



TARNELL RESUME

72 PINE STREET ◆ PROVIDENCE, RI 02903
401.421.5800 ◆ REPORTS@TARNELL.COM

TARNELL

TRANSACTION WITH AN EDGE.

February 23, 2018

Flying "W" Plastics, Inc.
(C6985-F698500)

487 Vanhorn Drive
Glenville, WV 26351
Tel: 304-462-5779
Fax: 304-462-7657

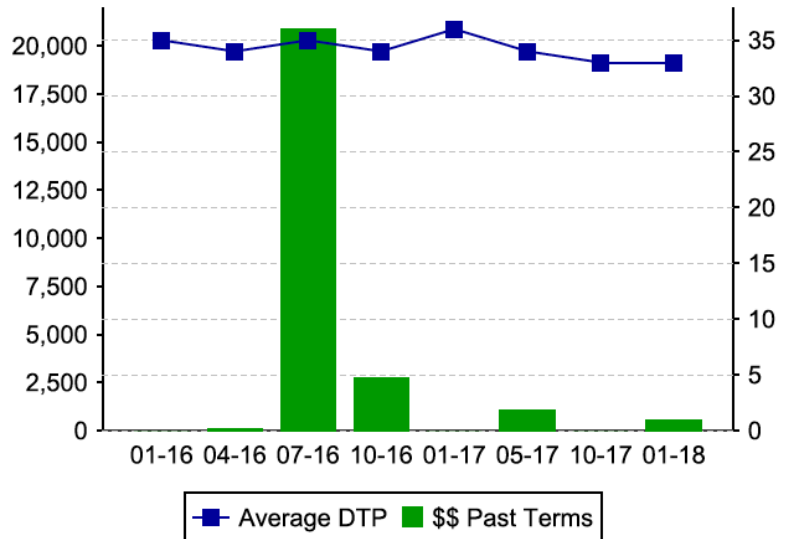
Mail: PO Box 759
Glenville, WV 26351
Web: www.flyingwplastics.com

BUSINESS STANDING

01/2018 Purchasing Paying Record: 10 experiences. Average days to pay were 33. Weighted average days to pay were 30. High credit \$649,927.

The company's average days to pay for reporting cycles dating back to 06/2013 averaged 36 days. The weighted average days to pay for the same period averaged 31 days. Since 06/2013, high credit increased from \$608,039 to \$649,927. Average days to pay increased from 32 to 33; weighted average days to pay increased from 26 to 30, and number of experiences increased from 4 to 10; total owing decreased from \$693,579 to \$408,019, peaking at \$1,063,141 in 07/2016.

Of the present amount owed, 93% is owed to Material Producers, 7% is owed to Secondary Resin Suppliers and 0% is owed to Other.



Purchasing Paying Record (PPR) History

Date	Experiences	High Credit	Owing	\$\$ Owing Past Terms	Avg Days to Pay	Weighted Avg DTP
Jan, 2018	10	\$ 649,927	\$ 408,019	\$ 550	33	30
Oct, 2017	12	\$ 608,036	\$ 119,380	\$ 0	33	30
May, 2017	14	\$ 608,036	\$ 283,404	\$ 1,060	34	32
Jan, 2017	11	\$ 608,036	\$ 546,900	\$ 0	36	31
Oct, 2016	17	\$ 608,036	\$ 520,963	\$ 2,775	34	29
Jul, 2016	17	\$ 579,914	\$ 1,063,141	\$ 20,877	35	29
Apr, 2016	17	\$ 436,544	\$ 601,206	\$ 100	34	34
Jan, 2016	17	\$ 436,544	\$ 391,614	\$ 0	35	37

Finances:

Fiscal year ends 12/31. In a February 2017 interview, Sales/Materials Manager Rick Nolan reported that operations yielded a net profit for FYE 12/2016 on sales of \$37 to \$38 million. Sales were relatively steady with FYE 12/2015 levels. Cash flow from operations was reported to be positive. The company maintains a credit line with Summit Community Bank to supplement cash flow if needed. Sales for the FYE 12/2017 were projected to approach \$40 million due to new business.

In late 2016, subject acquired an additional pipe extrusion line and downstream equipment from an auction. The total cost for the machinery exceeded \$500,000, which was funded via its internal cash flow. Installation of the new production equipment was scheduled to commence in Fall 2017, immediately following the company's busy season. The new line is expected to be fully operational in Spring 2018. Mr. Nolan reported that the new capacity is needed to accommodate its growing business.



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Excluding the expansion project, the company's annual consumption of Branded Prime Grade High Density Polyethylene was expected to increase by 5% to 6% in 2017 when compared to 2016 levels. The company's HDPE consumption is expected to further increase in 2018 due to new capacity.

Mr. Rick Nolan advised that Flying "W" Plastics was operating at 90% to 95% of its total available production capacity with capabilities to handle approximately 42 million lbs. of High Density Polyethylene per year.

The company's distributors include Utilicom Supply Associates, LLC; Blair Supply Corporation and SWS Consulting, LLC. Key competitors include WL Plastics; Polypipe; Georg Fischer Central Plastics; Dura-Line; CSR Poly Pipe Industries; Charter Plastics; W.L. Plastics and J.M. Eagle.

Sales/Materials Manager Rick Nolan and Polyethylene Production/Product Technical Specifications Manager Jim Harper provided operational information.

Corporate Tree:

Related via common ownership is WACO OIL & GAS CO., INC., 1595 US-33, Glennville, WV, a full-service production company, acquiring leases for oil and gas purposes, contracting the necessary services for development of the properties and managing and operating the producing wells. That company's land department is involved with the acquisition and preparation of oil and gas properties for future development.

Flying W Plastics is a member of The Plastics Pipe Institute (PPI); American Water Works Association; International Ground Source Heat Pump Association (IGSHPA) and NSF International, Public Health and Safety Organization.

Facilities:

Flying "W" Plastics, Inc. operates the following facilities:

Owns the 34,000 sq. ft. facility for headquarters and manufacturing with an adjacent 25,000 sq. ft. warehouse at 487 Vanhorn Drive, Glennville, WV 26351. The company does not have a rail spur. Resin is purchased in railcar quantities, shipped to a rail yard and trucked to the company's site.

The company has 9 storage silos, of which, 6 silos have 120,000 lbs. of storage capacity and 3 silos have 175,000 lbs. of storage capacity. The silos vents do not have filters due to the size of the material received.

Flying "W" Plastics, Inc. employs approximately.

Management & Ownership:

President/CEO: Douglas Morris Financial Principal, Officer, Director doug.morrison@fwplastics.com
(304) 462-5741

**Vice President/Secretary/
Treasurer:** Shelly Morris DeMarino Dominant Financial Principal, Officer, Director shelly.demarino@fwplastics.com
(304) 462-5779

2/6/1992 WV corporation, charter# 141370. Originally established in 1984. The company is also known as Flying W Plastics, Inc. and FWP. Elected to become a Subchapter "S" Corporation on 7/1/2007.



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In 1997, discontinued injection molding operations. In 2012, discontinued PVC manufacturing operations.

Kenneth Greenlief, now deceased, originally wholly owned the company. Subsequently, Kimberly Morris and Douglas Morris equally owned Flying W Plastics. In 2012, the company became 50% owned by the Shelly Morris DeMarino (sister of Douglas Morris); 25% owned by Douglas Morris and 25% owned by Kimberley Morris.

Management Details:

Douglas Morris is President/Chief Executive Officer and Dominant Financial Principal, Officer, Director. He is 25% owner of subject. He is located at the company's affiliate where he holds the title Vice President of Operations.

Rick Nolan is Sales/Materials Manager and Oversees Resin Specification, Resin Purchasing, Sales. He graduated from Glennville State College with a B.A., Business Management/Marketing. He oversees sales, contract negotiations and resin purchasing. He can be reached at Extension 113.

Eric Brown, CPA is Controller and Oversees All Financial Management. He is a Certified Public Accountant. He is located at the company's affiliate where he holds the title of Treasurer.

Shelly Morris DeMarino is Vice President/Secretary/Treasurer and Oversees administration, Officer, Director. She is 50% of Flying W Plastics and an attorney. She is a graduate of West Virginia University College of Law, Doctor of Law (J.D.) and a graduate of Glennville State College, Bachelor of Arts (B.A.), English Language and Literature, General.

Jim Harper is Polyethylene Production/Product Technical Specifications Manager and Oversees plastic processing, product quality, product management, and inbound/outbound shipments. He oversees day to day extrusion operations and resin deliveries. He can be reached at Extension 127.

Jonathan Bevins is Payroll/Accounts Payable Manager. He can be reached at Extension 122. Debbie Dobbins is Sales/Accounts Receivable Manager. She can be reached at Extension 125.

Wes Smith is Plant Manager and Oversees resin inventory, equipment specification, equipment purchasing. He can be reached at Extension 119.

John Ryan is Quality Control Lab Manager and Oversees product quality. He can be reached at Extension 131.

Frank Montgomery is Maintenance Manager and Machinery Maintenance. He can be reached at Extension 130.

Resin Purchasing and Consumption Data:

100% Virgin Grade:

- High Density Polyethylene
- Colorants
- Reinforcements
- Additives



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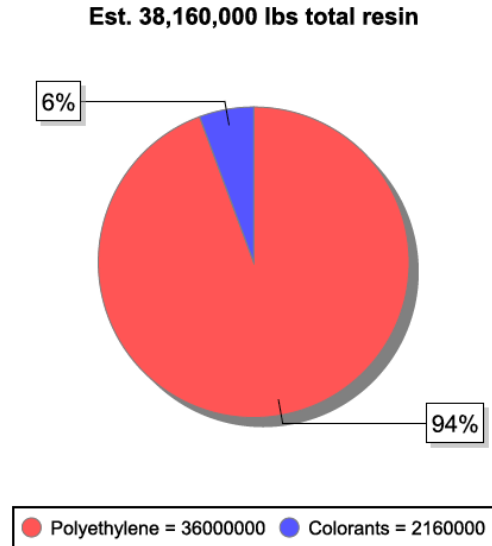
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In separate February 2017 interviews, Sales/Materials Manager Rick Nolan and Polyethylene Production/Product Technical Specifications Manager Jim Harper provided Tarnell specific information regarding the company's raw material usage:

- Flying "W" Plastics purchased approximately 36 million lbs. of Branded Prime Grade High Density Polyethylene (HDPE) in 2016.
- High Density Polyethylene consumption was expected to increase by 5% to 6% in 2017 due to new capacity and new business.
- Mr. Nolan stated that Flying "W" Plastics has capabilities to handle approximately 42 million lbs. of High Density Polyethylene per year.
- High Density Polyethylene Melt Indexes: 8.0 g/10 min; 8.75 g/10 min and 22 g/10 min.
- A portion of the pipe extruded by the company contains additives to add color to the finished product, which include black carbon and lubricants.
- The company purchases 4 to 5 truckloads of black concentrate per month.



Approximately 75% of its HDPE purchases are contractual with about 25% purchased on a spot basis.

The typical length of a contract with its prime grade HDPE material producers is 12 months

At the time of reporting in February 2017, its HDPE branded material producers included LyondellBasell and Dow Chemical.

In addition to the above named Resin Producers, the company purchased resin from 11 Secondary Suppliers totaling \$2.6 million for the 12-month period ending September 2017.

Typical monthly purchasing from Resin Secondaries is \$220,000 and the typical month end payables to Resin Secondaries is \$230,000. The company has an average Resin Secondary credit line of approximately \$192,000.

Mr. Nolan stated that the average contractual cost of its Prime Grade HDPE is \$0.65 to \$0.70 per pound and spot market prices for its Prime Grade HDPE fluctuate above and below its contractual prices and are in a similar range overall.

The company's payment terms with its HDPE Suppliers (Producers) are primarily N30 day.

One or two producers offer the company discounts and rebates. The company does not have a predetermined amount of pounds to purchase to achieve a cost savings on HDPE.

Mr. Nolan advised that the HDPE producers handle the inbound freight and shipping costs. The producer loads the HDPE plastic pellets into a rail hopper car, which is transported to a storage-in-transit rail yard. The resin companies reconfigure the freight, and the materials are trucked over to the company's site. The expense is inclusive on the invoices and is not broken out. Invoicing begins when the railcar is tapped.



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Material Specification Details:

Flying W Plastics' High Density Polyethylene Municipal and Industrial Pipe is NSF and/or AWWA-approved for potable water, and is available in various sizes and specifications. All municipal and industrial pipes are manufactured from select PE4710 resins that meet or exceed the pressure ratings and physical properties of PE3608 and PE3408 resins.

**The HDPE Melt Index is 8.0 g/10 min.

Flying W Plastics' Earth Source Geothermal (TM) High Density Polyethylene Pipe is made to ASTM D3035 specifications and has NSF-Geothermal listing. The coils are butt-fused together to a one-piece U-bend.

**The HDPE Melt Indexes are 8.75 g/10 min. and 8.0 g/10 min.

Flying W Plastics' Utility Service Conduit from High Density Polyethylene in accordance with the specifications of ASTM F2160 and/or NEMA TC 7. Utility service conduit colors include black, orange, yellow, mint green, green, white, lilac, blue, gray, brown, pink and may have Carbon Black to protect from ultraviolet.

**The HDPE Melt Index is .22 g/10 min.

Flying W Plastics' Titan IITM & Spartan (TM) High Density Polyethylene Pipe is manufactured in accordance with the specifications set forth in ASTM D2513. The company carries a complete line of PE4710 (3408) High-Density Black Gas Pipe.

**The HDPE Melt Index is 8.0 g/10 min.

Flying W Plastics' Titan Supreme (TM) Potable & Non-Potable High Density Polyethylene Water Pipe & Tubing is manufactured in accordance with ASTM D-2239 specifications. Titan Supreme has NSF Standard 14 certification and meets AAWWA C901 specifications, as well as NSF/ANSI standard 61 certification. It is manufactured with a PE4710 Class C High Density Polyethylene resin (ASTM D-2239 and/or ASTM D-3350).

**The HDPE Melt Index is 8.0 g/10 min

Sales Taxes:

The current total local sales tax rate in Glennville, WV is 6.0%. The Gilmer County does not have an additional sales tax.

Machinery/Equipment:

Operates 11 Pipe Extrusion Lines, ranging 0.5" - 18"

An additional Pipe Extrusion Line is expected to be fully operational in Spring 2018.

The company's Pipe Extrusion Equipment manufacturers are Davis-Standard and Berlyn ECM.

The company's High Density Polyethylene is received and transferred to one of nine storage silos by pneumatic truck. The silos vents do not have filters due to the size of the material received. From the silos, the material is pneumatically transferred to loaders and enclosed mixers. The mixers are equipped with a 40-micron filter to capture particulate matter and protect the blower mechanism. An enclosed batch dryer is used to dry materials as necessary. The granules are conveyed pneumatically to the dryer.



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The extruders are fed by a pneumatic conveying system from the totes. The pneumatic conveying system transfers the materials into the extruder feed hopper. The vacuum loaders are equipped with a 40-micron filter to capture the particulate matter. At least five co-extruders are capable of stripping the extruded pipe. Each extruder is equipped with a saw.

Auxiliary/Secondary Equipment:

- Dryers
- Mixers
- Pullers
- Cutters
- Blenders
- Grinders
- Shredders
- Hammer Mills
- Robotics
- Conveyers
- Hoppers
- Screeners
- Pregrinders
- Pulverizers
- Water Chillers
- Cooling Towers
- Additive Feeders
- Dust Collectors
- Machine Loaders
- Bulk Transfer Lines
- Gravimetric Blenders
- Bulk Feeding Systems
- Downstream Equipment.

The company also operates a perforation machine with capabilities to do almost any perforated pattern sizes 3" thru 12".

Auxiliary/Secondary Equipment Manufacturers:

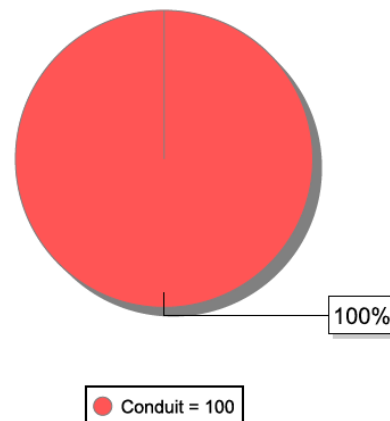
- Conair
- Columbian Tech
- McGuire
- Cumberland
- ReTech Rotary

Manufactured Items:

Piping, Conduit and Ducting Products from .5" to 18":

- Municipal and Industrial High Density Polyethylene Pipe
- Earth Source Geothermal High Density Polyethylene Pipe
- Gas & Oil Patch High Density Polyethylene Pipe
- Potable & Non-Potable High Density Polyethylene Water Pipe

End Markets
(est. % of Revenues)





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Distribution:

Sells to distributors, manufacturer representative agencies and under contract to municipalities. Distributors include Utilicom Supply Associates, LLC; Blair Supply Corporation and SWS Consulting, LLC.

The company maintains its own fleet of trucks with capabilities to ship its products to the entire United States and Canada. The company has over 250 accounts.

Billing terms are primarily N30 day. Seasons follow the construction industry.

Suits, Liens, Filings:

- **UCC Debtor Search:**
In a 2/2018 communiqué with WV state public records, 2 UCC liens were found active, dated 8/28/2013 through 5/20/2016. The collateral was not listed.
- **Court Records:**
In a 2/2018 public search of appellate, bankruptcy, civil and criminal court records, no cases were found against the company.

Financial References:

- **Public Accountant:**
Arnett Carbis Toothman LLP, Charleston, WV
- **Bank:**
Summit Community Bank
- **Trade References** (provided by the company in 2/2017)
LyondellBasell
Dow Chemical
- **UCC Secured Parties:**
Wells Fargo Bank NA
TFG Leasing Fund III, LLC TFG-West Virginia, L.P.