of the Company, the paper supply contract with PCH, and contain certain restrictive covenants, which, among others, place a limitation on future indebtedness based on certain financial ratios, as defined. The repayment terms of the 2007 Bonds require annual sinking fund payments commencing January 1, 2008, to be made in varying increments of $565,000 to $9,620,000 through maturity. The 2007 Bonds are also guaranteed by Pratt, as defined, and include among other things, limitations of future indebtedness based on certain financial ratios for the guarantor. The Company incurred bond discount of $877,000 and debt issuance costs of approximately $2,762,000 for the Series 2007A and 2007B bond issues.

The solid waste disposal revenue bonds of PPNY and Project Revenue Bonds of PPGA are supported by a paper supply arrangement with PCH, whereby PCH is obligated to purchase a minimum of 480,000 tons annually. PPNY, PPGA and PCH entered into the supply arrangements in April 2004 for a period of five years. In May 2007, PPGA's supply agreement with PCH was amended to extend the term from five years to the later of (i) June 30, 2012, and (ii) the date of which the Series 2007B Bonds remain outstanding. Prices are established by contract, and adjust semiannually as determined by an independent third party, subject to a floor price ranging from $200 to $290 per ton. In November 2008, PPNY's contract was amended to extend the term from five years to ten years and to increase the contracted price. Under the terms of the contract, PCH is obligated to purchase from PPNY a minimum of 180,000 tons of containerboard whether or not ordered at a contract price based on market conditions for linerboard and medium. The contract price is adjusted on a semiannual basis in October and April. Price adjustments are limited to twenty five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $240 to $330 per ton, depending on the paper grade), as determined by an independent third-party industry specialist. The amended PPNY contract term expired in April 2014; however, PPNY and PCH continue to operate under the terms and conditions of the amended contract pending completion of a new paper supply agreement in fiscal 2015.

In July 2013, the Company completed a refinancing of the Caddo-Bossier Parishes Port Commission Fixed Rate and Floating Rate Taxable Revenue Senior Secured Notes Series 2008 (the 2008 Notes) and entered into a $100,000,000 Note Purchase Agreement (the Notes) for the purpose of retiring the 2008 Notes. The Notes, due in semiannual varying increments, bear interest, payable semi-annually, at the fixed rate of 6.36% and mature in June 2033.

The Notes are secured by land, buildings and other assets of the Company and contain certain maintenance covenants including minimum fixed charge coverage ratio and maximum leverage ratio. As of June 30, 2014 the Company was in compliance with these covenants. The Notes are guaranteed by Pratt. The Company incurred debt issuance costs of approximately $643,000 for the Notes, which are amortized using the effective interest method over the life of the agreement beginning in fiscal year 2014.

In connection with the refinancing, the Company incurred approximately $6,697,000 in prepayment penalties under the 2008 Notes, expensed approximately $2,728,000 of unamortized debt issuance costs and terminated its interest rate swap agreement incurring breakage fees of approximately $3,417,000.

In June 2008, the Caddo-Bossier Parishes Port Commission issued the 2008 Notes totaling $112,000,000 with an initial funding of $75,040,000 of which $54,940,000 and $20,100,000 was issued under the fixed and floating rate, respectively at June 30, 2008. The second and final funding totaled $36,960,000 of which $27,060,000 and $9,900,000 was issued under floating and fixed rate notes, respectively at June 30, 2009. The 2008 Notes were issued for the construction of the Louisiana Mill and bore interest, payable quarterly, (8.75% at June 2013) for the fixed rate notes and Libor plus 3.75% for the floating rate notes (3.95% at June 30, 2013) and were scheduled to mature in June 2018.

The 2008 Notes were secured by land, buildings and other assets of PPLA and contained certain maintenance covenants including maximum capital expenditures, minimum fixed charge coverage ratio, maximum total leverage ratio, minimum cumulative tonnage, and minimum EBITDA. The repayment terms of the Notes required quarterly principal payments of 2.5% of the outstanding balance commencing June 30, 2011 through March 31, 2018 with final payment due June 30, 2018. The Notes were also guaranteed by Pratt, PL, PP(LA) and PPLA, as defined, and included among other things, limitation of future indebtedness based on certain financial ratios for the guarantor. The Company incurred debt issuance costs of approximately $6,509,000 for the Notes, which is being amortized using the effective interest method over the life of the agreement.

In June 2008, PPLA entered into a paper supply contract with PCH to ensure PPLA's ability to sell a substantial amount of containerboard production. This contract was replaced on July 26, 2013 with a new paper supply agreement with PCH in connection with the refinancing of the 2008 Notes and changed the contract term from fourteen years to twenty years. Under the terms of the contract, PCH is obligated to purchase from PPLA a minimum of 260,000 tons of containerboard whether or not ordered at a contract price based on market conditions for linerboard and medium. The contract price is adjusted on a semiannual basis in October and April. Price adjustments are limited to twenty five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $398 to $488 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In January 2012, PPLA entered into an amended and restated Common Terms Agreement (CTA) under the Notes. The amendment included, among other things, changes to restrictions on cash and cash equivalents along with the termination of the Depository Agreement contained in the CTA. As such, the amendment authorized the transfer of funds from restricted cash accounts.

In November 2013, the City of Valparaiso, Indiana issued Exempt Facility Revenue Bonds Series 2013 (the 2013 Bonds) totaling $200,000,000. The 2013 Bonds were issued for the construction of the Mill (Note 3) and bear interest, payable semiannually at a weighted fixed interest rate of 6.78% and mature in January 2044.

The 2013 Bonds are secured by land, buildings and other assets of PPIN and contain certain restrictive covenants, which, among other things, place a limitation on future indebtedness and restricted payments, as defined. The repayment terms of the 2013 Bonds require semiannual principal payments in varying increments commencing July 2016 through February 2044. The Notes are also guaranteed by Pratt, as defined, and include, among other things, limitations of future indebtedness and the maintenance of certain financial ratios for the guarantor. The guarantor obligations will automatically terminate in the fiscal year following completion date of the Mill and compliance with certain milestones outlined in the guaranty agreement. The Company incurred debt issuance costs of approximately $3,263,000 for the 2013 Bonds, which will be amortized using the effective interest method over the life of the agreement beginning in fiscal year 2014.

In November 2013, PPIN entered into a paper supply contact with PCH to ensure the PPIN's ability to sell a substantial amount of containerboard production. The contract is effective for a period of thirty years from the commencement of operations. Under the terms of the contract, PCH is obligated to purchase from the PPIN a minimum of 170,000 tons of containerboard in year one up to a minimum of 300,000 tons of containerboard by year nine, whether or not ordered at a contact price based on market conditions for linerboard and medium. The contact price is adjusted on a semi-annual basis in October and April. Price adjustments are limited to twenty-five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $430 to $530 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

On July 20, 2011, PCH entered into a syndicated credit agreement (the Credit Agreement) providing for up to $200,000,000 in revolving credit facilities including up to $40,000,000 in letters of credit commitment. Borrowings under the Credit Agreement bear interest at one month Libor plus an applicable margin (ranging from 2.00% to 2.75%) based on the PCH's Total Leverage Ratio, as defined and was scheduled to mature in July 2016. The Credit Agreement is secured by substantially all property and guaranteed by each of PCH's wholly owned subsidiaries.

On May 31, 2013, PCH amended the Credit Agreement (the First Amendment). The First Amendment increased the maximum revolving credit availability to $225,000,000 including up to $45,000,000 in letters of credit commitment. The First Amendment also reduced the applicable interest rate margin on Libor borrowings by 0.25% (ranging from 1.75% to 2.50% based on the Company's Total Leverage Ratio, as defined) and extended the maturity date to May 31, 2018. PCH did not have borrowings outstanding under the Credit Agreement as of June 30, 2014 or June 30, 2013. Outstanding letters of credit totaled $20,274,000 at June 30, 2014.

The amended Credit Agreement contains certain restrictive covenants including, but not limited to, limitations on the incurrence of debt and maintenance of certain financial covenants. Total Leverage Ratio cannot be greater than 3.25 to 1.0 and Interest Coverage Ratio cannot be less than 5.0 to 1.0. Consolidated net worth must not be less than the sum of $90 million plus 25% of positive consolidated net income beginning in fiscal year 2012.

In December 2013, the State of Ohio issued State Economic Development Revenue Bonds Series 2013-3 (the 2013 OH Bonds) totaling $7,000,000. The 2013 OH Bonds were issued for project equipment located in the Company's Lewisburg, Ohio manufacturing facility and bear interest, payable monthly at a fixed interest rate of 4.00% and mature in November 2025.

The 2013 OH Bonds are secured by the Project Equipment of the Company and contain certain restrictive covenants, which, among other things, require notice and places restrictions related to the project equipment, as defined. The repayment terms of the 2013 OH Bonds require principal payments in varying increments commencing January 2014 through November 2025. The Company incurred debt issuance costs of approximately $259,000 for the 2013 OH Bonds, which will be amortized using the effective interest method over the life of the agreement beginning in fiscal year 2014.

In November 2013, the Company completed a refinancing of the Cash Advance Facility Agreement with Commonwealth Bank of Australia, New York office (the 2007 Facility) and entered into a $35,000,000 Note Purchase Agreement (the PP Notes) for the purpose of retiring the 2007 Facility. The PP Notes, due monthly in varying increments, bear interest, payable monthly, at a fixed rate of 5.85% and mature in November 2023.

The PP Notes are secured by land, buildings and other assets of the Company and contain certain maintenance covenants including minimum fixed change ratio and minimum unrestricted cash balance. As of June 30, 2014 the Company was in compliance with these covenants. The Company incurred debt issuance costs of approximately $1,166,000 for the PP Notes which are amortized using the effective interest method over the life of the agreement beginning in fiscal 2014. In connection with the refinancing, the Company expensed approximately $666,000 of unamortized debt issuance costs.

On September 11, 2007, PPI entered into the 2007 Facility which provided for up to $50 million to acquire property, vacant land, and develop acquired property. The 2007 Facility was scheduled to mature September 2014, was secured by land and buildings of PPI, bore interest at Libor plus a margin, as defined, and contained certain restrictive covenants, which, among other things, placed restrictions on distributions, permitted sale of properties, required valuation of properties, and required maintenance of a loan to value ratio not to exceed 90%. The 2007 Facility included a commitment fee at an initial rate of 0.30% on $50,000,000 paid quarterly. The amount paid for the commitment fee totaled $60,000 and $165,000 in fiscal 2014 and 2013, respectively.

Exclusive of unamortized discount, future maturities of long-term debt as of June 30, 2014, are as follows (in thousands):

	Amount
For the year ending June 30:	
2015	$ 10,380
2016	11,060
2017	14,223
2018	14,872
2019	15,332
Thereafter	477,057
Total	$ 542,924

8 Commitments and Contingencies

Impact of Superstorm Sandy

In October 2012, the Company was impacted by widespread flooding caused by Superstorm Sandy. Total recorded losses, net of insurance recoveries, approximated $3,800,000 for the year ended June 30, 2013 and are included within other expense in the accompanying statement of operations. In addition, the Company received approximately $2,200,000 under business interruption insurance for the year ended June 30, 2013 that is included within cost of goods sold in the accompanying statements of operations.

During the year ended June 30, 2014 additional amounts under insurance recovery claims were finalized resulting in a recorded gain of approximately $1,929,000. This amount is included within other income in the accompanying statement of operations.

Operating Leases

The Company leases certain land, office facilities, and equipment under noncancelable operating lease agreements expiring at various dates through 2041. Future minimum rental payments required under such leases having initial or remaining noncancelable terms in excess of one year as of June 30, 2014, are as follows (in thousands):

	Amount
For the year ending June 30:	
2015	$ 47,355
2016	41,902
2017	34,696
2018	28,869
2019	20,563
Thereafter	75,732
Total	$ 249,117

Total rent expense under noncancelable operating leases for the years ended June 30, 2014 and 2013 was approximately $50,280,000 and $45,831,000, respectively.

Purchase Commitments

PPNY, PPLA and PCH, wholly owned subsidiaries of the Company, have purchase commitments for natural gas and electricity in quantities expected to be used in production over a reasonable period in the normal course of business.

Legal and Environmental Matters

The Company is also a party to certain litigation and environmental claims incidental to the Company's business. In management's opinion, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position or results of operations.

9 Income Taxes

The Company is included in the consolidated federal income tax return of Pratt Holdings. Under an informal tax-sharing agreement with Pratt Holdings, the Company provides for income taxes as if it were a standalone entity. Amounts paid to Pratt Holdings pursuant to the tax sharing agreement were $15,200,000 and $20,437,000 in 2014 and 2013, respectively.

The provision for income taxes consists of the following (in thousands):

For the years ended June 30	2014	2013
Current:		
Federal	**$ (30,880)**	$ (20,437)
State	**(4,062)**	(1,288)
	(34,942)	(21,725)
Deferred:		
Federal	**(9,361)**	(2,208)
State	**(1,754)**	(64)
	(11,115)	(2,272)
Provision for income taxes	**$ (46,057)**	$ (23,997)

Reconciliation of the United States federal rate to the Company's effective tax rate is as follows:

For the years ended June 30	2014	2013
U.S. federal statutory tax rate	**35.0%**	35.0%
Blended state rate, net of federal benefit	**3.4%**	1.5%
Nondeductible expenses	**0.7%**	1.2%
Tax benefit on manufacturing activities	**(2.2%)**	(2.8%)
Tax credits and other	**0.8%**	1.2%
Effective tax rate	**37.7%**	36.1%

The components of the net deferred income tax liability are as follows (in thousands):

June 30	2014	2013
Deferred tax liabilities:		
Property, plant and equipment	**$ (94,027)**	$ (89,198)
Intangibles	**(1,785)**	(2,371)
Total deferred tax liabilities	**(95,812)**	(91,569)
Deferred tax assets:		
Net operating loss and tax credit carryforwards	**10,967**	11,210
Accounts receivable	**945**	593
Derivative Instruments	**-**	1,361
Accrued liabilities and other	**3,515**	10,928
Total deferred tax assets	**15,427**	24,092
Valuation Allowance	**(10,967)**	(10,792)
Net deferred tax assets	**4,460**	13,300
Net deferred income tax liability	**$ (91,352)**	$ (78,269)

At June 30, 2014, the Company has accumulated net operating loss carryforwards of approximately $192,000,000 in numerous state jurisdictions in which it operates. These state net operating losses will expire in various years from 2015 through 2034 if not utilized to reduce income taxes payable in future years. The Company has determined that it is more likely than not that a significant portion of these net operating losses will not be realized in the future. As such, the Company has recorded a valuation allowance against the future tax benefit of these state net operating losses. The Company decreased its valuation allowance related to state net operating losses by approximately $285,000 and $1,751,000 during 2014 and 2013, respectively, as a result of utilization, net of changes to state apportionment factors in certain jurisdictions where the Company operates.

At June 30, 2014, the Company had foreign tax credit carryforwards of approximately $2,237,000 which will expire starting in 2016. The Company has determined that it is more likely than not that these foreign tax credit carryforwards will not be realized prior to their expiration. Accordingly, the Company has recorded a valuation allowance against the future tax benefit of these credits. The Company increased its valuation allowance related to foreign tax credits by approximately $461,000 during 2014. The Company increased its valuation allowance related to foreign tax credits by approximately $1,776,000 during 2013.

10 Employee Benefit Plans

Supplemental Executive Retirement Plan

In connection with the Company's fiscal 1998 acquisition of Bell, the Company acquired a supplemental executive retirement plan (SERP), which provides benefits to certain employees of Bell commencing upon retirement. Accrual of benefits was ceased in fiscal 1998. The SERP was unfunded at June 30, 2010. The Company uses June 30 as the measurement date for determining the projected benefit obligation.

The SERP benefit obligation as of June 30, 2014 and 2013, totaled $1,646,000 and $1,652,000, respectively. Net periodic pension expense for this plan equaled $70,000 and $68,000 for fiscal years 2014 and 2013, respectively, and related primarily to interest costs on the unfunded obligation. The net periodic benefit costs and the benefit obligation as of June 30, 2014 and 2013 were determined using a weighted average discount rate of 3.4% and 3.8%, respectively.

Company contributions and benefits paid under the plan totaled $47,000 in fiscal year 2014 and 2013. The estimated benefits and contributions expected to be paid in each of the next five fiscal years and taken together for the five fiscal years thereafter are as follows (in thousands):

		Amount
For the year ending June 30:		
2015	$	143
2016		141
2017		138
2018		134
2019		131
Five fiscal years thereafter		587
	$	1,274

Savings Plan

The Company has a 401(k) savings plan (the Plan) for full-time eligible employees (defined as employees with over 90 days of service). Under the Plan, the Company may make matching contributions up to 3% of eligible wages. The Company recorded $4,841,000 and $4,331,000 in the statement of operations to fund matching contributions during fiscal years 2014 and 2013, respectively.

Collective Bargaining Agreement

During fiscal 2012, the Company entered into a new collective bargaining agreement with International Union of Operating Engineers Local 30 (Local 30), which covers approximately 2% of the Company's labor force. The agreement became effective January 1, 2011 and expires on December 31, 2015. Under the terms of the agreement, the Company contributes to a trust established by Local 30 used to administer benefits that principally cover production employees. The Company's obligation is limited to monthly trust contributions based on certain employee information as specified in the agreement. Total contributions were $1,259,000 and $1,230,000 for 2014 and 2013, respectively.

Deferred Compensation Plan

The Company has a deferred compensation plan covering certain employees. The plan allows a participant to defer a portion of his or her income and provides for supplemental contributions by the Company. There were no Company contributions into the Plan during the years ended June 30, 2014 and 2013. The Company holds cash and investments for fulfillment of the liabilities of the Plan, which are carried at fair value of $14,259,000 and $11,247,000 as of June 30, 2014 and 2013, respectively. Amounts payable under the plan of $14,259,000 and $11,247,000 are included in accrued liabilities at June 30, 2014 and 2013, respectively.

11 Reorganization and Start-Up Costs

The Company incurred start-up and other costs of approximately $2,145,000 and $1,181,000 in fiscal years 2014 and 2013, respectively, for various corrugating, converting, material recycling, and mill facilities. These costs were expensed as incurred and paid during fiscal 2014 and 2013, respectively.

12 Subsequent Events

The Company evaluated all events or transactions that occurred after June 30, 2014 up through October 3, 2014, the date the financial statements were available to be issued. During this period, no material recognizable subsequent events occurred.

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Pratt Corrugated Holdings, Inc. and Subsidiaries

June 30, 2017 and 2016

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholder of
Pratt Corrugated Holdings, Inc.:

We have audited the accompanying consolidated financial statements of **Pratt Corrugated Holdings, Inc.** (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in stockholder's equity, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 qualified audit opinion.

Basis for qualified opinion

As described in Note 2 of the consolidated financial statements, affiliated leasing transactions for assets with future minimum rental payments of $65,599,000 and $71,344,000 at June 30, 2017 and 2016, respectively, have been reflected as operating leases regardless of their form or economic substance. In our opinion, the leasing transactions should have been evaluated for proper accounting in accordance with accounting principles generally accepted in the United States of America. The effects on the consolidated financial statements of not recognizing such leases in accordance with the relevant accounting principles have not been determined.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pratt Corrugated Holdings, Inc. and subsidiaries as of June 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Atlanta, Georgia
September 28, 2017

Consolidated balance sheets

(Dollars in thousands, except number of shares)

June 30	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 47,525**	$ 101,026
Accounts receivable, net of allowance for doubtful accounts of $9,003 and $8,200 in 2017 and 2016, respectively	**279,927**	231,517
Due from affiliates (Note 5)	**12,962**	14,877
Inventories	**181,308**	167,210
Prepaid expenses and other	**6,217**	11,050
Total current assets	**527,939**	525,680
Property, plant and equipment:		
Buildings and improvements	**30,736**	28,092
Machinery and equipment	**409,952**	401,172
Construction in progress	**37,993**	20,624
	478,681	449,888
Less - Accumulated depreciation	**(311,223)**	(304,432)
Property, plant and equipment, net	**167,458**	145,456
Goodwill	**89,878**	92,060
Other intangible assets, net	**20,040**	23,101
Other assets	**19,520**	22,925
Total assets	**$ 824,835**	$ 809,222
Liabilities and stockholder's equity		
Current liabilities:		
Current maturities of long term debt	**$ 375**	$ 375
Bank overdraft	**255**	285
Accounts payable	**132,242**	116,756
Accrued liabilities	**57,701**	65,102
Due to affiliates (Note 5)	**246,295**	298,697
Total current liabilities	**436,868**	481,215
Long-term debt (Note 6)	**750**	1,125
Other liabilities	**7,573**	11,792
Total liabilities	**445,191**	494,132
Commitments and contingencies (Note 7)		
Stockholder's equity:		
Common stock, no par value—3,000 shares authorized, 1,000 shares issued and outstanding	**148,690**	148,690
Retained earnings	**232,130**	166,400
Accumulated other comprehensive loss	**(1,176)**	-
Total stockholder’s equity	**379,644**	315,090
Total liabilities and stockholder's equity	**$ 824,835**	$ 809,222

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

Consolidated statements of operations

(Dollars in thousands)

For the years ended June 30	2017	2016
Net sales (including sales to affiliates of $143,424 and $100,410 for the years ended June 30, 2017 and 2016, respectively)	**$ 2,360,281**	$ 2,068,012
Cost and expenses:		
Cost of goods sold	**(1,993,833)**	(1,754,909)
Selling, general and administrative expenses	**(230,792)**	(207,317)
Reorganization and start-up costs	**(1,841)**	(1,239)
Depreciation and amortization	**(28,875)**	(26,000)
Operating income	**104,940**	78,547
Other income (expense):		
Interest income	**81**	7
Interest expense	**(1,209)**	(1,211)
Other, net	**186**	(109)
Income before income taxes	**103,998**	77,234
Provision for income taxes	**(38,268)**	(28,889)
Net income	**$ 65,730**	$ 48,345

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

Consolidated statements of comprehensive income

(Dollars in thousands, except number of shares)

For the years ended June 30		2017		2016
Net income	**$**	**65,730**	$	48,345
Other comprehensive income, net of taxes:				
Cumulative translation adjustment		**(1,176)**		-
Comprehensive income	**$**	**64,554**	$	48,345

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

Consolidated statements of changes in stockholder's equity

(Dollars in thousands, except number of shares)

	Common Stock								
	Number of Shares		Amount		Retained Earnings		Accumulated Other Comprehensive Loss		Total
Balance, June 30, 2015	1,000	$	148,690	$	138,055	$	-	$	286,745
Distribution to parent company	-		-		(20,000)		-		(20,000)
Net income	-		-		48,345		-		48,345
Balance, June 30, 2016	1,000		148,690		166,400		-		315,090
Other comprehensive loss	-		-		-		(1,176)		(1,176)
Net income	-		-		65,730		-		65,730
Balance, June 30, 2017	**1,000**	**$**	**148,690**	**$**	**232,130**	**$**	**(1,176)**	**$**	**379,644**

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

Consolidated statements of cash flows

(Dollars in thousands)

For the years ended June 30		2017		2016
Operating activities:				
Net income	**$**	**65,730**	$	48,345
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		**28,875**		26,000
Interest amortization		**330**		330
Gain on disposal of assets		**(186)**		(16)
Changes in assets and liabilities:				
Accounts receivable		**(51,909)**		(5,511)
Due to affiliates, net		**(7,574)**		11,112
Inventories		**(12,215)**		(7,298)
Prepaid expenses and other		**4,833**		2,469
Accounts payable		**14,553**		(4,071)
Accrued liabilities		**(14,136)**		(1,892)
Total adjustments		**(37,429)**		21,123
Net cash provided by operating activities		**28,301**		69,468
Investing activities:				
Capital expenditures		**(72,540)**		(73,063)
Purchase of businesses, net of cash acquired		**(184)**		(48,543)
Proceeds from sale of assets		**30,815**		48,557
Proceeds from sale of investments		**2,314**		-
Other		**2,942**		(2,999)
Net cash used in investing activities		**(36,653)**		(76,048)
Financing activities:				
Decrease in bank overdraft		**(29)**		(52)
Principal payment of long-term debt		**(375)**		-
Distribution to parent company		**-**		(20,000)
(Decrease) increase in due to affiliates		**(44,745)**		59,217
Net cash (used in) provided by financing activities		**(45,149)**		39,165
Net (decrease) increase in cash and cash equivalents		**(53,501)**		32,585
Cash and cash equivalents:				
Beginning of year		**101,026**		68,441
End of year	**$**	**47,525**	$	101,026
Supplemental disclosures of cash flow information:				
Interest paid	**$**	**847**	$	805
Accrued capital expenditures	**$**	**6,573**	$	3,809

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

Notes to consolidated financial statements

1 Organization and Nature of Business

Pratt Corrugated Holdings, Inc. (PCH) and Subsidiaries (collectively, the Company) is a wholly owned subsidiary of Pratt Industries, Inc. (Pratt). PCH and Subsidiaries consist of PCH and its wholly owned subsidiaries, as follows:

- Pratt (Jet Corr), Inc.
- Pratt (Target Container), Inc.
- Pratt (Georgia Box), Inc.
- Pratt (Mississippi Box), Inc.
- Pratt Recycling, Inc.
- Pratt (Bell Packaging), Inc.
- Pratt (Delta Container), Inc.
- Pratt (Virginia Box), Inc.
- Pratt (Classic Container), Inc.
- Wil-Mac Container Corporation
- Pratt RHB, Inc.
- Pratt Industries de Monterrey, S. DER. L. DE. C.V.
- Pratt Mexico Holding, LLC
- Pratt (Love Box), LLC
- Pratt Retail Specialties, LLC
- Staten Island Corrugator, LLC
- Pratt (Converting Division LA), LLC
- Pratt (Allentown Corrugating), LLC
- Pratt (Impress Manufacturing), Inc.
- Pratt (Rock Solid), LLC
- Pratt (Quality Carton), LLC
- Pratt (Lewisburg Corrugating), LLC
- Pratt (Triad Packaging), LLC
- Pratt San Antonio, S.A. de C.V.
- Pratt (Beloit Corrugating), LLC
- Pratt (Robert Mann Packaging), LLC
- Pratt (Minnesota Corrugated Box), LLC
- Pratt (Rockwall Corrugating), LLC
- Pratt (Midwest Displays), LLC
- Pratt (Southeast Displays), LLC
- Pratt (Lathrop Corrugating), LLC

The Company manufactures corrugated sheets and related packaging containers. The Company's manufacturing facilities are located primarily in the midwestern, western and eastern United States of America.

The Company operates as part of a vertically integrated organization along with other subsidiaries of Pratt. A substantial portion of the Company's purchases are from other subsidiaries of Pratt pursuant to paper supply agreements. The Company also engages in significant transactions with Pratt and other subsidiaries and affiliates of Pratt, primarily for management and shared services provided on behalf of the Company. The expense and cost allocations reflected in the financial statements have been prepared on a basis that management of Pratt and the Company believes to be reasonable and reflects an appropriate utilization of the services provided or the benefit received by the Company during the period. However, the amounts recorded for these transactions and allocations are not necessarily representative of the amounts that would have been reflected in the financial statements had the Company not been a wholly owned subsidiary of Pratt.

See Note 5 for further information regarding the relationships and transactions between the Company and Pratt and other subsidiaries of Pratt.

2 Summary of Significant Accounting Policies

Basis of Presentation

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) except that affiliated leasing transactions are reflected as operating leases regardless of their form or economic substance. As a result, and as described in Note 5, the Company has reflected certain affiliate sale-leaseback transactions as operating leases in the accompanying financial statements.

Principles of Consolidation

The accompanying financial statements include the accounts of PCH and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers cash and short-term investments with a remaining maturity at acquisition of three months or less to be cash and cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any such losses in such accounts.

Accounts Receivable

Accounts receivable consist primarily of trade receivables due from unrelated parties and are stated at net realizable value. An allowance for doubtful accounts has been established based on the Company's collection experience and an assessment of the collectability of specific accounts. The Company evaluates the collectability of accounts based on a combination of factors. The allowance is adjusted when the Company becomes aware of changes in a specific customer's ability to meet its financial obligations or as a result of changes in the overall aging of accounts receivable. Accounts receivable are charged off against the allowance for doubtful accounts when it is probable the receivable will not be recovered.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Market with respect to finished goods is net realizable value, and market for raw materials is replacement cost. Inventories consist of the following (in thousands):

June 30		2017		2016
Raw materials	$	**107,183**	$	101,364
Finished goods		**74,125**		65,846
Total inventories	$	**181,308**	$	167,210

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Expenditures for repairs and maintenance not considered to substantially lengthen the asset lives are charged to expense as incurred.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Buildings	30 years
Machinery and equipment	3 to 20 years
Leasehold improvements	Lesser of useful life or term of lease
Furniture and fixtures	5 to 7 years

Depreciation expense amounted to $23,438,000 and $22,156,000 during fiscal years 2017 and 2016, respectively.

Other Assets

Other assets include notes receivable, spare parts, and debt issuance costs. Spare parts consist primarily of repairable and expendable parts. Expense for repairable and expendable parts is recognized when repair costs are incurred or when parts are used or consumed in operations.

Use of Estimates

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

Long-lived Assets

The Company periodically reviews the recorded values of long-lived assets, such as property, plant and equipment, for indicators of impairment and reviews the amortization periods on an annual basis. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. If the asset is not recoverable, the asset is written down to its estimated fair value. Recoverability is measured based on the anticipated undiscounted cash flows from operations. Fair value is estimated based on projected discounted cash flows or comparable market transactions. During the years ended June 30, 2017 and 2016, there were no events or changes in circumstance that required an impairment analysis.

Goodwill

Goodwill represents costs of businesses acquired in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not subject to amortization, but is tested for impairment, on a reporting unit basis, annually (at the end of its fiscal year) and when events and circumstances indicate that an impairment may have occurred. Potential impairments of goodwill are identified by comparing the fair value of the reporting unit to its carrying amount, including goodwill. Fair value is estimated using a discounted cash flow and market-multiple approach. If the fair value of the reporting unit exceeds its carrying amount the related goodwill is not considered impaired. If the fair value of the reporting unit is less than the related carrying value, the amount of goodwill impairment loss, if any, must be measured. The amount of goodwill impairment is measured by comparing the implied fair value of the goodwill to its carrying amount. If the carrying amount exceeds its implied fair value, then an impairment loss is recognized through a charge to earnings. The Company's annual impairment test did not indicate any impairment during fiscal 2017 and 2016.

Intangible Assets

Intangible assets consist primarily of acquired customer lists, customer contracts and related relationships, covenants not to compete, and trade names. These assets are amortized on a straight-line basis over the estimated periods of benefit of 3 to 10 years.

Income Taxes

The Company is included in the consolidated federal income tax return of the parent company of Pratt. Under a formal tax-sharing agreement with Pratt, the Company provides for income taxes using the separate return method.

The tax expense consists of the following (in thousands):

For the years ended June 30	2017	2016
Current tax expense	$ (37,238)	$ (23,880)
Deferred tax expense	(1,030)	(5,009)
Provision for income taxes	$ (38,268)	$ (28,889)

Amounts recognized as provision for income taxes are recorded by the Company as amounts due to or from Pratt. Temporary differences which give rise to deferred tax assets and liabilities result principally from deduction in income tax returns of depreciation based upon lives and methods different from those used for financial reporting and certain accrued liabilities for financial reporting different than for income tax purposes; however, no amounts have been recognized by the Company as deferred income tax assets or liabilities as these amounts are settled currently and are reflected in amounts due to or from Pratt to the extent not paid or received (See Note 5).

The Company recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a greater than 50% cumulative likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. No adjustments were recognized for uncertain tax positions at June 30, 2017 or 2016. The Company recognizes interest and penalties related to tax positions in income tax expense.

The Company is subject to federal and state income taxes in various jurisdictions. The Company joins with its parent, Pratt, in filing a consolidated federal income tax return. Generally, the Company's tax years for fiscal year June 30, 2014 through June 30, 2017 remain open to examination for federal and state income tax purposes.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred, the price to the buyer is fixed or determinable and collectability is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated free on board (f.o.b.) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when the product is delivered to the customer's delivery site.

Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

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 goods sold in the accompanying statement of operations.

Comprehensive Income

Comprehensive income consists of net income and other gains and losses affecting stockholder's equity. For the Company, such items consist of foreign currency translation adjustments

Fair Value Measurements

The guidance for fair value measurements establishes the authoritative definition for fair value, sets out a framework for measuring fair value, and outlines the required disclosures regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The Company uses a three-tier fair value hierarchy based upon observable and non-observable inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Company's financial instruments that are not measured at fair value in the financial statements consist primarily of accounts receivable, accounts payable, line of credit and a note payble. The carrying amounts of accounts receivable, accounts payable, line of credit approximate their fair value at June 30, 2017 and 2016 because of their nature and relatively short maturity. The estimated fair value of the Company's note payable with a carrying value of $1,125,000 and $1,500,000 in 2017 and 2016, respectively, approximated $1,090,000 and $1,444,000 at June 30, 2017 and 2016. The Company estimated the fair value of the long-term debt by discounting the future cash flow using the Company's estimated current borrowing rates for similar types and maturities of debt (Level 3).

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of accounts receivable and cash and cash equivalents. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base. The Company performs periodic credit evaluations of its customer's financial condition and generally does not require collateral.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no effect on the previously reported results of operations or retained earnings.

During the year ended June 30, 2017, the Company made adjustments to goodwill for certain tax assets and assumed liabilities recorded at June 30, 2016. The adjustments had no effect on operating income and resulted in a decrease to goodwill by approximately $2,181,000.

Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Account Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers", as subsequently amended, which establishes a comprehensive revenue recognition standard under US GAAP for virtually all industries. The new standard is effective for annual periods beginning after December 15, 2017 for public entities, as defined, and for annual periods beginning after December 15, 2018 for all other entities. The Company has not yet selected a transition method nor has it determined the effects, if any, adoption of this update may have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 "Leases", which is codified in Accounting Standards Codification (ASC) 842 "Leases" and supersedes current lease guidance in ASC 840. These provisions require lessees to recognize a right-of-use asset and lease liability on the balance sheet for operating and financing leases that have a term of more than one year. For lessors, the ASU modifies the classification criteria and the accounting for sales-type and direct financing leases. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2020. The Company is currently evaluating the impact this update may have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)", which is intended to create uniformity in how certain transactions are classified in the statement of cash flows. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2019. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

3 Business Combinations

In July 2016, the Company acquired certain assets of Quality Associates, Inc., a designer, manufacturer and distributor of corrugated paper and plastic packaging with locations in Wester Chester, Ohio, Cincinnati, Ohio and Belcamp, Maryland. The total purchase price of $4,933,000, net of cash acquired, was funded with available cash of $184,000, forgiveness of existing receivables with the Company, and the assumption of certain liabilities and accounts payable. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Midwest Displays), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities. The following is a summary of the fair value of the assets acquired and liabilities assumed inclusive of such adjustment as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	1,883
Property, plant and equipment		765
Intangible assets		2,376
Total assets acquired		5,024
Liabilities		
Accounts payable and accrued liabilities		(91)
Total liabilities assumed		(91)
Net assets acquired	$	4,933

In May 2016, Pratt and the Company acquired certain real estate assets and all of the outstanding stock of Minnesota Corrugated Box, Inc., a manufacturer of shipping boxes, industrial containers, and corrugated displays based in Albert Lea, Minnesota. The total purchase price of $68,800,000, net of cash acquired, was funded with available cash of $62,343,000 and the assumption of certain liabilities and accounts payable. At closing, the Company assigned its right to acquire the real estate assets to Pratt with an estimated fair value of $13,800,000. This amount was funded by the Company and settled against amounts due to Pratt. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Minnesota Corrugated Box), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $25,965,000 of goodwill. The following is a summary of the fair value of the total assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	8,262
Property, plant and equipment		18,514
Intangible assets		11,637
Goodwill		25,965
Total assets acquired		64,378
Liabilities		
Accounts payable and accrued liabilities		(9,378)
Total liabilities assumed		(9,378)
Net assets acquired by the Company		55,000
Real estate assets acquired by Pratt		13,800
Net assets acquired	$	68,800

4 Intangible Assets

The gross carrying amounts and accumulated amortization by major intangible asset class were as follows (in thousands):

		2017			2016		
June 30	Period of Benefit	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer lists and customer relationships	5 - 10 years	**$ 30,190**	**$ (12,709)**	**$ 17,481**	$ 27,814	$ (9,127)	$ 18,687
Non-compete arrangements, favorable in-place operating lease agreements and patents	3 - 5 years	**2,979**	**(1,842)**	**1,137**	2,979	(1,326)	1,653
Trade names	3 - 10 years	**7,018**	**(5,596)**	**1,422**	7,018	(4,257)	2,761
		$ 40,187	**$ (20,147)**	**$ 20,040**	$ 37,811	$ (14,710)	$ 23,101

During fiscal 2017 and 2016, intangible assets amortization expense was $5,437,000 and $3,844,000, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows (in thousands):

	Amount
For the year ending June 30:	
2018	$ 4,937
2019	4,099
2020	3,343
2021	3,210
2022	2,834

5 Related-party Transactions

Affiliate Sales

The Company sells wastepaper and other materials to Pratt Paper (GA), LLC (PPGA), Pratt Paper (LA), LLC (PPLA) and Pratt Paper (IN), LLC (PPIN), wholly owned subsidiaries of Pratt. Sales to PPGA, PPLA and PPIN totaled $143,424,000 and $100,410,000 in fiscal 2017 and 2016, respectively. Accounts receivable related to such sales totaled $12,962,000 and $14,877,000 as of June 30, 2017 and 2016, respectively.

Affiliate Purchases

The Company purchases containerboard from PPGA, Pratt Paper (NY), Inc. (PPNY), PPLA and PPIN pursuant to individual paper supply contracts. Such purchases totaled $573,135,000 and $524,202,000 during fiscal years 2017 and 2016, respectively. Amounts payable by the Company related to such purchases totaled $169,848,000 and $181,815,000 as of June 30, 2017 and 2016, respectively. These amounts are noninterest-bearing and are settled in cash generally between 60 to 120 days.

In 2004, the Company entered into a five year paper supply contract with PPGA to ensure PPGA's ability to sell a substantial amount of containerboard production. Under the terms of the contract, the Company is obligated to purchase from PPGA a minimum of 300,000 tons per year of containerboard, whether or not ordered, at a contract price based on market conditions for linerboard and medium. The contract price is adjustable on a semiannual basis in October and April. Price adjustments are based on a percentage of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $200 to $290 per ton, depending on the paper grade), as determined by an independent third-party industry specialist. In connection with the refinancing of PPGA's existing debt in August 2007, the paper supply contract with PPGA for a minimum of 300,000 tons per year was amended to extend its term to the later of June 30, 2012, or the date on which no amounts remain outstanding on PPGA's $66,010,000 of Taxable Project Revenue Bonds Series 2007 B (the Bonds). The Bonds mature in 2028 and require PPGA to enforce the material provisions of the paper supply contract. The Company expects to purchase approximately 300,000 tons annually from PPGA of containerboard each fiscal year pursuant to the contract.

In fiscal 2015, the Company entered into a twenty year paper supply contract, effective July 1, 2014, with PPNY to ensure PPNY's ability to sell a substantial amount of containerboard production. Under the terms of the contract, the Company is obligated to purchase from PPNY a minimum of 260,000 tons per year of containerboard, whether or not ordered, at a contract price based on market conditions for linerboard and medium. The contract price is adjustable on a semiannual basis in October and April. Price adjustments are based on a percentage of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $415 to $505 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In 2013, the Company entered into a twenty year paper supply contract with PPLA to ensure PPLA's ability to sell a substantial amount of containerboard production. Under the terms of the contract, the Company is obligated to purchase from PPLA a minimum of 260,000 tons of containerboard whether or not ordered at a contract price based on market conditions for linerboard and medium. The contract price is adjusted on a semiannual basis in October and April. Price adjustments are limited to twenty-five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $398 to $488 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In November 2013, the Company entered into a paper supply contract with PPIN to ensure PPIN's ability to sell a substantial amount of containerboard production. The contract is effective for a period of thirty years from the commencement of operations of PPIN. Under the terms of the contract, the Company is obligated to purchase from PPIN a minimum of 170,000 tons of containerboard in year one up to a minimum of 300,000 tons of containerboard by year nine, whether or not ordered, at a contact price based on market conditions for linerboard and medium. The contact price is adjusted on a semi-annual basis in October and April. Price adjustments are limited to twenty-five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $430 to $530 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

The Company has not and does not expect to incur any losses as a result of these purchase commitments. Administratively, PPGA, PPNY, PPLA and PPIN bill the Company for purchases made pursuant to the supply contracts at a standard price that is established annually and adjusts the selling price to the related contract price through periodic adjustments, similar to a rebate arrangement. As of June 30, 2017 and 2016, amounts due to PPGA, PPNY, PPLA and PPIN from the Company include approximately $68,983,000 and $55,725,000, respectively, for timing differences between settlement at the standard billing amount and the related rebates. Such amounts are generally due within 15 days of demand by PPGA, PPNY, PPLA and PPIN pursuant to the paper supply contracts.

The Company purchases certain transportation services from Pratt (Corrugated Logistics), LLC (CL). Purchases from CL totaled $130,415,000 and $109,852,000 in fiscal 2017 and 2016, respectively. Accounts payable related to such purchases totaled $12,348,000 and $9,638,000 as of June 30, 2017 and 2016, respectively.

The Company also has balances with other affiliates and subsidiaries of Pratt relating to certain operational and administrative activities. Amounts due to affiliated companies totaled $3,784,000 and $4,016,000 at June 30, 2017 and 2016, respectively. These amounts are noninterest-bearing and generally due on demand. Changes in these balances are reflected in operating activities in the statement of cash flows based on the nature of the underlying transactions.

Management Services

Under informal agreements, the Company incurs management fees, accounting and legal fees, IT support fees, and bank fees charged by Pratt for certain administrative services performed. These corporate allocations are charged based on parameters defined by Pratt management. During fiscal 2017, management fees totaled $11,016,000 and all other administrative fees totaled $8,631,000. During fiscal 2016, management fees totaled $10,224,000 and all other administrative fees totaled $8,231,000. All of the above allocations are included as a component of selling, general, and administrative expenses in the accompanying statements of operations.

Pratt purchases general liability and umbrella, workers' compensation, property, automobile, and various other insurance coverages for its subsidiaries. Pratt then allocates the insurance premiums to its subsidiaries based on various factors. General liability and umbrella premiums are allocated based on the size of the subsidiaries' facilities. Workers' compensation premiums are allocated based on the number of employees. Property insurance premiums are allocated based on the size of the facilities and the value of the property. Automobile insurance premiums are based on the number of vehicles insured at each subsidiary. The allocated insurance premiums are then amortized as insurance expense on the income statement over the period the policy covers. During fiscal years 2017 and 2016, insurance expenses totaling $25,661,000 and $21,770,000 were allocated to the Company by Pratt, respectively.

Total amounts due to Pratt for operational, administrative and other allocations totaled $21,891,000 and $74,339,000 at June 30, 2017 and 2016, respectively. Amounts due to Pratt related to income taxes (see Note 2) totaled $38,424,000 and $28,889,000 as of June 30, 2017 and 2016, respectively. These amounts are noninterest-bearing and are due on demand. Changes in receivables and payables resulting from transactions with affiliated entities in the normal course of operations are reflected in operating activities in the statement of cash flows.

Affiliate Leases

In November 2013, The Company entered into fifteen year lease agreements replacing the existing ten year lease agreements for all sale leaseback transactions with Pratt Properties, Inc. (PPI), a wholly owned subsidiary of Pratt.

Also, in June 2009, the Company entered into a lease agreement with PPI for a building in Staten Island, New York, which was revised in 2010. The lease agreement has level annual rental payments and requires the lessee to bear the cost of maintenance, insurance and property taxes.

Future minimum rental payments required under such leases having initial or remaining noncancellable terms in excess of one year are as follows (in thousands):

		Amount
For the year ending June 30:		
2018	$	5,746
2019		5,746
2020		5,746
2021		5,746
2022		5,746
Thereafter		36,869
Total	$	65,599

Rental expense under the lease agreements totaled approximately $5,746,000 for fiscal years 2017 and 2016, respectively.

6 Long-term Debt

Long-term debt consists of the following (in thousands):

June 30		2017		2016
Note payable to former shareholder of acquired business; interest payable annually at 5.00% maturing July 2019	**$**	**1,125**	$	1,500
Less current maturities		**(375)**		(375)
Total long-term debt, net of current maturities	**$**	**750**	$	1,125

Future maturities of long-term debt as of June 30, 2017 are as follows (in thousands):

		Amount
For the year ending June 30:		
2018	$	375
2019		375
2020		375
Total	$	1,125

On July 20, 2011, the Company entered into a syndicated credit agreement (the Credit Agreement) providing for up to $200,000,000 in revolving credit facilities including up to $40,000,000 in letters of credit commitment. On May 31, 2013, the Company amended the Credit Agreement (the First Amendment). The First Amendment increased the maximum revolving credit availability to $225,000,000 including up to $45,000,000 in letters of credit commitment. The First Amendment also reduced the applicable interest rate margin on Libor borrowings by 0.25% (ranging from 1.75% to 2.50% based on the Company's Total Leverage Ratio, as defined) and extended the maturity date to May 31, 2018. The Company did not have borrowings outstanding under the Credit Agreement as of June 30, 2017 or June 30, 2016. Outstanding letters of credit totaled $10,575,000 and $11,460,000 at June 30, 2017 and 2016, respectively. The Credit Agreement is secured by substantially all property and guaranteed by each of PCH's wholly owned subsidiaries.

The amended Credit Agreement contains certain restrictive covenants including, but not limited to, limitations on the incurrence of debt and maintenance of certain financial covenants. Total Leverage Ratio cannot be greater than 3.25 to 1.0 and Interest Coverage Ratio cannot be less than 5.0 to 1.0. Consolidated net worth must not be less than the sum of $90 million plus 25% of positive consolidated net income beginning in fiscal year 2012.

7 Commitments and Contingencies

Operating Leases

The Company leases certain office facilities and equipment from nonrelated parties under non-cancelable leases, which expire at various dates through fiscal 2033. The leases, which include escalation clauses, generally require that the Company pay taxes, maintenance, and insurance. Future minimum rental payments required under such leases having initial or remaining non-cancelable terms in excess of one year (including affiliate leases) as of June 30, 2017, are as follows (in thousands):

		Amount
For the year ending June 30:		
2018	$	76,775
2019		71,635
2020		61,296
2021		51,263
2022		38,963
Thereafter		207,277
Total	$	507,209

Total rent expense under non-cancelable operating leases (including affiliate leases) for the years ended June 30, 2017 and 2016, was approximately $75,581,000 and $64,089,000, respectively.

Asset Sales and Leaseback

During fiscal 2017 and 2016, the Company sold new manufacturing equipment to various unrelated equipment leasing entities for $30,249,000 and $48,281,000, respectively, with such equipment being leased back to PCH at terms ranging from five to seven years. The Company did not realize any gain in these transactions.

Purchase Commitments

The Company has purchase commitments for natural gas and electricity in quantities expected to be used in production over a reasonable period in the normal course of business.

Legal Matters

The Company is a party to certain environmental and other litigation and claims incidental to the Company's business. In management's opinion, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position or results of operations.

8 Benefit Plan

The Company participates in Pratt's 401(k) savings plan (the Plan) for full-time eligible employees (defined as employees with 90 days or more of service). Under the Plan, the Company may make matching contributions up to 3% of eligible wages. The Company recorded $5,895,000 and $4,887,000 in the statement of operations to fund matching contributions in fiscal year 2017 and 2016, respectively.

9 Reorganization and Start-up Costs

The Company incurred start-up and other costs of approximately $1,841,000 and $1,239,000 in fiscal years 2017 and 2016, respectively, for various corrugating, converting and material recycling facilities. These costs were expensed as incurred as reorganization and startup costs in the consolidated statements of operations.

10 Subsequent Events

The Company evaluated all events or transactions that occurred after June 30, 2017 up through September 28, 2017, the date the financial statements were available to be issued. During this period, no material recognizable subsequent events occurred.

Consolidated Financial Statements and
Report of Independent Certified Public Accountants

Pratt Corrugated Holdings, Inc. and Subsidiaries

June 30, 2016 and 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholder of
Pratt Corrugated Holdings, Inc.:

We have audited the accompanying consolidated financial statements of **Pratt Corrugated Holdings, Inc.** (a Delaware corporation), and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2016 and 2015, and the related consolidated statements of operations, changes in stockholder's equity, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Basis for qualified opinion

As described in Note 2 of the consolidated financial statements, affiliated leasing transactions for assets with future minimum rental payments of $71,344,000 and $77,090,000 at June 30, 2016 and 2015, respectively, have been reflected as operating leases regardless of their form or economic substance. In our opinion, the leasing transactions should have been evaluated for proper accounting in accordance with accounting principles generally accepted in the United States of America. The effects on the financial statements of not recognizing such leases in accordance with the relevant accounting principles have not been determined.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pratt Corrugated Holdings, Inc. and subsidiaries as of June 30, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Atlanta, Georgia
October 25, 2016

Consolidated balance sheets

(Dollars in thousands, except number of shares)

June 30		2016		2015
Assets				
Current assets:				
Cash and cash equivalents	$	**101,026**	$	68,441
Accounts receivable, net of allowance for doubtful accounts of $8,200 and $6,993 in 2016 and 2015, respectively		**231,517**		222,272
Due from affiliates (Note 5)		**14,877**		6,508
Inventories		**167,210**		157,928
Prepaid expenses and other		**11,050**		9,117
Total current assets		**525,680**		464,266
Property, plant and equipment:				
Buildings and improvements		**28,092**		19,528
Machinery and equipment		**401,172**		369,038
Construction in progress		**20,624**		18,704
		449,888		407,270
Less - Accumulated depreciation		**(304,432)**		(284,004)
Property, plant and equipment, net		**145,456**		123,266
Goodwill		**92,060**		63,914
Other intangible assets, net		**23,101**		15,294
Other assets		**22,925**		22,128
Total assets	$	**809,222**	$	688,868
Liabilities and stockholder's equity				
Current liabilities:				
Current maturities of long term debt	$	**375**	$	-
Bank overdraft		**285**		337
Accounts payable		**116,756**		119,368
Accrued liabilities		**65,102**		55,923
Due to affiliates (Note 5)		**298,697**		213,133
Total current liabilities		**481,215**		388,761
Long-term debt (Note 6)		**1,125**		1,500
Other liabilities		**11,792**		11,862
Total liabilities		**494,132**		402,123
Commitments and contingencies (Note 7)				
Stockholder's equity:				
Common stock, no par value—3,000 shares authorized, 1,000 shares issued and outstanding		**148,690**		148,690
Retained earnings		**166,400**		138,055
Total stockholder’s equity		**315,090**		286,745
Total liabilities and stockholder's equity	$	**809,222**	$	688,868

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

Consolidated statements of operations

(Dollars in thousands)

For the years ended June 30	2016	2015
Net sales (including sales to affiliates of $100,410 and $72,450 for the years ended June 30, 2016 and 2015, respectively)	**$ 2,068,012**	$ 1,841,598
Cost and expenses:		
Cost of goods sold	**(1,732,382)**	(1,514,557)
Selling, general and administrative expenses	**(229,844)**	(195,162)
Reorganization and start-up costs	**(1,239)**	(1,555)
Depreciation and amortization	**(26,000)**	(23,864)
Operating income	**78,547**	106,460
Other income (expense):		
Interest income	**7**	13
Interest expense	**(1,211)**	(1,168)
Other, net	**(109)**	(248)
Income before income taxes	**77,234**	105,057
Provision for income taxes	**(28,889)**	(37,959)
Net income	**$ 48,345**	$ 67,098

Consolidated statements of changes in stockholder’s equity

(Dollars in thousands, except number of shares)

	Common Stock					
	Number of Shares		Amount		Retained Earnings		Total
Balance, June 30, 2014	1,000	$	148,690	$	90,957	$	239,647
Distribution to parent company	-		-		(20,000)		(20,000)
Net income	-		-		67,098		67,098
Balance, June 30, 2015	1,000		148,690		138,055		286,745
Distribution to parent company	-		-		(20,000)		(20,000)
Net income	-		-		48,345		48,345
Balance, June 30, 2016	**1,000**	**$**	**148,690**	**$**	**166,400**	**$**	**315,090**

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

Consolidated statements of cash flows

(Dollars in thousands)

For the years ended June 30	2016	2015
Operating activities:		
Net income	**$ 48,345**	$ 67,098
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**26,000**	23,864
Interest amortization	**330**	330
Gain on disposal of assets	**(16)**	(21)
Changes in assets and liabilities:		
Accounts receivable	**(5,511)**	(11,719)
Due to affiliates, net	**11,112**	8,775
Inventories	**(7,298)**	(32,287)
Prepaid expenses and other	**2,469**	(3,212)
Accounts payable	**(4,071)**	2,482
Accrued liabilities	**(1,892)**	1,423
Total adjustments	**21,123**	(10,365)
Net cash provided by operating activities	**69,468**	56,733
Investing activities:		
Capital expenditures	**(73,063)**	(56,491)
Purchase of businesses, net of cash acquired	**(48,543)**	(48,477)
Proceeds from sale of assets	**48,557**	49,316
Other	**(2,999)**	(2,981)
Net cash used in investing activities	**(76,048)**	(58,633)
Financing activities:		
Decrease in bank overdraft	**(52)**	(72)
Distribution to parent company	**(20,000)**	(20,000)
Increase (decrease) in due to affiliates	**59,217**	(5,382)
Net cash provided by (used in) financing activities	**39,165**	(25,454)
Net increase (decrease) in cash and cash equivalents	**32,585**	(27,354)
Cash and cash equivalents:		
Beginning of year	**68,441**	95,795
End of year	**$ 101,026**	$ 68,441
Supplemental disclosures of cash flow information:		
Interest paid	**$ 805**	$ 823
Accrued capital expenditures	**$ 3,809**	$ 2,499
Long-term debt issued in acquisition of business	**$ -**	$ 1,500

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

Notes to consolidated financial statements

1 Organization and Nature of Business

Pratt Corrugated Holdings, Inc. (PCH) and Subsidiaries (collectively, the Company) is a wholly owned subsidiary of Pratt Industries, Inc. (Pratt). PCH and Subsidiaries consist of PCH and its wholly owned subsidiaries, as follows:

- Pratt (Jet Corr), Inc.
- Pratt (Target Container), Inc.
- Pratt (Georgia Box), Inc.
- Pratt (Mississippi Box), Inc.
- Pratt Recycling, Inc.
- Pratt (Bell Packaging), Inc.
- Pratt (Delta Container), Inc.
- Pratt (Virginia Box), Inc.
- Pratt (Classic Container), Inc.
- Wil-Mac Container Corporation
- Pratt RHB, Inc.
- Pratt Industries de Monterrey, S. DER. L. DE. C.V.
- Pratt Mexico Holding, LLC
- Pratt (Love Box), LLC
- Pratt Retail Specialties, LLC
- Staten Island Corrugator, LLC
- Pratt (Converting Division LA), LLC
- Pratt (Allentown Corrugating), LLC
- Pratt (Impress Manufacturing), Inc.
- Pratt (Rock Solid), LLC
- Pratt (Quality Carton), LLC
- Pratt (Lewisburg Corrugating), LLC
- Pratt (Triad Packaging), LLC
- Pratt San Antonio, S.A. de C.V.
- Pratt (Beloit Corrugating), LLC
- Pratt (Robert Mann Packaging), LLC
- Pratt (Minnesota Corrugated Box), LLC
- Pratt (Rockwall Corrugating), LLC
- Pratt (Midwest Displays), LLC

In July 2014, Pratt (Corrugated Logistics), LLC, a wholly owned subsidiary of Pratt (Jet Corr), Inc., entered into an agreement and plan of merger with Pratt Logistics LLC, a wholly owned subsidiary of Pratt with Pratt (Corrugated Logistics), LLC the surviving parent company and wholly owned subsidiary of Pratt.

The Company manufactures corrugated sheets and related packaging containers. The Company's manufacturing facilities are located primarily in the midwestern, western and eastern United States of America.

The Company operates as part of a vertically integrated organization along with other subsidiaries of Pratt. A substantial portion of the Company's purchases are from other subsidiaries of Pratt pursuant to paper supply agreements. The Company also engages in significant transactions with Pratt and other subsidiaries and affiliates of Pratt, primarily for management and shared services provided on behalf of the Company. The expense and cost allocations reflected in the financial statements have been prepared on a basis that management of Pratt and the Company believes to be reasonable and reflects an appropriate utilization of the services provided or the benefit received by the Company during the period. However, the amounts recorded for these transactions and allocations are not necessarily representative of the amounts that would have been reflected in the financial statements had the Company not been a wholly owned subsidiary of Pratt.

See Note 5 for further information regarding the relationships and transactions between the Company and Pratt and other subsidiaries of Pratt.

2 Summary of Significant Accounting Policies

Basis of Presentation

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America except that affiliated leasing transactions are reflected as operating leases regardless of their form or economic substance. As a result, and as described in Note 5, the Company has reflected certain affiliate sale-leaseback transactions as operating leases in the accompanying financial statements.

Principles of Consolidation

The accompanying financial statements include the accounts of PCH and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers cash and short-term investments with a remaining maturity at acquisition of three months or less to be cash and cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any such losses in such accounts.

Accounts Receivable

Accounts receivable consist primarily of trade receivables due from unrelated parties and are stated at net realizable value. An allowance for doubtful accounts has been established based on the Company's collection experience and an assessment of the collectability of specific accounts. The Company evaluates the collectability of accounts based on a combination of factors. The allowance is adjusted when the Company becomes aware of changes in a specific customer's ability to meet its financial obligations or as a result of changes in the overall aging of accounts receivable. Accounts receivable are charged off against the allowance for doubtful accounts when it is probable the receivable will not be recovered.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Market with respect to finished goods is net realizable value, and market for raw materials is replacement cost. Inventories consist of the following (in thousands):

June 30	2016	2015
Raw materials	**$ 101,364**	$ 90,463
Finished goods	**65,846**	67,465
	$ 167,210	$ 157,928

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Expenditures for repairs and maintenance not considered to substantially lengthen the asset lives are charged to expense as incurred.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Buildings	30 years
Machinery and equipment	3 to 20 years
Furniture and fixtures	5 to 7 years

Depreciation expense amounted to $22,156,000 and $21,348,000 during fiscal years 2016 and 2015, respectively.

Use of Estimates

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

Long-lived Assets

The Company periodically reviews the recorded values of long-lived assets, such as property, plant and equipment, for indicators of impairment and reviews the amortization periods on an annual basis. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. If the asset is not recoverable, the asset is written down to its estimated fair value. Recoverability is measured based on the anticipated undiscounted cash flows from operations. Fair value is estimated based on projected discounted cash flows or comparable market transactions. During the years ended June 30, 2016 and 2015, there were no events or changes in circumstance that required an impairment analysis.

Goodwill

Goodwill represents costs of businesses acquired in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not subject to amortization, but is tested for impairment, on a reporting unit basis, annually (at the end of its fiscal year) and when events and circumstances indicate that an impairment may have occurred. Potential impairments of goodwill are identified by comparing the fair value of the reporting unit to its carrying amount, including goodwill. The Company has not performed a qualitative analysis for goodwill impairment but may elect to do so in future periods. Fair value is estimated using a discounted cash flow and market-multiple approach. If the fair value of the reporting unit exceeds its carrying amount the related goodwill is not considered impaired. If the fair value of the reporting unit is less than the related carrying value, the amount of goodwill impairment loss, if any, must be measured. The amount of goodwill impairment is measured by comparing the implied fair value of the goodwill to its carrying amount. If the carrying amount exceeds its implied fair value, then an impairment loss is recognized through a charge to earnings. The Company's annual impairment test did not indicate any impairment during fiscal 2016 and 2015.

Intangible Assets

Intangible assets consist primarily of acquired customer lists, customer contracts and related relationships, covenants not to compete, and trade names. These assets are amortized on a straight-line basis over the estimated periods of benefit of 3 to 10 years.

Income Taxes

The Company is included in the consolidated federal income tax return of the parent company of Pratt. Under a formal tax-sharing agreement with Pratt, the Company provides for income taxes using the separate return method.

The tax (expense) benefit consists of the following (in thousands):

For the years ended June 30	2016	2015
Current tax expense	**$ (23,880)**	$ (45,163)
Deferred tax (expense) benefit	**(5,009)**	7,204
Provision for income taxes	**$ (28,889)**	$ (37,959)

Amounts recognized as (provision) benefit for income taxes are recorded by the Company as amounts due to or from Pratt. Temporary differences which give rise to deferred tax assets and liabilities result principally from deduction in income tax returns of depreciation based upon lives and methods different from those used for financial reporting and certain accrued liabilities for financial reporting different than for income tax purposes; however, no amounts have been recognized by the Company as deferred income tax assets or liabilities as these amounts are settled currently and are reflected in amounts due to or from Pratt to the extent not paid or received (See Note 5).

The Company recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a greater than 50% cumulative likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. No adjustments were recognized for uncertain tax positions at June 30, 2016 or 2015. The Company recognizes interest and penalties related to tax positions in income tax expense.

The Company is subject to federal and state income taxes in various jurisdictions. The Company joins with its parent, Pratt, in filing a consolidated federal income tax return. Generally, the Company's tax years for fiscal year June 30, 2008 through June 30, 2016 remain open to examination for federal and state income tax purposes.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred, the price to the buyer is fixed or determinable and collectability is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated free on board (f.o.b.) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when the product is delivered to the customer's delivery site.

Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

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 goods sold in the accompanying statement of operations.

Fair Value Measurements

The guidance for fair value measurements establishes the authoritative definition for fair value, sets out a framework for measuring fair value, and outlines the required disclosures regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The Company uses a three-tier fair value hierarchy based upon observable and non-observable inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Company's financial instruments that are not measured at fair value in the financial statements consist primarily of accounts receivable, accounts payable, line of credit and a loan facility. The carrying amounts of accounts receivable, accounts payable, line of credit and loan facility approximate their fair value at June 30, 2016 and 2015 because of their nature and relatively short maturity. The estimated fair value of the Company's long-term debt with a carrying value of $1,500,000 in 2016 and 2015 approximated $1,444,000 at June 30, 2016 and 2015. The Company estimated the fair value of the long-term debt by discounting the future cash flow using the Company's estimated current borrowing rates for similar types and maturities of debt (Level 3).

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of accounts receivable and cash and cash equivalents. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base. The Company performs periodic credit evaluations of its customer's financial condition and generally does not require collateral.

Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Account Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers", as subsequently amended, which establishes a comprehensive revenue recognition standard under GAAP for virtually all industries. The new standard is effective for annual periods beginning after December 15, 2017 for public entities, as defined, and for annual periods beginning after December 15, 2018 for all other entities. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs", which requires that debt issuance costs related to a recognized debt liability be presented as a reduction to the carrying amount of that debt liability, not as an asset. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2016.

In February 2016, the FASB issued ASU 2016-02 "Leases", which is codified in Accounting Standards Codification (ASC) 842 "Leases" and supersedes current lease guidance in ASC 840. These provisions require lessees to recognize a right-of-use asset and lease liability on the balance sheet for operating and financing leases that have a term of more than one year. For lessors, the ASU modifies the classification criteria and the accounting for sales-type and direct financing leases. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2020. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230)", which is intended to create uniformity in how certain transactions are classified in the statement of cash flows. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2019. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

3 Business Combinations

In May 2016, Pratt and the Company acquired certain real estate assets and all of the outstanding stock of Minnesota Corrugated Box, Inc., a manufacturer of shipping boxes, industrial containers, and corrugated displays based in Albert Lea, Minnesota. The total purchase price of $68,800,000, net of cash acquired, was funded with available cash of $62,343,000 and the assumption of certain liabilities and accounts payable. At closing, the Company assigned its right to acquire the real estate assets to Pratt with an estimated fair value of $13,800,000. This amount was funded by the Company and settled against amounts due to Pratt. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Minnesota Corrugated Box), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $28,146,000 of goodwill. The following is a summary of the fair value of the total assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	8,262
Property, plant and equipment		18,514
Intangible assets		11,637
Goodwill		28,146
Total assets acquired		66,559
Liabilities		
Accounts payable and accrued liabilities		(11,559)
Total liabilities assumed		(11,559)
Net assets acquired by the Company		55,000
Real estate assets acquired by Pratt		13,800
Total net assets acquired	$	68,800

In April 2015, the Company acquired certain assets of Robert Mann Packaging, Inc., a manufacturer of shipping boxes, industrial containers, and agricultural containers based in Salinas, California. The total purchase price of $65,802,000, net of cash acquired was funded with available cash of $48,477,000, a note payable to a former shareholder of $1,500,000, and the assumption of certain liabilities and accounts payable. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Robert Mann Packaging), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $17,383,000 of goodwill. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	30,527
Property, plant and equipment		8,830
Intangible assets		13,496
Other Assets		2,858
Goodwill		17,383
Total assets acquired		73,094
Liabilities		
Accounts payable and accrued liabilities		(7,292)
Total liabilities assumed		(7,292)
Net assets acquired	$	65,802

4 Intangible Assets

The gross carrying amounts and accumulated amortization by major intangible asset class were as follows (in thousands):

		2016			2015		
June 30	Period of Benefit	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Customer lists and customer relationships	5 - 10 years	**$ 27,814**	**$ (9,127)**	**$ 18,687**	$ 18,269	$ (6,649)	$ 11,620
Non-compete arrangements, favorable in-place operating lease agreements and patents	3 - 5 years	**2,979**	**(1,326)**	**1,653**	1,961	(1,111)	850
Trade names	3 - 10 years	**7,018**	**(4,257)**	**2,761**	5,944	(3,120)	2,824
		$ 37,811	**$ (14,710)**	**$ 23,101**	$ 26,174	$ (10,880)	$ 15,294

During fiscal 2016 and 2015, intangible assets amortization expense was $3,844,000 and $2,517,000, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows (in thousands):

	Amount
For the year ending June 30:	
2017	$ 5,126
2018	4,597
2019	3,759
2020	3,003
2021	2,871

5 Related-party Transactions

Affiliate Sales

The Company sells wastepaper and other materials to Pratt Paper (GA), LLC (PPGA), Pratt Paper (LA), LLC (PPLA) and Pratt Paper (IN), LLC (PPIN), wholly owned subsidiaries of Pratt. Sales to PPGA, PPLA and PPIN totaled $100,410,000 and $72,450,000 in fiscal 2016 and 2015, respectively. Accounts receivable related to such sales totaled $14,877,000 and $6,508,000 as of June 30, 2016 and 2015, respectively.

Affiliate Purchases

The Company purchases containerboard from PPGA, Pratt Paper (NY), Inc. (PPNY), PPLA and PPIN pursuant to individual paper supply contracts. Such purchases totaled $524,202,000 and $408,842,000 during fiscal years 2016 and 2015, respectively. Amounts payable by the Company related to such purchases totaled $181,815,000 and $165,240,000 as of June 30, 2016 and 2015, respectively. These amounts are noninterest-bearing and are settled in cash generally between 60 to 120 days.

In 2004, the Company entered into a five year paper supply contract with PPGA to ensure PPGA's ability to sell a substantial amount of containerboard production. Under the terms of the contract, the Company is obligated to purchase from PPGA a minimum of 300,000 tons per year of containerboard, whether or not ordered, at a contract price based on market conditions for linerboard and medium. The contract price is adjustable on a semiannual basis in October and April. Price adjustments are based on a percentage of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $200 to $290 per ton, depending on the paper grade), as determined by an independent third-party industry specialist. In connection with the refinancing of PPGA's existing debt in August 2007, the paper supply contract with PPGA for a minimum of 300,000 tons per year was amended to extend its term to the later of June 30, 2012, or the date on which no amounts remain outstanding on PPGA's $66,010,000 of Taxable Project Revenue Bonds Series 2007 B (the Bonds). The Bonds mature in 2028 and require PPGA to enforce the material provisions of the paper supply contract. The Company expects to purchase approximately 300,000 tons annually from PPGA of containerboard each fiscal year pursuant to the contract.

In fiscal 2015, the Company entered into a twenty year paper supply contract, effective July 1, 2014, with PPNY to ensure PPNY's ability to sell a substantial amount of containerboard production. Under the terms of the contract, the Company is obligated to purchase from PPNY a minimum of 260,000 tons per year of containerboard, whether or not ordered, at a contract price based on market conditions for linerboard and medium. The contract price is adjustable on a semiannual basis in October and April. Price adjustments are based on a percentage of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $415 to $505 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In 2013, the Company entered into a twenty year paper supply contract with PPLA to ensure PPLA's ability to sell a substantial amount of containerboard production. Under the terms of the contract, the Company is obligated to purchase from PPLA a minimum of 260,000 tons of containerboard whether or not ordered at a contract price based on market conditions for linerboard and medium. The contract price is adjusted on a semiannual basis in October and April. Price adjustments are limited to twenty-five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $398 to $488 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In November 2013, the Company entered into a paper supply contract with PPIN to ensure PPIN's ability to sell a substantial amount of containerboard production. The contract is effective for a period of thirty years from the commencement of operations of PPIN. Under the terms of the contract, the Company is obligated to purchase from PPIN a minimum of 170,000 tons of containerboard in year one up to a minimum of 300,000 tons of containerboard by year nine, whether or not ordered, at a contact price based on market conditions for linerboard and medium. The contact price is adjusted on a semi-annual basis in October and April. Price adjustments are limited to twenty-five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $430 to $530 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

The Company has not and does not expect to incur any losses as a result of these purchase commitments. Administratively, PPGA, PPNY, PPLA and PPIN bill the Company for purchases made pursuant to the supply contracts at a standard price that is established annually and adjusts the selling price to the related contract price through periodic adjustments, similar to a rebate arrangement. As of June 30, 2016 and 2015, amounts due to PPGA, PPNY, PPLA and PPIN from the Company include approximately $55,725,000 and $57,137,000, respectively, for timing differences between settlement at the standard billing amount and the related rebates. Such amounts are generally due within 15 days of demand by PPGA, PPNY, PPLA and PPIN pursuant to the paper supply contracts.

The Company purchases certain transportation services from Pratt (Corrugated Logistics), LLC (CL). Purchases from CL totaled $109,852,000 and $105,107,000 in fiscal 2016 and 2015, respectively. Accounts payable related to such purchases totaled $9,638,000 and $9,486,000 as of June 30, 2016 and 2015, respectively.

The Company also has balances with other affiliates and subsidiaries of Pratt relating to certain operational and administrative activities. Amounts due to affiliated companies totaled $4,016,000 and $1,262,000 at June 30, 2016 and 2015, respectively. These amounts are noninterest-bearing and generally due on demand. Changes in these balances are reflected in operating activities in the statement of cash flows based on the nature of the underlying transactions.

Management Services

Under informal agreements, the Company incurs management fees, accounting and legal fees, IT support fees, and bank fees charged by Pratt for certain administrative services performed. These corporate allocations are charged based on parameters defined by Pratt management. During fiscal 2016, management fees totaled $10,224,000 and all other administrative fees totaled $8,231,000. During fiscal 2015, management fees totaled $12,300,000 and all other administrative fees totaled $7,130,000. All of the above allocations are included as a component of selling, general, and administrative expenses in the accompanying statements of operations.

Pratt purchases general liability and umbrella, workers' compensation, property, automobile, and various other insurance coverages for its subsidiaries. Pratt then allocates the insurance premiums to its subsidiaries based on various factors. General liability and umbrella premiums are allocated based on the size of the subsidiaries' facilities. Workers' compensation premiums are allocated based on the number of employees. Property insurance premiums are allocated based on the size of the facilities and the value of the property. Automobile insurance premiums are based on the number of vehicles insured at each subsidiary. The allocated insurance premiums are then amortized as insurance expense on the income statement over the period the policy covers. During fiscal years 2016 and 2015, insurance expenses totaling $21,770,000 and $18,873,000 were allocated to the Company by Pratt, respectively.

Total amounts due (to) from Pratt for operational, administrative and other allocations totaled $(74,339,000) and $814,000 at June 30, 2016 and 2015, respectively. Amounts due to Pratt related to income taxes (see Note 2) totaled $(28,889,000) and $(37,959,000) as of June 30, 2016 and 2015, respectively. These amounts are noninterest-bearing and are due on demand. Changes in receivables and payables resulting from transactions with affiliated entities in the normal course of operations are reflected in operating activities in the statement of cash flows.

Affiliate Leases

In November 2013, The Company entered into fifteen year lease agreements replacing the existing ten year lease agreements for all sale leaseback transactions with Pratt Properties, Inc. (PPI), a wholly owned subsidiary of Pratt.

Also, in June 2009, the Company entered into a lease agreement with PPI for a building in Staten Island, New York, which was revised in 2010. The lease agreement has level annual rental payments and requires the lessee to bear the cost of maintenance, insurance and property taxes. In addition, in 2010, the Company entered into a ground sub-lease agreement with PPNY with annual rental payments of $500,000. In December 2014, the Company's ground sub-lease with PPNY was terminated.

Future minimum rental payments required under such leases having initial or remaining noncancellable terms in excess of one year are as follows (in thousands):

	Amount
For the year ending June 30:	
2017	$ 5,746
2018	5,746
2019	5,746
2020	5,746
2021	5,746
Thereafter	42,614
Total	$ 71,344

Rental expense for fiscal 2016 and 2015 under the lease agreements totalled approximately $5,746,000 and $5,996,000, respectively.

6 Long-term Debt

Long-term debt consists of the following (in thousands):

June 30		2016		2015
Note payable to former shareholder of acquired business; interest payable annually at 5.00% maturing July 2019	**$**	**1,500**	$	1,500
Less - current maturities		**(375)**		-
Total long-term debt, net of current maturities	**$**	**1,125**	$	1,500

On July 20, 2011, the Company entered into a syndicated credit agreement (the Credit Agreement) providing for up to $200,000,000 in revolving credit facilities including up to $40,000,000 in letters of credit commitment. On May 31, 2013, the Company amended the Credit Agreement (the First Amendment). The First Amendment increased the maximum revolving credit availability to $225,000,000 including up to $45,000,000 in letters of credit commitment. The First Amendment also reduced the applicable interest rate margin on Libor borrowings by 0.25% (ranging from 1.75% to 2.50% based on the Company's Total Leverage Ratio, as defined) and extended the maturity date to May 31, 2018. The Company did not have borrowings outstanding under the Credit Agreement as of June 30, 2016 or June 30, 2015. Outstanding letters of credit totaled $11,460,000 at June 30, 2016. The Credit Agreement is secured by substantially all property and guaranteed by each of PCH's wholly owned subsidiaries.

The amended Credit Agreement contains certain restrictive covenants including, but not limited to, limitations on the incurrence of debt and maintenance of certain financial covenants. Total Leverage Ratio cannot be greater than 3.25 to 1.0 and Interest Coverage Ratio cannot be less than 5.0 to 1.0. Consolidated net worth must not be less than the sum of $90 million plus 25% of positive consolidated net income beginning in fiscal year 2012.

Future maturities of long-term debt as of June 30, 2016 are as follows (in thousands):

		Amount
For the year ending June 30:		
2017	$	375
2018		375
2019		375
2020		375
Total	$	1,500

7 Commitments and Contingencies

Operating Leases

The Company leases certain office facilities and equipment from nonrelated parties under noncancelable leases, which expire at various dates through fiscal 2033. The leases, which include escalation clauses, generally require that the Company pay taxes, maintenance, and insurance. Future minimum rental payments required under such leases having initial or remaining noncancelable terms in excess of one year (including affiliate leases) as of June 30, 2016, are as follows (in thousands):

		Amount
For the year ending June 30:		
2017	$	68,107
2018		61,756
2019		51,159
2020		42,853
2021		34,989
Thereafter		128,281
Total	$	387,145

Total rent expense under noncancelable operating leases (including affiliate leases) for the years ended June 30, 2016 and 2015, was approximately $64,089,000 and $52,825,000, respectively.

Asset Sales and Leaseback

In November 2014, the Company sold land and building located in Lewisburg, Ohio to an unrelated party for $19,318,000 with such property being leased back to PCH. A gain of $5,367,000 was realized in this transaction and has been deferred and will be amortized to income in proportion to rent charged over an eighteen and one-half year lease term beginning in November 2014.

During fiscal 2016 and 2015, the Company sold new manufacturing equipment to various unrelated equipment leasing entities for $48,281,000 and $29,720,000, respectively, with such equipment being leased back to PCH at terms ranging from five to seven years. The Company did not realize any gain in these transactions.

Purchase Commitments

The Company has purchase commitments for natural gas and electricity in quantities expected to be used in production over a reasonable period in the normal course of business.

Legal Matters

The Company is a party to certain environmental and other litigation and claims incidental to the Company's business. In management's opinion, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position or results of operations.

8 Benefit Plan

The Company participates in Pratt's 401(k) savings plan (the Plan) for full-time eligible employees (defined as employees with 90 days or more of service). Under the Plan, the Company may make matching contributions up to 3% of eligible wages. The Company recorded $4,887,000 and $4,262,000 in the statement of operations to fund matching contributions in fiscal year 2016 and 2015, respectively.

9 Reorganization and Start-up Costs

The Company incurred start-up and other costs of approximately $1,239,000 and $1,555,000 in fiscal years 2016 and 2015, respectively, for various corrugating, converting and material recycling facilities. These costs were expensed as incurred as reorganization and startup costs in the consolidated statements of operations.

10 Subsequent Events

The Company evaluated all events or transactions that occurred after June 30, 2016 up through October 25, 2016, the date the financial statements were available to be issued. During this period, the Company completed an acquisition of a packaging and displays business.

In July 2016, the Company acquired certain assets of Quality Associates, Inc. located in Ohio and Maryland. The business was acquired to increase vertical integration of the Company's packaging and displays business and expand geographically. The total purchase price approximated $4,000,000.

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Consolidated Financial Statements and
Report of Independent Certified Public Accountants

Pratt Corrugated Holdings, Inc. and Subsidiaries

June 30, 2015 and 2014

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Audit • Tax • Advisory

Grant Thornton LLP
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Report of Independent Certified Public Accountants

To the Board of Directors and Stockholder of
Pratt Corrugated Holdings, Inc.:

We have audited the accompanying consolidated financial statements of **Pratt Corrugated Holdings, Inc.** (a Delaware corporation), and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations, changes in stockholder's equity, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Basis for qualified opinion

As described in Note 2 of the consolidated financial statements, affiliated leasing transactions for assets with future minimum rental payments of $77,090,000 and $90,044,000 at June 30, 2015 and 2014, respectively, have been reflected as operating leases regardless of their form or economic substance. In our opinion, the leasing transactions should have been evaluated for proper accounting in accordance with accounting principles generally accepted in the United States of America. The effects on the financial statements of not recognizing such leases in accordance with the relevant accounting principles have not been determined.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pratt Corrugated Holdings, Inc. and subsidiaries as of June 30, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Atlanta, Georgia
September 29, 2015

Consolidated balance sheets

(Dollars in thousands, except number of shares)

June 30	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 68,441**	$ 95,795
Accounts receivable, net of allowance for doubtful accounts of $6,993 and $6,222 in 2015 and 2014, respectively	**222,272**	193,015
Due from affiliates (Note 5)	**6,508**	10,097
Inventories	**157,928**	113,885
Prepaid expenses and other	**9,117**	6,759
Total current assets	**464,266**	419,551
Property, plant and equipment:		
Land and improvements	**-**	296
Buildings and improvements	**19,528**	19,408
Machinery and equipment	**369,038**	350,700
Construction in progress	**18,704**	20,375
	407,270	390,779
Less - Accumulated depreciation	**(284,004)**	(268,760)
Property, plant and equipment, net	**123,266**	122,019
Goodwill	**63,914**	46,531
Other intangible assets, net	**15,294**	4,254
Other assets	**22,128**	14,592
Total assets	**$ 688,868**	$ 606,947
Liabilities and stockholder's equity		
Current liabilities:		
Bank overdraft	**$ 337**	$ 409
Accounts payable	**119,368**	109,091
Accrued liabilities	**55,923**	43,431
Due to affiliates (Note 5)	**213,133**	213,362
Total current liabilities	**388,761**	366,293
Long-term debt (Note 6)	**1,500**	-
Other liabilities	**11,862**	1,007
Total liabilities	**402,123**	367,300
Commitments and contingencies (Note 7)		
Stockholder's equity:		
Common stock, no par value—3,000 shares authorized, 1,000 shares issued and outstanding	**148,690**	148,690
Retained earnings	**138,055**	90,957
Total stockholder’s equity	**286,745**	239,647
Total liabilities and stockholder's equity	**$ 688,868**	$ 606,947

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

Consolidated statements of operations

(Dollars in thousands)

For the years ended June 30	2015	2014
Net sales (including sales to affiliates of $72,450 and $76,257 for the years ended June 30, 2015 and 2014, respectively)	**$ 1,841,598**	$ 1,649,679
Cost and expenses:		
Cost of goods sold	**(1,514,557)**	(1,333,304)
Selling, general and administrative expenses	**(195,162)**	(182,280)
Reorganization and start-up costs	**(1,555)**	(2,145)
Depreciation and amortization	**(23,864)**	(24,078)
Operating income	**106,460**	107,872
Other income (expense):		
Interest income	**13**	25
Interest expense	**(1,168)**	(1,243)
Other, net	**(248)**	742
Income before income taxes	**105,057**	107,396
Provision for income taxes	**(37,959)**	(39,987)
Net income	**$ 67,098**	$ 67,409

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

Consolidated statements of changes in stockholder's equity

(Dollars in thousands, except number of shares)

	Common Stock			
	Number of Shares	Amount	Retained Earnings	Total
Balance, June 30, 2013	1,000	$ 148,690	$ 43,548	$ 192,238
Distribution to parent company	-	-	(20,000)	(20,000)
Net income	-	-	67,409	67,409
Balance, June 30, 2014	1,000	148,690	90,957	239,647
Distribution to parent company	-	-	(20,000)	(20,000)
Net income	-	-	67,098	67,098
Balance, June 30, 2015	**1,000**	**$ 148,690**	**$ 138,055**	**$ 286,745**

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

Consolidated statements of cash flows

(Dollars in thousands)

For the years ended June 30	2015	2014
Operating activities:		
Net income	**$ 67,098**	$ 67,409
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**23,864**	24,078
Interest amortization	**330**	331
Gain on disposal of assets	**(21)**	(656)
Changes in assets and liabilities:		
Accounts receivable	**(11,719)**	(19,627)
Due to affiliates, net	**8,775**	(23,336)
Inventories	**(32,287)**	(11,560)
Prepaid expenses and other	**(3,212)**	697
Accounts payable	**2,482**	13,555
Accrued liabilities	**1,423**	4,762
Total adjustments	**(10,365)**	(11,756)
Net cash provided by operating activities	**56,733**	55,653
Investing activities:		
Capital expenditures	**(56,491)**	(38,311)
Purchase of businesses, net of cash acquired	**(48,477)**	(4,019)
Proceeds from sale of assets	**49,316**	745
Other	**(2,981)**	(1,212)
Net cash used in investing activities	**(58,633)**	(42,797)
Financing activities:		
Decrease in bank overdraft	**(72)**	(478)
Debt issuance costs	**-**	(43)
Distribution to parent company	**(20,000)**	(20,000)
(Decrease) increase in due to affiliates	**(5,382)**	39,450
Net cash (used in) provided by financing activities	**(25,454)**	18,929
Net (decrease) increase in cash and cash equivalents	**(27,354)**	31,785
Cash and cash equivalents:		
Beginning of year	**95,795**	64,010
End of year	**$ 68,441**	$ 95,795
Supplemental disclosures of cash flow information:		
Interest paid	**$ 823**	$ 954
Accrued capital expenditures	**$ 2,499**	$ 1,298
Long-term debt issued in acquisition of business	**$ 1,500**	$ -

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

Notes to consolidated financial statements

1 Organization and Nature of Business

Pratt Corrugated Holdings, Inc. (PCH) and Subsidiaries (collectively, the Company) is a wholly owned subsidiary of Pratt Industries, Inc. (Pratt). PCH and Subsidiaries consist of PCH and its wholly owned subsidiaries, as follows:

- Pratt (Jet Corr), Inc.
- Pratt (Target Container), Inc.
- Pratt (Georgia Box), Inc.
- Pratt (Mississippi Box), Inc.
- Pratt Recycling, Inc.
- Pratt (Bell Packaging), Inc.
- Pratt (Delta Container), Inc.
- Pratt (Virginia Box), Inc.
- Pratt (Classic Container), Inc.
- Wil-Mac Container Corporation
- Pratt RHB, Inc.
- Pratt Industries de Monterrey, S. DER. L. DE. C.V.
- Pratt Mexico Holding, LLC
- Pratt (Love Box), LLC
- Pratt Retail Specialties, LLC
- Staten Island Corrugator, LLC
- Pratt (Converting Division LA), LLC
- Pratt (Allentown Corrugating), LLC
- Impress Industries, Inc.
- Pratt (Rock Solid), LLC
- Pratt (Quality Carton), LLC
- Pratt (Lewisburg Corrugating), LLC
- Pratt (Triad Packaging), LLC
- Pratt San Antonio, S.A. de C.V.
- Pratt (Beloit Corrugating), LLC
- Pratt (Robert Mann Packaging), LLC

In July 2014, Pratt (Corrugated Logistics), LLC, a wholly owned subsidiary of Pratt (Jet Corr), Inc., entered into an agreement and plan of merger with Pratt Logistics LLC, a wholly owned subsidiary of Pratt with Pratt (Corrugated Logistics), LLC the surviving parent company and wholly owned subsidiary of Pratt.

The Company manufactures corrugated sheets and related packaging containers. The Company's manufacturing facilities are located primarily in the midwestern, western and eastern United States of America.

The Company operates as part of a vertically integrated organization along with other subsidiaries of Pratt. A substantial portion of the Company's purchases are from other subsidiaries of Pratt pursuant to paper supply agreements. The Company also engages in significant transactions with Pratt and other subsidiaries and affiliates of Pratt, primarily for management and shared services provided on behalf of the Company. The expense and cost allocations reflected in the financial statements have been prepared on a basis that management of Pratt and the Company believes to be reasonable and reflects an appropriate utilization of the services provided or the benefit received by the Company during the period. However, the amounts recorded for these transactions and allocations are not necessarily representative of the amounts that would have been reflected in the financial statements had the Company not been a wholly owned subsidiary of Pratt.

See Note 5 for further information regarding the relationships and transactions between the Company and Pratt and other subsidiaries of Pratt.

2 Summary of Significant Accounting Policies

Basis of Presentation

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America except that affiliated leasing transactions are reflected as operating leases regardless of their form or economic substance. As a result, and as described in Note 5, the Company has reflected certain affiliate sale-leaseback transactions as operating leases in the accompanying financial statements.

Principles of Consolidation

The accompanying financial statements include the accounts of PCH and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers cash and short-term investments with a remaining maturity at acquisition of three months or less to be cash and cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any such losses in such accounts.

Accounts Receivable

Accounts receivable consist primarily of trade receivables due from unrelated parties and are stated at net realizable value. An allowance for doubtful accounts has been established based on the Company's collection experience and an assessment of the collectibility of specific accounts. The Company evaluates the collectibility of accounts based on a combination of factors. The allowance is adjusted when the Company becomes aware of changes in a specific customer's ability to meet its financial obligations or as a result of changes in the overall aging of accounts receivable. Accounts receivable are charged off against the allowance for doubtful accounts when it is probable the receivable will not be recovered.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Market with respect to finished goods is net realizable value, and market for raw materials is replacement cost. Inventories consist of the following (in thousands):

June 30	2015	2014
Raw materials	**$ 90,463**	$ 69,378
Finished goods	**67,465**	44,507
	$ 157,928	$ 113,885

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Expenditures for repairs and maintenance not considered to substantially lengthen the asset lives are charged to expense as incurred.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Buildings	30 years
Machinery and equipment	3 to 20 years
Furniture and fixtures	7 years

Depreciation expense amounted to $21,348,000 and $22,135,000 during fiscal years 2015 and 2014, respectively.

Use of Estimates

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

Long-lived Assets

The Company periodically reviews the recorded values of long-lived assets, such as property, plant and equipment, for indicators of impairment and reviews the amortization periods on an annual basis. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. If the asset is not recoverable, the asset is written down to its estimated fair value. Recoverability is measured based on the anticipated undiscounted cash flows from operations. Fair value is estimated based on projected discounted cash flows or comparable market transactions. During the years ended June 30, 2015 and 2014, there were no events or changes in circumstance that required an impairment analysis.

Goodwill

Goodwill represents costs of businesses acquired in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not subject to amortization, but is tested for impairment, on a reporting unit basis, annually (at the end of its fiscal year) and when events and circumstances indicate that an impairment may have occurred. Potential impairments of goodwill are identified by comparing the fair value of the reporting unit to its carrying amount, including goodwill. The Company has not performed a qualitative analysis for goodwill impairment but may elect to do so in future periods. Fair value is estimated using a discounted cash flow and market-multiple approach. If the fair value of the reporting unit exceeds its carrying amount the related goodwill is not considered impaired. If the fair value of the reporting unit is less than the related carrying value, the amount of goodwill impairment loss, if any, must be measured. The amount of goodwill impairment is measured by comparing the implied fair value of the goodwill to its carrying amount. If the carrying amount exceeds its implied fair value, then an impairment loss is recognized through a charge to earnings. The Company's annual impairment test did not indicate any impairment during fiscal 2015 and 2014.

Intangible Assets

Intangible assets consist primarily of acquired customer lists, customer contracts and related relationships, covenants not to compete, and trade names. These assets are amortized on a straight-line basis over the estimated periods of benefit of 3 to 10 years.

Income Taxes

The Company is included in the consolidated federal income tax return of the parent company of Pratt. Under a formal tax-sharing agreement with Pratt, the Company provides for income taxes using the separate return method.

The tax (expense) benefit consists of the following (in thousands):

For the years ended June 30		2015		2014
Current tax expense	$	(45,163)	$	(46,973)
Deferred tax benefit		7,204		6,986
Provision for income taxes	$	(37,959)	$	(39,987)

Amounts recognized as (provision) benefit for income taxes are recorded by the Company as amounts due to or from Pratt. Temporary differences which give rise to deferred tax assets and liabilities result principally from deduction in income tax returns of depreciation based upon lives and methods different from those used for financial reporting and certain accrued liabilities for financial reporting different than for income tax purposes; however, no amounts have been recognized by the Company as deferred income tax assets or liabilities as these amounts are settled currently and are reflected in amounts due to or from Pratt to the extent not paid or received (See Note 5).

The Company recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a greater than 50% cumulative likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. No adjustments were recognized for uncertain tax positions at June 30, 2015 or 2014. The Company recognizes interest and penalties related to tax positions in income tax expense.

The Company is subject to federal and state income taxes in various jurisdictions. The Company joins with its parent, Pratt, in filing a consolidated federal income tax return. Generally, the Company's tax years for fiscal year June 30, 2008 through June 30, 2015 remain open to examination for federal and state income tax purposes.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred, the price to the buyer is fixed or determinable and collectibility is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated free on board (f.o.b.) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when the product is delivered to the customer's delivery site.

Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

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 goods sold in the accompanying statement of operations.

Fair Value Measurements

The guidance for fair value measurements establishes the authoritative definition for fair value, sets out a framework for measuring fair value, and outlines the required disclosures regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The Company uses a three-tier fair value hierarchy based upon observable and non-observable inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Company's financial instruments that are not measured at fair value in the financial statements consist primarily of accounts receivable, accounts payable, line of credit and a loan facility. The carrying amounts of accounts receivable, accounts payable, line of credit and loan facility approximate their fair value at June 30, 2015 and 2014 because of their nature and relatively short maturity. The estimated fair value of the Company's long-term debt with a carrying value of $1,500,000 in 2015 approximated $1,444,000 at June 30, 2015. The Company estimated the fair value of the long-term debt by discounting the future cash flow using the Company's estimated current borrowing rates for similar types and maturities of debt (Level 3).

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of accounts receivable and cash and cash equivalents. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base. The Company performs periodic credit evaluations of its customer's financial condition and generally does not require collateral.

Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers", which establishes a comprehensive revenue recognition standard under GAAP for virtually all industries. The new standard is effective for annual periods beginning after December 15, 2017 for public entities, as defined, and for annual periods beginning after December 15, 2018 for all other entities. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

In April 2015, FASB issued Accounting Standards Update 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs related to a recognized debt liability be presented as a reduction to the carrying amount of that debt liability, not as an asset. These changes become effective prospectively for the Company's fiscal year beginning July 1, 2016. The Company has not yet determined the effects, if any, adoption of this update may have on the Company's consolidated financial statements.

3 Business Combinations

In April 2015, the Company acquired certain assets of Robert Mann Packaging, Inc., a manufacturer of shipping boxes, industrial containers, and agricultural containers based in Salinas, California. The total purchase price of $65,802,000, net of cash acquired was funded with available cash of $48,477,000, a note payable to a former shareholder of $1,500,000, and the assumption of certain liabilities and accounts payable by Pratt and the Company. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Robert Mann Packaging), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $17,383,000 of goodwill. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	**30,527**
Property, plant and equipment		**8,830**
Intangible assets		**13,496**
Other assets		**2,858**
Goodwill		**17,383**
Total assets acquired		**73,094**
Liabilities		
Accounts payable and accrued liabilities		**(7,292)**
Total liabilities assumed		**(7,292)**
Net assets acquired	**$**	**65,802**

In March 2014, the Company acquired from two shareholders certain assets of Triad Packaging Design & Display, Inc., a manufacturer of shipping boxes, industrial containers, and corrugated displays based in Bristol, Tennessee. The total purchase price of $5,294,000, net of cash acquired, was funded with available cash of $4,019,000, notes payable to the former shareholders of $1,275,000 issued by Pratt and the assumption of certain liabilities. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Triad Packaging), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $1,116,000 of goodwill. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	2,285
Property, plant and equipment		1,744
Intangible assets		1,704
Goodwill		1,116
Total assets acquired		6,849
Liabilities		
Accounts payable and accrued liabilities		(1,555)
Total liabilities assumed		(1,555)
Net assets acquired	$	5,294

4 Goodwill and Other Intangible Assets

The gross carrying amounts and accumulated amortization by major intangible asset class were as follows (in thousands):

	2015			2014		
June 30	Period of Benefit	Gross Carrying Amount	Accumulated Amortization	Period of Benefit	Gross Carrying Amount	Accumulated Amortization
Customer lists and customer relationships	5 - 10 years	**$ 18,269**	**$ (6,649)**	5 - 10 years	$ 7,717	$ (5,080)
Non-compete arrangements, favorable in-place operating lease agreements and patents	3 - 5 years	**1,961**	**(1,111)**	3 - 5 years	1,961	(769)
Trade names	3 - 10 years	**5,944**	**(3,120)**	10 years	3,000	(2,575)
		$ 26,174	**$ (10,880)**		$ 12,678	$ (8,424)

During fiscal 2015 and 2014, intangible assets amortization expense was $2,517,000 and $1,943,000, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows (in thousands):

	Amount
For the year ending June 30:	
2016	$ 3,632
2017	2,795
2018	1,775
2019	1,731
2020	1,659
Total	$ 11,592

5 Related-party Transactions

Affiliate Sales

The Company sells wastepaper and other materials to Pratt Paper (GA), LLC (PPGA) and Pratt Paper (LA), LLC (PPLA), wholly owned subsidiaries of Pratt. Sales to PPGA and PPLA totaled $72,450,000 and $76,257,000 in fiscal 2015 and 2014, respectively. Accounts receivable related to such sales totaled $6,508,000 and $10,097,000 as of June 30, 2015 and 2014, respectively.

Affiliate Purchases

The Company purchases containerboard from PPGA, Pratt Paper (NY), Inc. (PPNY), and PPLA pursuant to individual paper supply contracts. Such purchases totaled $408,842,000 and $384,247,000 during fiscal years 2015 and 2014, respectively. Amounts payable by the Company related to such purchases totaled $165,240,000 and $160,056,000 as of June 30, 2015 and 2014, respectively. These amounts are noninterest-bearing and are settled in cash generally between 60 to 120 days.

In 2004, the Company entered into a five year paper supply contract with PPGA to ensure PPGA's ability to sell a substantial amount of containerboard production. Under the terms of the contract, the Company is obligated to purchase from PPGA a minimum of 300,000 tons per year of containerboard, whether or not ordered, at a contract price based on market conditions for linerboard and medium. The contract price is adjustable on a semiannual basis in October and April. Price adjustments are based on a percentage of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $200 to $290 per ton, depending on the paper grade), as determined by an independent third-party industry specialist. In connection with the refinancing of PPGA's existing debt in August 2007, the paper supply contract with PPGA for a minimum of 300,000 tons per year was amended to extend its term to the later of June 30, 2012, or the date on which no amounts remain outstanding on PPGA's $66,010,000 of Taxable Project Revenue Bonds Series 2007 B (the Bonds). The Bonds mature in 2028 and require PPGA to enforce the material provisions of the paper supply contract. The Company expects to purchase approximately 300,000 tons annually from PPGA of containerboard each fiscal year pursuant to the contract.

In 2004, the Company entered into a five year paper supply contract with PPNY to ensure PPNY's ability to sell a substantial amount of containerboard production. Under the terms of the contract, the Company is obligated to purchase from PPNY a minimum of 180,000 tons per year of containerboard, whether or not ordered, at a contract price based on market conditions for linerboard and medium. The contract price is adjustable on a semiannual basis in October and April. Price adjustments are based on a percentage of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $240 to $330 per ton, depending on the paper grade), as determined by an independent third-party industry specialist. The paper supply contract with PPNY for a minimum of 180,000 tons per year was amended in 2008 to extend the term to a period of ten years versus five years in the original 2004 agreement. The amended contract term expired April 2014 and the Company continued to operate under the terms and conditions of the amended contract through fiscal 2014.

In fiscal 2015, the Company entered into a twenty year paper supply contract, effective July 1, 2014, with PPNY to ensure PPNY's ability to sell a substantial amount of containerboard production. Under the terms of the contract, the Company is obligated to purchase from PPNY a minimum of 260,000 tons per year of containerboard, whether or not ordered, at a contract price based on market conditions for linerboard and medium. The contract price is adjustable on a semiannual basis in October and April. Price adjustments are based on a percentage of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $415 to $505 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

In 2008, the Company entered into a paper supply contract with PPLA to ensure PPLA's ability to sell a substantial amount of containerboard production. This contract was replaced on July 26, 2013 with a new paper supply agreement with the Company in connection with PPLA's debt refinancing and changed the term from fourteen years to twenty years. Under the terms of the contract, the Company is obligated to purchase from PPLA a minimum of 260,000 tons of containerboard whether or not ordered at a contract price based on market conditions for linerboard and medium. The contract price is adjusted on a semiannual basis in October and April. Price adjustments are limited to twenty-five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $398 to $488 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

The Company has not and does not expect to incur any losses as a result of these purchase commitments. Administratively, PPGA, PPNY and PPLA bill the Company for purchases made pursuant to the supply contracts at a standard price that is established annually and adjusts the selling price to the related contract price through periodic adjustments, similar to a rebate arrangement. As of June 30, 2015 and 2014, amounts due to PPGA, PPNY and PPLA from the Company include approximately $57,137,000 and $60,758,000, respectively, for timing differences between settlement at the standard billing amount and the related rebates. Such amounts are generally due within 15 days of demand by PPGA, PPNY and PPLA, pursuant to the paper supply contracts.

In November 2013, the Company entered into a paper supply contact with Pratt Paper (IN), LLC (PPIN), a wholly owned subsidiary of Pratt, to ensure PPIN's ability to sell a substantial amount of containerboard production. The contract is effective for a period of thirty years from the commencement of operations of PPIN. Under the terms of the contract, the Company is obligated to purchase from PPIN a minimum of 170,000 tons of containerboard in year one up to a minimum of 300,000 tons of containerboard by year nine, whether or not ordered at a contact price based on market conditions for linerboard and medium. The contact price is adjusted on a semi-annual basis in October and April. Price adjustments are limited to twenty-five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $430 to $530 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

The Company purchases certain transportation services from Pratt (Corrugated Logistics), LLC (CL). Purchases from CL totaled $105,107,000 in fiscal year 2015 for which the Company has recorded a payable of $9,486,000 as of June 30, 2015.

Management Services

Under informal agreements, the Company incurs management fees, accounting and legal fees, IT support fees, and bank fees charged by Pratt for certain administrative services performed. These corporate allocations are charged based on parameters defined by Pratt management. During fiscal 2015, management fees totaled $12,300,000 and all other administrative fees totaled $7,130,000. During fiscal 2014, management fees totaled $10,683,000 and all other administrative fees totaled $7,490,000. All of the above allocations are included as a component of selling, general, and administrative expenses in the accompanying statements of operations.

Pratt purchases general liability and umbrella, workers' compensation, property, automobile, and various other insurance coverages for its subsidiaries. Pratt then allocates the insurance premiums to its subsidiaries based on various factors. General liability and umbrella premiums are allocated based on the size of the subsidiaries' facilities. Workers' compensation premiums are allocated based on the number of employees. Property insurance premiums are allocated based on the size of the facilities and the value of the property. Automobile insurance premiums are based on the number of vehicles insured at each subsidiary. The allocated insurance premiums are then amortized as insurance expense on the income statement over the period the policy covers. During fiscal years 2015 and 2014, insurance expenses totaling $18,873,000 and $9,779,000 were allocated to the Company by Pratt, respectively.

Total amounts due from (to) Pratt for operational, administrative and other allocations totaled $814,000 and $(12,630,000) at June 30, 2015 and 2014, respectively. Amounts due to Pratt related to income taxes (see Note 2) totaled $37,959,000 and $39,987,000 as of June 30, 2015 and 2014, respectively. These amounts are noninterest-bearing and are due on demand. Changes in receivables and payables resulting from transactions with affiliated entities in the normal course of operations are reflected in operating activities in the statement of cash flows.

Affiliate Leases

In September 2007, the Company entered into new ten-year lease agreements replacing the former five year lease agreements for all sale leaseback transactions with Pratt Properties, Inc. (PP), a wholly owned subsidiary of Pratt. In November 2013, The Company entered into new fifteen year lease agreements replacing the existing ten year lease agreements for all sale leaseback transactions with PP.

Also, in June 2009, the Company entered into a lease agreement with PP for a building in Staten Island, New York, which was revised in 2010. The lease agreement has level annual rental payments and requires the lessee to bear the cost of maintenance, insurance and property taxes. In addition, in 2010, the Company entered into a ground sub-lease agreement with PPNY with annual rental payments of $500,000. In December 2014, the Company's ground sub-lease with PPNY was terminated.

Future minimum rental payments required under such leases having initial or remaining noncancellable terms in excess of one year are as follows (in thousands):

		Amount
For the year ending June 30:		
2016	$	5,746
2017		5,746
2018		5,746
2019		5,746
2020		5,746
Thereafter		48,360
Total	$	77,090

Rental expense for fiscal 2015 and 2014 under the lease agreements totaled approximately $5,996,000 and $6,246,000, respectively.

6 Long-term Debt

Long-term debt consists of the following (in thousands):

June 30		2015		2014
Note payable to former shareholder of acquired business; interest payable annually at 5.00% maturing July 2019	**$**	**1,500**	$	-
Less - Current maturities		**-**		-
Total long-term debt, net of current maturities	**$**	**1,500**	$	-

On July 20, 2011, the Company entered into a syndicated credit agreement (the Credit Agreement) providing for up to $200,000,000 in revolving credit facilities including up to $40,000,000 in letters of credit commitment. Borrowings under the Credit Agreement bear interest at one month Libor plus an applicable margin (ranging from 2.00% to 2.75%) based on the Company's Total Leverage Ratio, as defined and matures in July 2016. The Credit Agreement is secured by substantially all property and guaranteed by each of PCH's wholly owned subsidiaries.

On May 31, 2013, the Company amended the Credit Agreement (the First Amendment). The First Amendment increased the maximum revolving credit availability to $225,000,000 including up to $45,000,000 in letters of credit commitment. The First Amendment also reduced the applicable interest rate margin on Libor borrowings by 0.25% (ranging from 1.75% to 2.50% based on the Company's Total Leverage Ratio, as defined) and extended the maturity date to May 31, 2018. The Company did not have borrowings outstanding under the Credit Agreement as of June 30, 2015 or June 30, 2014. Outstanding letters of credit totaled $3,775,000 at June 30, 2015.

The amended Credit Agreement contains certain restrictive covenants including, but not limited to, limitations on the incurrence of debt and maintenance of certain financial covenants. Total Leverage Ratio cannot be greater than 3.25 to 1.0 and Interest Coverage Ratio cannot be less than 5.0 to 1.0. Consolidated net worth must not be less than the sum of $90 million plus 25% of positive consolidated net income beginning in fiscal year 2012.

Future maturities of long-term debt as of June 30, 2015 are as follows (in thousands):

		Amount
For the year ending June 30:		
2016	$	-
2017		375
2018		375
2019		375
2020		375
Total	$	1,500

7 Commitments and Contingencies

Operating Leases

The Company leases certain office facilities and equipment from nonrelated parties under noncancelable leases, which expire at various dates through fiscal 2033. The leases, which include escalation clauses, generally require that the Company pay taxes, maintenance, and insurance. Future minimum rental payments required under such leases having initial or remaining noncancelable terms in excess of one year (including affiliate leases) as of June 30, 2015, are as follows (in thousands):

		Amount
For the year ending June 30:		
2016	$	57,087
2017		49,472
2018		42,983
2019		33,739
2020		26,751
Thereafter		139,983
Total	$	350,015

Total rent expense under noncancelable operating leases (including affiliate leases) for the years ended June 30, 2015 and 2014, was approximately $52,825,000 and $53,409,000, respectively.

Asset Sales and Leaseback

In November 2014, the Company sold land and building located in Lewisburg, Ohio to an unrelated party for $19,318,000 with such property being leased back to PCH. A gain of $5,367,000 was realized in this transaction and has been deferred and is being amortized to income in proportion to rent charged over an eighteen and one-half year lease term beginning in November 2014.

During fiscal 2015, the Company sold new manufacturing equipment to various unrelated equipment leasing entities for $29,720,000, with such equipment being leased back to PCH. The Company did not realize any gain in these transactions. The lease terms range from five to seven years beginning in fiscal 2015.

Purchase Commitments

The Company has purchase commitments for natural gas and electricity in quantities expected to be used in production over a reasonable period in the normal course of business.

Legal Matters

The Company is a party to certain environmental and other litigation and claims incidental to the Company's business. In management's opinion, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position or results of operations.

8 Benefit Plan

The Company participates in Pratt's 401(k) savings plan (the Plan) for full-time eligible employees (defined as employees with 90 days or more of service). Under the Plan, the Company may make matching contributions up to 3% of eligible wages. The Company recorded $4,262,000 and $4,010,000 in the statement of operations to fund matching contributions in fiscal year 2015 and 2014, respectively.

9 Reorganization and Start-up Costs

The Company incurred start-up and other costs of approximately $1,555,000 and $2,145,000 in fiscal years 2015 and 2014, respectively, for various corrugating, converting and material recycling facilities. These costs were expensed as incurred as reorganization and startup costs in the consolidated statements of operations.

10 Subsequent Events

The Company evaluated all events or transactions that occurred after June 30, 2015 up through September 29, 2015, the date the financial statements were available to be issued. During this period, no material recognizable subsequent events occurred.

Consolidated Financial Statements and
Report of Independent Certified Public Accountants

Pratt Corrugated Holdings, Inc. and Subsidiaries

June 30, 2014 and 2013

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Report of Independent Certified Public Accountants

To the Board of Directors and Shareholder of
Pratt Corrugated Holdings, Inc.:

We have audited the accompanying consolidated financial statements of **Pratt Corrugated Holdings, Inc.** (a Delaware corporation), and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of operations, stockholder's equity, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Basis for qualified opinion

As described in Note 2 of the consolidated financial statements, affiliated leasing transactions for assets with future minimum rental payments of $90,044,000 and $27,003,000 at June 30, 2014 and 2013, respectively, have been reflected as operating leases regardless of their form or economic substance. In our opinion, the leasing transactions should have been evaluated for proper accounting in accordance with accounting principles generally accepted in the United States of America. The effects on the financial statements of not recognizing such leases in accordance with the relevant accounting principles have not been determined.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pratt Corrugated Holdings, Inc. and subsidiaries as of June 30, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Atlanta, Georgia
October 3, 2014

Consolidated balance sheets

(Dollars in thousands, except number of shares)

June 30	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	**$ 95,795**	$ 64,010
Accounts receivable, net of allowance for doubtful accounts of $6,222 and $906 in 2014 and 2013, respectively	**193,015**	172,153
Due from affiliates (Note 5)	**10,097**	5,985
Inventories	**113,885**	101,311
Prepaid expenses and other	**6,759**	7,419
Total current assets	**419,551**	350,878
Property, plant and equipment:		
Land and improvements	**296**	-
Buildings and improvements	**19,408**	15,250
Machinery and equipment	**350,700**	342,947
Construction in progress	**20,375**	5,038
	390,779	363,235
Less - Accumulated depreciation	**(268,760)**	(249,200)
Property, plant and equipment, net	**122,019**	114,035
Goodwill	**46,531**	45,426
Other intangible assets, net	**4,254**	4,433
Other assets	**14,592**	13,718
Total assets	**$ 606,947**	$ 528,490
Liabilities and stockholder's equity		
Current liabilities:		
Bank overdraft	**$ 409**	$ 887
Accounts payable	**109,091**	94,437
Accrued liabilities	**43,431**	38,204
Due to affiliates (Note 5)	**213,362**	201,570
Total current liabilities	**366,293**	335,098
Other liabilities	**1,007**	1,154
Total liabilities	**367,300**	336,252
Commitments and contingencies (Note 7)		
Stockholder's equity:		
Common stock, no par value—3,000 shares authorized, 1,000 shares issued and outstanding	**148,690**	148,690
Retained earnings	**90,957**	43,548
Total stockholder's equity	**239,647**	192,238
Total liabilities and stockholder's equity	**$ 606,947**	$ 528,490

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

Consolidated statements of operations

(Dollars in thousands)

For the years ended June 30	2014	2013
Net sales (including sales to affiliates of $76,257 and $84,011 for the years ended June 30, 2014 and 2013, respectively)	**$ 1,649,679**	$ 1,426,701
Cost and expenses:		
Cost of goods sold	**(1,333,304)**	(1,184,721)
Selling, general and administrative expenses	**(182,280)**	(170,640)
Reorganization and start-up costs	**(2,145)**	(1,181)
Depreciation and amortization	**(24,078)**	(23,516)
Operating income	**107,872**	46,643
Other income (expense):		
Interest income	**25**	110
Interest expense	**(1,243)**	(2,356)
Other, net	**742**	(659)
Income before income taxes	**107,396**	43,738
Provision for income taxes	**(39,987)**	(16,323)
Net income	**$ 67,409**	$ 27,415

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

Consolidated statements of stockholder's equity

(Dollars in thousands, except number of shares)

	Common Stock			
	Number of Shares	Amount	Retained Earnings	Total
Balance, June 30, 2012	1,000	$ 148,690	$ 16,133	$ 164,823
Net income	-	-	27,415	27,415
Balance, June 30, 2013	1,000	148,690	43,548	192,238
Distribution to parent company	-	-	(20,000)	(20,000)
Net income	-	-	67,409	67,409
Balance, June 30, 2014	**1,000**	**$ 148,690**	**$ 90,957**	**$ 239,647**

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

Consolidated statements of cash flows

(Dollars in thousands)

For the years ended June 30	2014	2013
Operating activities:		
Net income	**$ 67,409**	$ 27,415
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**24,078**	23,516
Interest amortization	**331**	271
(Gain) loss on disposal of assets	**(656)**	145
Changes in assets and liabilities:		
Accounts receivable	**(19,627)**	(24,906)
Due to affiliates, net	**(23,336)**	8,482
Inventories	**(11,560)**	11,450
Prepaid expenses and other	**697**	(1,801)
Accounts payable	**13,555**	6,616
Accrued liabilities	**4,762**	6,202
Total adjustments	**(11,756)**	29,975
Net cash provided by operating activities	**55,653**	57,390
Investing activities:		
Capital expenditures	**(38,311)**	(9,083)
Purchase of businesses, net of cash acquired	**(4,019)**	(2,445)
Proceeds from sale of assets	**745**	41
Other	**(1,212)**	(595)
Net cash used in investing activities	**(42,797)**	(12,082)
Financing activities:		
(Decrease) increase in bank overdraft	**(478)**	26
Proceeds from issuance of long-term debt	**-**	125,000
Principal payments on long-term debt	**-**	(126,066)
Debt issuance costs	**(43)**	(658)
Distribution to parent company	**(20,000)**	-
Increase (decrease) due to affiliates	**39,450**	(1,276)
Net cash provided by (used in) financing activities	**18,929**	(2,974)
Net increase in cash and cash equivalents	**31,785**	42,334
Cash and cash equivalents:		
Beginning of year	**64,010**	21,676
End of year	**$ 95,795**	$ 64,010
Supplemental disclosures of cash flow information:		
Interest paid	**$ 954**	$ 2,142
Accrued capital expenditures	**$ 1,298**	$ 1,314
Transfer of long-term debt to Pratt	**$ -**	$ 5,999

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

Notes to consolidated financial statements

1 Organization and Nature of Business

Pratt Corrugated Holdings, Inc. (PCH) and Subsidiaries (collectively, the Company) is a wholly owned subsidiary of Pratt Industries, Inc. (Pratt). PCH and Subsidiaries consist of PCH and its wholly owned subsidiaries, as follows:

- Pratt (Jet Corr), Inc.
- Pratt (Target Container), Inc.
- Pratt (Georgia Box), Inc.
- Pratt (Mississippi Box), Inc.
- Pratt Recycling, Inc.
- Pratt (Bell Packaging), Inc.
- Pratt (Delta Container), Inc.
- Pratt (Virginia Box), Inc.
- Pratt (Classic Container), Inc.
- Wil-Mac Container Corporation
- Pratt RHB, Inc.
- Pratt Industries de Monterrey, S. DER. L. DE. C.V.
- Pratt Mexico Holding, LLC
- Pratt (Love Box), LLC
- Pratt Retail Specialties, LLC
- Staten Island Corrugator, LLC
- Pratt (Converting Division LA), LLC
- Pratt (Allentown Corrugating), LLC
- Impress Industries, Inc.
- Pratt (Rock Solid), LLC
- Pratt (Quality Carton), LLC
- Pratt (Lewisburg Corrugating), LLC
- Pratt (Triad Packaging), LLC
- Pratt San Antonio, S.A. de C.V.

The Company manufactures corrugated sheets and related packaging containers. The Company's manufacturing facilities are located primarily in the midwestern and eastern United States of America.

The Company operates as part of a vertically integrated organization along with other subsidiaries of Pratt. A substantial portion of the Company's purchases are from other subsidiaries of Pratt pursuant to paper supply agreements. The Company also engages in significant transactions with Pratt and other subsidiaries and affiliates of Pratt, primarily for management and shared services provided on behalf of the Company. The expense and cost allocations reflected in the financial statements have been prepared on a basis that management of Pratt and the Company believes to be reasonable and reflects an appropriate utilization of the services provided or the benefit received by the Company during the period. However, the amounts recorded for these transactions and allocations are not necessarily representative of the amounts that would have been reflected in the financial statements had the Company not been a wholly owned subsidiary of Pratt.

See Note 5 for further information regarding the relationships and transactions between the Company and Pratt and other subsidiaries of Pratt.

2 Summary of Significant Accounting Policies

Basis of Presentation

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America except that affiliated leasing transactions are reflected as operating leases regardless of their form or economic substance. As a result, and as described in Note 5, the Company has reflected certain affiliate sale-leaseback transactions as operating leases in the accompanying financial statements.

Principles of Consolidation

The accompanying financial statements include the accounts of PCH and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers cash and short-term investments with a remaining maturity at acquisition of three months or less to be cash and cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any such losses in such accounts.

Accounts Receivable

Accounts receivable consist primarily of trade receivables due from unrelated parties and are stated at net realizable value. An allowance for doubtful accounts has been established based on the Company's collection experience and an assessment of the collectibility of specific accounts. The Company evaluates the collectibility of accounts based on a combination of factors. The allowance is adjusted when the Company becomes aware of changes in a specific customer's ability to meet its financial obligations or as a result of changes in the overall aging of accounts receivable. Accounts receivable are charged off against the allowance for doubtful accounts when it is probable the receivable will not be recovered.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Market with respect to finished goods is net realizable value, and market for raw materials is replacement cost. Inventories consist of the following (in thousands):

June 30	2014	2013
Raw materials	**$ 69,378**	$ 59,155
Finished goods	**44,507**	42,156
	$ 113,885	$ 101,311

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Expenditures for repairs and maintenance not considered to substantially lengthen the asset lives are charged to expense as incurred.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Buildings	30 years
Machinery and equipment	3 to 20 years
Furniture and fixtures	7 years

Depreciation expense amounted to $22,135,000 and $21,495,000 during fiscal years 2014 and 2013, respectively.

Use of Estimates

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

Long-lived Assets

The Company periodically reviews the recorded values of long-lived assets, such as property, plant and equipment, for indicators of impairment and reviews the amortization periods on an annual basis. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. If the asset is not recoverable, the asset is written down to its estimated fair value. Recoverability is measured based on the anticipated undiscounted cash flows from operations. Fair value is estimated based on projected discounted cash flows or comparable market transactions. During the years ended June 30, 2014 and 2013, there were no events or changes in circumstance that required an impairment analysis.

Income Taxes

The Company is included in the consolidated federal income tax return of the parent company of Pratt. Under a formal tax-sharing agreement with Pratt, the Company provides for income taxes using the separate return method.

The tax provision consists of the following (in thousands):

For the years ended June 30	2014	2013
Current tax expense	**$ (46,973)**	$ (19,841)
Deferred tax benefit	**6,986**	3,518
Provision for income taxes	**$ (39,987)**	$ (16,323)

Amounts recognized as (provision) benefit for income taxes are recorded by the Company as amounts due to or from Pratt. Temporary differences which give rise to deferred tax assets and liabilities result principally from deduction in income tax returns of depreciation based upon lives and methods different from those used for financial reporting and certain accrued liabilities for financial reporting different than for income tax purposes; however, no amounts have been recognized by the Company as deferred income tax assets or liabilities as these amounts are settled currently and are reflected in amounts due to or from Pratt to the extent not paid or received (See Note 5).

The Company recognizes a tax position as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a greater than 50% cumulative likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. No adjustments were recognized for uncertain tax positions at June 30, 2014 or 2013. The Company recognizes interest and penalties related to tax positions in income tax expense.

The Company is subject to federal and state income taxes in various jurisdictions. The Company joins with its parent, Pratt, in filing a consolidated federal income tax return. Generally, the Company's tax years for fiscal year June 30, 2008 through June 30, 2014 remain open to examination for federal and state income tax purposes.

Revenue Recognition

The Company recognizes revenue when the following criteria are met: persuasive evidence of an agreement exists, delivery has occurred, the price to the buyer is fixed or determinable and collectibility is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. Revenue is recorded at the time of shipment for terms designated free on board (f.o.b.) shipping point. For sales transactions designated f.o.b. destination, revenue is recorded when the product is delivered to the customer's delivery site.

Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

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 goods sold in the accompanying statement of operations.

Fair Value Measurements

The guidance for fair value measurements establishes the authoritative definition for fair value, sets out a framework for measuring fair value, and outlines the required disclosures regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The Company uses a three-tier fair value hierarchy based upon observable and non-observable inputs as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Company's financial instruments that are not measured at fair value in the financial statements consist primarily of accounts receivable, accounts payable, line of credit and a loan facility. The carrying amounts of accounts receivable, accounts payable, line of credit and loan facility approximate their fair value at June 30, 2014 and 2013 because of their nature and relatively short maturity.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of accounts receivable and cash and cash equivalents. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base. However, substantially all of the Company's receivables are from companies in the paper industry. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers", which establishes a comprehensive revenue recognition standard under GAAP for virtually all industries. The new standard is effective for annual periods beginning after December 15, 2016 for public entities, as defined, and for annual periods beginning after December 15, 2017 for all other entities. The Company has not yet determined the effects, if any, adoption of this update may have on its consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

3 Business Combinations

In March 2014, the Company acquired from two shareholders certain assets of Triad Packaging Design & Display, Inc., a manufacturer of shipping boxes, industrial containers, and corrugated displays based in Bristol, Tennessee. The total purchase price of $5,294,000, net of cash acquired, was funded with available cash of $4,019,000, notes payable to the former shareholders of $1,275,000 issued by Pratt and the assumption of certain liabilities. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Pratt (Triad Packaging), LLC are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $1,116,000 of goodwill. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	2,285
Property, plant and equipment		1,744
Intangible assets		1,704
Goodwill		1,116
Total assets acquired		6,849
Liabilities		
Accounts payable and accrued liabilities		(1,555)
Total liabilities assumed		(1,555)
Net assets acquired	$	5,294

In July 2012, the Company acquired from a single shareholder certain assets of Quality Carton Inc. and ProPak, Inc., manufacturers of shipping boxes, industrial containers, and corrugated displays based in New Windsor, New York. The total purchase price of $2,785,000, net of cash acquired, was funded with available cash of $2,445,000, notes payable to the former shareholder of $340,000 and the assumption of certain liabilities. The acquisition was accounted for under the acquisition method of accounting, and the results of operations of Quality Carton Inc. and ProPak, Inc. are included in these financial statements from the date of acquisition.

The Company recorded the acquisition date fair value of identifiable assets purchased and liabilities assumed in addition to $418,000 of goodwill. The following is a summary of the fair value of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

		Amount
Assets		
Accounts receivable, inventories and other current assets	$	6,374
Property, plant and equipment		3,026
Intangible assets		1,714
Goodwill		418
Total assets acquired		11,532
Liabilities		
Accounts payable and accrued liabilities		(8,747)
Notes payable		(340)
Total liabilities assumed		(9,087)
Net assets acquired	$	2,445

4 Goodwill and Other Intangible Assets

Goodwill

Goodwill represents costs of businesses acquired in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not subject to amortization, but is tested for impairment, on a reporting unit basis, annually (at the end of its fiscal year) and when events and circumstances indicate that an impairment may have occurred. Potential impairments of goodwill are identified by comparing the fair value of the reporting unit to its carrying amount, including goodwill. The Company has not performed a qualitative analysis for goodwill impairment but may elect to do so in future periods. Fair value is estimated using a discounted cash flow and market-multiple approach. If the fair value of the reporting unit exceeds its carrying amount the related goodwill is not considered impaired. If the fair value of the reporting unit is less than the related carrying value, the amount of goodwill impairment loss, if any, must be measured. The amount of goodwill impairment is measured by comparing the implied fair value of the goodwill to its carrying amount. If the carrying amount exceeds its implied fair value, then an impairment loss is recognized through a charge to earnings. The Company's annual impairment test did not indicate any impairment during fiscal 2014 and 2013.

Intangible Assets

Intangible assets consist primarily of acquired customer lists, customer contracts and related relationships, covenants not to compete, and trade name. These assets are amortized on a straight-line basis over the estimated periods of benefit of 3 to 10 years.

The gross carrying amounts and accumulated amortization by major intangible asset class were as follows (in thousands):

June 30	Period of Benefit	2014 Gross Carrying Amount	2014 Accumulated Amortization	2013 Gross Carrying Amount	2013 Accumulated Amortization
Customer lists and customer relationships	5 - 10 years	**$ 7,717**	**$ (5,080)**	$ 7,074	$ (3,841)
Non-compete arrangements, favorable in-place operating lease agreements and patents	3 - 5 years	**1,961**	**(769)**	955	(480)
Trade names	10 years	**3,000**	**(2,575)**	3,000	(2,275)
		$ 12,678	**$ (8,424)**	$ 11,029	$ (6,596)

During fiscal 2014 and 2013, intangible assets amortization expense was $1,943,000 and $2,021,000, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows (in thousands):

	Amount
For the year ending June 30:	
2015	$ 1,809
2016	1,143
2017	551
2018	268
2019	224
Total	$ 3,995

5 Related-party Transactions

Affiliate Sales

The Company sells wastepaper and provides transportation services to Pratt Paper (GA), LLC (PPGA), Pratt Paper (NY), Inc. (PPNY), and Pratt Paper (LA), LLC (PPLA), wholly owned subsidiaries of Pratt. Sales to PPGA, PPNY, and PPLA totaled $76,257,000 and $84,011,000 in fiscal 2014 and 2013, respectively. Accounts receivable related to such sales totaled $10,097,000 and $5,985,000 as of June 30, 2014 and 2013, respectively.

Affiliate Purchases

The Company purchases containerboard from PPGA, PPNY, and PPLA pursuant to individual paper supply contracts. Such purchases totaled $384,247,000 and $354,516,000 during fiscal years 2014 and 2013, respectively. Amounts payable by the Company related to such purchases totaled $160,056,000 and $179,263,000 as of June 30, 2014 and 2013, respectively. These amounts are noninterest-bearing and are settled in cash generally between 60 to 120 days.

In 2004, the Company entered into a five year paper supply contract with PPGA to ensure the Company's ability to procure a substantial amount of containerboard production. Under the terms of the contract, the Company is obligated to purchase from PPGA a minimum of 300,000 tons per year of containerboard, whether or not ordered, at a contract price based on market conditions for linerboard and medium. The contract price is adjustable on a semiannual basis in October and April. Price adjustments are based on a percentage of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $200 to $290 per ton, depending on the paper grade), as determined by an independent third-party industry specialist. In connection with the refinancing of PPGA's existing debt in August 2007, the paper supply contract with PPGA for a minimum of 300,000 tons per year was amended to extend its term to the later of June 30, 2012, or the date on which no amounts remain outstanding on PPGA's $66,010,000 of Taxable Project Revenue Bonds Series 2007 B (the Bonds). The Bonds mature in 2028 and require PPGA to enforce the material provisions of the paper supply contract. The Company expects to purchase approximately 300,000 tons annually from PPGA of containerboard each fiscal year pursuant to the contract.

In 2004, the Company entered into a five year paper supply contract with PPNY to ensure the Company's ability to procure a substantial amount of containerboard production. Under the terms of the contract, the Company is obligated to purchase from PPNY a minimum of 180,000 tons per year of containerboard, whether or not ordered, at a contract price based on market conditions for linerboard and medium. The contract price is adjustable on a semiannual basis in October and April. Price adjustments are based on a percentage of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $240 to $330 per ton, depending on the paper grade), as determined by an independent third-party industry specialist. The paper supply contract with PPNY for a minimum of 180,000 tons per year was amended in 2008 to extend the term to a period of ten years versus five years in the original 2004 agreement. The amended contract term expired April 2014; however, the Company and PPNY continue to operate under the terms and conditions of the amended contract pending completion of a new paper supply agreement in fiscal 2015.

In 2008, the Company entered into a paper supply contract with PPLA to ensure the Company's ability to procure a substantial amount of containerboard production. This contract was replaced on July 26, 2013 with a new paper supply agreement with the Company in connection with PPLA's debt refinancing and changed the term from fourteen years to twenty years. Under the terms of the contract, the Company is obligated to purchase from PPLA a minimum of 260,000 tons of containerboard whether or not ordered at a contract price based on market conditions for linerboard and medium. The contract price is adjusted on a semiannual basis in October and April. Price adjustments are limited to twenty-five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $398 to $488 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

The Company has not and does not expect to incur any losses as a result of these purchase commitments. Administratively, PPGA, PPNY and PPLA bill the Company for purchases made pursuant to the supply contracts at a standard price that is established annually and adjusts the selling price to the related contract price through periodic adjustments, similar to a rebate arrangement. As of June 30, 2014 and 2013, amounts due to PPGA, PPNY and PPLA from the Company include approximately $60,758,000 and $47,790,000, respectively, for timing differences between settlement at the standard billing amount and the related rebates. Such amounts are generally due within 15 days of demand by PPGA, PPNY and PPLA, pursuant to the paper supply contracts.

In November 2013, the Company entered into a paper supply contact with Pratt Paper (IN), LLC (PPIN), a wholly owned subsidiary of Pratt, to ensure the Company's ability to procure a substantial amount of containerboard production. The contract is effective for a period of thirty years from the commencement of operations of PPIN. Under the terms of the contract, the Company is obligated to purchase from PPIN a minimum of 170,000 tons of containerboard in year one up to a minimum of 300,000 tons of containerboard by year nine, whether or not ordered at a contact price based on market conditions for linerboard and medium. The contact price is adjusted on a semi-annual basis in October and April. Price adjustments are limited to twenty-five percent of the change in the published market price of certain grades of linerboard and medium (subject to floor prices ranging from $430 to $530 per ton, depending on the paper grade), as determined by an independent third-party industry specialist.

Management Services

Under informal agreements, the Company incurs management fees, accounting and legal fees, IT support fees, and bank fees charged by Pratt for certain administrative services performed. These corporate allocations are charged based on parameters defined by Pratt management. During fiscal 2014, management fees totaled $10,683,000 and all other administrative fees totaled $7,490,000. During fiscal 2013, management fees totaled $9,449,000 and all other administrative fees totaled $6,065,000. All of the above allocations are included as a component of selling, general, and administrative expenses in the accompanying statements of operations.

Pratt purchases general liability and umbrella, workers' compensation, property and automobile insurance policies for its subsidiaries. Pratt then allocates the insurance premiums to its subsidiaries based on various factors. General liability and umbrella premiums are allocated based on the size of the subsidiaries' facilities. Workers' compensation premiums are allocated based on the number of employees. Property insurance premiums are allocated based on the size of the facilities and the value of the property. Automobile insurance premiums are based on the number of vehicles insured at each subsidiary. The allocated insurance premiums are then amortized as insurance expense on the income statement over the period the policy covers. During fiscal years 2014 and 2013, insurance expenses totaling $9,779,000 and $6,562,000 were allocated to the Company by Pratt, respectively.

Total amounts due to Pratt for operational, administrative and other allocations totaled $12,630,000 and $5,250,000 at June 30, 2014 and 2013, respectively. Amounts due to Pratt related to income taxes (see Note 2) totaled $39,987,000 and $17,057,000 as of June 30, 2014 and 2013, respectively. These amounts are noninterest-bearing and are due on demand. Changes in receivables and payables resulting from transactions with affiliated entities in the normal course of operations are reflected in operating activities in the statement of cash flows.

Affiliate Leases

In fiscal 2005, the Company transferred land and buildings with a carrying value of approximately $33,919,000 to Pratt Properties, Inc. (PP), a wholly owned subsidiary of Pratt. The Company subsequently leased back these assets by entering into five year lease agreements. In April 2007, the Company entered into a sale leaseback transaction with PP for certain owned land and buildings of LB. The Company recorded a sale for the LB land and buildings of approximately $27,085,000 and entered into five year lease agreements. The asset sales were recorded at historical cost and accordingly no gain or loss was recorded.

In September 2007, the Company entered into new ten-year lease agreements replacing the existing five year lease agreements for all sale leaseback transactions with PP. Also, in June 2009, the Company entered into an eight year and eight month lease agreement with PP for a building in Staten Island, New York. The lease agreement has level annual rental payments and requires the lessee to bear the cost of maintenance, insurance and property taxes. In June 2010, the Company revised its lease agreement with PP in Staten Island. Under the terms of the revised lease agreement, the Company will make annual rental payments of $875,000 for the building. In addition, the Company entered into a ground sub-lease agreement with PPNY and will make annual rental payments of $500,000.

In November 2013, The Company entered into new fifteen year lease agreements replacing the existing ten year lease agreements for all sale leaseback transactions with PP.

Future minimum rental payments required under such leases having initial or remaining noncancellable terms in excess of one year are as follows (in thousands):

		Amount
For the year ending June 30:		
2015	$	6,246
2016		6,246
2017		6,246
2018		6,246
2019		6,246
Thereafter		58,814
Total	$	90,044

Rental expense for fiscal 2014 and 2013 under the lease agreements totaled approximately $6,246,000 for each year.

6 Long-term Debt

On July 20, 2011, the Company entered into a syndicated credit agreement (the Credit Agreement) providing for up to $200,000,000 in revolving credit facilities including up to $40,000,000 in letters of credit commitment. Borrowings under the Credit Agreement bear interest at one month Libor plus an applicable margin (ranging from 2.00% to 2.75%) based on the Company's Total Leverage Ratio, as defined and matures in July 2016. The Credit Agreement is secured by substantially all property and guaranteed by each of PCH's wholly owned subsidiaries.

On May 31, 2013, the Company amended the Credit Agreement (the First Amendment). The First Amendment increased the maximum revolving credit availability to $225,000,000 including up to $45,000,000 in letters of credit commitment. The First Amendment also reduced the applicable interest rate margin on Libor borrowings by 0.25% (ranging from 1.75% to 2.50% based on the Company's Total Leverage Ratio, as defined) and extended the maturity date to May 31, 2018. The Company did not have borrowings outstanding under the Credit Agreement as of June 30, 2014 or June 30, 2013. Outstanding letters of credit totaled $20,274,000 at June 30, 2014.

The amended Credit Agreement contains certain restrictive covenants including, but not limited to, limitations on the incurrence of debt and maintenance of certain financial covenants. Total Leverage Ratio cannot be greater than 3.25 to 1.0 and Interest Coverage Ratio cannot be less than 5.0 to 1.0. Consolidated net worth must not be less than the sum of $90 million plus 25% of positive consolidated net income beginning in fiscal year 2012.

7 Commitments and Contingencies

Operating Leases

The Company leases certain office facilities and equipment from nonrelated parties under noncancelable leases, which expire at various dates through fiscal 2029. Future minimum rental payments required under such leases having initial or remaining noncancelable terms in excess of one year (including affiliate leases) as of June 30, 2014, are as follows (in thousands):

		Amount
For the year ending June 30:		
2015	$	51,355
2016		46,985
2017		40,648
2018		35,087
2019		26,684
Thereafter		131,813
Total	$	332,572

Total rent expense under noncancelable operating leases (including affiliate leases) for the years ended June 30, 2014 and 2013, was approximately $53,409,000 and $49,070,000, respectively.

Purchase Commitments

The Company has purchase commitments for natural gas and electricity in quantities expected to be used in production over a reasonable period in the normal course of business.

Legal Matters

The Company is a party to certain environmental and other litigation and claims incidental to the Company's business. In management's opinion, the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position or results of operations.

8 Benefit Plan

The Company participates in Pratt's 401(k) savings plan (the Plan) for full-time eligible employees (defined as employees with 90 days or more of service). Under the Plan, the Company may make matching contributions up to 3% of eligible wages. The Company recorded $4,010,000 and $3,592,000 in the statement of operations to fund matching contributions in fiscal year 2014 and 2013, respectively.

9 Reorganization and Start-up Costs

The Company incurred start-up and other costs of approximately $2,145,000 and $1,181,000 in fiscal years 2014 and 2013, respectively, for various corrugating, converting and material recycling facilities. These costs were expensed as incurred as reorganization and startup costs in the consolidated statements of operations.

10 Subsequent Events

The Company evaluated all events or transactions that occurred after June 30, 2014 up through October 3, 2014, the date the financial statements were available to be issued. During this period, no material recognizable subsequent events occurred.

APPENDIX D

BIOGRAPHIES OF KEY PRATT INDUSTRIES, INC. PERSONNEL

Anthony Pratt, ***Chairman***. Mr. Pratt is the Chairman of Pratt Industries and Visy Industries. Mr. Pratt graduated from Monash University, Melbourne, with a Bachelor of Economics (Hons) in 1983. After graduation he joined the consulting firm of McKinsey & Co, before joining Visy as Joint General Manager of Visy Board. In 1988 he became Deputy Chairman of Pratt Holdings. In 1991 Mr. Pratt moved to the United States to lead the company's expansion into America, and in that time has overseen the acquisition of several corrugated manufacturing companies, which now form the heart of Pratt Industries. Since his arrival, the company has grown seven-fold in sales and earnings and now employs more than 6,000 workers at mills and box plants throughout the U.S.

Brian McPheely, ***President and Chief Executive Officer***. Mr. McPheely has over 30 years of experience in the packaging industry in both the sales/marketing and production facets of the business. He was appointed as Chief Executive Officer of Pratt Industries in 2009, and subsequently promoted to Global Chief Executive Officer overseeing both Pratt Industries in the United States and Visy Industries in Australia. Mr. McPheely joined the Pratt organization when Pratt acquired Georgia Box Corporation during the mid-1990's. Mr. McPheely holds a Bachelor's Degree in both Economics and Management and Visual Arts from Albion College.

Gary Byrd, ***President of Pratt Holdings, Inc. and Vice President of Pratt Industries, Inc.*** Mr. Byrd started his career with Security Pacific Bank, and during his thirteen years at the bank held a variety of executive management positions. Mr. Byrd joined Pratt Industries in 1988, and has served as Chief Financial Officer before becoming President and CEO of the US operation in 1995 and is currently President of Pratt Holdings. Mr. Byrd received a B.A. in Finance from the College of William and Mary and an M.B.A. from the University of California at Los Angeles. He serves on the boards of the Pratt U.S. and Australian companies.

David Dennis, ***Chief Operating Officer***. Mr. Dennis joined Pratt Industries in December of 2007 as Vice President of Sales and Marketing. He was promoted to Chief Operating Officer in January 2014. Prior to joining Pratt, Mr. Dennis worked 24 years with Sonoco Products Company, a globally diversified and vertically integrated packaging company headquartered in Hartsville, SC. Mr. Dennis held many executive leadership positions through his tenure at Sonoco with his last position being Director of Sales for North America – Industries Products Division. Other key areas of experience include Management positions in Manufacturing, Customer Service, Field Sales, Strategic Accounts, and Information Systems. Mr. Dennis is a graduate of Clemson University in Clemson, SC where he received a Bachelor of Science degree in Industrial Management.

Stephen Ward, ***Chief Financial Officer.*** Mr. Ward began his career with Coopers & Lybrand in South Africa before entering the paper packaging industry in 1982. He worked for Visy Industries in Australia before transferring to Pratt Industries in the United States in 2007 and was subsequently promoted to Chief Financial Officer in 2015. Mr. Ward graduated from the University of Port Elizabeth, South Africa with a Bachelor of Commerce majoring in Accounting and Economics.

Douglas R. Balyeat, Esq., CPA, ***Vice President, General Counsel and Secretary***. Mr. Balyeat is an attorney and Certified Public Accountant. Prior to joining Pratt Industries as its General Counsel in 2007, Mr. Balyeat was an attorney with Alston & Bird LLP and Paul, Hastings, Janofsky & Walker, LLP. Mr. Balyeat has taught Business Planning and Financial Covenants as an Adjunct Professor of Law. After graduating cum laude with a B.S. degree from Western Kentucky University in Accounting in 1991, he practiced as a certified public accountant with Ernst & Young LLP in Atlanta. Mr. Balyeat graduated cum laude from Wake Forest University School of Law in 1997, where he was invited to join the Wake Law Review and was a member of the Order of Coif.

Austin Davey, ***President Mill Division***. Mr. Davey joined Visy Industries in 1987, and held various positions in maintenance, projects, operations, and senior management in Australia. In 2003 Mr. Davey was appointed to be the General Manager of Pratt Industries' paper mill in Staten Island, and was promoted to President of the Pratt Mill Division in 2007. He held this position until when in 2010, Mr. Davey was asked to return to Australia to manage Visy's Paper Mill Division. In 2012 he returned to his post as President of Pratt's Mill Division. Mr. Davey has a Bachelor's Degree (Hons.) in Mechanical Engineering from Monash University.

Victor Columbus, ***Executive Vice President of Human Resources***. Mr. Columbus has 30 years of experience in Human Resources. Mr. Columbus joined Pratt in February 1992 and specializes in labor relations, benefit design and implementation, safety and training. He is currently responsible for all HR functions, payroll and all insurance coverage. Prior to joining Pratt, Mr. Columbus spent 13 years in the mining industry, two years with Westvaco in the Fine Papers Division and the Bleached Board Division, and two years with BWAY Corporation. Mr. Columbus received a Bachelor of Science in Business Administration from Duquesne University, a Master of Arts in Industries Relations and Master of Arts in Personnel Administration from Saint Francis University, and a Master of Science in Liberal Studies from Duquesne University.

Wayne Villis, V*ice President of Manufacturing*. Mr. Villis joined Pratt in 2008 after spending the prior 26 years working for Visy Industries. At Visy, Mr. Villis held many positions, including National General Manager of Operations and general Manager of Victoria, Australia. While in the U.S., he has managed the successful start-up of two new corrugating plants in additional to leading the Manufacturing Group.

Myles Cohen, ***President of Recycling Division***. Mr. Cohen also serves as the President of the Recycling Division at Pratt Industries. Prior to joining Pratt, he held several senior management positions for Sonoco, a global packaging company based in South Carolina, including being the President of Sonoco Recycling. Mr. Cohen began his career at Duracell Batteries, where he held a myriad of leadership positions of increasing responsibility during his 20 year tenure, including sales, sales management, and Marketing/Product Development. Mr. Cohen was also Senior Vice-President and Chief Marketing Officer of Fleet Capital, a national commercial lender and division of FleetBoston Financial (now part of Bank of America). He is a 1976 graduate of Florida Atlantic University, with a Bachelor's degree in Marketing.

APPENDIX E

INDEPENDENT ENGINEER'S REPORT

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Talo Analytic International Incorporated

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Technical Review and Analysis

of

A Recycled Containerboard Mill
Pratt Paper (OH), LLC
Wapakoneta, Ohio 45895

for

Bank of America Merrill Lynch
555 California Street, Suite 1160
San Francisco, CA 94104

October 27, 2017/ TAII Report C-1755R12

Table of Contents

1 Preface—Qualifications of Consultant

Talo Analytic International, Inc. ("TAII") has been engaged by Bank of America Merrill Lynch ("BAML") to perform a Technical Review and Analysis for Pratt Paper (OH), LLC's ("Pratt (OH)" or the "Company"), a wholly owned subsidiary of Pratt Industries, Inc. ("Pratt"), proposed new Recycled Containerboard Mill (the "Mill" or "Facility" or "Project") in Wapakoneta, Ohio. This asset will be a corrugated containerboard mill manufacturing Linerboard and Medium from Recycled Fiber (see Section 32 Definitions).

This review has been conducted based on reviews of the financial information for the Facility, information furnished by Pratt, including any pending or completed contracts, schedules, and purchase orders, permits planned or issued to date, public information, a site visit, review of other similar facilities developed by affiliates of Pratt Industries, Inc., and selected interviews. TAII has incorporated various assumptions and extrapolations based on its industry expertise and knowledge.

TAII is and has been a provider of strategic business services since 1992. TAII is solely owned by Jim Thompson, the Project Manager, Industry Expert, and Primary Engineer for this work. TAII staff and professionals are familiar with the overall forest products industry, including issues relating to products, markets, operations, technology, and construction, and possess special expertise and knowledge in containerboard manufacturing processes, raw materials, and finished goods markets.

Jim Thompson has many years of experience in the forest products industry and has served as Mill Manager for a recycled boxboard mill; as Corporate Manager, Process Engineering for Packaging Corp. of America; as Executive Vice President of Jaakko Poyry, Inc.; and in a variety of other engineering, construction, and strategic planning management roles for major capital expansion projects. Other assignments have included: financial and administrative management, operations, director of a publicly traded company and consulting positions for many companies in the solid wood, engineered wood, and pulp and paper areas. Jim Thompson has been involved, either as the Independent Engineer during funding and construction or in a consulting role after startup on many similar projects in the United States. See Appendix II for a description of these projects.

TAII has reviewed available documentation pertaining to the Facility in order to assess the reasonably expected future of the Facility. Information in the review has been obtained from sources deemed reliable, including but not limited to Pratt, RISI (Resource Information Systems, Inc.), and other public information. This information was analyzed and used to develop certain assumptions and forecasts.

Consequently, the results herein are dependent, in whole or in part, on these underlying assumptions, which may or may not ultimately prove to be correct. TAII feels the assumptions made are both conservative and reasonable and the results thereof rational and financially sound.

This review was conducted using widely recognized and accepted consulting practices and is based on the best available information. There is no representation or warranty by TAII, or anyone associated with TAII, as to the accuracy or completeness of the information provided by others which is contained in the review, including any of its exhibits.

2 Conclusions

1. The Company has the experience and resources available to provide for the design, construction, operation and maintenance of the Project.
2. Pratt Corrugated Holdings, Inc. ("PCH"), an affiliate of the Company, has the experience and capabilities to perform its obligations pursuant to the Recovered Paper Supply Agreement and the Output Purchase Agreement.
3. The technology proposed for the Project is a sound, proven method of processing low cost waste paper into high quality containerboard. The stock prep equipment and paper machine are being quoted by reputable suppliers and all such equipment is proven and has been successfully used in other Pratt facilities in Valparaiso, Indiana; Shreveport, Louisiana; Staten Island, New York or Conyers, Georgia. This equipment does not rapidly obsolesce and should be current technology for the life of the Project.
4. The Project is similar in technology, design and size to other Pratt containerboard manufacturing facilities which utilize similar types of waste paper as feedstock and which are currently operating successfully in the United States and Australia.
5. The total budget of $275,000,000 has been developed in accordance with generally accepted practices and methods of estimation and is generally comparable to the cost of other similar projects with which we are familiar. The construction contingency amount of $16.01 million is within the range of other similar projects with which we are familiar.
6. The methodology used in preparing the estimated annual operation and maintenance cost is reasonable, including provision for equipment replacement, and is within the range of costs of similar facilities with which we are familiar.
7. There is sufficient waste paper feedstock in the region that is available to the Project.
8. The Project should be able to operate at an availability rate of 90.5% during all years of its useful life, with normal maintenance.
9. The Project should have a useful life of at least 30 years, with normal maintenance.
10. Design work has already started. The 18-month schedule for the construction (starting in March 2018), equipping, start-up and testing of the Project is adequate and reasonable for the completion of a Project of this size and type, and it is reasonable to expect the Project to be fully operational by 4th Quarter 2019, in the absence of any adverse delays beyond the control of the Company. Ramp up to full design production will be by 4th Quarter 2022.
11. The testing protocol and completion requirements described in the Loan Agreement that must be satisfied in order to achieve "Completion" are reasonable to determine Project performance capacity and reliability.
12. The Site on which the Project is situated is adequate and suitable, from an infrastructure, geotechnical and environmental perspective, for the construction, operation and maintenance of the Project and provides good vehicle access. It is level, currently farmland, and has extremely easy access to I-75. This statement is made as an industry expert, not as an environmental or geotechnical consultant.
13. The Site will have sufficient water and other necessary utilities available to it.
14. The process to obtain all known permits and approvals necessary for the construction and equipping of the Project will be started in November 2017 and it is reasonable to expect such permits and approvals will be issued without an adverse effect on the Project and the Project Schedule.
15. No environmental impediments related to the Site or the Project have been identified which would prevent issuance of any building permits.
16. The Project is expected to be able to comply with the conditions of all applicable permits, approvals, and regulations required to fully operate the Project.

17. We have reviewed the itemized financial information related to the costs of construction and operation of the Project that have been used in the Company's Financial Model, including escalation rates, feedstock costs, and sales pricing, and we believe such information is reasonable.
18. We have sampled the Company's Financial Model for mathematical accuracy, both as relates to certain areas and randomly elsewhere. Based upon our familiarity with the Financial Model it appears to have no material errors.

3 Executive Summary

TAII has been engaged to undertake a Technical Review and Analysis of the proposed 100% recycled containerboard (Linerboard and Medium) mill to be constructed in the vicinity of Wapakoneta, Ohio by Pratt Paper (OH), LLC, a wholly owned subsidiary of Pratt Industries, Inc. The Facility will produce, after an appropriate ramp-up period, 1,109 short tons per day of Linerboard and Medium from 100% recycled paper (OCC and MWP).

The evaluation of this Project concludes that it is viable. This is based on an examination of the Project in the areas summarized below.

Available Project documents have been reviewed and have been found to be generally acceptable with minor issues noted in the appropriate places throughout this report. A partial listing of the Project documents reviewed are listed in Section 31.

In cooperation with Pratt (OH), a cash flow disbursement schedule has been developed and excerpted in Section 23 of this report.

As of the cover date of this report, TAII finds no excursions to norms with respect to the plan to complete the Project on budget and schedule. However, this is not to say that extremely unusual deviations or force majeure conditions unforeseen at this time may not affect the future plans. Of note and beyond predictability and control are, for one example, extreme weather conditions which may occur in the 2018 - 2019 winter season.

4 Special Statement of Site Conditions

TAII's Jim Thompson visited the Project Site for the purpose of reviewing conditions and other matters on 12 Oct 2017. Since then, TAII has been in contact with the Pratt Project management and others and hence makes this statement, effective the date of this report:

The Project site is approximately 60 acres and is as has been represented by the Company, Pratt (OH), LLC. The site is level and without obstruction. Site grading and preparation should be of a nature considered normal for industrial facilities. The 60-acre site is sufficient for the construction and operation of the Project. Pratt (OH), LLC anticipates purchasing an additional approximately 50-acre tract adjacent to the site and such additional acres are expected to be transferred to a separate Pratt affiliate and used for the construction of a box plant. It is not known whether the additional land will be transferred prior to the closing of the Bond financing and it is not known whether the box plant will be built.

5 Independent Engineer Scope

Pratt Industries, Inc., through its subsidiary, the Company, is planning to build a new 100% recycled corrugated containerboard (Linerboard and Medium) mill in Wapakoneta, Ohio. The Facility, known internally at Pratt as "PM17" is the 16th paper machine to be built by Pratt and its affiliates in the U.S. and Australia. Pratt Industries, Inc. is privately held and has 113 locations in the USA, involved in all facets of the corrugated container business.

BAML is serving as underwriter and investment bank for a proposed bond financing to be issued by the Ohio Air Quality Development Authority for the purpose of constructing the paper machine and its necessary auxiliary support equipment on land owned by the Company.

BAML has engaged TAII to perform an independent Technical Review and Analysis of the Project.

TAII has conducted a technical review and analysis of the Project confirming the integrity and feasibility of the matters related to the Project, including:

- An overview of the Project background, early Project development activities as well as a detailed plan moving forward addressing all facets of the Project plan up through ramp-up of operations.
- An assessment of Project costs, contingency, schedules and Project implementation plans.
- An assessment of all known permits required for the Project as of the date of this document (See Section 22 of this report).
- A high-level review of geotech work currently being performed for the Project.
- An assessment of the design and proposed technology including the use of the Multi-Fourdrinier (See Section 32 near the end of this report for definitions) design in the paper making process.
- Capacity of the Facility and Quality of Product Produced.
- An assessment of Pratt's detailed forecast of production costs and benchmark to similar facilities.
- An assessment of Pratt's financial and market assumptions and information used in its financial model for the Project.
- An assessment of fiber supply in the economical transportation region of the Project and availability for future operation of the Project.
- A review of the relevant paper and containerboard markets.
- Future Capital Expenditures needs and,
- Operating Specifications.

TAII has also assessed available Project Documents for:

- Completeness.
- Foreseeable risks.
- Overall risk assessment.

Project Documents reviewed include:

- Detailed Project budget.
- Pratt's Construction Schedule.
- Pratt's financial model and cash flow schedule.

A complete document list is found in Section 31 near the end of this report.

6 Paper and Containerboard Markets

The uninitiated often casually think of paper and containerboard markets as a monolithic world with similar customers, processes and techniques throughout. Nothing could be further from reality. Paper and containerboard markets are unique, serving specific customers with specific requirements.

The Internet has had a tremendous impact on the paper industry. For instance, printing and writing grades, including newsprint, book papers and so forth, have been devastated. Even the ubiquitous office grades used in copiers and personal printers have and continue to suffer. Tissue grades, such as toilet tissue, facial tissue and other such products have had a completely neutral experience when considered in relation to the Internet.

Packaging grades, such as containerboard grades which will be manufactured by the subject Facility, have been enhanced by the Internet and some other factors.

First, let's discuss the Internet's impact. Rapidly growing behemoths, such as Amazon, have had a very positive effect on corrugated containers, the primary product manufactured from the grades produced by the proposed Facility. The ease of shopping on Amazon drives the need for small boxes. Think of it this way—if one buys a toy at a big box store, that toy was likely delivered to the store in a corrugated container containing a dozen or two dozen such toys. However, if you purchase that toy from Amazon for your child or grandchild, that toy is delivered in its own unique corrugated shipping container. One can easily see this drives up the demand for corrugated containers and hence their components.

Another impact on the Linerboard and Medium markets (the two grades of containerboard required to make a corrugated container) has been the disappearance of an arcane standard known as "Rule 41." "Rule 41" was developed by the US railroads in the late 1800's. The railroads suffered from corrugated shipping containers which were not standardized and often burst when handled at the railroad stations, causing a tremendous cost to the railroads. At the time, very few strength specifications were available to measure the strength properties of the containerboard that made up the corrugated containers. So, the railroads adopted a standard basis weight, 42 lbs per 1,000 square feet of Linerboard as the minimum requirement for materials making the inside and outside liner of a corrugated box, a standard designated as "Rule 41." Surprisingly, this standard was widely in use well into the 1990's when generally accepted and recognized strength standards were developed. With the advent and adoption of these new standards, a corrugated container could be made to a strength standard rather than to an arbitrary weight.

This unleashed a spate of new paper machines designed to manufacture high strength lightweight material. Pratt has been at the forefront of this wave. Now, as we mentioned earlier, paper machines are designed to make certain grades (newsprint, tissue, linerboard and so forth). However, the finesse of this issue is even more delicate than just grades. Older Linerboard machines and, indeed, entire paper mills, were designed to manufacture heavy weights that would meet the requirements of Rule 41. These mills cannot easily be reworked to manufacture the new lightweight grades. In addition, many of these mills are old and uneconomical to reconfigure. Many of them have cost burdens that have grown over the years which further add to their unattractiveness. In short, we are facing conditions where many mills are facing obsolescence.

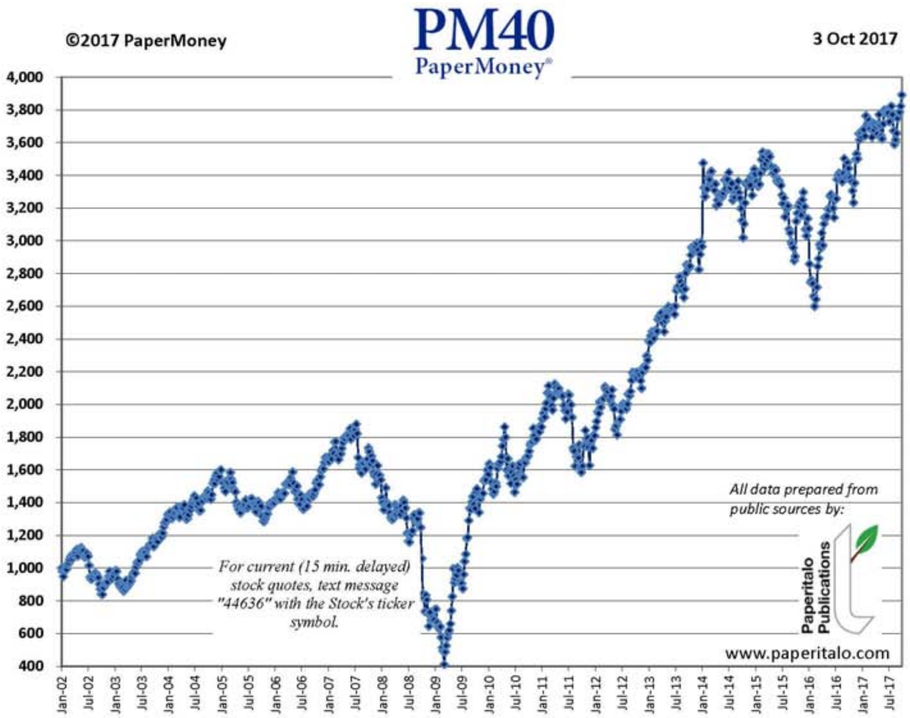
Thus, in a stable to slightly growing market (thanks to the Internet) with an entirely new specification paradigm (thanks to the demise of Rule 41), new mills that fit the current and future markets make sense. Pratt's proposed mill in Wapakoneta fits this scenario. The medium-term outlook for the industry would indicate operating rates being strong (currently around 97.5% versus a traditional rate of 93%). Additionally, there have been a number of consolidations which have helped discipline the market in recent years. Here are the notable ones:

> Rock-Tenn acquired MeadWestvaco in 2015 (name change to WestRock)
> WestRock acquired SP Fiber Holdings in 2015
> DS Smith acquired Interstate Resources in 2017
> In addition, a number of industry players acquired corrugating and sheet plants, further consolidating the business. Other evidence of strength in the markets are announced conversions of existing paper machines to manufacture containerboard products. Two notable ones are International Paper's announcement of the conversion of a machine in Selma, Alabama and Packaging Corporation of America's announcement of a conversion to take place in Wallula, Washington.

TAII's CEO, Jim Thompson, keeps in close contact with the financial analysts in the pulp and paper industry worldwide. In fact, TAII's publishing arm, Paperitalo Publications, produces a monthly specialized newsletter (among its large portfolio of publications) widely read by the analysts' community.

The pulp and paper industry has been doing quite well for some time. The widely followed equivalent-weight (rebalanced quarterly) PM40 Index from PaperMoney® shows the following performance of paper related publicly traded companies in North America. On the Y axis, this index is normalized to "1,000" as of January 2002. The companies that make up the PM40 are found in Appendix I. We note that Pratt is a privately held company and, therefore, not included on any list of publicly traded companies.

The low point on this chart, March 2009, occurred as a result of the widespread economic crisis of 2008. General economic conditions not necessarily related to the pulp and paper industry created these conditions.



The current Pratt system is shown in Plate 6.1.

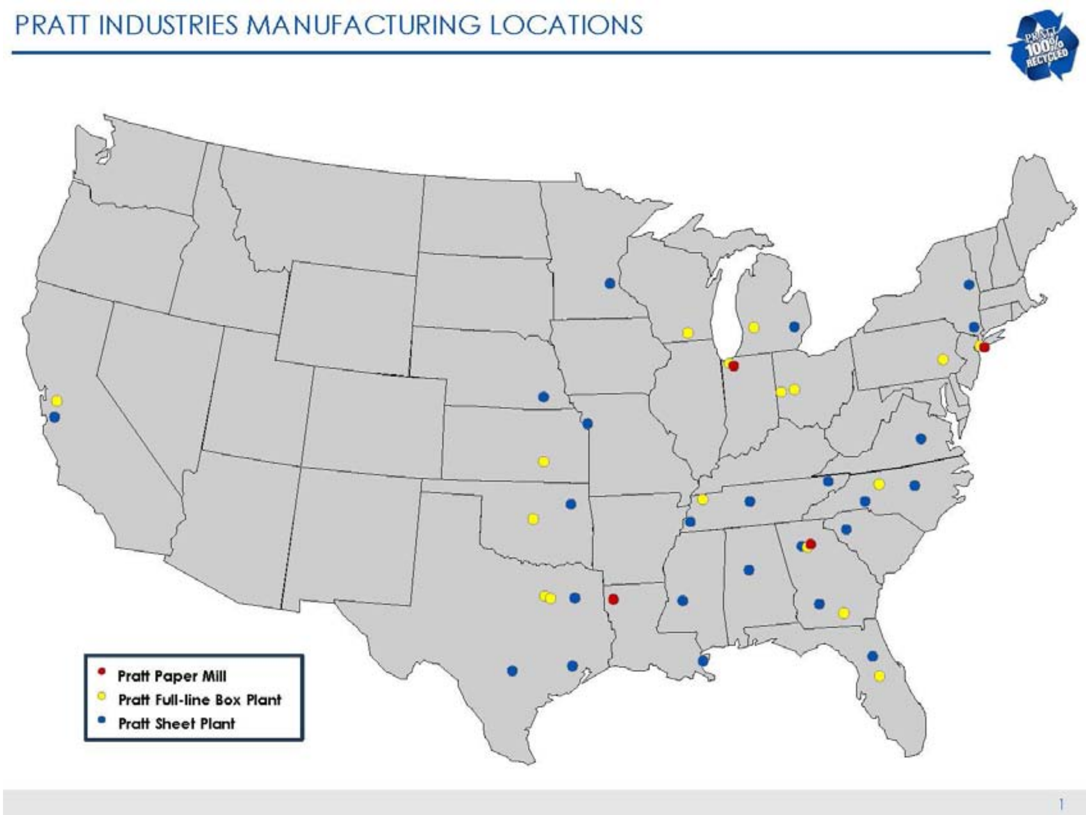


Plate 6.1

Pratt has been able to be extremely competitive. RISI, an internationally recognized research firm, publishes data on the two grades that will be manufactured by the Wapakoneta Mill. These grades are Linerboard and Corrugating Medium.

For the Linerboard Grade, RISI reports the cash cost per Finished Short Ton (FST) ranges from $276.73 to $481.23, with an average cash cost of $321.96. Pratt's existing four mills fall on this listing as:

#2	Conyers, Georgia	$277.33/FST
#10	Staten Island, New York	$293.39/FST
#14	Shreveport, Louisiana	$295.67/FST
#16	Valparaiso, Indiana	$297.89/FST

All Pratt Mills are well below the average cash cost reported on this list of 67 mill sites. Likewise, RISI reports on the Corrugating Medium Grade, also manufactured by the Pratt Mills. For the Corrugating Medium Grade, RISI reports the cash cost per FST ranges from $260.34 to $438.99, with an average cash cost of $329.73. Pratt's existing four mills fall on this listing as:

#1	Conyers, Georgia	$260.34/FST
#2	Shreveport, Louisiana	$268.93/FST
#3	Staten Island, New York	$275.20/FST
#7	Valparaiso, Indiana	$283.54/FST

Again, all Pratt Mills are well below the average cash cost reported on this list of 56 mill sites.

7 Project Overview

It should be noted that Pratt Industries is ranked as the 6th largest manufacturer in the market according to RISI. Pratt holds approximately 5% of the U.S. market share in this sector.

The Project will be the fifth one of similar design built by affiliates of Pratt Industries, Inc. ("Pratt") in the United States since 1993. When fully ramped up, this Facility will produce 396,010 tons per year of containerboard on a 228" wide machine. The first similar facility was built in Conyers, Georgia between December 1993 and June 1995. It experienced a successful construction phase, start-up and has an excellent performance history. Pratt senior management involved with the Conyers Project are still employed by Pratt to this day and will be instrumental in this project.

In 1995, Pratt undertook the construction of a facility similar to the Conyers facility, located on Staten Island, New York. The Staten Island facility enjoyed the same construction and operational experiences. The only major design difference is that the Staten Island facility has a water-side barge unloading operation which brings waste paper from Manhattan directly to the mill. Again, the key personnel involved with the Project are still employed by Pratt to this day.

In 2009, Pratt built a third and similar facility in Shreveport, Louisiana. This facility had a faster startup curve and has been more productive than the other two, an indication of the benefit of using the same construction and startup team on all three projects.

In 2013, Pratt built a fourth, and, again, similar facility adjacent to its box manufacturing plant in Valparaiso, Indiana. It has experienced the fastest startup curve of all the Pratt mills and reflects the experience of the construction and operations personnel.

Pratt proposes building a similarly sized mill of the same general configuration as the Conyers, Staten Island, Shreveport and Valparaiso facilities in Wapakoneta, Ohio. Pratt will use the same construction and startup methodologies which the Pratt Group has perfected over sixteen Projects in the United States and Australia. These are outlined below.

In Wapakoneta, a number of incentives are expected to be extended to Pratt Paper (OH), LLC ("Pratt (OH)"). Based on the draft Development Agreement and information provided by the Company, the State of Ohio and the City of Wapakoneta have agreed to offer the following package (see next page):

State			
	Jobs Ohio Assistance		
		Workforce Training Grant and Talent Services	$1,000,000
		Jobs Ohio Development Grant (Infrastructure to Pratt)	$2,350,000
		Jobs Ohio Development Grant (Infrastructure to Pratt and Wapa)	$900,000
	State Assistance		
		Ohio Jobs Creation Tax Credit (Payroll)	$1,250,000
		Roadwork Development (County Road 25A)	$295,000
		Roadwork Development (New East West Road)	$1,275,000
Local			
		Electric Infrastructure	$400,000
		Electric Substation	$3,100,000
		Electric Rate Reduction	$11,826,000
		Electric Tax Rebate	$3,434,900
		Natural Gas Infrastructure	$1,412,500
		Water Utility Infrastructure	$215,012
		Water Rate Reduction	$8,256,150
		Water Capacity Infrastructure	$4,800,000
		Wastewater Utility Infrastructure	$220,506
		Site Prep and Remediation	$208,800
		Railroad Rebates	$344,000
		Local Jobs Creation Tax Credit (Payroll)	$374,400
		Real Property Tax Exemption	$9,449,780
		Solid Waste Disposal Rate Reduction	$9,450,000
		Real Estate Rebate (TIF)	$2,725,000
			$63,287,048

The Ohio Air Quality Development Authority will serve as issuer of tax exempt bonds to finance in part the construction of the Facility with the debt service on the bonds to be the responsibility of the Company.

Pratt (OH) will construct (using the proceeds of the bonds plus their own equity contribution) and operate the Facility for which Pratt (OH) will make payments corresponding to the principal and interest in accordance with the Loan Agreement.

It is expected that the construction of the Facility will be completed in the fourth quarter of 2019 at an estimated cost of US$275 million, which includes costs incurred to date, capital expenditures, finance charges, interest during construction, and certain contingencies.

Any delay in completion of the Project could result in significant losses. Once a Project such as this is started and everything is moving forward, any delay may cause considerable cost overruns. One may also see vendor guarantees expire for they are usually timed against certain dates.

8Technology Review

8.1 Engineering

Pratt will be engaging an engineering firm to assist with their customary practice of self-performing engineering on projects such as the Facility, coupled with some help from key suppliers. In this case, the Facility engineering, like many others done by Pratt, will be done on-site, assembling packages purchased as part of the equipment supply packages. With this method, Pratt can produce quick, low cost and accurate results, accommodating field changes without burdensome bureaucratic procedures.

8.2 Design

Pratt is proposing to build a 100% recycled containerboard mill in Wapakoneta, Ohio similar to mills it has already built in Conyers, Georgia; Staten Island, New York; Shreveport, Louisiana; Valparaiso, Indiana and many times in Australia. The Facility will process low cost waste paper into containerboard which is expected to be 90% consumed by Pratt's own sheet plant and box making system after the initial startup phase.

Highlights are:

- This Facility incorporates many concepts already proven by Pratt in its facilities elsewhere.
- The construction management team and operational management team draw on Pratt's own experienced personnel.
- The site is excellent, both in physical attributes and in political attributes afforded by a motivated community and state.
- The Facility has a ready market internal to Pratt for its high quality 100% recycled products.
- The Facility will be adjacent to Pratt's potential new project, a future Wapakoneta box plant, which may have the capacity to consume as much as 60% of the total output. The development or abandonment of this future potential project will not affect the results of the Project covered in this Report.

8.3 Capacity

After its ramp-up period, the Facility will produce 396,010 tons per year of Linerboard and Medium on a 228" trim paper machine.

8.4 Construction Plans

A comparison with other projects reviewed by TAII provides comfort that the budget is in line using Pratt's methodology. TAII knows of no contemporary competitor that can improve on Pratt's construction and startup methods. For reference, TAII has been involved as an Independent Engineer or post construction advisor and/or auditor on most recycled Linerboard mills built or planned in the United States in the last twenty years.

8.5 Completion Schedule

It is expected that the construction of the Facility will be completed in the fourth quarter of 2019. As of the date of this report, TAII is aware of no reason this date will not be met.

Major Milestones have been established. These major milestones are:

Site Selection	Oct 17	Completed
Purchase Paper Machine	Oct 17	Completed
Purchase Boiler	Dec 17	
Begin Air Permit Process	Nov 17	
Finish Geotech Study	Nov 17	
Break Ground	Mar 18	
Building Closed & Heated	Nov 18	
Equipment		
Commissioning	Aug 19	
Startup	4th Quarter 19	
Ramp Up Complete	4th Quarter 22	

Table 8.5.1

8.6 Construction Costs

The Facility's estimated cost is US$275 million, which includes costs incurred to date, capital expenditures, finance charges, interest during construction, and certain contingencies. See Section 23 for further discussion.

8.7 Contingency and Production Forecasts

Pratt has identified at least 45 product purchasers within 200 miles of the Wapakoneta Mill and with almost no overlap with the Valparaiso Mill customer base (Valparaiso was built to serve Chicago, Milwaukee and other points northwest of its location). These end use customers represent over 550,000 tons per year of business, covering the Wapakoneta Mill capacity 1.39 times (550,000/396,010).

The Facility is designed to use low cost MWP (Mixed Waste Paper—see industry definitions near the end of this report), relative to other 100% recycled Medium and Linerboard mills. This same technology will permit higher percentage of MWP versus OCC in the furnish mix. As fiber costs are the most significant item of operating cost, the savings in fiber costs is an important cost advantage.

The cost of fiber can swing the overall manufacturing costs for a 100% recycled fiber mill (the mill is essentially a tolling facility). This is true for all such mills. Pratt counteracts this by using the least expensive fiber which many others cannot use.

A new manufacturing site requires a steep learning curve for the new employee base. Pratt has a track record of successfully overcoming this risk and there is no reason to believe they will not be able to do it at the site of the Facility.

Some risks are present. The most substantial is raw material fiber price. The proformas are built conservatively to reflect this risk. It is important to note the risk is price, not supply, and extraordinary prices will be due to transportation costs from long distances if such an issue were to occur.

8.8 Future Capital Expenditures and Operating Specifications

The Facility is expected to be complete and fully functioning upon the anticipated completion of construction and commissioning in the fourth quarter of 2019, followed by completion of ramp-up within thirty-six months after that. No other capital expenditures (except the annual maintenance allocation of $3.25MM) should be required during the life of the bonds (30 years) in order to maintain the Facility at the rated production levels (396,010 tons of Linerboard and Medium per annum). Any capital, if necessary, will only fall in the area of a decision as to whether to capitalize major maintenance or expense it, dependent on the governing tax rules at the time and Pratt (OH)'s financing philosophy at the time.

As previously mentioned, capital may be expended in outlying years to provide enhancements such as lower cost alternative fuels, but the proformas reflect neither such an expenditure nor any possible operating costs savings from such an expenditure.

9 Product Quality and Raw Materials

9.1 Product Quality

Pratt has proven in four installations in the United States and many more in Australia that they can make world class Linerboard and Medium with the process they intend to use at the Facility.

9.2 Raw Materials

The least expensive raw materials in this industry are successfully used by Pratt in its four other US mills. Additionally, in the past Pratt has sold mill output on the open market at various times. It has succeeded at that endeavor using the lowest cost raw materials.

The mill is designed to consume 300,000 tons per year of Mixed Waste Paper (MWP) and 165,000 tons of Old Corrugated Containers (OCC). The prime feedstock is waste which would otherwise be directed to a landfill. A tremendous advantage for Pratt is their advertised ability to take "Anything that Tears." In other words, if you can tear it with your bare hands, Pratt will take it. This idea makes it simple for consumers to recycle and serves to obfuscate the market for competitors that cannot handle material in this overarching category.

This was proven over a decade ago in the Atlanta region. A large 100% recycled newsprint manufacturer in Dublin, Georgia had spent several decades training charitable groups in the Atlanta area to collect clean used newsprint. The technology in this mill's recycling system was set up so that it would only take this grade. When the Pratt mill was built in Conyers in 1993 – 1994, this standard was completely upset. The Dublin mill had to rework their technology and take new approaches to wastepaper collection in order to preserve their supply, for Pratt's "Anything that Tears" motto naturally attracted groups that previously had been forced to do onerous manual screening of their supply in order to meet the requirements at Dublin.

9.2.1 Raw Materials within an economic transportation distance of Wapakoneta

First, it is instructive to review Pratt's track record in "fibering," that is, supplying, the fiber raw material to a new mill. In the cases of Conyers and Staten Island, the mills were sited near major metropolitan areas (Atlanta and New York City), the prime source of the "urban forest" or wastepaper supply. Shreveport was different. Shreveport is located in a much smaller MSA (Metropolitan Statistical Area). Additionally, the closest large city, or source of the urban forest, Dallas, already had formidable players (Smurfit Kappa Group in Forney, Texas and the WestRock recycled boxboard mill in Dallas). Despite these obstacles, Shreveport has never run out of fiber nor has Shreveport paid an abnormal price for fiber.

Wapakoneta has fibering advantages that Pratt can exploit. These advantages are:

1. It is centered in one of the densest industrial areas of the United States.
2. It is somewhat protected from ports and export pressures.
3. There are no large capacity modern consumers close to the Wapakoneta site (the nearest one is in Niagara Falls, New York).

With these factors in mind, research shows the following recycling collection points to exist today with the following freight rates (the primary costs in recycled fiber) for inbound freight to Wapakoneta:

Ohio ($19/ton freight)—20 collection centers

Michigan ($29/ton freight)—13 collection centers

Kentucky ($33/ton freight)—5 collection centers

With small amounts coming from Pennsylvania and West Virginia

Note, these are quoted rates and shown for comparison only. Actual negotiated rates are expected to be much lower and the Pratt Model uses $27.50/ton. These facilities represent almost 30,000 tons per month, well over the requirements of the Mill.

If this is coupled with the economically competing mills, that is the mills that could benefit from these freight rates or lower, the following scenarios develop:

Ohio— one very minor player[1]

Illinois—one very minor player[1]

Michigan—one or two minor players

Kentucky—one major player[3]

[1]A "minor player" can be characterized as a recycled mill that uses perhaps 30,000 tons per year of competing grades

[2]A "small player" can be characterized as a recycled mill that uses 30,000-50,000 tons per year of competing grades

3A "major player" can be characterized as a recycled mill that uses nominally 100,000 tons or more per year of competing grades.

By comparison, Conyers competes with several major players within an economic transportation distance. Likewise, Staten Island essentially competes with the four other machines in New York State. Shreveport competes with four other major machines and also suffers from being in a very small MSA. Valparaiso sits on the edge of Chicago and enjoys a very good fiber supply from that market.

Photo Courtesy of Pratt *Plate 9.1*

9.3 Paper Quality

Pratt is using proven technology throughout the process. Pratt has chosen to go with a multi-Fourdrinier forming section nearly identical to that used at Valparaiso. This is instead of the gap formers used at Conyers and Staten Island. Since Conyers and Staten Island were built, the industry has moved to even lighter basis weights. The multi-Fourdrinier technology allows for more precise control of parameters in forming a lightweight sheet.

Pratt has a very successful track record of using the least expensive fiber in the industry as has been discussed elsewhere in this review. No one can use lower cost fiber than Pratt and produce a high quality, widely accepted, product.

9.3.1 How the recycled fiber market works

The recycled fiber market is a long-established presence in North America. It was largely founded and legitimized as part of the recycling efforts in World War II. It remained a "backwater" part of the paper industry until the mid-1980's when landfill worries and recycling took off. Today, 67.2% of all paper products in the United States are recycled (Source: American Forest & Paper Association, 2016 figures, latest available). In the 1990's what was then known as the Chicago Board of Trade considered setting up markets in the recycled fiber arena and consulted with TAII on this matter. At that time, the markets were considered too small. However, the recycling rate has grown tremendously since then.

One of the challenges of the recycled fiber market is that it is opaque. There is no open trading in a transparent venue. There is a weekly publication, known as "PPW" or "Pulp & Paper Week" that purports to report prices. However, the prices in "PPW" are merely what buyers and sellers say on phone calls. Yet, lacking any better data, professionals in the business work plus or minus off "PPW."

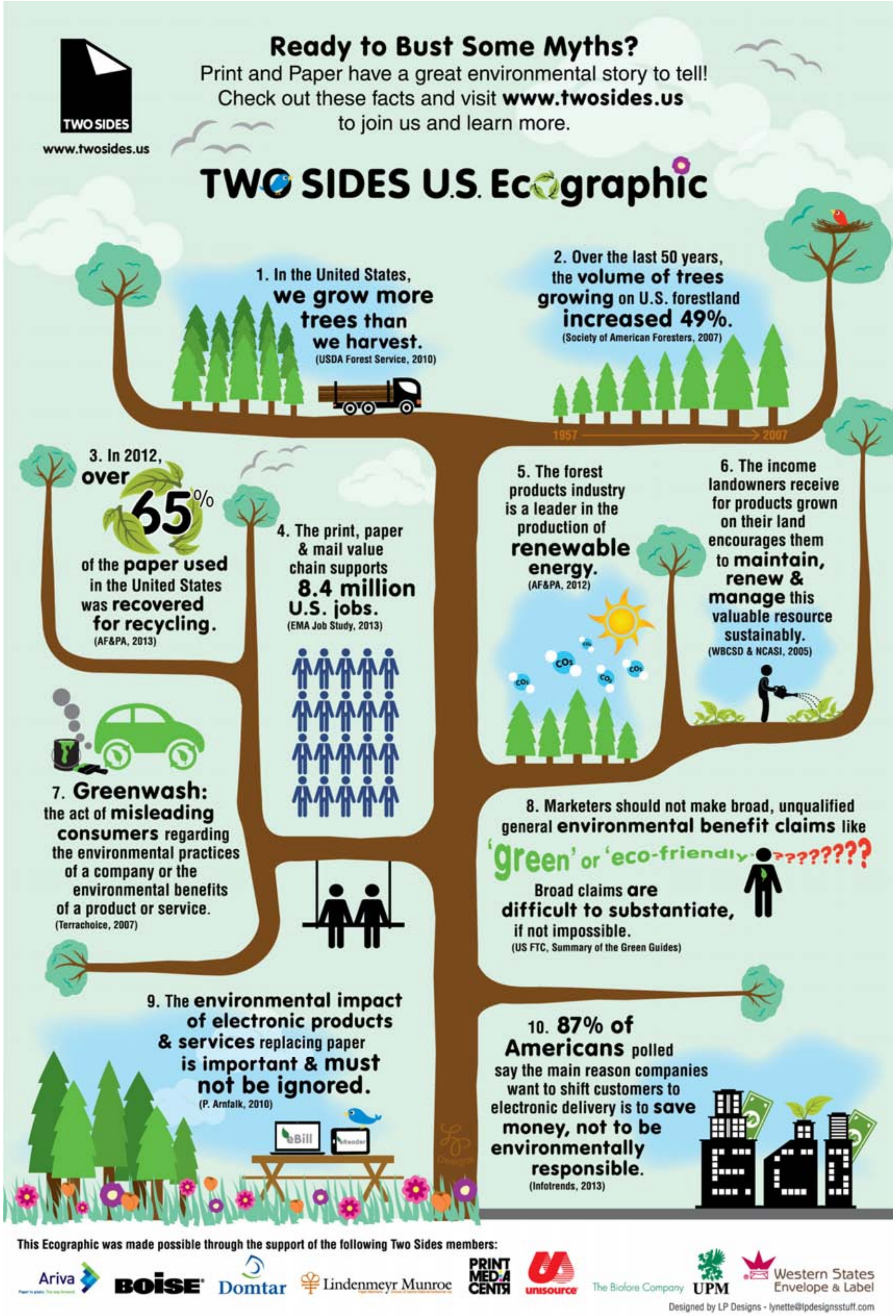
Pratt, like all other major players in the business, use a combination of their own in-house professionals and outside brokers to keep their fiber supply full at the lowest possible costs. Pratt, again like everyone else, operates the fiber procurement operations as a profit center which actually trades in volume more tons than Pratt needs. One could think of this as a continually turn volume from which Pratt pulls off the stream they require. The reason this scheme is employed, besides the expectation that it makes a profit, is that it gives Pratt intelligence on what the market really is. For if one is selling fiber, one is dealing with others who of their own free will can buy or sell at whatever price they deem reasonable. This let's Pratt's buyers know what others are willing to pay.

On top of this, the Pratt system of mills, converting plants, customers and suppliers is getting to the size that tremendous spot economies can be realized. Theoretical example: an independent broker has lined up 50,000 tons of fiber to load at the Port of Savannah for export to Europe. The deal falls through. The broker has a fire sale, which not only affects the 50,000 tons but depresses prices in the general region. Pratt (and others with large systems) will be able to take advantage of that regional and temporary decline in price. One smart way to do this is to temporarily slow down sellers in, say, Lexington, Kentucky that regularly sell to the Conyers mill. This pushes the price depression into Lexington. Lexington is close enough to Wapakoneta, and with the unwitting and uncoordinated help of competitors in between, this push prices down in Wapakoneta.

These kinds of scenarios go on all the time—all in a closed market with no real transparency. This is why it takes well trained professionals to manage the fiber procurement business. Thus, in this theoretical example, what started out as a problem for a broker in Savannah, 770 miles from Wapakoneta, positively impacts Wapakoneta without any increase in freight costs.

On top of this is the ability of the Pratt mills, due to their process design, to use extremely cheap fiber—mixed waste—that absolutely no other mill can use in quantity. Jim Thompson of TAII has personally seen, many times, rejects from other mills that look better than a large portion of the incoming stream to Pratt Mills.

For a broad overview of the entire market we have included below a public relations graphic produced by Two Sides (www.twosides.us) which is used to explain the entire paper industry (not just corrugated containers) to the general public.



TWO SIDES
www.twosides.us
Ready to Bust Some Myths?
Print and Paper have a great environmental story to tell!
Check out these facts and visit www.twosides.us
to join us and learn more.
TWO SIDES U.S. Ecographic
1. In the United States, we grow more trees than we harvest. (USDA Forest Service, 2010)
2. Over the last 50 years, the volume of trees growing on U.S. forestland increased 49%. (Society of American Foresters, 2007)
1957
2007
3. In 2012, over 65% of the paper used in the United States was recovered for recycling. (AF&PA, 2013)
4. The print, paper & mail value chain supports 8.4 million U.S. jobs. (EMA Job Study, 2013)
5. The forest products industry is a leader in the production of renewable energy. (AF&PA, 2012)
6. The income landowners receive for products grown on their land encourages them to maintain, renew & manage this valuable resource sustainably. (WBCSD & NCASI, 2005)
7. Greenwash: the act of misleading consumers regarding the environmental practices of a company or the environmental benefits of a product or service. (Terrachoice, 2007)
8. Marketers should not make broad, unqualified general environmental benefit claims like 'green' or 'eco-friendly' ???????
Broad claims are difficult to substantiate, if not impossible. (US FTC, Summary of the Green Guides)
9. The environmental impact of electronic products & services replacing paper is important & must not be ignored. (P. Arnfalk, 2010)
eBill
10. 87% of Americans polled say the main reason companies want to shift customers to electronic delivery is to save money, not to be environmentally responsible. (Infotrends, 2013)
This Ecographic was made possible through the support of the following Two Sides members:
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10 Pratt Experience

The Facility is the 16th paper mill built and operated by the Pratt and its affiliates in the United States and Australia. Each one benefits from the learning's acquired building the previous ones. Pratt and its subsidiaries have a group of senior operating managers that move from Project to Project, bringing the company's expertise to each start-up long enough to train new management and crews.

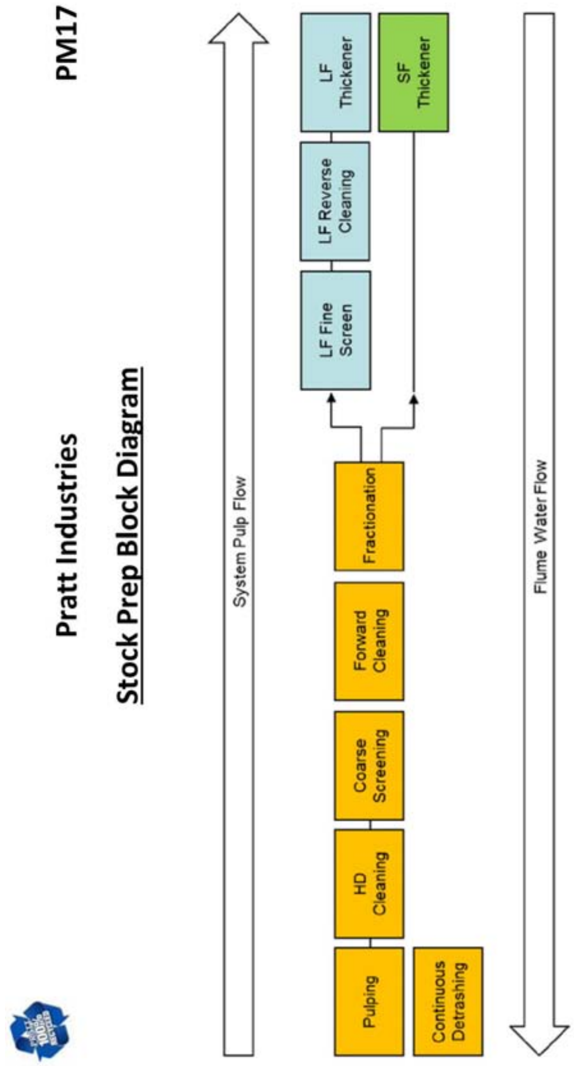
The key managers on this Project are, with their years' experience with the company noted in parenthesis:

Ed Kersey	Project Manager	(29)
Lisa Bode	Financial Controller	(10)
Mark Mays	Project Engineering Manager	(23)
Nick Smithson	Project Electrical Manager	(25)
Willie House	Project Commercial Manager	(10)

11 Process System Assessment

TAII has reviewed the entire process planned for the Facility against that currently in place at Conyers, Staten Island, Shreveport and Valparaiso.

The general process flow through pulp preparation is shown here:



11.1 Waste Paper Processing

Waste paper collection systems and methods, as established by Pratt, are essential to start the process. Once the material reaches the Facility, the pulping, cleaning, fractionation and screening will provide identical or superior results to those experienced at Conyers, Staten Island, Shreveport and Valparaiso. Superior results may be achieved because new generations of process equipment design and operating protocols are developed from experience.

11.2 Stock Approach System

The fiber cleaning and papermaking system is entirely of proven technology. Pratt's proven design allows the use of lower cost wastepaper and a higher percentage of MWP in the fiber mix while producing a high-quality product. This creates a significant cost advantage over other recycled mills.

This system is currently under negotiations with four key suppliers, two of which have already supplied systems to other Pratt mills. The technology includes the latest in energy efficient processes and will allow the Facility to use in excess of 70% mixed waste fiber as its furnish.

12 Papermaking Process

The papermaking process follows stock preparation. Please see the Process Flow Diagram in Section 11 above for further details. Basically, the Stock Prep system cleans and prepares the fiber for papermaking and delivers it to the paper machine headboxes (part of the paper-machine) which turns it into product to be finished in the winder.

The papermaking process, for lightweight grades, is superior to that at Conyers and Staten Island and nearly identical to Shreveport and Valparaiso. This is because of the use of the multi-Fourdrinier design. This will allow two headboxes, with distinct furnishes in each one. At Conyers and Staten Island, the gap formers combine these furnishes, which is acceptable on higher basis weight grades relative to the better technology available on Fourdriniers today. The balance of the paper machine will provide proven results with some energy savings (due to vacuum drying) over the Conyers and Staten Island machines.

We conclude that the paper machine, planned to be purchased from Valmet, is conservative in design, yet state-of-the-art.

13 Finishing and Shipping

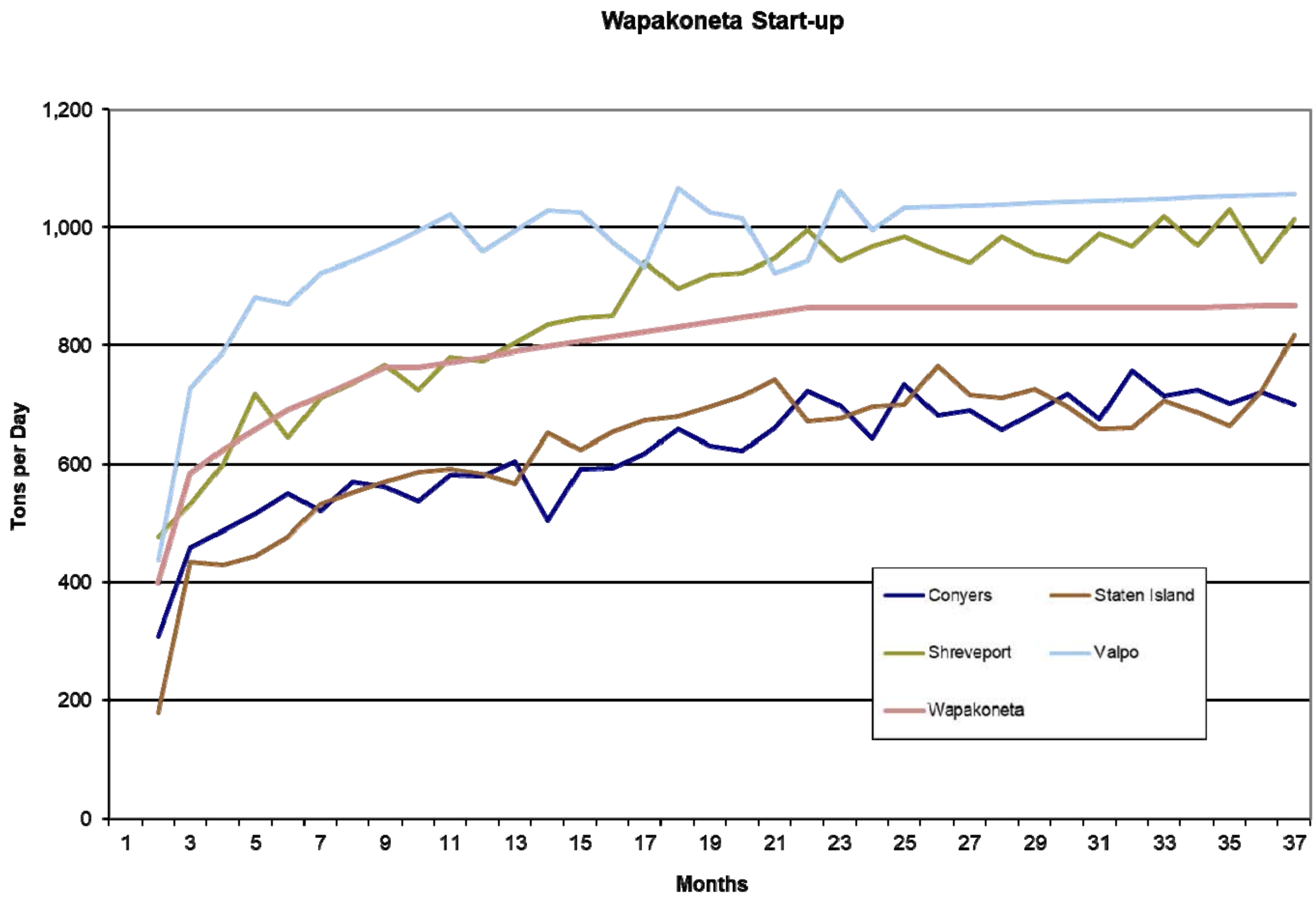
The final stage of the papermaking process is finishing and shipping. Linerboard and Medium require a relatively simple operation consisting of slitting, winding, banding, and stenciling. The Facility will duplicate previously proven designs.

14 Efficiency

Pratt has an excellent track record of starting up their new paper machines and quickly bringing them to a high level of efficiency. They do this by constructing nearly repetitive projects (taking into account improvements in technology), hands on construction with their own teams which are highly integrated with the start-up operations team, and moving key team members from project to project, thus transferring their collective company knowledge and experience to the critical sites where it is most needed.

The phases of the Project are Construction, Commissioning, Start-up and Ramp-up. All are important to Efficiency. The Facility must be constructed quickly and economically using proven methods. A systematic and proven checkout protocol is used for Commissioning. At this point the paper machine is ready for Start-up, that is actually the act of starting to make paper. This is followed by the Ramp-up period. Completing all the prior phases successfully, as Pratt's affiliates have done many times in the past, assures a smooth and efficient Ramp-up phase. Despite a track record of improving the Ramp-up efficiency on the four prior US projects, Pratt has conservatively projected in the Financial Model, a conservative Ramp-up Curve, slightly below that experienced in Valparaiso, Indiana.

The projected Ramp-up Curve for the Wapakoneta Facility (PM17) is shown here in *Figure 14.1*: (see next page)



Note: Since this chart shows actual tons per day and the days per month vary, the "saw tooth" effect occurs

Figure 14.1

The actual monthly (not daily) experience of the first thirty-six (36) months after startup is shown for the other four mills alongside the budget for Wapakoneta (PM17) here in *Table 14.1*. Although the Wapakoneta Facility is sized at nominally the same capacity as the Valparaiso, Indiana Mill Wapakoneta's Ramp-up Curve is projected conservatively as being slightly lower. This is mainly due to the paper grades that will be initially run.

	Actual Tons	Actual Tons	Actual Tons	Actual Tons	Budget Tons
Month	Conyers	Staten Island	Shreveport	Valpo	Wapakoneta
1	310	181	477	438	400
2	459	435	533	729	585
3	487	431	601	790	626
4	517	444	720	883	658
5	551	478	645	870	691
6	521	533	712	925	715
7	571	552	737	943	740
8	563	571	768	967	765
9	537	587	725	995	765
10	583	593	781	1,022	773
11	580	584	775	960	782
12	606	567	805	995	790
13	505	653	837	1,030	799
14	592	625	847	1,026	807
15	593	655	852	975	815
16	618	675	941	934	824
17	660	681	897	1,068	832
18	631	698	921	1,026	841
19	623	716	924	1,016	849
20	661	743	948	924	857
21	723	672	996	944	866
22	700	678	944	1,062	866
23	643	698	968	996	866
24	735	702	985	1,034	866
25	683	767	961	1,036	866
26	692	717	940	1,038	866
27	658	713	985	1,040	866
28	687	727	956	1,042	866
29	720	697	943	1,044	866
30	677	660	990	1,046	866
31	759	661	968	1,048	866
32	715	708	1,020	1,050	866
33	725	688	970	1,052	866
34	702	664	1,031	1,054	867
35	723	725	942	1,056	868
36	701	818	1,014	1,058	869

Table 14.1

15 Major Equipment Assessment

15.1 Paper Machine

The paper machine is being supplied by Valmet of Finland, an internationally recognized manufacturer of world class paper machines.

The machine is a two ply multi-wire paper machine. Following the forming section is a 3-nip, no draw press section with a shoe-type press in the third position. Also included are a pond-style size press, soft nip calendar and reel. Following the paper machine and included in Valmet's scope of supply is a winder.

Manufacturing specifications are:

Grades:	100% Recycled Medium and Linerboard
Trim:	228 inches
Paper Machine Type:	Two-ply multi-wire forming section
	Hydraulic Headboxes
	No-draw press section
	Multi-cylinder dryer section
	Pond size press
	Soft nip calendar
Maximum Speed:	3,609 fpm
Design Speed:	3,937 fpm
Production Capacity:	1,109 Air Dried Standard Tons Per Day Maximum
Basis Weights:	17 to 35 lbs/1000 sq ft
Target Basis Weight:	23 lbs/1000 sq ft

A Summary of Production Parameters taken from the Valmet contract documents is as follows (*Table 15.1.1 and 15.1.2*). A picture of the Valparaiso Machine is shown in *Plate 15.1.* This machine is nearly identical to the Wapakoneta Machine.

TAII finds the machine to be of proven technology and suitable for the intended production.

Plate 15.1

Valmet

DIMENSIONING

Board Making Machines
Ossi Pehkonen / Jki | 17.8.2017 | VTQN000025

DIMENSIONING CALCULATION

Customer / PM No.	**Pratt USA, New linerboard machine PM17**		
Grade:	**Corrugating medium and linerboard**	Drawing No.	Combi Sizer
Remarks:	Combi Sizer 112gsm, 127gsm and 171gsm grades 50/50 and 40/60 ply split		

Basic data

Design widths

Web width after winder	225,6 in
Web width at reel	228,0 in
Web width to press	235,0 in
Headbox outflow width	240,9 in
Wire width	246,1 in
Shrinkage	3,0 %

Machine speed

Dim. speed (Max. operating speed)	3609 fpm
Mechanical design speed	3937 fpm
Drive speed (sectional drives)	3937 fpm

Bottom wire (T pl)

	Raw material	Type	Share %
1	CM	20 % OCC + 80 % MW, 325 CSF	
2	LB	50 % OCC + 50 % MW, 425 CSF	

Top wire (Bk pl)

	Raw material	Type	Share %
1	CM	20 % OCC + 80 % MW, 220 CSF	
2	LB	50 % OCC + 50 % MW, 260 CSF	

Remarks: In this calculation Film vs Pond Sizing is verified by different Starch consistencies with same amount of Starch. 7 and 8% for Pond sizing and 12% for Film sizing.

Table 15.1.1

Production

Dimensioning grade		23#40/60
Dimensioning basis weight	lb/1000 ft²	23,0
Dimensioning speed	fpm	3525
Dimensioning production	sht/24h	1109

Specified name of the grade		23#50/50	26#50/50	35#50/50	23#40/60	26#40/60	35#40/60	26£40/60	35£40/60
Total basis weight at reel	**lb/1000 ft²**	**23,0**	**26,0**	**35,0**	**23,0**	**26,0**	**35,0**	**26,0**	**35,0**
Speed at reel	fpm	3525	3119	2316	3525	3119	2316	3119	2316
Dry content at reel	%	92	92	92	92	92	92	92	92
Gross production at reel	sht/24h	1109	1109	1109	1109	1109	1109	1109	1109
	sht/h/ft	2,43	2,43	2,43	2,43	2,43	2,43	2,43	2,43
	sht/h	46,2	46,2	46,2	46,2	46,2	46,2	46,2	46,2
Production line total efficiency	%	85							
Annual operating time	days/a	360							
Share of production	%				100,0				
Net Production / bw	sht/a				339331				
Total net production	**sht/a**	**339331**							
Basis weight distribution (on reel dryness)									
Basis weight per ply									
Bottom wire (T pl)	lb/1000 ft²	11,1	12,5	16,8	8,8	10,0	13,5	10,0	13,5
Top wire (Bk pl)	lb/1000 ft²	11,1	12,5	16,8	13,3	15,0	20,2	15,0	20.2
Surface sizing	lb/1000 ft²	0,9	1.0	1.4	0,9	1,0	1.4	1,0	1,4
Production distribution									
Ply production									
Bottom wire (T pl)	sht/24h	533	533	533	427	426	426	428	426
Top wire (Bk pl)	sht/24h	533	533	533	640	640	639	640	639
Surface sizing	sht/24h	42	43	43	42	43	43	43	43

Table 15.1.2

15.2 Waste Paper Processing and Stock Preparation

The waste paper processing and stock preparation systems within the Facility is being bid to several internationally recognized suppliers used by Pratt in the past. The specification is in preparation as of this writing and will contain essentially the same unit operations components as Valparaiso:

(1) Pulper with appropriate ancillaries

(2) Detrashers

(2) Drum Screen

(5) Primary High-Density Cleaners with continuous rejects

(2) Secondary High-Density Cleaners with automatic rejects

(2) Primary Coarse Screens

(1) Secondary Coarse Screen

(1) Tertiary Coarse Screen

(2) Quaternary Coarse Screens

(1) Set Primary Forward Cleaners

(1) Set Secondary Forward Cleaners

(1) Set Tertiary Forward Cleaners

(1) Set Quaternary Forward Cleaners

(3) Fractionator Screens

(2) Primary Fine Screens

(1) Secondary Fine Screen

(1) Tertiary Fine Screen

(1) Set Primary Long Fiber Lightweight Cleaners

(1) Set Secondary Long Fiber Lightweight Cleaners

(1) Process Clarifier

(1) Gravity Table Drain

(2) Screw Press

(2) Sand Separator

(1) Effluent Clarifier

(1) Reversing Screw Conveyor

(1) Transfer Screw Conveyor

(1) Dilution Screw Conveyor

This equipment, with appropriate piping, valving and controls represents state-of-the-art technology for waste paper processing. Pratt has used similarly configured systems with great success at Conyers, Staten Island, Shreveport, Valparaiso and in Australia.

15.3 Paper Machine

Valmet

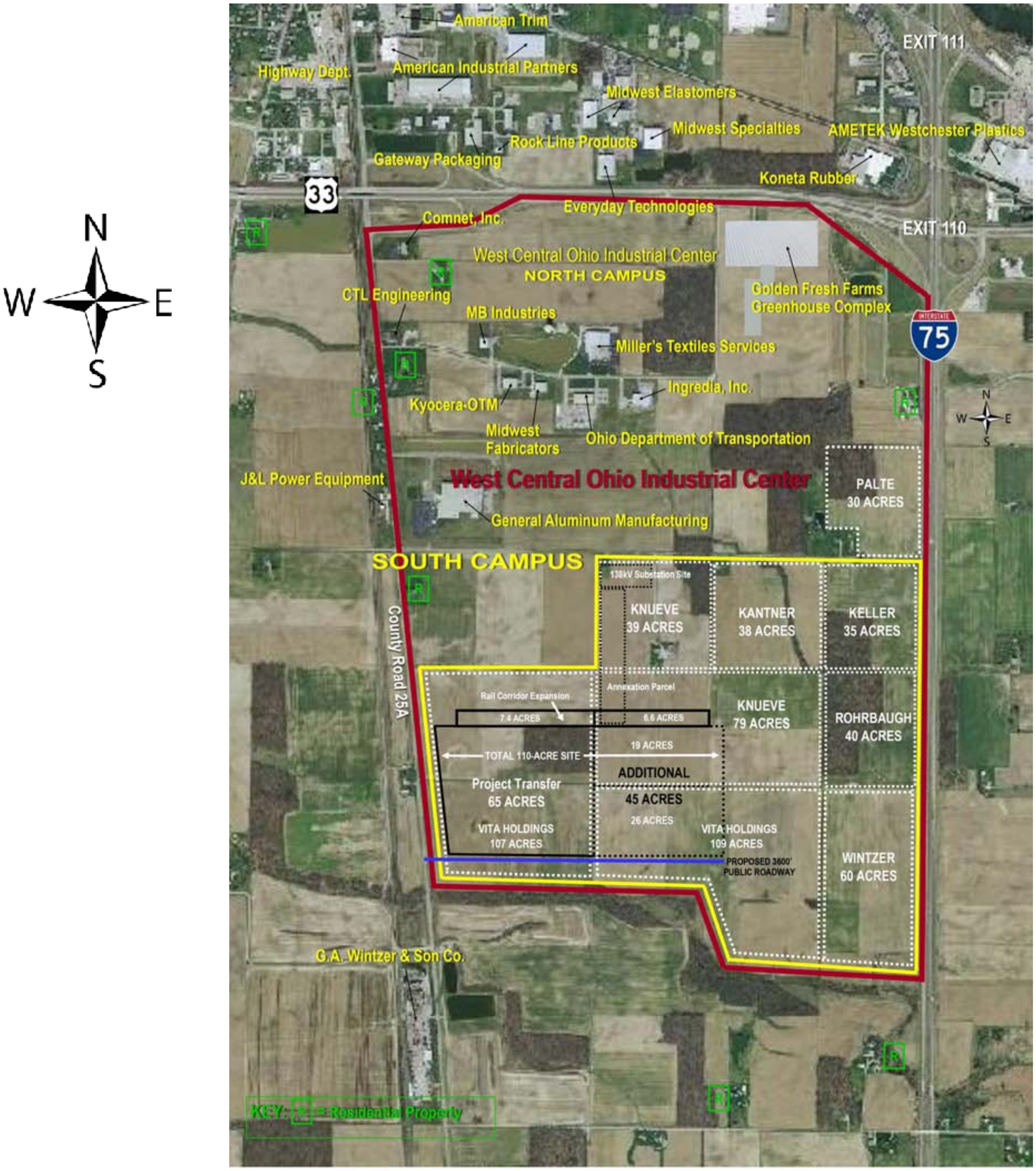
The Valmet Contract has been executed by Valmet and the Company. It includes the purchase of paper-machine; winder; appropriate ancillaries and spares. Also included are training and startup services. TAII has reviewed the scope of supply with the Company and finds it to be nearly identical to the contract for the Valmet Machine in Valparaiso, Indiana updated for dates, pricing and so forth.

16 Site Layout

TAII's Project Manager, Jim Thompson, visited the site on 12 Oct 17. The 60-acre site is well laid out and the site for the Facility is generously sized and accessible from all sides. Pratt's building design is similar to that used before, which is a straight line, simple layout.

Soils conditions at the site are being investigated in preparation for foundation design. Pratt (OH) is currently investing in borings and soil analysis to prevent excessive costs due to over design of foundations. This work is scheduled to be completed in November 2017.

See following pages for a site map, *Plate 16.1.* This shows the site in reference to adjacent property holders. The Project's building footprint is on land being acquired by Pratt (OH) and as noted on the site map, Pratt (OH) is acquiring two parcels (a 65-acre parcel and a 45-acre parcel) which are being combined and then subdivided into the 60-acre Project Site and the 50-acre site for a potential future box plant as more particularly shown on *Plate 17.1.*



West Central Ohio Industrial Center Interstate 75 @ US 33 Wapakoneta, Ohio

The site is identified as "Project Transfer 65 acres and Additional 45 acres" in the lower left. As described above and shown on Plate 17.1, the site will be created from the two referenced parcels and then re-subdivided into the 60-acre project site and the 50-acre site which will be sold to an affiliate of Pratt (OH).
Plate 16.1

17 Facility Layout

The proposed Facility layout is shown in *Plate 17.1*

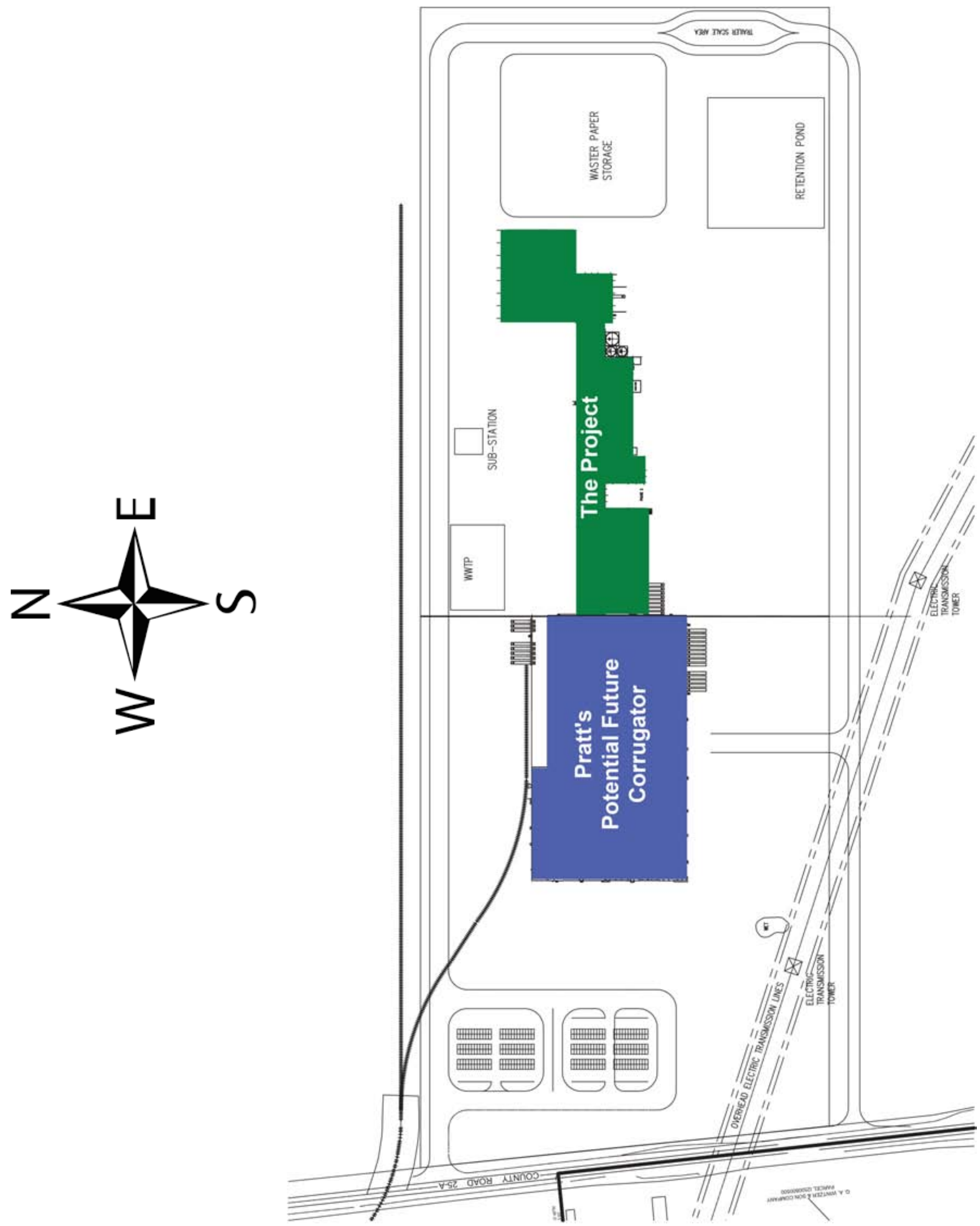


Plate 17.1

The layout is much like other Pratt facilities of similar use. It is a clean, orderly, linear layout easy to access at appropriate points for operations, maintenance and logistics. The site is nearly level and not in a flood plain.

18 Operating Considerations

The target basis weight production for this Facility is 23 lbs per thousand square feet (23#) Linerboard. Pratt is one of the few companies that can successfully make this lightweight grade efficiently. The reason for this is that older machines were targeted to different end-use specifications that dictated 42# as the primary grade. A machine has a certain "sweet spot" based on the primary grade it was designed to produce. This is based on many machine components, expensive to change.

Market penetration of a high percentage mixed waste fiber-based Linerboard and Medium product has been proven by acceptance of output from Conyers, Staten Island, Shreveport and Valparaiso for over twenty years, even when sold on the open market. Other 100% recycled Linerboard mills also exist, but to our knowledge no one has proven that they can make acceptable product from as low cost raw materials as Pratt can. Pratt uses sophisticated, proven state-of-the-art technology at Conyers, Staten Island, Shreveport and Valparaiso and will implement the same, with subsequent technology improvements, perfected through continuous improvement programs, at the Facility.

It is typical for there to be continuous improvement in the designs of the equipment and the operation of the process in paper mills. The process is something like a marathon runner, the equipment is operating at a high degree of efficiency, but as operators become more trained and skilled, they find ways to extract a little more performance. Likewise, equipment manufacturers are competitively driven to develop new designs and retrofit changes to their existing designs in order to fulfill their own business objectives.

Pratt overcomes potential problems of its low-cost fiber mix in four ways:

1. Superior fiber cleaning equipment
2. High technology paper making machinery
3. Judicious use of starch to improve strength
4. Adding color to provide a consistent appearance

19 Utility Review

19.1 Fresh Water

Pratt estimates fresh water consumption at a maximum of 1,000,000 gallons per day, or 1,000 gallons per salable ton. Although no contract has been signed, the City of Wapakoneta has indicated a commitment to a supply of at least 1.1 million gallons per day on average.

19.2 Electricity

Pratt estimates the electrical demand of the Facility at 390,000-452,000 KWhr/day with a load factor of 0.8. Pratt mills have used, in the past, between 362 and 446 KWhr per salable ton and this is the basis for this estimate used in the budget. At 1,000 ton per day capacity, PM-17 will be at the upper end of this limit, a conservative assumption for the proformas. Electricity will be brought to the site and supplied by the City of Wapakoneta Electric Utility Company and they will install and operate the Mill's electrical substation.

19.3 Steam

The boiler is out for quotes at this time. The natural gas fired boiler will need to be capable of producing 275,000 PPH (pounds per hour) of 387 F Saturated Steam at a pressure of 225 PSIG. This is a low NOx boiler, rated at 15ppm NOx. McBurney has supplied two out of the three boilers at the Pratt mills in the United States.

19.5 Gas

Dominion Energy of Ohio will supply natural gas and will install the necessary infrastructure from the City gate to the Facility.

19.6 Aqueous Effluent

Pratt will construct and operate a pretreatment plant and deliver aqueous effluent to the City of Wapakoneta meeting the City's specifications. This is similar to the arrangement at Valparaiso and Shreveport, in design and intended contract.

20 Air and Noise

Sources identified as air pollution contributors are:

- Boiler
- Paper Machine
- Diesel Fuel Tanks
- Starch Silo

Pratt (OH) air permit will be obtained from the Ohio Department of Environmental Management. This process will start in November 2017.

Noise requirements and references to compliance with OSHA will be a requirement in equipment contracts.

21 Solid Waste

There will be no landfill on site. Solid waste will be handled by contracts entered into with local landfills.

22 Environmental and Permitting Process Review

22.1 Environmental Permitting

TAII has reviewed the Phase 1 Environmental Report for the property (dated October 12, 2017). TAII has also reviewed the update letter from the Environmental Consultant (dated October 12, 2017). TAII has reviewed the previous Phase 1 Environmental Report for the property (dated July 19, 2006). All documents indicated no foreseeable problems.

The entire list of permits (and their status) necessary for the construction and operation of the Project is shown here as *Chart 22.1*.

CATEGORY	START DATE FOR PERMITTING PROCESS	EXPECTED DATE OF RECEIPT
Permitting Item		
a. Air Permit		
1) Minor Source Dispersion Modeling (Ohio Rqrmt)	11/1/2017	1/15/2018
2) OH review/approval of Modeling Results	1/15/2018	3/15/2018
3) Prepare & submit Minor Source Air Permit application	11/1/2017	3/15/2018
4) OH review of application and issuance of permit	3/15/2018	8/15/2018
b. Construction Storm Water Permit NOI (by General Contractor)	1/15/2018	3/1/2018
c. Wastewater Pre-Treatment Plant Construction Permit (Ohio Rqrmt)	1/15/2018	1/15/2019
d. Wastewater Discharge Permit	4/15/2018	6/15/2019
e. Operational Storm Water Permit NOI	1/15/2019	9/15/2019
f. Industrial Solid Waste Approvals	5/15/2019	9/1/2019
g. Cultural Resources Survey (if required)	11/01/2017	2/1//2018
h. Wetlands Determination (by City of Wapa)	11/15/2017	1/20/2018
i. Wetlands Mitigation Assessment/Permit (by City of Wapa)	12/15/2017	4/1/2018
j. Radiological Permit	Upon receipt of source	30 days thereafter
k. Initial Source Testing	------	-------
1) Air (within 180 days of startup)	9/30/2019	3/1/2020
2) Wastewater	Upon discharge	2 weeks from start date
3) Storm Water (within first calendar quarter)	9/30/2019	12/31/2019
l. GHG Monitoring Plan	6/1/2019	9/30/2019
m. CEMS Preventative Maintenance Plan	6/1/2019	9/30/2019
n. CEMS QA/QC Plan	6/1/2019	9/30/2019
o. Storm water Pollution Prevention Plan	6/1/2019	9/30/2019
p. Spill Prevention Control & Countermeasure Plan	6/1/2019	9/30/2019
q. Accidental Spill (or Slug) Prevention Plan	Upon receipt of WW permit	2 months after start date
r. Initial Environmental Compliance Reporting	9/30/2019	9/30/2020

Chart 22.1

This scheduled coordinates with the Project Construction and Start-up schedule.

22.2 General Construction and Building Permits

Jim Thompson spoke with Greg Myers, Executive Director of the Wapakoneta Area Economic Development Council, on October 19, 2017 concerning non-environmental permits. There is a zoning compliance permit that is issued locally that is a check on setbacks from property lines and similar matters. Auglaize County (where Wapakoneta and the Project are located) is part of a regional consortium with several other counties for the purpose of approving building plans and so forth for issuance of any necessary construction and occupancy permits. This office is in Troy, Ohio and generally turns permit applications around within two (2) weeks according to Mr. Myers. Such permitting is usual and customary and should not impact the Project.

23 Capital Cost Review

23.1 Capital Cost Estimate

Table 23.1 summarizes the highlights of the capital cost estimates for the Project. These estimates are based upon bids and proposals from suppliers and the knowledge and experienced gained in the construction of Pratt's mills in Valparaiso, Indiana; Shreveport, Conyers, Georgia and Staten Island, New York. Sums have been updated to current costs and construction methods, and are current as of the date of this report.

(see next page)

PM 17 (Wapakoneta, Ohio)

Capital Budget--10 Oct 17

Category	Budget
STOCK PREPARATION	$9,960,000
APPROACH FLOW	$2,765,000
WATER SYSTEM	$520,000
PUMPS	$820,000
PAPER MACHINE	$51,288,000
STEAM SYSTEM	$765,000
VACUUM SYSTEM	$1,195,000
BOILER & ANCILLARIES	$6,200,000
AIR SYSTEM	$365,000
STAINLESS STEEL	$5,975,000
ELECTRICAL	$14,145,000
INSTRUMENTATION	$3,530,000
ENGINEERING	$4,945,000
INSTALLATION	$43,505,000
BUILDING, SITE, AND LAND	$69,010,000
EFFLUENT PRETREATMENT	$8,000,000
SPARE PARTS	$5,775,000
INCENTIVES	($3,080,000)
TOTAL MANUFACTURING BUDGET	**$225,683,000**
FEES	$3,945,000
CAPITAL INTEREST	$21,183,719
INTEREST INCOME	($755,000)
TAXES ON EQUIPMENT	$1,160,000
IT SYSTEMS	$471,531
PRINCIPAL / INTEREST RESERVE	$7,301,750
TOTAL BUDGET	**$258,990,000**
CONTINGENCY	$16,010,000
TOTAL COST	**$275,000,000**

Table 23.1

23.2 Basis for Capital Cost Estimate

The Capital Cost Estimate is based in part on cost and quantity data provided by Pratt. The accuracy of the estimate prepared is in accordance with generally accepted limits for this type of analysis.

The Civil/Structural, e.g., "Building, Site & Land", portion was based on detail provided by Pratt. Historical unit cost data was used to estimate installed costs for all items.

Process equipment costs are based on recent experience, current quotes and/or contracts already entered into by Pratt on previous projects. As of the date of this review, we have reviewed the executed Paper Machine contract with Valmet. The Company is currently commencing the bidding process for stock preparation equipment and other high value items is in process.

Piping quantities and costs were based upon historical data for similar Projects, while accounting for differences in Pratt's process versus others. Additionally, material costs were updated to reflect the current and anticipated prices of stainless steel. All of the stainless-steel piping material and labor costs are based upon the use of 316L stainless pipe in gauge (not schedule) thicknesses. Piping will be assembled off-site in spool pieces to facilitate faster field installation and lower labor costs.

Electrical costs were based upon factored motor counts and size data from previous similar Pratt projects. Budget quotations for major equipment were used where available.

Instrumentation costs were based upon loop counts derived from historical data from similar past Projects.

Pratt's estimated costs are used for Engineering, Construction Management, In-House Costs, Fees, Capitalized Interest, Start-up Costs, IT Systems, Training, and Contingency and are included in the budget. However, all items are not broken out separately in the high-level budget schedule of *Table 23.1*.

The Facility's capital construction costs (the manufacturing budget, see *Table 23.1*) equate to \$247,971 per daily ton. Valparaiso was built for \$214,286 per daily ton (2013 \$). Shreveport was built for \$180,000 per daily ton (2008 \$) Staten Island was built 21 years ago for \$188,000 (1995-1996 \$) per daily ton under extremely difficult site and labor conditions. Conyers was built 23 years ago for \$113,000 per daily ton (1994 \$). The public construction costs of the Greenpac Mill in Niagara Falls, New York, which started up 15 July 2013 was \$253,000 per daily ton on a brownfield site requiring remediation. Steam, however, is provided by an offsite arrangement and hence steam generation equipment is not included in the Greenpac capital costs.

*Tables 23.3.3*a and *23.3.3b* show the construction cash flow anticipated.

CATEGORY	Budget	To Date (as of 9/30/17)	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
SUMMARY												
STOCK PREPARATION	9,960,000	0	996,000	1,494,000	1,494,000	0	0	0	2,988,000	0	0	2,988,000
APPROACH FLOW	2,765,000	0	120,000	180,000	180,000	18,250	0	0	516,500	0	469,500	360,000
WATER SYSTEM	520,000	0	0	0	0	0	0	0	52,000	0	156,000	0
PUMPS	820,000	0	0	0	0	82,000	0	164,000	0	164,000	0	0
PAPER MACHINE	51,288,000	2,018,122	0	4,690,488	79,500	155,000	4,690,488	0	310,000	119,250	9,500,226	119,250
STEAM SYSTEM	765,000	0	0	0	0	0	0	0	0	0	0	0
VACUUM SYSTEM	1,195,000	0	0	0	102,500	205,000	34,000	0	205,000	42,500	0	205,000
BOILER & ANCILLARIES	6,200,000	0	0	0	1,860,000	0	0	0	930,000	0	1,240,000	1,240,000
AIR SYSTEM	365,000	0	0	0	0	0	0	0	0	0	0	0
STAINLESS STEEL	5,975,000	0	0	0	0	0	0	0	0	0	0	0
ELECTRICAL	14,145,000	0	0	0	0	0	0	334,000	74,000	854,000	711,000	934,000
INSTRUMENTATION	3,530,000	0	0	0	0	0	0	0	0	0	0	214,500
ENGINEERING	4,945,000	0	989,000	593,400	593,400	741,750	741,750	692,300	247,250	346,150	0	0
INSTALLATION	43,505,000	0	0	0	0	0	0	16,579	16,579	16,579	664,079	16,579
BUILDING, SITE, AND LAND	69,010,000	0	0	21,250	1,665,000	0	261,250	599,250	793,000	2,747,250	5,185,700	7,207,650
EFFLUENT PRETREATMENT	8,000,000	0	0	0	0	0	0	2,000,000	2,000,000	2,000,000	2,000,000	0
SPARE PARTS	5,775,000	0	0	0	0	0	0	1,443,750	1,443,750	1,443,750	1,443,750	0
INCENTIVES	(3,080,000)	0	0	0	0	0	0	(3,080,000)	0	0	0	0
TOTAL MANUFACTURING BUDGET	**225,683,000**	**2,018,122**	**2,105,000**	**6,979,138**	**5,974,400**	**1,202,000**	**5,727,488**	**2,169,879**	**9,576,079**	**7,733,479**	**21,370,255**	**13,284,979**
FEES	3,945,000	0	0	3,489,000	18,000	18,000	18,000	48,000	48,000	18,000	18,000	18,000
CAPITAL INTEREST	21,183,719	0	0	0	0	0	0	0	0	0	0	6,078,806
INTEREST INCOME	(755,000)	0	0	0	(63,259)	(61,770)	(61,479)	(60,049)	(59,503)	(57,095)	(55,163)	(49,799)
TAXES ON EQUIPMENT	1,160,000	0	23,506	47,734	27,870	3,452	35,434	29,687	64,019	34,801	121,384	45,580
IT SYSTEMS	471,531	0	0	0	0	0	0	0	0	0	0	0
PRINCIPAL / INTEREST RESERVE	7,301,750	0	0	7,301,750	0	0	0	0	0	0	0	0
TOTAL BUDGET	**258,990,000**	**2,018,122**	**2,128,506**	**17,817,621**	**5,957,011**	**1,161,682**	**5,719,442**	**2,187,517**	**9,628,595**	**7,729,184**	**21,454,476**	**19,377,566**
CONTINGENCY	16,010,000	0	0	0	0	0	0	0	0	0	0	0
TOTAL COST	**275,000,000**	**2,018,122**	**2,128,506**	**17,817,621**	**5,957,011**	**1,161,682**	**5,719,442**	**2,187,517**	**9,628,595**	**7,729,184**	**21,454,476**	**19,377,566**

Table 23.3.3a

CATEGORY	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Total
SUMMARY																			
STOCK PREPARATION	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,960,000
APPROACH FLOW	0	469,500	0	294,750	0	0	0	0	156,500	0	0	0	0	0	0	0	0	0	2,765,000
WATER SYSTEM	0	156,000	0	104,000	0	0	0	0	52,000	0	0	0	0	0	0	0	0	0	520,000
PUMPS	164,000	0	0	0	164,000	0	0	0	0	0	0	82,000	0	0	0	0	0	0	820,000
PAPER MACHINE	119,250	584,250	139,250	0	465,000	0	9,380,976	0	0	9,380,976	0	155,000	4,690,488	0	0	4,690,488	0	0	51,288,000
STEAM SYSTEM	0	0	0	0	76,500	114,750	114,750	114,750	114,750	114,750	0	114,750	0	0	0	0	0	0	765,000
VACUUM SYSTEM	42,500	0	205,000	42,500	0	0	0	0	0	0	0	111,000	0	0	0	0	0	0	1,195,000
BOILER & ANCILLARIES	0	0	0	0	930,000	0	0	0	0	0	0	0	0	0	0	0	0	0	6,200,000
AIR SYSTEM	0	328,500	0	0	0	36,500	0	0	0	0	0	0	0	0	0	0	0	0	365,000
STAINLESS STEEL	0	0	0	0	1,792,500	1,792,500	1,792,500	597,500	0	0	0	0	0	0	0	0	0	0	5,975,000
ELECTRICAL	517,500	3,222,000	1,366,500	3,399,750	607,750	793,750	1,170,750	80,000	80,000	0	0	0	0	0	0	0	0	0	14,145,000
INSTRUMENTATION	353,000	844,500	1,059,000	710,000	138,500	0	210,500	0	0	0	0	0	0	0	0	0	0	0	3,530,000
ENGINEERING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,945,000
INSTALLATION	16,579	16,579	3,347,704	3,347,704	3,347,704	3,347,704	7,403,704	5,725,704	5,725,704	5,725,704	4,720,079	16,579	16,579	16,579	0	0	0	0	43,505,000
BUILDING, SITE, AND LAND	9,569,900	11,495,900	6,345,150	6,648,900	5,596,900	1,962,900	1,228,400	1,090,900	2,395,150	2,249,650	1,930,900	15,000	0	0	0	0	0	0	69,010,000
EFFLUENT PRETREATMENT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,000,000
SPARE PARTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,775,000
INCENTIVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(3,080,000)
TOTAL MANUFACTURING BUDGET	**10,782,729**	**17,117,229**	**12,462,604**	**14,547,604**	**13,118,854**	**8,048,104**	**21,301,580**	**7,608,854**	**8,524,104**	**17,471,080**	**6,650,979**	**494,329**	**4,707,067**	**16,579**	**0**	**4,690,488**	**0**	**0**	**225,683,000**
FEES	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	0	0	0	0	3,945,000
CAPITAL INTEREST	0	0	0	0	0	5,526,188	0	0	0	0	0	5,526,188	0	0	0	0	0	4,052,538	21,183,719
INTEREST INCOME	(44,955)	(42,264)	(37,980)	(34,858)	(31,210)	(27,591)	(23,757)	(17,866)	(15,422)	(10,978)	0	0	0	0	0	0	0	0	(755,000)
TAXES ON EQUIPMENT	9,096	42,160	45,881	59,240	56,415	45,639	150,549	48,885	45,967	114,161	34,341	3,595	35,303	124	0	35,179	0	0	1,160,000
IT SYSTEMS	0	0	0	0	115,000	126,531	115,000	115,000	0	0	0	0	0	0	0	0	0	0	471,531
PRINCIPAL / INTEREST RESERVE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,301,750
TOTAL BUDGET	**10,764,870**	**17,135,125**	**12,488,505**	**14,589,986**	**13,277,058**	**13,736,870**	**21,561,372**	**7,772,873**	**8,572,649**	**17,592,262**	**6,703,320**	**6,042,111**	**4,760,370**	**34,703**	**0**	**4,725,666**	**0**	**4,052,538**	**258,990,000**
CONTINGENCY	0	0	0	0	1,200,750	1,601,000	2,001,250	2,001,250	2,401,500	2,401,500	3,202,000	1,200,750	0	0	0	0	0	0	**16,010,000**
TOTAL COST	**10,764,870**	**17,135,125**	**12,488,505**	**14,589,986**	**14,477,808**	**15,337,870**	**23,562,622**	**9,774,123**	**10,974,149**	**19,993,762**	**9,905,320**	**7,242,861**	**4,760,370**	**34,703**	**0**	**4,725,666**	**0**	**4,052,538**	**275,000,000**

Table 23.3.3b

24 Operating Cost Assessment

24.1 Cash Manufacturing Costs

Below is a brief discussion of the categories of cost reviewed and included in the proformas exercise for this review.

24.2 Fiber

Fiber is made up of OCC and MWP. Pratt will be in control of the fiber supply and has a solid track record in gathering low cost fiber. Pratt's ability to use MWP will insulate them from general market swings.

24.3 Chemicals and Other Raw Materials

This category contains the costs of all mill chemicals and other raw materials. This includes paper machine chemicals such as defoamer, wire treatment, size press and wet end starch, sizing agents biocide and dye. Other chemicals included are water treatment, and boiler treatment chemicals.

The other raw materials included in this category are basic shipping materials such as cores, core plugs, strapping, labels, machine doctor blades and threading rope.

24.4 Energy and Water

Energy in the form of natural gas to fuel the Facility's boiler and electricity will be purchased as previously delineated. The limits to lengths of these contracts will allow the Wapakoneta Facility to exploit utility and technology changes as time progresses. Based on discussions with the City, the rates for water and sewer used in the model are as follows:

Industrial Potable Water quantity rate is assumed to be $3.111/1,000 gallons in the Pro Forma P & L supplied by the Company and reviewed by TAII. The draft Development Agreement between the City of Wapakoneta and the Company indicates a more favorable rate to the Company may be achieved.

Industrial Sewer quantity rate is assumed to be $4.52/1,000 gallons in the Pro Forma P & L supplied by the Company and reviewed by TAII.

24.5 Machine Clothing

Machine Clothing (or just "Clothing") is the manufactured fabrics which carry the paper web. Pratt, like all other paper makers, tracks this item separately because of the high cost of each individual piece.

24.6 Repair Materials

Repair materials which are expensed include only items that replace worn parts. This category does include outside maintenance contract labor but does not include capitalized spare parts or other capitalized repair materials. Routinely, on a monthly basis, normal payroll for maintenance is included in labor costs--this includes some contract (temporary help) and if Pratt chooses to contract out the maintenance personnel then it would also be in labor.

24.7 Labor & Benefits

Wages are based on Valparaiso start-up hours, FY17 wage rates and a 2% annualized growth rate after that.

25 Financial Assessment

25.1 Principal Considerations and Assumptions

The financial analysis of the Project originally included the following assumptions:

- Production levels and manufacturing costs are based on TAII's assessment of the Facility and supporting documentation provided by Pratt.
- Product pricing is based on current pricing.
- Debt financing is provided by 30-year tax exempt bonds in the amount of $210,000,000.

Depending on final financing arrangements, these debt financing details are subject to change. Of course, by definition, such financing does not affect EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) which are key to assessing the operating performance of the Facility.

25.2 Mill Operating Assumptions

The Facility is being built primarily to supply internal needs of the Pratt system. Pratt expects to be in a condition of shortage of Linerboard and Medium in the region when the Facility is operating at design conditions. The Output Purchase Agreement requires PCH to purchase approximately 74 – 88% of the projected output of the Facility. However, the Company and PCH expect that approximately 90% of the actual output will be purchased by PCH. The balance of the output should be easily sold within a very short economically attractive distance.

This is the schedule from the Output Purchase Agreement and its accompanying footnotes:

OPERATIONS YEAR*	A MINIMUM TONS OF CONTAINERBOARD TO BE PURCHASED	B TOTAL OUTPUT FOR FACILITY	C MINIMUM TONS TO TOTAL OUTPUT**
Year 1	160,000	180,829	88%
Year 2	230,000	296,478	78%
Year 3	250,000	312,768	80%
Year 4	260,000	330,506	79%
Year 5	270,000	353,855	76%
Year 6	280,000	377,928	74%
Year 7	290,000	385,421	75%
Year 8	295,000	389,657	76%
Year 9	300,000	393,892	76%
Year 10	300,000	396,010	76%
Years 11 – 30***	305,000	396,010	77%

* Operations Year 1 shall commence on the Start-up Date and each Operations Year thereafter shall commence on the applicable anniversary thereof.

**The percentages shown in Column C reflect expected productions levels only, are not required to be met under the terms of this Agreement, and do not alter any obligations of either party hereto.
*** amounts specified in this row shall continue for each subsequent Operations Year (if any) after the 30th Operations Year.

Traditionally, Linerboard demand has been driven by domestic corrugated box production which in turn has been driven by domestic industrial production requirements for shipment of finished goods (such as refrigerators, washers & dryers, food & beverage and so forth). In recent times, a third large category has developed, due to the Internet and services such as Amazon.com and eBay. These will be discussed further below. In the first category, Pratt's need for the Facility is driven by their own regional packaging needs and their desire to control process quality from the beginning to the end in corrugated box production. Pratt's needs are clearly identified here on *Plate 25.1 (next page)*:

PRATT INDUSTRIES MANUFACTURING LOCATIONS

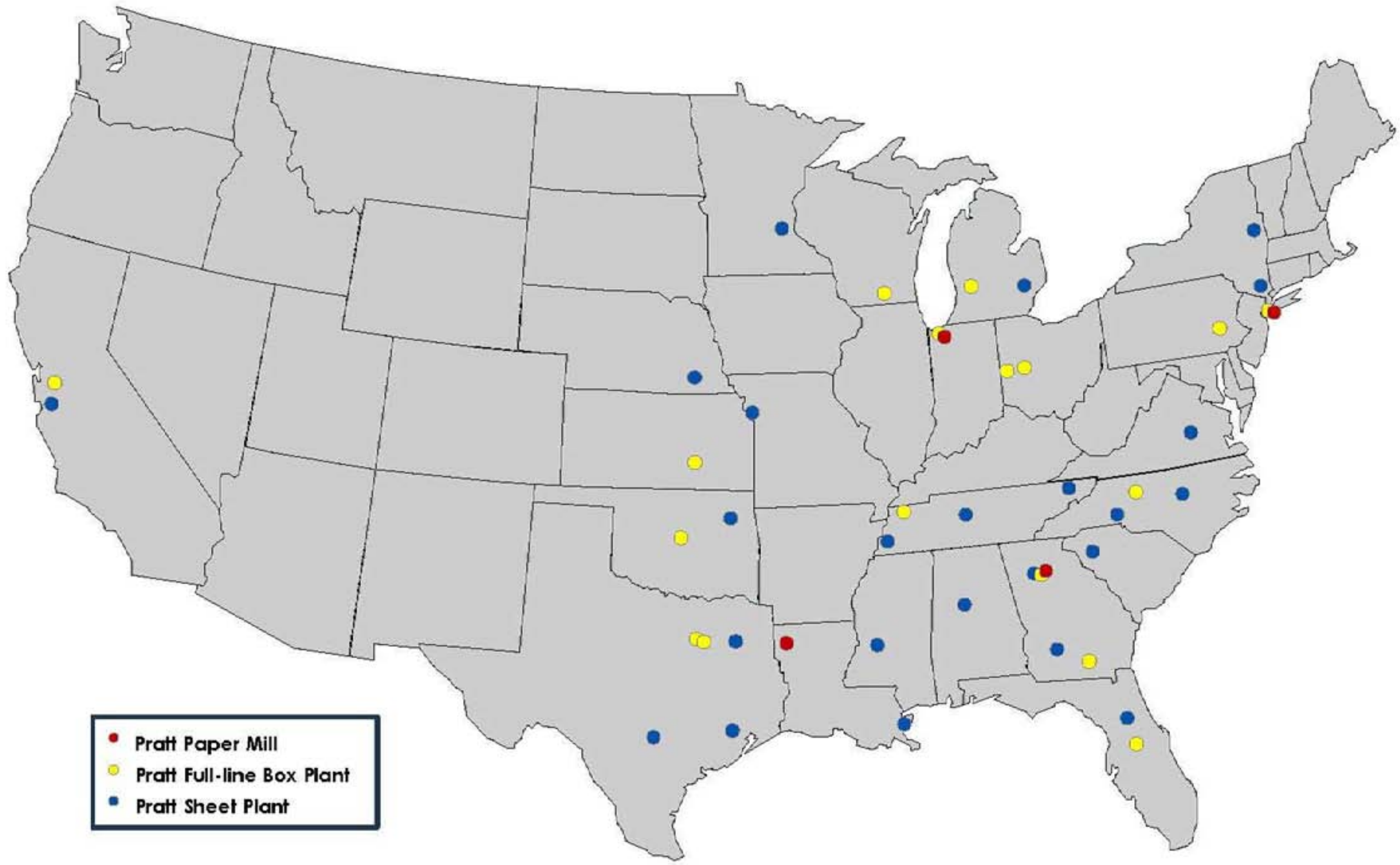


Plate 25.1

25.3 Production

The base case production assumptions are consistent with and based upon the discussions contained in the Pratt Model. This production is based upon Pratt's plans for mix and operation of the Facility.

25.4 Pricing

The base case pricing assumptions are consistent with and based upon the discussions contained in the Pratt Model which assumes 90% of the output will be purchased by PCH. We note that PCH is only required to purchase approximately 74 – 88% of the projected Facility output, but we believe it is reasonable to assume that 90% of actual output of the Facility will be purchased by PCH because historically this has been the case for Pratt mills. Revenue in the Pratt Model reflects 100% of the sale of the output, including that not covered by the Output Purchase Agreement. We believe this assumption is reasonable based upon the strong markets for the Facility output in the Midwest region.

Despite much graduate level research on the subject, Linerboard, and linked to it, Medium, prices vary widely in practice, and hence it can be concluded that future prices will exhibit the same variability as those in the past. There is definitely a link between supply and demand, and further between export supply and demand, however, many barriers prohibit highly accurate forecasting. Three major barriers to accurate forecasting are:

1. Lack of transparency in the markets. Reported prices only vaguely resemble actual transaction prices.
2. Changes in basis weight requirements. There is a definitive link between pricing and basis weight, however, over the years there has been a movement to lighter basis weights, yet price is still reported against the traditional 42# Linerboard.
3. Choosing the starting and stopping point of using collected pricing data to attempt to predict future prices is arbitrary.

However, even with these uncertainties, TAII feels compelled to comment on Linerboard pricing. Despite the ability to selectively pick data and prove nearly any point one would choose to prove, it has been TAII's experience over 30 years and nearly thirty study projects that a nominal projected price growth of 2.2% compounded annually serves well for projections such as those required here. However, the Pratt Model prudently holds pricing constant for the 30-year life of the Project.

25.5 Operating Costs

The operating costs utilized in the base case are outlined elsewhere. Most costs are held constant throughout the thirty-year projection of the Pratt Model. There is some adjustment in labor rates, but labor is a relatively small cost component in such a facility. Overall, concept of holding most costs constant is prudent, for all costs tend to move, within a range, with Linerboard pricing. Since Linerboard pricing is held constant, other costs can be expected to behave as Linerboard pricing does.

25.6 Product Mix

The product mix manufactured by the Facility will start in the Year One at over 70% Medium, the easier grade to make. By Year Five, it will move to nearly1/2 Linerboard and 1/2 Medium, dependent upon demand requirements of PCH internal corrugators and the external market.

26 Construction Phase & Ramp-Up Curve

A detailed narrative on the Ramp-Up Curve was previously provided in this review, "Section 14 Efficiency." The reader is referred to that Section for discussion of plans for the first 36 months of operation.

A construction manager will be engaged by Pratt (OH) just as was done at Valparaiso.

27 Reinvestment Projections

To maintain the viability of the Facility, the base case proformas assumes there will be annual capital reinvestment as presented in the cash flow statement. These reinvestments are by nature, capitalized maintenance. TAII foresees no reinvestments beyond capitalized maintenance necessary to maintain the stated production for the life of the bonds.

28 Proformas

Proforma income statements have been developed for the first thirty years (the life of the bonds). These terms may change depending on the final financing arrangements. However, the EBITDA line should not change. The reader is referred to the Offering Memorandum where the detailed Proforma income statement is shown in its entirety.

29 Income Statement

The 30-year proforma income statement shows EBITDA increases year to year by a significant amount in the first three years and then by a lesser percentage amount in subsequent years out through Year 10. Year 11 and on shows a flat EBITDA. The larger increase in the early years is due to getting beyond startup and moving the product mix to the long-term proportions.

30 Sensitivity Analysis

The price of Linerboard and input raw materials (OCC, MWP, Special Mixed Waste Paper) tend to move in parallel. In other words, if output prices move up or down, input raw materials tend to follow. The Company has prepared as Sensitivity Analysis to show the effects on EBITDA and Cash Flow Coverage Ratio of possible changes in output prices, all consistent with the terms of the Output Purchase Agreement. TAII has reviewed this sensitivity analysis, concurs with it, and offers it here as *Table 30.1*. Sensitivity to change in fiber price is shown in *Table 30.2*.

Sensitivity to Change in Open Market Price of Linerboard			Year			
	1	2	3	10	20	29
Base Case EBITDA	9,941,634	30,259,918	35,498,909	56,592,664	56,217,071	56,217,071
Cash Flow Coverage Ratio	1.35	1.67	1.88	2.75	2.71	2.35
5% Reduction	(2,130,447)	(3,374,452)	(3,414,506)	(4,834,796)	(4,718,358)	(4,718,358)
Cash Flow Coverage Ratio	1.20	1.53	1.74	2.55	2.51	2.15
10% Reduction	(3,933,023)	(6,748,904)	(6,829,013)	(9,669,591)	(9,436,716)	(9,436,716)
Cash Flow Coverage Ratio	1.07	1.39	1.60	2.35	2.31	1.95
20% Reduction	(7,538,177)	(13,497,808)	(13,658,026)	(19,339,182)	(18,873,432)	(18,873,432)
Cash Flow Coverage Ratio	0.81	1.10	1.31	1.95	1.92	1.54

Table 30.1

Sensitivity to Fiber Price			Year			
	1	2	3	10	20	29
Base Case EBITDA	9,941,634	30,259,918	35,498,909	56,592,664	56,217,071	56,217,071
Cash Flow Coverage Ratio	1.35	1.67	1.88	2.75	2.71	2.35
$5/ton	(978,218)	(1,589,053)	(1,668,423)	(2,104,210)	(2,104,210)	(2,104,210)
Cash Flow Coverage Ratio	1.28	1.60	1.81	2.67	2.62	2.26
$10/ton	(1,956,436)	(3,178,106)	(3,336,846)	(4,208,420)	(4,208,420)	(4,208,420)
Cash Flow Coverage Ratio	1.21	1.54	1.74	2.58	2.53	2.17
$20/ton	(3,912,873)	(6,356,213)	(6,673,692)	(8,416,839)	(8,416,839)	(8,416,839)
Cash Flow Coverage Ratio	1.07	1.40	1.61	2.40	2.36	1.99

Table 30.2

31 Documents Reviewed

Below is a partial listing of the documents reviewed. In all cases, all versions available as of the date of this report have been reviewed, whether or not so stated below.

31.1 Detailed Project budget

Summary Capital Budget v5.0 10-19-17(Talo)

31.2 Equipment supplier contracts with aggregate value of $1 million or more each

Valmet Contract Documents
The Stock Prep, Boiler and Crane contracts are currently out for bids.

31.3 Construction contracts and contracts to provide essential services to the Project.

No contracts have been let or are under negotiation as of this time.

31.4 Permits

Phase 1 Environmental Study by CTL Engineering, Inc. dated October 12, 2017

Phase 1 Environmental Study by CTL Engineering, Inc. dated July 19, 2006

Summary Letter by CTL Engineering, Inc. dated October 12, 2017

31.5 Pratt's Construction Schedule

PM 17 Project Schedule 20170326 key milestones

31.6 Pratt's financial model and cash flow schedule

PM17 Bankers Budget 10 – 10 v9

31.7 Other Contracts

Affiliate Cooperation Agreement
Output Purchase Agreement
Recovered Paper Supply Agreement
Development Agreement City of Wapakoneta and Pratt Industries (draft)

31.8 Other

Equity Contribution Agreement
Guaranty Agreement
Indenture of Trust
Loan Agreement
Opinion of Bond Counsel
Pratt Investor Presentation

Preliminary Offering Statement
Wapakoneta Permitting Process
Wapakoneta Zoning
Wapakoneta Plan Review & Inspection

Various Research Reports on the Pulp and Paper Industry

Disclaimer: readers are cautioned to not assume that any documents other than those listed here have been reviewed by TAII, although, in fact, others have been reviewed but deemed not important enough to list.

32 Definitions

Accepts

See “Screening” below.

AF & PA

American Forest & Paper Association (www.afandpa.org)

Basis Weight

Method of measuring the weight of paper based on a standard ream or area. In the U.S. containerboard is measured by the weight in 1,000 square feet of area.

C.A.A.G.

Compound average annual growth used as a designation for the average yearly rate of growth over a period of time.

Cleaning

A process for removing contaminants in wastepaper where the stock is spun to create acceleration forces which will remove either heavier or lighter contaminants. The operational units are commonly called centrifugal cleaners or simply cleaners.

Coarse Packaging

Coarse Packaging includes corrugated containers, fibre drums, dunnage and other unbleached packaging. Fine Packaging, on the other hand, includes bleached paperboard with high quality graphics (beverage can containers) and such items a blister packs, perfume boxes and so forth.

Consistency

The measurement of pulp in a water slurry on a solids basis. High consistency depends on the process and may be over 12% for a pulper and over 3% for a cleaner. Low consistency is less than 1% for a cleaner.

Containerboard

Paper used to make corrugated containers. Two types of paper are used—liner and Medium. Since the paper has a high basis weight it is called Board.

Corrugator Plants

Plants that combine containerboard into corrugated board are called corrugator plants. Typically, these plants also have equipment that converts the corrugated board into finished corrugated products: boxes, shipping containers, point-of-purchase displays and other kinds of protective and distribution packaging. There are approximately 600 corrugator plants in the United States and Canada.

Cross-Machine Direction (CMD)

The direction perpendicular to the Machine Direction (MD).

Fluting

Same as Medium.

Fourdrinier

Fourdrinier is the name of a style of paper machine forming section, named for the Fourdrinier brothers who patented this process in Britain in 1801. The Fourdrinier uses a specially woven plastic fabric mesh conveyor belt, known as a *wire* as it was once woven from bronze, in the wet end to create a continuous paper web transforming a source of plant fiber, usually wood pulp (or recycled fiber that is wood pulp), into a final paper product. Multiple Fourdriniers may be stacked together to make a multi-ply sheet.

Fractionation

A process for separating papermaking fibers where the fibers are classified based on physical characteristics. The two fractions may have different fiber lengths or fiber densities.

FST

Finished Short Tons. Short tons are 2,000 pounds basis (Long tons are metric tons and are 2,200 pounds basis).

Furnish

The mixture of different pulps and chemicals which constitute the slurry necessary to make paper.

HP Liner

Linerboard produced to higher than normal strength requirements so as to provide improved (high) performance.

Kraft Fibers

Papermaking fibers made from wood by the sulfate or kraft pulping process. Kraft means strong and these are the strongest common papermaking fibers.

Linerboard

Paper which lines the outside or inside of a corrugate box.

Machine Direction (MD)

The direction which is parallel to the paper machine when the paper is made.

Mechanical Fibers

Papermaking fibers made by primarily mechanical means (e.g., grinding) from wood.

Medium

Paper which is formed in serpentine, corrugated, or fluted arrangements and separate the Linerboard layers in a corrugated container.

(MWP) Mixed Waste Paper

Mixed papers are simply defined as wastepaper that has not been sorted. However, typically in the US, all the better grades of wastepaper have been removed and the residual is of low quality and highly contaminated.

Mullen Test

The common name for the burst or puncture test where paper strength is measured.

Multi-Fourdrinier

See Fourdrinier.

New Corrugated Container Box Clippings

A grade of wastepaper generated as scrap in corrugated converting operations. It is usually considered a post-industrial but not a post-consumer grade of wastepaper. In some studies, it is included with OCC.

(OCC) Old Corrugated Containers

A grade of wastepaper composed of corrugated containers which have been used for their intended purpose and are now being recycled. OCC is also used in some contexts to describe any wastepaper which is primarily composed of a corrugated structure.

PaperMoney®

A bi-monthly electronic publication covering the world-wide pulp and paper industry (www.globalpapermoney.com)

Post-Consumer Waste

Wastepaper which has gone to the final consumer and is now being recycled. Because of disagreements and potential legal usage, this term is not precisely defined.

Production Creep

Small incremental increases in production resulting from optimization of the process without introduction of additional capital.

Recycled Fibers

Any papermaking fibers which were previously made into paper and shipped from the paper mill.

Rejects

See "Screening" below.

Screening

A process for removing contaminants in wastepaper where the slurry flows through a screen. The good fibers pass through the screen and are called "Accepts." The larger materials are rejected by the screen and called "Rejects." Often the screen is a circular, cylindrical basket with special machine perforations either in the general shape of a round hole, holes, or a narrow rectangular slot. These screens may be housed in a sealed pressure vessel where the stock is pumped through in a controlled fashion.

Secondary Fibers

Another name for recycled fibers.

Semichemical Corrugating Medium

Same as Medium.

Sheet Plants

Plants that purchase already-combined corrugated board, called sheets in corrugated industry terms, and convert these into boxes, shipping containers and displays are called sheet plants. In physical terms, these plants are usually smaller than corrugator plants, but they can also be highly specialized in their product mix - high-end graphics, inner-packing and other items to serve customer needs. There are more than 800 sheet plants in the U. S. and Canada.

Sheet Suppliers

These plants' specialty is combining corrugated board into corrugated sheets exclusively for purchase by sheet plants. They have no other converting equipment to make finished boxes, shipping containers, point-of-purchase displays or other corrugated product. There are approximately 50-60 sheet suppliers in the United States and Canada.

Sizing

Making paper resistant to water, usually by the application of starch. The opposite of blotting paper.

(SMP) Special Mixed Paper

Mixed papers are simply defined as wastepaper that has not been sorted. However, typically in the US, all the better grades of wastepaper have been removed and the residual is of low quality and highly contaminated. Special mixed is used to indicate that this is not the typical US grade but only an undefined but acceptable mixed paper.

Strip Compression

This is a test where a small strip of paper is clamped and then compressed until it fails by buckling.

Surface Smoothness

Method of determining the variations of surface on a paper substrate. The test is used to correlate how well the surface will print.

Virgin Fibers

Papermaking fibers being used the first time for making paper. The opposite of recycled or secondary fibers.

PM40
PaperMoney®

About the PM40

PaperMoney has developed this forest industry/pulp and paper stock index for use in gauging the relative health of the overall industry. The index, PM40, contains 40 companies engaged primarily in forestry, pulp and paper manufacturing, converting, and printing. Our criterion for selection is as follows:

- Geographic Limitations--none
- Stock Exchange Listing--must be listed on a US exchange (to eliminate the effects of currency fluctuations). American Depositary Receipts (ADRs) are eligible for inclusion.
- Must be primarily dependent on cellulose in any form for business health. In other words, Kimberly-Clark is included, but Procter & Gamble is not. McGraw Hill is included, but the New York Times is not.
- The PM40 is an equivalent-weight Index, rebalanced quarterly.

The companies comprising the index are:

1. 3M Co. (MMM)
2. Amcor Ltd. (AMCRY)
3. Bemis Co. (BMS)
4. Boise Cascade Co. (BCC)
5. Brookfield Infrastructure Partners (BIP)
6. CatchMark Timber Trust Inc. (CTT)
7. Cenveo Inc. (CVO)
8. Clearwater Paper Corp. (CLW)
9. Deltic Timber Corp. (DEL)
10. Domtar Corp. (UFS)
11. Ennis, Inc. (EBF)
12. Fibria Celulose SA (FBR)
13. Glatfelter Co. (GLT)
14. Graphic Packaging Holding Co. (GPK)
15. Greif Inc. (GEF)
16. Hadera Paper Ltd. (HAIPF)
17. International Paper Co. (IP)
18. KapStone Paper & Packaging Corp. (KS)
19. Kimberly-Clark Corp. (KMB)
20. Louisiana-Pacific Corp. (LPX)
21. LSC Communications Inc. (LKSD)
22. Mercer International Inc. (MERC)
23. Neenah Paper Inc. (NP)
24. Orchids Paper Products Inc. (TIS)
25. Orient Paper Inc. (ONP)
26. Packaging Corp of America (PKG)
27. Potlatch Corp. (PCH)
28. Rayonier Advanced Materials (RYAM)
29. Rayonier Inc. (RYN)
30. RELX Group (RELX)
31. Resolute Forest Products Inc. (RFP)
32. Sappi Ltd. (SPPJY)
33. Schweitzer-Mauduit Int'l Inc. (SWM)
34. Sonoco Products Co. (SON)
35. Stora Enso Oyj (SEOAY)
36. Universal Forest Products Inc. (UFPI)
37. UPM-Kymmene Oyj (UPMKY)
38. USG Corp. (USG)
39. WestRock Co. (WRK)
40. Weyerhaeuser Co. (WY)

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Appendix II—Jim Thompson's role in similar containerboard projects

(in approximate order of work; current owners' names shown)

Pratt, Conyers, Georgia Tax Exempt Bond Qualification Report

Clinch River, Tennessee Due Diligence Review for refinancing

International Paper, Henderson, Kentucky Site prework study

International Paper, Maysville, Kentucky Community relations study

Bio Pappel, Prewitt, New Mexico Startup Assistance

Pratt, Staten Island, New York Tax Exempt Bond Qualification Report, Due Diligence Review, Construction Monitoring, Project Certification.

WestRock, Solvay, New York (3 machines) Tax Exempt Bond Qualifications Reports, IE Reports, Construction Monitoring and Project Certification (various services were provided for each of the three machines, PM2 had all services provided by Jim Thompson of TAII)

Jackson Paper, Sylva, North Carolina Management and Operations Support over 5 years

Pratt, Shreveport, Louisiana Due Diligence Review, Construction Monitoring, Project Certification

Greenpac, Niagara Falls, New York Due Diligence Review, Construction Monitoring, Project Certification

Smurfit Kappa Group, Forney, Texas Management, Operations and Engineering Support starting January 2011 and continuing

Boise DeRidder, Louisiana Preliminary estimate review, newsprint machine conversion to container grades

Pratt, Valparaiso, Indiana Due Diligence Review, Construction Monitoring, Project Certification

BE & K Engineering. Expert witness on behalf of BE & K Engineering (now part of KBR) in a dispute over the conversion of existing machines to linerboard grades at a confidential mill site.

Valuation Experience C.V. of Jim Thompson

	Approximate Date	*Client*	*Property*	*Reason*	*Outcome*	*Done by Jim Thompson*	*Supervised by Jim Thompson*	*Total Assets Valued*
64	2017	Bank of America Merrill Lynch	Paper Mill, Wapakoneta, OH	Financing	In Process	X		1
63	2014	Bank of America Merrill Lynch	Paper Mill, Staten Island, NY	Refinancing	Success	X		1
62	2013	Bank of America Merrill Lynch	Paper Mill, Valparaiso, IN	Financing	Success	X		1
61	2011	Confidential	Tissue Mill Confidential	Purchase	Buyer Failed to Procure	X		3
60	2011	GE Capital	Paper Mill, Niagara Falls, NY	Financing	Success	X		1
59	2008	GE Capital	Paper Mill, Shreveport, LA	Financing	Success	X		1
			{ absent from business, November 2006 - May 2007, hospitalization }					
58	2006	Charon Capital	Smart Papers, Hamilton, OH	Valuation for purchase	Outbid by others	X		3
57	2006	Confidential Client	Estimate for new mill	Financing	Project on hold	X		2
56	2006	Varde Partners	Tissue Mills in Laurel Hill, NC & Augusta, GA	Advice on liquidation	Liquidated, client recovered loans	X		2
55	2005	Charon Capital	MDF Plant, Lackawanna, New York	Refinancing	Success	X		1
54	2005	DTE Energy Systems	Power Island, St. Francisville, LA	Evaluate Purchase	Told client to not purchase	X		1
53	2005	Fibre Resource Group	Dirgio Paper, Gilman, VT	Evaluation of ownership position	Successfully extracted	X		1
52	2005	Jackson Paper	Paper Mill, Sylva, North Carolina	Refinancing	Success	X		1
51	2005	TAPPI	Trade Show	Valued for sale	Success	X		1
50	2004	Jasper County Texas Tax Assessor	MeadWestvaco Mill, Evadale, Texas (comps included: Smurfit at Stevenson, AL plus box plants & timberlands)	Tax Lawsuit--Expert Witness	Success	X		7
49	2003	Pouschine Cook	Orchids Tissue, Pryor, OK	Assess potential purchase value	Advised to decline	X		2
48	2003	TAPPI	Magazine	Valued for purchase	Success	X		1
47	2002	Key Bank	Pine Bluff Arkansas Paper Mill	Assess potential purchase value	Advised to decline	X		1
46	2002	PEL Technologies	Recycling plant, Timken Bearings, Canton, OH	2nd traunche financing	Success	X		1
45	2002	Pratt	North American Assets	Reorganization		X		15
44	2001	Aztec Pulp & Paper	New tissue mill, Phoenix Arizona	Financing	Fail (due to underwriter)	X		1
43	2000	Bear Stearns	Solvay Paperboard, 3rd Machine	Financing	Success		X	1
42	1999	Bear Stearns	Canfibre, Lackawanna, New York	Financing	Success		X	1
41	1999	Bear Stearns	ACIPCO, Birmingham, AL	Financing Power Plant	Success		X	1
40	1999	Bear Stearns	Steel Mill, Canton, OH	Refinancing	Success		X	1
39	1999	Bear Stearns	Steel Mill, Mobile, AL	Financing	Success		X	1
38	1999	Bingham Dana	Recycled Mill, Northampton, PA	Lawsuit Valuation--Expert Witness	Success	X		1
37	1999	BNP Paribas	Kenaf Newsprint Mill, Texas	Financing	Never financed		X	1
36	1999	Crabar Industries	Fine Paper Mill, Deferiet, New York	Evaluation for sale	Filed for bankruptcy	X		1
35	1999	Delaware Management Company	Recycled Plant, Philadelphia	Evaluation for extraction of loans	Fail (due to low value of installed assets)		X	1

34	1999	Deutsche Bank (German HQ)	MDF plant, North Carolina	Financing	Success	X		1
33	1999	Goldman Sachs	MDF plant, Fayette County, PA	Financing	Never built	X		1
32	1999	Goldman Sachs	Recycled boxboard mill, Green Bay, WI	Financing	Never built	X		1
31	1999	PEL Technologies	Recycling plant, Timken Bearings, Canton, Ohio	1st traunche financing	Success		X	1
30	1999	Skygen	International Paper, Jay, Maine	Financing auxiliary power system	Success		X	1
29	1999	Skygen	International Paper, Pine Bluff, AR	Financing auxiliary power system	Success		X	1
28	1998-1999	DTE Energy Services	Evaluation of all US & Ca mills with recovery boilers (included over 100 distinct asset sites)	Market Planning	Success		X	100
27	1998	Bay West	Valuation for new tissue mill	Expansion	Never built	X		1
26	1998	Bankruptcy Lawyers	Valuation and strategy, St. Joe, FL	Liquidation Decision	Liquidated	X		1
25	1998	Bear Stearns	Canfibre, Riverside, CA	Financing	Success		X	1
24	1998	Bear Stearns	Tissue Mill, phase 2, Oconto Falls, WI	Financing	Success	X		1
23	1998	Bear Stearns	Solvay Paperboard, 2nd Machine	Financing	Success		X	1
22	1998	Celotex	Gypsum Liner Mill, Quincy, IL	Evaluation for sale	Success		X	1
21	1998	Confidential Client	Valuation for new gypsum liner mill, Midwest	Financing	Project on hold		X	3
20	1998	Duke Solutions	Valuation of Mill Power Island, Rome, GA	Possible Purchase	Advised client to not purchase	X		1
19	1998	Overseas Private Investment Corp	Two mills in Colombia owned by W. R. Grace & IP	Evaluation for extraction of loans	Fail (due to insufficient securitizatic	X		2
18	1998	Pratt	Mill, Hartford City, IN	Valuation related to sale	Success	X		1
17	1997	Connecticut Newsprint	New newsprint mill in Bridgeport, CT	Financing	Project moved to New York State	X		1
16	1997	Dr. Euribe of Bogotá, Colombia	Same two mills in Colombia	Evaluation for purchase	Other bidders offered more	X		2
15	1997	Amcor/Morgan Stanley	Assisted in valuation of McKinley Paper, Prewitt, NM	Valuation related to sale	Success	X		1
14	1997	Pratt	Virgin Mill, Australia	Financing	Success		X	1
13	1996	1st Albany	Burrows Paper	Independent affirmation of valuation	Success	X		1
12	1996	Bear Stearns	Tissue Mill, Oconto Falls, WI	Financing	Success	X		1
11	1995	Pratt	Paper Mill, Staten Island, New York	Financing	Success	X		1
10	1994	CIT Group	Paper Mill, Harriman, TN	Financing	Success	X		1
9	1993	Alpha Cellulose	Cotton Linters Mill, Lumberton, NC	Sale	Success	X		1
8	1991**	PWA, Germany	Fitchburg, MA; Rolland, PQ; Lockport, LA	Looking for mill to mfg laminate base	Never purchased	X		3
7	1990**	CIP, Montreal, Canada	Replacement Newsprint Mill, Trois Rivieres, PQ	Replacement	Never built		X	2
6	1990**	Papeles Ponderosa	New recycled cartonboard machine, Mexico	Financing	Success	X		1
5	1990**	Parsons & Whittemore	Alabama River Newsprint, Perdue Hill, AL	Financing	Success		X	1
4	1989**	Patriot Paper	Recycled Mill, Boston, MA	Financing	Success		X	1
3	1988**	Entrepreneurs	Proposed Kenaf Mill, Pryor, OK	Financing	Never Built		X	1
2	1988**	Wheelabrator Technologies	Proposed Recycled Mill, Northampton, PA	Financing	Abandoned by Wheelabrator	X		1
1	1985*	PCA (employer)	Linerboard Mill, Monticello, MS	Possible Purchase	Lost to higher bidder	assisted		1
		Indicates project done as employee of PCA; ** Indicates projects done during tenure as Executive VP, Jaakko Poyry; all other under TAII					***Total***	***190***

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APPENDIX F

FORMS OF CO-BOND COUNSEL OPINIONS OF BALLARD SPAHR LLP AND THOMPSON HINE LLP

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Ballard Spahr
LLP

1735 Market Street, 51st Floor
Philadelphia, PA 19103-7599
TEL 215.665.8500
FAX 215.864.8999
www.ballardspahr.com

December ___, 2017

Ohio Air Quality Development Authority
Columbus, Ohio

Regions Bank, as trustee
Atlanta, Georgia

Re: $__________ Ohio Air Quality Development Authority State of Ohio
Exempt Facility Revenue Bonds (Pratt Paper (OH), LLC Project), Series 2017

Ladies and Gentlemen:

We have acted as co-bond counsel to the Ohio Air Quality Development Authority (the "Issuer") in connection with its issuance of $____________ aggregate principal amount of State of Ohio Exempt Facilities Revenue Bonds (Pratt Paper (OH), LLC Project), Series 2017 (the "Bonds"), pursuant to an Indenture of Trust dated as of December 1, 2017 (the "Indenture") between the Issuer and Regions Bank, as trustee (the "Trustee"). Each of the capitalized terms not otherwise defined herein shall have the meaning specified in the Indenture.

The proceeds of the Bonds will be loaned to Pratt Paper (OH), LLC (the "Company") pursuant to a Loan Agreement dated as of December 1, 2017 (the "Loan Agreement") between the Issuer and the Company. Under the Loan Agreement, the Company is obligated to make loan payments in amounts and at times sufficient to pay, when due, the principal or redemption price of and interest on the Bonds. Under the Indenture, the Issuer has assigned certain of its interests under the Loan Agreement, including its right to receive the payments under the Loan Agreement in respect of the Bonds, to the Trustee for the benefit of the holders of the Bonds.

As security for its obligations under the Loan Agreement, the Company has executed and delivered to the Trustee, an Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of December 1, 2017 (the "Mortgage"). As additional security for the Bonds, Pratt Industries, Inc. (the "Guarantor") has delivered a Guaranty Agreement dated as of December 1, 2017 (the "Guaranty") to the Trustee.

The Bonds are being issued to finance the cost of facilities constituting solid waste disposal facilities within the meaning of Section 142(a)(6) of the Internal Revenue Code of 1986, as amended (the "Code"). The Code imposes various requirements pertaining to (a) the use and investment of proceeds of exempt facilities bonds, (b) the maturity of and security for the Bonds, (c) the payment to the United States of certain amounts earned from investment of proceeds of the Bonds, (d) the procedure for issuance of the Bonds, (e) the total amount of private activity bonds issued in each state each year, and (f) filings with the Internal Revenue Service in respect of the Bonds. The Issuer and the Company have certified that the Bonds meet the requirements of the Code on the date hereof, and the Issuer and the Company have covenanted that the requirements of the Code will be met as long as the Bonds are outstanding. The exclusion from gross income of the interest on the Bonds depends on and is subject to the accuracy of the certifications by the Issuer and the Company and to present and continuing compliance with the requirements of the Code. Failure to comply with these requirements could cause interest on the Bonds to be deemed not excluded from gross income as of the date hereof or as of some later date.

In our capacity as co-bond counsel we have examined such documents and other instruments and matters of law as we deemed necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture, the Loan Agreement, the Mortgage, the Guaranty, the other documents listed in the Closing Memorandum in respect of the Bonds filed with the Trustee, and an executed Bond authenticated by the Trustee. We assume that all other Bonds have been similarly executed and authenticated. We also assume that the Indenture has been duly authorized, executed and delivered by the Trustee, and the Loan Agreement has been duly authorized, executed and delivered by the Company. We also have relied on the representations of the Issuer and the Company contained in the Indenture and the Loan Agreement and certifications furnished to us by or on behalf of the Issuer and the Company. We have also relied on the legal opinions of Squire Patton Boggs (US) LLP, Cleveland, Ohio, counsel to the Issuer, Thompson Hine LLP, co-bond counsel and Dentons US LLP, counsel to the Company, dated the date hereof, as to the matters stated therein.

Based on the foregoing, it is our opinion that assuming the accuracy of the certifications of the Issuer and the Company and their continuing compliance with the requirements of the Code, interest on the Bonds is excluded from gross income for purposes of federal income taxation under existing laws as enacted and construed on the date hereof (except for interest on any Bond while held by a substantial user of the Project or a related person). Interest on the Bonds is a preference item for purposes of determining individual and corporate federal alternative minimum tax. Also, interest on the Bonds held by certain foreign corporations may be subject to the branch profits tax imposed by the Code. We express no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S Corporations and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. We express no opinion as to such consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences.

We express no opinion as to the accuracy, completeness or sufficiency of, or any other matter related to, the Official Statement dated November ___, 2017 or any other matter or other offering material relating to the Bonds.

Our engagement with respect to the Bonds has concluded with their issuance. We have not undertaken to determine or to inform any person whether any actions taken or not taken or events occurring or not occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds, and we have no obligation to update this opinion as a result of changes in law or matters of fact that may be brought to our attention after the date hereof.

Very truly yours,

December __, 2017

Ohio Air Quality Development Authority
Columbus, Ohio

Regions Bank, as Trustee
Atlanta, Georgia

Re: $__________ State of Ohio Exempt Facilities Revenue Bonds (Pratt Paper (OH), LLC Project), Series 2017

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the Ohio Air Quality Development Authority (the "Issuer") of $___________ in aggregate principal amount of its State of Ohio Exempt Facilities Revenue Bonds (Pratt Paper (OH), LLC Project), Series 2017, dated the date hereof (the "Bonds"), pursuant to Chapter 3706 of the Ohio Revised Code, and a Resolution adopted by the Issuer on November 7, 2017, an Indenture of Trust between the Issuer and Regions Bank, as trustee (the "Trustee"), dated as of December 1, 2017 (the "Indenture"), and a Loan Agreement between the Issuer and Pratt Paper (OH), LLC (the "Borrower"), dated as of December 1, 2017 (the "Loan Agreement"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render the opinions set forth below.

Regarding questions of fact material to our opinion, we have relied on representations of the Issuer and the Borrower contained in the Indenture and the Loan Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer, the Borrower and others. We have also relied upon the legal opinion letter of Squire Patton Boggs (US) LLP, Cleveland, Ohio, counsel to the Issuer, dated the date hereof, as to the matters stated therein.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Issuer is a public body corporate and politic existing under the Constitution and laws of the State of Ohio, with the corporate power to enter into the Indenture and the Loan Agreement and perform its obligations thereunder and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Issuer, and are valid and binding special and limited obligations of the Issuer, enforceable in accordance with their terms. The Bonds are payable solely from the Trust Estate (as defined in the Indenture).

3. Each of the Indenture and the Loan Agreement has been duly authorized, executed and delivered by the Issuer, and is a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.

4. Interest on the Bonds is exempt from all Ohio state and local income taxation, except the estate tax, the domestic insurance company tax, the dealers in intangibles tax, and the tax levied on the basis of the total equity capital of financial institutions.

We express no opinion herein relating to the accuracy, completeness or sufficiency of the Official Statement dated _______________, 2017, or any other offering material relating to the Bonds.

We express no opinion regarding any laws other than the laws of the State of Ohio. We express no opinion regarding any tax consequences arising with respect to the Bonds, other than as expressly set forth herein.

We call your attention to the fact that the Issuer's obligation to make payments in respect of the Bonds is a special and limited obligation, and that neither the Bonds nor the obligation of the Issuer to make payments thereon constitutes a debt, or a pledge of the faith or credit, or taxing power of the Issuer, the State of Ohio or any political subdivision thereof.

With respect to the enforceability of any document or instrument, this opinion is subject to the qualifications that: (i) the enforceability of such document or instrument may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance and similar laws relating to or affecting the enforcement of creditors' rights; (ii) the enforceability of equitable rights and remedies provided for in such document or instrument is subject to judicial discretion, and the enforceability of such document or instrument may be limited by general principles of equity; (iii) the enforceability of such document or instrument may be limited by public policy; and (iv) certain remedial, waiver and other provisions of such document or instrument may be unenforceable, provided, however, that in our opinion the unenforceability of those provisions would not, subject to the other qualifications set forth herein, affect the validity of such document or instrument or prevent the practical realization of the benefits thereof.

This opinion is given only as of the date hereof, and no other opinions should be inferred from anything contained in or omitted from this opinion letter. We assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, including, without limitation, any amendment, supplement or other modification of the Indenture or the Loan Agreement, or if the present law of the United States of America or the State of Ohio is changed by legislative action, judicial decision or otherwise. Our engagement as co-bond counsel with respect to the Bonds has concluded on this date.

Respectfully submitted,

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "**Disclosure Agreement**") is executed and delivered by Pratt Paper (OH), LLC, a limited liability company duly organized and validly existing under the laws of the State of Delaware, and authorized to transact business in the State of Ohio (the "**Company**" and "**Dissemination Agent**"), Pratt Industries, Inc., a corporation duly organized and validly existing under the laws of the State of Delaware (the "**Guarantor**"), and Pratt Corrugated Holdings, Inc., a corporation duly organized and validly existing under the laws of the State of Delaware ("**PCH**"), in connection with the issuance of the $__________ State of Ohio Exempt Facilities Revenue Bonds (Pratt Paper (OH), LLC Project), Series 2017 (the "**Series 2017 Bonds**") by the Ohio Air Quality Development Authority (the **"Issuer"**). The Series 2017 Bonds shall be issued and secured under and pursuant to the provisions of an Indenture of Trust (the "**Indenture**"), dated as of December 1, 2017, between the Issuer and Regions Bank, having a corporate trust office in Atlanta, Georgia, as trustee (the "**Trustee**").

1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Company, the Guarantor, PCH and the Dissemination Agent for the benefit of the Bondholders (including any Beneficial Owners thereof when the Series 2017 Bonds are held in the book-entry system) and in order to assist the Underwriter (as hereinafter defined) in complying with the Rule (as hereinafter defined). The Company, the Guarantor, PCH and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures.

2. Definitions. In addition to the definitions set forth in that certain Official Statement, dated _________________, 2017 (the "**Final Official Statement**"), including all exhibits thereto, which apply to any capitalized terms used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"**Annual Report**" means any Annual Report requested to be provided by the Company, the Guarantor and PCH pursuant to, and as described in, this Disclosure Agreement.

"**Beneficial Owner**" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Series 2017 Bonds (including persons holding Series 2017 Bonds through nominees, depositories, or other intermediaries), or (b) is treated as the owner of any Series 2017 Bonds for federal income tax purposes.

"**Bondholder**" means the registered owner of any Series 2017 Bond.

"**Collateral Documents**" means the Indenture, the Loan Agreement, dated as of December 1, 2017, between the Issuer and the Company, the Guaranty, dated as of December 1, 2017, between the Guarantor and the Trustee, the Open-End Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of December 1, 2017, from the Company to the Trustee, and the Equity Contribution Agreement, dated as of December 1, 2017 by and among the Guarantor, the Company and the Trustee.

"**Disclosure Representative**" means the Chief Financial Officer, Chief Executive Officer or Vice President of the Company, or such other person or entity as the Company and the Guarantor shall designate in writing to the Trustee from time to time.

"**Dissemination Agent**" means the Dissemination Agent, if any, designated in writing by the Company, the Guarantor and PCH pursuant to the terms hereof. Initially, Pratt Paper (OH), LLC shall act as the Dissemination Agent.

"**EMMA**" means the Electronic Municipal Market Access system of the MSRB as provided at http://www.emma.msrb.org, or any similar system that is acceptable to or as may be prescribed by the MSRB for purposes of the Rule and approved by the SEC from time to time. A current list of such systems may be obtained from the SEC at http://www.sec.gov/info/municipal/nrmsir.htm.

"**Final Official Statement**" means the Official Statement dated ___________, 2017, delivered in connection with the original issue and sale of the Series 2017 Bonds.

"**Independent Engineer**" means Talo Analytic International, Inc., or any nationally recognized engineering firm with expertise in the paper and packaging industry, selected by the Guarantor in its discretion from time to time.

"**Listed Events**" means any of the following events with respect to the Series 2017 Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) unscheduled draws on debt service reserves reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2017 Bonds, or other material events affecting the tax status of the Series 2017 Bonds;

(vii) modifications to rights of the holders of the Series 2017 Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Series 2017 Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of an obligated person;

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(xv) the termination of the Guaranty.

"**Listed Event Notice**" means written or electronic notice of a Listed Event.

"**MSRB**" means the Municipal Securities Rulemaking Board established pursuant to Section 15(B)(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor organization.

"**Quarterly Report**" means any Quarterly Report requested to be provided by the Company, the Guarantor and PCH pursuant to, and as described in, this Disclosure Agreement.

"**Rule**" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"**SEC**" shall mean the United States Securities and Exchange Commission.

"**Submission Date**" shall mean (i) fifteen days before the Annual Report Date and each Quarterly Report Date (each as hereinafter defined), and (ii) the date on which information described in Section 3(b)(4) hereof is required to be delivered to the Dissemination Agent.

"**Underwriter**" means the initial purchaser of the Series 2017 Bonds required to comply with the Rule in connection with the offer and sale of the Series 2017 Bonds.

3. Undertaking to Provide Ongoing Disclosure

(a) This Disclosure Agreement constitutes the written undertaking of the Company, the Guarantor and PCH for the benefit of the Bondholders (including any beneficial owners thereof when the Series 2017 Bonds are in the book-entry system) required by the Rule. It is the express intention of the Company, the Guarantor and PCH that the Bondholders (including any beneficial owners thereof when the Series 2017 Bonds are in the book-entry system) be a beneficiary of this Disclosure Agreement with the right to enforce this Section directly against the Company, the Guarantor and PCH.

(b) The Company, the Guarantor and PCH, as "obligated persons" within the meaning of the Rule, undertake to provide the following information:

(1) Annual Reports consistent with the requirements of Section 4(a) hereof;

(2) Quarterly Reports consistent with the requirements of Section 4(b) hereof; and

(3) Listed Event Notices.

(c) (1) The Dissemination Agent, on behalf of the Company, the Guarantor and PCH, shall while any Series 2017 Bonds are outstanding, provide the Annual Report to the MSRB not later than one hundred sixty (160) days after the end of the Company's, the

Guarantor's and PCH's Fiscal Year (the "**Annual Report Date**"), commencing with the Fiscal Year ending June 30, 2018. In addition, prior to the Submission Date, the Disclosure Representative shall submit the Annual Report to the Dissemination Agent. If a Dissemination Agent other than the Company, the Guarantor or PCH has been designated, the Disclosure Representative shall include with each submission of the Annual Report to the Dissemination Agent a written representation addressed to the Dissemination Agent to the effect that the Annual Report is the Annual Report required by this Section and that it complies with the applicable requirements of this Section. The Disclosure Representative may adjust the Submission Date and the Annual Report Date if the Company, the Guarantor and PCH change their Fiscal Year by providing written notice of the change of Fiscal Year and the new Submission Date and Annual Report Date to the Dissemination Agent and the MSRB; provided that the new Annual Report Date shall be one hundred sixty (160) days after the end of the new Fiscal Year and the new Submission Date shall be fifteen (15) days prior to the Annual Report Date, and provided further that the period between the final Annual Report Date relating to the former Fiscal Year and the initial Annual Report Date relating to the new Fiscal Year shall not exceed one year in duration.

(2) The Dissemination Agent, on behalf of the Company, the Guarantor and PCH, shall while any Series 2017 Bonds are outstanding, provide the Quarterly Reports to the MSRB not later than seventy-five (75) days after the end of the Company's, the Guarantor's and PCH's quarterly fiscal periods (the "**Quarterly Report Dates**"), commencing with the quarterly fiscal period ending March 31, 2018; provided, however, that the Guarantor and PCH shall not be required to submit a Quarterly Report for the quarterly fiscal period which is also the end of a Fiscal Year. In addition, prior to the Submission Date, the Disclosure Representative shall submit the Quarterly Report to the Dissemination Agent. If a Dissemination Agent other than the Company, the Guarantor or PCH has been designated, the Disclosure Representative shall include with each submission of the Quarterly Report to the Dissemination Agent a written representation addressed to the Dissemination Agent to the effect that the Quarterly Report is a Quarterly Report required by this Section and that it complies with the applicable requirements of this Section. The Disclosure Representative may adjust the Submission Dates and the Quarterly Report Dates if the Company, the Guarantor and PCH change their Fiscal Year by providing written notice of the change of Fiscal Year and the new Submission Dates and Quarterly Report Dates to the Dissemination Agent and the MSRB; provided that the new Quarterly Report Dates shall be seventy-five (75) days after the end of each new quarterly fiscal period and the new Submission Dates shall be fifteen (15) days prior to each Quarterly Report Date.

(3) The Dissemination Agent shall file with the MSRB in a timely manner not in excess of ten (10) Business Days after the occurrence of any of the Listed Events, any information received by it pursuant to Section 3(b)(3) above.

(d) If a Listed Event occurs while any Series 2017 Bonds are outstanding the Disclosure Representative, or the Dissemination Agent, shall provide a Listed Event Notice to the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of any of the Listed Events. Each Listed Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Series 2017 Bonds.

(e) The Dissemination Agent, if other than the Company, shall promptly (but in no event by more than 10 business days thereafter) advise the Disclosure Representative whenever it identifies an occurrence which would require the Company, the Guarantor and PCH to provide a Listed Event Notice pursuant to clause (d) above; provided that the failure of the Dissemination Agent so to advise the Disclosure Representative of such occurrence shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities hereunder or under the Indenture, if applicable. If in response to a notice under this subsection (e), the Disclosure Representative determines that the event would not be a Listed Event, the Disclosure Representative shall not be required to report the occurrence pursuant to subsection (d).

(f) The Disclosure Representative shall provide notice in a timely manner to the MSRB of any failure while any Series 2017 Bonds are outstanding to provide the Annual Report on or before the Annual Report Date (for any reason) as provided herein.

(g) The Disclosure Representative may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If no Dissemination Agent has been appointed or engaged or if a Dissemination Agent resigns or is otherwise removed and no successor Dissemination Agent is appointed or engaged, the Disclosure Representative shall perform all of the duties and assume all of the obligations of the Dissemination Agent hereunder.

(h) If a Dissemination Agent has been designated, the Dissemination Agent shall:

1. Without further direction or instruction from the Disclosure Representative provide in a timely manner to the Issuer, the Trustee (if other than the Dissemination Agent) and the MSRB notice of any failure while any Series 2017 Bonds are outstanding by the Dissemination Agent to provide to the MSRB the Annual Report on or before the Annual Report Date (whether caused by failure of the Disclosure Representative to provide such information to the Dissemination Agent by the Submission Date or for any other reason) or any other information required to be delivered pursuant to paragraph (b) above by the due date therefor. For the purposes of determining whether information received from the Disclosure Representative is the Annual Report, or otherwise described in clauses (b) above, the Dissemination Agent (if other than the Company) shall be entitled conclusively to rely on the Disclosure Representative's written representation made pursuant to subsection (c) hereof;

2. If the Disclosure Representative provides to the Dissemination Agent information relating to the Company, the Guarantor, PCH or the Series 2017 Bonds, which information is not designated as a Listed Event Notice, and directs the Dissemination Agent to provide such information to the MSRB, provide such information in a timely manner to the Trustee (if other than the Dissemination Agent) and the MSRB;

3. If by the applicable Submission Date, the Dissemination Agent has not received a copy of the Annual Report or the information described in Section 3(b)(2) herein, as the case may be, contact the Disclosure Representative to determine if the Company, the Guarantor and PCH are in compliance with subsection (c) of this Section 3;

4. If the Dissemination Agent has not itself provided or received the representation from the Disclosure Representative that it has provided the Annual Report or the information described in Section 3(b)(2) herein, as the case may be,

to the MSRB, send a notice to the MSRB in substantially the form attached as Exhibit A; and

5. File a report with the Disclosure Representative certifying that the Annual Report or the information described in Section 3(b)(2) herein, as the case may be, has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the parties to which it was provided.

(i) Notwithstanding the foregoing,

1. notice of the occurrence of an event described in clauses (i), (viii) or (ix) of the definition of "Listed Event" shall be given by the Dissemination Agent; and

2. notice of events described in clauses (viii) and (ix) of the definition of "Listed Event" need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of affected Series 2017 Bonds pursuant to the Indenture.

4. (a) Contents of Annual Reports. The Annual Report with respect to the Company, the Guarantor and PCH shall contain or incorporate by reference the audited financial statements of the Company, the Guarantor and PCH. The audited financial statements are to be prepared in accordance with federal income tax basis of accounting or in accordance with generally accepted accounting principles consistently applied (the "**Audited Financial Statements**"). The Audited Financial Statements may be incorporated by reference from other documents, including official statements of debt issue with respect to which the Company and/or the Guarantor and/or PCH is an "obligated person" (as defined by the Rule), which have been filed with the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Annual Report with respect to the Company, the Guarantor and PCH shall consist of, in the event the Company enters into a swap or other similar arrangement with respect to the Series 2017 Bonds, an updated "Plan of Finance" section of the Official Statement as required by the Rule.

(b) Contents of Quarterly Reports. The Quarterly Reports with respect to the Guarantor shall contain a copy of the balance sheet of the Guarantor as of the end of such quarterly fiscal period, and a copy of the statements of income, retained earnings and cash flow of the Guarantor for such quarterly fiscal period, all determined on a consolidated basis for the Guarantor and its consolidated Subsidiaries, which statements need not be audited. The Quarterly Reports with respect to PCH shall contain a copy of the balance sheet of PCH as of the end of such quarterly fiscal period, and a copy of the statements of income, retained earnings and cash flow of PCH for such quarterly fiscal period, all determined on a consolidated basis for PCH and its consolidated Subsidiaries, which statements need not be audited. The Quarterly Reports with respect to the Company shall contain a copy of the balance sheet of the Company as of the end of such quarterly fiscal period, and a copy of the statements of income, retained earnings and cash flow of the Company for such quarterly fiscal period, which statements need not be audited. The Quarterly Reports with respect to the Company shall also contain summaries of the monthly construction reports provided to the Trustee during such quarterly fiscal period in accordance with the Loan Agreement.

5. Obligated Persons.

(a) In the event that any other person subsequently becomes obligated (as defined in the Rule) on the Series 2017 Bonds, the Company, the Guarantor and PCH agree to use their best efforts to cause such person to enter into a written undertaking to comply with the provisions set forth in this Disclosure Agreement.

(b) Any such obligated person reserves the right to terminate its obligation to provide the Annual Report, Quarterly Reports and notices of Listed Events, as set forth above, if and when such person is no longer an obligated person with respect to the Series 2017 Bonds within the meaning of the Rule. The Disclosure Representative will provide notice of any such termination to the Issuer (if applicable), the Trustee and the MSRB.

6. Termination of Reporting Obligation. The continuing obligation hereunder of the Company and PCH to provide an Annual Report, Quarterly Reports and Listed Event Notices hereunder shall terminate immediately once all of the Series 2017 Bonds are no longer outstanding. The continuing obligation hereunder of the Guarantor to provide an Annual Report, Quarterly Reports and Listed Event Notices hereunder shall terminate immediately upon the termination of the Guaranty, dated as of December 1, 2017, from the Guarantor to the Trustee.

7. Disclosure Representative. The Company, the Guarantor and PCH shall, from time to time, appoint or engage a Disclosure Representative to assist them in carrying out their obligations under this Disclosure Agreement, and may discharge any such Disclosure Representative, upon appointment of a successor Disclosure Representative. If at any time there is not any other designated Disclosure Representative, the Chief Financial Officer of the Company shall be the Disclosure Representative. The Chief Financial Officer of the Company hereby accepts such appointment.

8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Company, the Guarantor, PCH and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold such agreement to amend this Disclosure Agreement if so requested by the Company, the Guarantor and PCH) and any provisions of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to each of the Company, the Guarantor, PCH and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided that the Disclosure Representative shall have provided notice of such amendment or waiver to the MSRB. In the event that the Rule is amended in the future, the Company, the Guarantor, PCH and the Dissemination Agent hereby agree that this Disclosure Agreement will be amended, in accordance with the provisions of this Section 8, to cause the undertaking contained in this Disclosure Agreement to comply with the requirements of the Rule, as amended.

9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Company, the Guarantor or PCH from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement.

10. Transmission of Information and Notices. Unless otherwise required by law, all documents provided to the MSRB in compliance with Section 3 shall be provided to the MSRB in an electronic format and shall be accompanied by identifying information, in each case as prescribed by the MSRB. As of the date of this Disclosure Agreement, the MSRB has established EMMA as its continuing disclosure service for purposes of the Rule, and unless and until otherwise prescribed by the MSRB, all documents provided to the MSRB in compliance with Section 3 shall be submitted through EMMA in the format prescribed by the MSRB.

11. Default. In the event of a failure of the Company, the Guarantor, PCH or the Disclosure Representative, on behalf of the Company, the Guarantor and PCH, to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Underwriter or the Bondholders or beneficial owners of at least 25% in aggregate principal amount of outstanding Series 2017 Bonds, shall), or any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Company, the Guarantor, PCH or the Disclosure Representative, on behalf of the Company, the Guarantor and PCH, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Collateral Documents and the sole remedy under this Disclosure Agreement in the event of any failure of the Company, the Guarantor, PCH or the Disclosure Representative, on behalf of the Company, the Guarantor and PCH, to comply with this Disclosure Agreement shall be an action to compel performance.

12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Agreement, and the Company, the Guarantor and PCH agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Company, the Guarantor and PCH under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2017 Bonds. In the absence of bad faith on its part, the Dissemination Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Dissemination Agent and conforming to the requirements of this Disclosure Agreement. In the case of any Annual Report disclosure, Quarterly Report disclosure or any Listed Event disclosure, or any opinions which, by any provision hereof, are specifically required to be furnished to the Dissemination Agent, the Dissemination Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Disclosure Agreement, but shall be under no duty to verify independently or investigate the accuracy or completeness of any information contained therein or the correctness of any opinion furnished hereunder. If the Dissemination Agent is other than the Company, the Guarantor or PCH, no provision of this Continuing Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, provided that the Dissemination Agent shall pay such reasonable expenses, disbursements and advances necessary to perform its obligations hereunder, which expenses, disbursements and advances are expected to be reimbursed under Section 14 hereof.

13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Company, the Guarantor, PCH, the Trustee, the Underwriter, and the Bondholders (including any beneficial owners thereof when the Series 2017 Bonds are in a book-entry system) from time to time of the Series 2017 Bonds, and shall create no rights in any other person or entity.

14. Compensation. The Company, the Guarantor and PCH hereby agree to compensate the Dissemination Agent, if someone other than the Company, the Guarantor or PCH is appointed, for the services provided and the reasonable expenses incurred pursuant to this Disclosure Agreement, in an amount to be agreed upon from time to time hereunder, and to reimburse the Dissemination Agent upon its request for all reasonable expenses, disbursements and advances incurred by the Dissemination Agent hereunder (including any reasonable compensation and expenses of counsel) except any such expense, disbursement or advance that may be attributable to its negligence or willful misconduct.

15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

16. Governing Law. The Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Date: December __, 2017

PRATT PAPER (OH), LLC, as Dissemination Agent

By:__________________________________
Name: Stephen Ward
Title: Chief Financial Officer

PRATT PAPER (OH), LLC

By:___________________________________
Name: Stephen Ward
Title: Chief Financial Officer

PRATT INDUSTRIES, INC.

By:___________________________________
Name: Stephen Ward
Title: Chief Financial Officer

PRATT CORRUGATED HOLDINGS, INC.

By:____________________________________
Name: Stephen Ward
Title: Chief Financial Officer

EXHIBIT A
NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Bond Issue:	Ohio Air Quality Development Authority State of Ohio Exempt Facilities Revenue Bonds (Pratt Paper (OH), LLC Project) Series 2017
	Maturity: CUSIP:
Name of Company:	Pratt Paper (OH), LLC
Name of Guarantor:	Pratt Industries, Inc.
Name of additional Obligated Person	Pratt Corrugated Holdings, Inc. ("PCH")
Date of Issuance:	December __, 2017

NOTICE IS HEREBY GIVEN that the Company, the Guarantor and PCH have not provided the Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated December __, 2017 between the Company, the Guarantor, PCH and Pratt Paper (OH), LLC, as dissemination agent. The Company, the Guarantor and PCH anticipate that the Annual Report will be filed by _______________.

Dated: _______________

PRATT PAPER (OH), LLC, as Dissemination Agent on behalf of the Company, the Guarantor and PCH

By:_________________________________
Its:_________________________________

cc:
[if notice is sent by Dissemination Agent.]

OHIO AIR QUALITY DEVELOPMENT AUTHORITY • STATE OF OHIO EXEMPT FACILITIES REVENUE BONDS (PRATT PAPER (OH), LLC PROJECT), SERIES 2017

Mixed Sources
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