

Announcement: Moody's assigns Green Bond Assessment (GBA) of GB1 to the \$185 million Exempt Facility Revenue Bonds (PureCycle: Ohio LLC Project), Series 2019, to be issued by Southern Ohio Port Authority

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New York, March 19, 2019 -- Moody's Investors Service today assigned a Green Bond Assessment (GBA) of GB1 (Excellent) to the \$185 million Exempt Facility Revenue Bonds (PureCycle: Ohio LLC Project), Series 2019, to be issued by Southern Ohio Port Authority (the Issuer), with the purpose of funding the construction of a plastic recycling facility by PureCycle: Ohio LLC (the Company), including capitalized interest, and meeting related issuance cost and debt service reserve requirements.

"This green bond is the first in our portfolio to specifically target the plastic waste crisis. Since the facility is first of its kind on a commercial scale, the actual environmental benefits may vary depending on project execution. That said, our GB1 assessment reflects our expectation of comprehensive impact reporting practices for the time that the bonds are outstanding." - said Anna Zubets-Anderson, VP-Senior Analyst.

ASSESSMENT RATIONALE

The assessment is driven by our expectation that the proceeds of the bonds will be used entirely to fund the construction of the plastic recycling facility, including capitalized interest, and to fund the debt service reserve requirements and issuance costs. Under the Green Bond Principles, qualifying green project categories include pollution prevention and control (including waste prevention and recycling) and energy efficiency (such as in energy efficient products). The PureCycle facility qualifies as green under the GBP, because the process recycles plastic waste, minimizes landfill use and consumes significantly less energy than the traditional resin production life cycle.

The proprietary facility will convert roughly 119 million pounds a year of waste polypropylene (a type of plastic) to roughly 107 million pounds a year of virgin-like quality Ultra-Pure Recycled Polypropylene. The project will use the proprietary technology licensed from Procter & Gamble to PureCycle Technologies, LLC, an affiliate and sole member of the Company. This technology was initially developed by Procter & Gamble in response to the unmet need in the market for recycled polypropylene that delivers virgin-like properties for use in consumer good applications. The recycling process commonly used today produces grey or black plastic pellets with odor and purity issues that make it suitable for only limited applications. In contrast, the PureCycle purification process uniquely separates color, odor and other contaminants from waste plastic to transform it into virgin-like resin.

The company estimates that each year this process will remove roughly 648 acres of low density plastic material from the landfills. The company also calculated expected energy savings from this process by preparing an internal estimate of the non-renewable energy use (NREU), which is a quantitative measure that evaluates resources required to obtain and process raw materials into a finished product. The non-renewable energy use of resin production consumes an estimated 79.5 MJ per kilogram of virgin resin produced and disposed. In contrast, PureCycle process consumes an estimated 10 MJ per kilogram of resin recycled.

Our assessment also reflects our expectation of robust procedures around proceeds management and third party verification of the use of funds. The indenture documents require the Company to retain a nationally recognized independent engineering consultant with relevant expertise to prepare an Independent Engineer Report setting forth the results of its technical, environmental and economic review of the facility. The company has retained Leidos Engineering Inc. (Leidos) as the Independent Engineer. Leidos will also serve as a construction monitor for the project, and will publish monthly construction progress reports to the lenders until the construction is complete, which will provide details on the funds disbursed and construction milestones met.

We also expect comprehensive impact reporting once the facility is operational. Once construction is completed (expected in 2021) and the facility is fully ramped up, the Company will hire an independent firm to conduct an initial Life Cycle Analysis screening using the actual operational data, which is expected in the second half of 2021. In 2022, the Company will hire an independent firm to conduct and report a more comprehensive analysis to validate the initial screening. Going forward each quarter the Company will report the plant's actual energy use (in MJ per kilogram of recycled product), as compared to the Life Cycle Analysis baseline. Additionally, every quarter the Company will report on the total weight (in kg or lbs) of feedstock diverted from the landfill and the implied finished good the resin will be used for, by category.

PureCycle: Ohio LLC is a limited liability company set up specifically for the purpose of constructing a proprietary facility to convert roughly 119 million pounds a year of waste polypropylene (a type of plastic) to roughly 107 million pounds a year of virgin-like quality Ultra-Pure Recycled Polypropylene. The Company is a subsidiary of PureCycle Technologies LLC, founded in 2015 as a result of collaboration between Procter & Gamble and Innventure LLC, which is an investment company specializing in commercializing highly disruptive technologies. The purpose behind PureCycle Technologies LLC is to commercialize the process in order to create a new segment in the global polypropylene market while meeting Procter & Gamble's sustainability goals.

METHODOLOGY

The methodology used in this analysis was Green Bonds Assessment (GBA) published in March 2016. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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