UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

# FORM 8-K/A

**(Amendment No. 1)**

**CURRENT REPORT**
**Pursuant to Section 13 or 15 (d) of the**
**Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): April 10, 2018**

# KOPPERS HOLDINGS INC.

**(Exact name of registrant as specified in its charter)**

| | | |
|---|---|---|
| **Pennsylvania**<br>**(State or other jurisdiction of incorporation)** | **1-32737**<br>**(Commission File Number)** | **20-1878963**<br>**(IRS Employer Identification No.)** |
| **436 Seventh Avenue**<br>**Pittsburgh, Pennsylvania**<br>**(Address of principal executive offices)** | | **15219**<br>**(Zip Code)** |

**Registrant's telephone number, including area code: (412) 227-2001**

**Not Applicable**
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

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

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

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

**Explanatory Note**

Koppers Holdings Inc. (“Holdings”) filed a Current Report on Form 8-K on April 13, 2018 (the “Original Form 8-K”) to report (i) the entrance by Koppers Inc. (“Koppers” or the “Company”), a wholly-owned subsidiary of Holdings, into the Second Amendment and Joinder (the “Second Amendment”) to the Credit Agreement, dated February 17, 2017 with certain lenders, the guarantors party thereto, PNC Bank, National Association, as administrative agent, and the other agents party thereto, as previously amended by the First Amendment to Credit Agreement, dated February 26, 2018 (the “Credit Agreement”); and (ii) the entrance by Koppers into and the closing of the transactions contemplated by the Agreement and Plan of Merger (the “Merger Agreement”) by and among Koppers, Cox Industries, Inc., a South Carolina corporation (“Cox”), each of the shareholders of Cox (the “Selling Shareholders”), and R. Michael Johnson, as the shareholder representative. Pursuant to Item 9.01(a)(4) of Form 8-K, this Amendment No. 1 to Form 8-K is being filed to amend and supplement the Original Form 8-K to include the required historical financial statements of Cox and the related pro forma financial information not later than 71 calendar days after April 13, 2018, the date that the initial Current Report on Form 8-K was required to have been filed to report the completion of the merger with Cox. Except as provided herein, this Amendment No. 1 effects no other changes to the Original Form 8-K.

**Item 2.01. Completion of Acquisition or Disposition of Assets.**

On April 10, 2018, pursuant to the Merger Agreement, a wholly-owned subsidiary of Koppers merged with and into Cox, with Cox surviving the merger as a direct wholly-owned subsidiary of Koppers (the “Acquisition”). Effective May 25, 2018, Cox is now known as Koppers Utility and Industrial Products Inc. Cox and its subsidiaries are engaged in the business of manufacturing and distributing outdoor wood products for the commercial, industrial, and utility markets. The Acquisition was previously announced by Holdings in its Current Report on Form 8-K filed on April 13, 2018.

The Merger Agreement closed for an aggregate cash purchase price of approximately $200 million (the “Purchase Price”). The Purchase Price reflects estimated closing-date adjustments and is subject to certain post-closing adjustments. The Merger Agreement specifies that both Koppers and the Selling Shareholders will file a 338(h)(10) tax election that will allow Koppers to establish a new tax basis for the assets acquired and receive increased cash tax benefits through future tax amortization. The Purchase Price was funded by borrowings under the Credit Agreement, as more fully described in the Current Report on Form 8-K filed on April 13, 2018.

The foregoing description of the Merger Agreement does not purport to be a complete statement of the parties’ rights and obligations under the Merger Agreement and the transactions contemplated by the Merger Agreement. The foregoing description of the Merger Agreement and the Acquisition is qualified in its entirety by reference to the Merger Agreement, a copy of which was filed as an exhibit to Holdings’ Quarterly Report on Form 10-Q for the quarter ended March 31, 2018. The required historical financial statements of Cox and the related pro forma financial information are contained herein under Item 9.01 of the Current Report.

**Item 9.01. Financial Statements and Exhibits.**

(a) Financial Statements of Businesses Acquired.

The following audited combined carve-out financial statements of Cox Industries, Inc. – Industrial Group and Brokerage Group as of and for the years ended December 31, 2017 and 2016 are filed as Exhibit 99.1 to this Current Report on Form 8-K/A and incorporated in their entirety herein by reference.

Cox Industries, Inc. – Industrial Group and Brokerage Group

Independent Auditor's Report
Combined Carve-Out Financial Statements for the years ended December 31, 2017 and 2016:

- Combined Carve-Out Balance Sheets
- Combined Carve-Out Statements of Income and Comprehensive Income
- Combined Carve-Out Statements of Changes in Invested Equity
- Combined Carve-Out Statements of Cash Flows
- Notes to Combined Carve-Out Financial Statements

(b) Pro Forma Financial Information.

The following unaudited pro forma condensed combined financial information and related notes are filed as Exhibit 99.2 to this Current Report on Form 8-K/A and incorporated in their entirety herein by reference.

Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2017
Unaudited Pro Forma Condensed Combined Statement of Income for the Year Ended December 31, 2017
Notes to Unaudited Pro Forma Condensed Combined Financial Information

(c) Exhibits. The following exhibits are filed herewith:

| Exhibit Number | |
|---|---|
| 23.1 | Consent of Elliott Davis, LLC, Independent Auditors for Cox Industries, Inc. - Industrial Group and Brokerage Group |
| 99.1 | Audited Combined Carve-Out Financial Statements of Cox Industries, Inc. - Industrial Group and Brokerage Group for the years ended December 31, 2017 and 2016 |
| 99.2 | Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2017, and the related Unaudited Pro Forma Condensed Combined Statement of Income for the year ended December 31, 2017 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 25, 2018

KOPPERS HOLDINGS INC.

By: /s/ Michael J. Zugay
Michael J. Zugay
Chief Financial Officer

Exhibit 23.1

**CONSENT OF INDEPENDENT AUDITORS**

We consent to the incorporation by reference in Registration Statement No. 333-215117 of Koppers Holdings Inc. on Form S-3 and No. 333-135449, No. 333-200144, No. 333-211957, No. 333-219655, and No. 333-224658 on Form S-8 of our report dated February 20, 2018, relating to the combined carve-out financial statements of Cox Industries, Inc. – Industrial Group and Brokerage Group as of and for the years ended December 31, 2017 and 2016, included in this Current Report on Form 8-K/A of Koppers Holdings Inc. filed on June 25, 2018.

/s/ Elliott Davis, LLC
June 25, 2018
Columbia, South Carolina

# Cox Industries, Inc. -
# Industrial Group and Brokerage Group

***Report on Combined Carve-Out Financial Statements***

***For the years ended December 31, 2017 and 2016***

## Index to Combined Carve-Out Financial Statements

# Independent Auditor's Report

To the Board of Directors
Cox Industries, Inc. - Industrial Group and Brokerage Group
Orangeburg, South Carolina

## Report on the Financial Statements

We have audited the accompanying combined carve-out financial statements of Cox Industries, Inc. - Industrial Group and Brokerage Group, which comprise the combined carve-out balance sheets as of December 31, 2017 and 2016, and the related combined carve-out statements of income and comprehensive income, changes in invested equity and cash flows for the years then ended, and the related notes to the combined carve-out financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 carve-out financial statements referred to above present fairly, in all material respects, the financial position of Cox Industries, Inc. - Industrial Group and Brokerage Group as of December 31, 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.

**Allocations**

Note 2 of the combined carve-out financial statements describe the basis of accounting. The accompanying combined carve-out financial statements have been prepared from the separate records maintained by Cox Industries, Inc. - Industrial Group and Brokerage Group and may not necessarily be indicative of the conditions that would have existed or the results of operations if Cox Industries, Inc. - Industrial Group and Brokerage Group had been operated as a separate stand-alone company. Portions of certain assets, liabilities, income, and expenses represent allocations applicable to Cox Industries, Inc. and Subsidiaries as a whole. Cox Industries, Inc. - Industrial Group and Brokerage Group has also entered into significant inter-divisional transactions and our opinion is not modified with respect to this matter.

/s/ Elliott Davis, LLC

Columbia, South Carolina
February 20, 2018

*Combined Carve-Out Balance Sheets*
*As of December 31, 2017 and 2016*

| | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| ***Current assets*** | | |
| Cash | $ 1,198,448 | $ 690,383 |
| Accounts receivable | | |
| Trade (net of allowance for doubtful accounts of $145,024 and $89,541, respectively) | 15,277,026 | 13,620,522 |
| Officers and employees | 83 | 466 |
| Related party note receivable | 156,203 | 194,002 |
| Inventories, net | 26,134,917 | 28,470,786 |
| Prepaid expenses | 477,940 | 392,055 |
| Total current assets | 43,244,617 | 43,368,214 |
| ***Property and equipment, net*** | 14,696,445 | 13,825,780 |
| ***Other assets*** | | |
| Goodwill | 934,602 | 934,602 |
| Other intangibles, net | 4,245,312 | 4,630,528 |
| Investment in LLC | 240,359 | 240,359 |
| Related party note receivable | 4,515,355 | 4,694,896 |
| Total other assets | 9,935,628 | 10,500,385 |
| Total assets | $ 67,876,690 | $ 67,694,379 |
| **Liabilities and Invested Equity** | | |
| ***Current liabilities*** | | |
| Accounts payable | $ 8,582,301 | $ 6,392,839 |
| Distributions payable | 373,500 | 169,744 |
| Accrued expenses | 5,738,476 | 4,228,596 |
| Capital lease payable, current portion | 51,904 | 123,282 |
| Long-term debt, current portion | 28,900,149 | 2,265,441 |
| Total current liabilities | 43,646,330 | 13,179,902 |
| ***Long-term liabilities*** | | |
| Capital lease payable | 35,990 | 30,975 |
| Long-term debt | 1,933,284 | 33,499,618 |
| Interest rate swap liability | - | 363 |
| Total long-term liabilities | 1,969,274 | 33,530,956 |
| Total liabilities | 45,615,604 | 46,710,858 |
| ***Invested equity*** | | |
| Invested equity attributable to Cox Industries, Inc. - Industrial Group and Brokerage Group | 22,261,086 | 20,983,884 |
| Accumulated other comprehensive loss | - | (363) |
| Total invested equity | 22,261,086 | 20,983,521 |
| Total liabilities and invested equity | $ 67,876,690 | $ 67,694,379 |

*See notes to combined carve-out financial statements*

***Combined Carve-Out Statements of Income and Comprehensive Income***
***For the years ended December 31, 2017 and 2016***

| | 2017 | 2016 |
|---|---|---|
| ***Net sales*** | $ 147,107,294 | $ 141,572,031 |
| ***Cost of sales*** | 118,220,048 | 112,274,338 |
| Gross profit | 28,887,246 | 29,297,693 |
| ***Selling and administrative expenses*** | 18,247,211 | 16,957,239 |
| Income from operations | 10,640,035 | 12,340,454 |
| ***Other income (expenses)*** | | |
| Interest and finance charge income | 126,360 | 62,413 |
| Interest expense | (565,727) | (543,680) |
| Gain on sale of assets | 193,425 | 26,574 |
| Miscellaneous income | 159,919 | 44,699 |
| Total other income (expenses) | (86,023) | (409,994) |
| ***Net income*** | 10,554,012 | 11,930,460 |
| ***Other comprehensive gain*** | | |
| Unrealized gain on derivative financial instrument | - | 3,929 |
| Reclassification of gain on derivative financial instrument | 363 | - |
| Comprehensive income | $ 10,554,375 | $ 11,934,389 |

*See notes to combined carve-out financial statements*

*Combined Carve-Out Statements of Changes in Invested Equity*
*For the years ended December 31, 2017 and 2016*

| | Invested equity | Accumulated other comprehensive (loss) | Total invested equity |
|---|---|---|---|
| ***Balance, January 1, 2016*** | $ 17,652,888 | $ (4,292) | $ 17,648,596 |
| Net income | 11,930,460 | - | 11,930,460 |
| Change in net unrealized gain on interest rate swap | - | 3,929 | 3,929 |
| Distributions | (8,599,464) | - | (8,599,464) |
| ***Balance, December 31, 2016*** | 20,983,884 | (363) | 20,983,521 |
| Net income | 10,554,012 | - | 10,554,012 |
| Change in net unrealized gain on interest rate swap | - | 363 | 363 |
| Distributions | (9,276,810) | - | (9,276,810) |
| ***Balance, December 31, 2017*** | $ 22,261,086 | $ - | $ 22,261,086 |

*See notes to combined carve-out financial statements*

***Combined Carve-Out Statements of Cash Flows***
***For the years ended December 31, 2017 and 2016***

| | 2017 | 2016 |
|---|---|---|
| ***Operating activities*** | | |
| Net income | $ 10,554,012 | $ 11,930,460 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 2,852,195 | 2,885,787 |
| Amortization | 385,216 | 385,216 |
| Gain on sale of assets | (193,425) | (26,574) |
| Change in operating assets and liabilities: | | |
| Accounts receivable, net | (1,656,121) | 392,408 |
| Inventories, net | 2,335,869 | (362,772) |
| Prepaid expenses | (85,885) | 69,246 |
| Accounts payable | 2,189,462 | 178,329 |
| Accrued expenses | 1,509,880 | 72,344 |
| Net cash provided by operating activities | 17,891,203 | 15,524,444 |
| ***Investing activities*** | | |
| Purchases of property and equipment | (2,601,663) | (1,396,682) |
| Proceeds from sale/disposals of assets | 269,491 | 101,226 |
| Additions to related party note receivable | - | (5,000,000) |
| Collections on notes receivable | 217,340 | 111,102 |
| Net cash used for investing activities | (2,114,832) | (6,184,354) |
| ***Financing activities*** | | |
| Net borrowings (payments) on revolver loan | (5,038,286) | 1,036,535 |
| Borrowings on term loans | 475,226 | 250,320 |
| Payments on term loans | (1,502,112) | (1,250,712) |
| Intercompany loan payable | - | (350,042) |
| Payments for capital lease obligations | (130,080) | (237,800) |
| Distributions | (9,073,054) | (8,429,720) |
| Net cash used for financing activities | (15,268,306) | (8,981,419) |
| Net change in cash | 508,065 | 358,671 |
| ***Cash, beginning of year*** | 690,383 | 331,712 |
| ***Cash, end of year*** | $ 1,198,448 | $ 690,383 |
| ***Cash paid for:*** | | |
| Interest | $ 565,727 | $ 543,680 |
| **Non-cash investing and financing activities:** | | |
| Obligation incurred to purchase equipment | $ 1,133,546 | $ 2,623,074 |
| Equipment acquired under capital lease | $ 63,717 | $ - |
| Net distributions payable | $ 203,756 | $ 169,744 |

*See notes to combined carve-out financial statements*

**Note 1. Nature of Operations**

Cox Industries, Inc. and Subsidiaries ("Cox"), a South Carolina corporation, was incorporated on December 18, 1997, for the purpose of becoming a holding company. Cox's wholly-owned subsidiaries treat lumber, utility poles, and pilings which they sell to various retailers and utility companies. Cox has locations in South Carolina, North Carolina, Georgia, Alabama, New Jersey and Virginia with sales being generated predominately in the Eastern United States. Cox is governed by a seven-member Board of Directors. The Board of Directors is comprised of the Chairman of the Board, Chief Executive Officer, four independent directors, and one family representative. Cox reports financial statements on a 5-4-4 fiscal calendar; whereby, all fiscal months end on a Sunday. The fiscal year begins on January 1 and ends on December 31. These combined carve-out financial statements include the accounts of Cox Industries, Inc. - Industrial Group and Brokerage Group ("Industrial Group and Brokerage Group" or the "Company"), and its wholly-owned subsidiaries as follows: Carolina Pole, Inc. (including Leland Land, LLC), Cox Wood of Alabama, LLC, Cox Wood of Virginia, LLC, National Wood Sourcing, LLC, Sustainable Management Systems, LLC, Atlantic Pole - Georgia, LLC, Atlantic Pole - Virginia, LLC, Cox Recovery, LLC, and Ruby's Corner, LLC.

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation:*

The accompanying combined carve-out financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) from the consolidated financial statements and accounting records of Cox using the historical results of operations and historical cost basis of the assets and liabilities of Cox. These financial statements have been prepared solely to demonstrate its historical results of operations, financial position, and cash flows for the indicated periods. All intercompany balances and transactions have been eliminated.

The accompanying financial statements include the assets, liabilities, revenues, and expenses that are specifically identifiable to Industrial Group and Brokerage Group. In addition, certain assets, liabilities, income, and costs related to Industrial Group and Brokerage Group have been allocated from Cox. Those are derived from multiple levels of the organization including geographic business unit expenses, product line expenses, and shared corporate expenses. Industrial Group and Brokerage Group receives service and support functions from Cox. Industrial Group and Brokerage Group's operations are dependent upon Cox's ability to perform these services and support functions. The costs associated with these services and support functions (indirect costs) have been allocated to Industrial Group and Brokerage Group using what management believes to be the most meaningful respective allocation methodologies which were primarily based on proportionate costs of goods sold, proportionate headcount, or proportionate direct labor costs. These allocated costs are primarily related to corporate administrative expenses, employee related costs including benefits for corporate and shared employees, and rental and usage fees for shared assets for the following functional groups: information technology, legal services, accounting and finance services, human resources, marketing and contract support, customer support, treasury, facility, and other corporate and infrastructural services. Allocated indirect costs, net, totaled $7,253,354 and $6,513,780, for the years ended December 31, 2017 and 2016, respectively.

**Note 2. Summary of Significant Accounting Policies, Continued**

Management believes the assumptions and allocations underlying the financial statements are reasonable and appropriate under the circumstances. The expenses and cost allocations have been determined on a basis considered by management to be a reasonable reflection of the utilization of services provided to or the benefit received by Industrial Group and Brokerage Group during the periods presented relative to the total costs incurred by Cox. 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 Industrial Group and Brokerage Group been an entity that operated independently of Cox. Consequently, future results of operations should Industrial Group and Brokerage Group be separated from Cox will include costs and expenses that may be materially different than historical results of operations.

*Revenue recognition:*

Sales are primarily recognized upon the receipt of goods by customers. Finance charges on open receivables are considered earned when received. Discounts are recorded when taken by the customer.

*Management estimates:*

Management uses estimates and assumptions in preparing these carve-out financial statements. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in computing the allowance for doubtful accounts, inventory reserve, allocation of shared costs, and fair value of assets acquired. Actual results could differ from those estimates.

*Cash and cash equivalents:*

For purposes of the statements of cash flows, all highly liquid investments purchased with original maturities of three months or less are considered to be cash equivalents.

*Concentrations of credit risk:*

At times the Company maintains bank deposits in excess of the federally insured limit. Management monitors the soundness of these financial institutions and assesses risks associated with such institutions.

The Company sells its products to customers on credit in the ordinary course of business. A customer’s credit history is reviewed and must meet certain standards before credit is extended. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

*Accounts receivable:*

Trade accounts receivable are carried at their estimated collectable amounts.

*Notes receivable:*

Notes receivable are stated at the principal amounts outstanding expected to be collected.

**Note 2. Summary of Significant Accounting Policies, Continued**

*Allowance for doubtful accounts:*

Accounts receivable and notes receivable are periodically evaluated for collectability based on management's assessment of the collectability of each account and note. An allowance for doubtful accounts is established as losses are estimated to have occurred through recognition of bad debt expense. Notes receivable are considered uncollectable when the financial condition of the borrowers has deteriorated, adversely affecting their ability to make payments when due. When management confirms the uncollectability of a receivable, such amount is charged off to expense against the allowance for doubtful accounts.

*Inventories:*

Inventories are stated at the lower of average cost (first-in, first-out) or market. Market represents current replacement cost not to exceed net realizable value. Inventory costs include material, labor, freight, and operating overhead. Inventory reserves are based on historical experience and are recorded for slow-moving inventory and for estimated shrinkage between physical inventory counts. As of December 31, 2017 and 2016, inventory reserves were $122,890.

*Property and equipment:*

Property and equipment are stated at cost. Depreciation is calculated using the straight-line and accelerated methods for financial reporting and income tax purposes, respectively. Maintenance and repairs which do not improve or extend the useful lives of assets are charged to expense as incurred. Property and equipment are reviewed on an ongoing basis for impairment based on a comparison of their carrying value to fair value.

*Goodwill:*

Goodwill represents the excess of the purchase price over the sum of the fair values of the tangible and identifiable intangible assets acquired, less the fair value of the liabilities assumed. Goodwill is not amortized and is reviewed annually for potential impairment. The impairment tests are performed at a reporting unit level annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. To the extent that impairment exists, write-downs to realizable value are recorded. The Company has determined that there has been no impairment of goodwill based on an analysis as of December 31, 2017.

*Customer list:*

In July 2012, the Company acquired the assets of Atlantic Wood Industries, Inc., a privately held manufacturer of pressure treated poles and pilings. The assets acquired included $2.4 million of an intangible asset, other than goodwill. The $2.4 million of intangible assets acquired was assigned to a customer list and is being amortized on the straight-line method over 15 years. Amortization expense charged to operations was $160,000 for 2017 and 2016.

In January 2015, the Company acquired a portion of the assets of Koppers, Inc., a publicly traded company. The assets acquired included $3.4 million of an intangible asset, other than goodwill. The $3.4 million of acquired intangible assets was assigned to a customer list and is being amortized on the straight-line method over 15 years. Amortization expense charged to operations was $225,216 for 2017 and 2016.

**Note 2. Summary of Significant Accounting Policies, Continued**

*Investment in LLC:*

The Company is a member of LBC Aviation, LLC (the "LLC"). The investment is reported at cost.

*Income taxes:*

The Company has elected under the Internal Revenue Code to be an "S Corporation." In lieu of corporate income taxes, the stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Cox files a consolidated federal income tax return with its subsidiaries.

*Advertising:*

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2017 and 2016 were $143,229 and $179,095, respectively.

*Presentation of sales tax:*

The states in which the Company operates impose a sales tax on all of the Company's sales to nonexempt customers. The Company collects that sales tax from the customers and remits the amount to the appropriate state. The Company's accounting policy is to exclude the tax collected and remitted to the states from revenues and costs of sales.

*Research and development:*

Research and development costs are expensed as incurred. Research and development costs for the years ended December 31, 2017 and 2016 were $21,086 and $3,600, respectively.

*Shipping and handling costs:*

Shipping and handling costs are included in the Company's cost of sales.

*Adoption of a new accounting standard:*

Effective for the year ending December 31, 2016, the Company adopted Accounting Standards Update No. 2015-03, *Interest-Imputation of Interest*, and retroactively applied the new guidance to each period presented. As a result of this implementation, debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability.

*Recently issued accounting pronouncements:*

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Company for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

**Note 2. Summary of Significant Accounting Policies, Continued**

*Recently issued accounting pronouncements (continued):*

In July 2015, the FASB issued amendments to the Inventory topic of the Accounting Standards Codification to require inventory to be measured at the lower of cost or net realizable value. Other than the change in the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value for inventory, there are no other substantive changes to the guidance on measurement of inventory. The amendments were effective for annual reporting for fiscal years beginning after December 15, 2016. The Company adopted the amendments for 2017 and the amendments did not have a material impact on the Company’s financial statements.

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

*Subsequent events:*

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition and disclosure through February 20, 2018, the date the financial statements were available to be issued.

**Note 3. Tax Status**

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that “more likely than not” would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**Note 4. Inventories**

Inventories consist of the following at December 31:

| | 2017 | 2016 |
|---|---|---|
| Lumber | $ 1,011,163 | $ 994,314 |
| Posts, poles, and piles | 22,074,521 | 24,375,079 |
| Crossarms | 572,572 | 803,990 |
| Warehouse and specialty | 15,834 | 19,190 |
| Chemical inventory | 2,328,310 | 2,210,957 |
| Supplies | 132,517 | 67,256 |
| | $ 26,134,917 | $ 28,470,786 |

**Note 5. Property and Equipment**

Depreciation expense charged to operations for the years ended December 31, 2017 and 2016, including equipment held under capital leases, totaled $2,852,195 and $2,885,787, respectively.

Property and equipment consists of the following at December 31:

| | 2017 | 2016 |
|---|---|---|
| Land | $ 945,692 | $ 945,692 |
| Buildings and improvements | 2,553,109 | 2,345,854 |
| Plant machinery | 28,956,721 | 26,782,421 |
| Furniture and fixtures | 1,284,121 | 1,226,609 |
| Pollution control improvements | 497,012 | 497,012 |
| Transportation equipment | 2,877,079 | 2,528,693 |
| Yard improvements | 1,420,310 | 1,420,310 |
| Construction in progress | 1,746,770 | 1,179,134 |
| Capital leases | 1,555,118 | 1,491,401 |
| | 41,835,932 | 38,417,126 |
| Less accumulated depreciation and amortization | (27,233,646) | (24,685,505) |
| | 14,602,286 | 13,731,621 |
| Assets held for sale, net | 94,159 | 94,159 |
| | $ 14,696,445 | $ 13,825,780 |

**Note 6. Other Intangibles, net**

Other intangibles consist of the following at December 31:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Cost | Accumulated amortization |
| Customer list | $ 5,778,243 | $ 1,532,931 | $ 5,778,243 | $ 1,147,715 |
| Trademark | 3,095 | 3,095 | 3,095 | 3,095 |
| | $ 5,781,338 | $ 1,536,026 | $ 5,781,338 | $ 1,150,810 |

Amortization expense for the years following December 31, 2017 are as follows:

| | |
|---|---|
| 2018 | $ 385,216 |
| 2019 | 385,216 |
| 2020 | 385,216 |
| 2021 | 385,216 |
| 2022 | 385,216 |
| Thereafter | 2,319,232 |
| | $ 4,245,312 |

**Note 7. Long-Term Debt**

Long-term debt consists of the following at December 31:

| | 2017 | 2016 |
|---|---|---|
| Cox holds a revolver loan with a bank providing up to $55,000,000 with interest payable monthly at London Interbank Offered Rate (LIBOR) plus 125 to 200 basis points, adjusted monthly (2.61% and 1.87% at December 31, 2017 and 2016, respectively), due December 31, 2018. The loan is secured by all assets of Cox except real estate. The loan agreement contains covenants which require Cox to maintain basic fixed charge coverage ratios. The total balance outstanding for Cox as of December 31, 2017 and 2016, was $22,746,456 and $30,496,183, respectively. The Company's proportionate share was allocated as follows: | $ 21,759,078 | $ 27,076,482 |
| Cox holds an incremental revolver loan with a bank providing up to the lesser of $5,000,000 or the sum of ten percent of the value of eligible inventory and five percent of the value of eligible accounts, as defined by the agreement, with interest payable monthly at 2.61% and 1.87% as of December 31, 2017 and 2016, respectively. The loan is due December 31, 2018 and is subject to the same covenants as the revolver. The total balance outstanding for Cox as of December 31, 2017 and 2016, was $4,338,229 and $4,345,202, respectively. The Company's proportionate share was allocated as follows: | 4,149,915 | 3,870,800 |
| The Company holds loans with equipment financing companies for various equipment purchases. The interest rate ranges from no stated interest rate to 3.55%. The equipment is included in "Property and equipment, net" on the carve-out balance sheets. Generally, the terms do not exceed 60 months. | 4,163,466 | 3,734,911 |
| Loan from Koppers Inc. There is no stated interest rate but an imputed rate of 3.40% was utilized as of December 31, 2017 and 2016. Payments of $400,000 are due once a year through January 2019. | 760,974 | 1,122,799 |
| | 30,833,433 | 35,804,992 |
| Less unamortized debt issuance costs | – | (39,933) |
| Long-term debt less unamortized debt issuance costs | 30,833,433 | 35,765,059 |
| Less current portion of long-term debt | (28,900,149) | (2,265,441) |
| Long-term debt | $ 1,933,284 | $ 33,499,618 |

**Note 7. Long-Term Debt, Continued**

Annual debt maturities and principal portion of long-term debt are as follows for the years ending December 31:

| | |
|---|---|
| 2018 | $ 28,900,149 |
| 2019 | 1,300,869 |
| 2020 | 412,450 |
| 2021 | 199,831 |
| 2022 | 20,134 |
| | $ 30,833,433 |

**Note 8. Capital Leases**

The Company leases certain equipment under agreements that are classified as capital leases. The cost of equipment under capital leases is included in the balance sheets as "Property and equipment, net" and was $1,555,118 and $1,491,401 at December 31, 2017 and 2016, respectively. Accumulated amortization of leased equipment at December 31, 2017 and 2016 was $1,378,502 and $1,260,156, respectively. Amortization of assets under capital leases is included in depreciation expense.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments are as follows for the years ending December 31:

| | |
|---|---|
| 2018 | $ 54,734 |
| 2019 | 22,013 |
| 2020 | 14,791 |
| Total minimum lease payments required | 91,538 |
| Less amounts representing estimated taxes, maintenance, and insurance costs included in total amounts above | (1,450) |
| Net minimum lease payments | 90,088 |
| Less amount representing interest | (2,194) |
| Present value of net minimum payments | 87,894 |
| Less current maturities of capital lease obligations | (51,904) |
| Long-term capital lease obligations | $ 35,990 |

**Note 9. Operating Leases**

The Company has numerous operating lease agreements for equipment. Lease expense for the years ended December 31, 2017 and 2016 was $2,788,397 and $2,773,881, respectively.

**Note 9. Operating Leases, Continued**

Future minimum lease payments for all operating leases as of December 31, 2017 are as follows:

| | |
|---|---|
| 2018 | $ 2,503,562 |
| 2019 | 1,918,423 |
| 2020 | 1,460,394 |
| 2021 | 1,135,780 |
| 2022 | 325,466 |
| Thereafter | 17,960 |
| | $ 7,361,585 |

**Note 10. Commitments and Contingencies**

From time to time, in the ordinary course of its business, the Company may be a defendant in a number of legal actions. In the opinion of management and legal counsel, the Company has adequate legal defense and/or insurance coverage for all legal actions, if any, and counsel does not believe that such actions will materially affect the Company's operations or financial position. Accordingly, no provision for legal settlements has been recorded in the financial statements.

At December 31, 2017 and 2016, the Company was contingently liable for letters of credit issued by a local bank totaling approximately $225,000. The letters of credit have been issued to various parties to secure payment of expenses related to the Company's self-insured Worker's Compensation plan.

As part of the January 2015 business combination described in Note 2, the Company also executed an agreement with the Seller to purchase a minimum of 2,500,000 pounds of chemicals each year for three years. During the first and second years of the contract, the price was $1.77 per pound. During the third year of the contract, the price was $1.70 per pound.

**Note 11. Related Party Note Receivable**

At December 31, 2017, the Company has a note receivable from a related party totaling $4,671,558. The note agreement calls for quarterly principal and interest payments of $80,000, with the remaining balance due July 2036. Interest on the note accrues at the rate paid by the Company on its line of credit, plus 75 basis points. The note is secured by 150,000 restricted shares of Cox common stock. The number of shares held as security will be reduced by 20,000 shares every four years as the loan balance is paid down.

**Note 12. Retirement Plan**

Cox has a 401(k) profit-sharing plan (the "Plan") to provide retirement benefits for its employees. Employees may contribute up to 60% of their annual pretax compensation to the Plan, limited to a maximum annual amount defined in the Internal Revenue Code. At the discretion of its Board of Directors, Cox may make a discretionary matching contribution each year equal to either a specified dollar amount or a percentage of each participant's elective deferrals. In addition, the Plan provides for discretionary contributions as determined by the Board of Directors. Such contributions to the Plan are allocated among eligible participants in the proportion of their compensation to the total compensation of all participants. Employer contributions credited to a participant's account are 100% vested after three years. Participants are 100% vested in their voluntary contributions. The Company contributed approximately $400,000 and $350,000 in 2017 and 2016, respectively.

**Note 13. Interest Rate Swap**

The Company entered into an interest rate swap agreement which effectively hedged its variable interest rate exposure on the outstanding notional amount of $743,750 at December 31, 2016, of its debt to a fixed rate of 0.90%. Under the agreement, the Company made payments of interest based on the fixed rate and received payments based on a variable rate based on one-month LIBOR on a monthly basis. The variable rate was calculated on the second day of every month. The interest rate swap agreement matured July 3, 2017.

Pursuant to applicable accounting standards, the swap agreement is reflected at fair value on the Company's balance sheets with the offset reflected in accumulated other comprehensive gain.

**Note 14. Fair Value Measurements**

The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement authoritative literature establishes a value hierarchy that prioritizes the inputs to valuation techniques used to measure fair market value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. The Company had none at December 31, 2017 and 2016.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**Note 14. Fair Value Measurements, Continued**

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

***Interest rate swap*****:** This liability is valued by a third party financial institution.

| **December 31, 2016** | **Significant other observable inputs (Level 2)** | **Total** |
|---|---|---|
| **Liabilities:** | | |
| Interest rate swap liability | $ (363) | $ (363) |
| Total liabilities measured at fair value | $ (363) | $ (363) |

# UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On April 10, 2018, Koppers Inc. (“Buyer”), a wholly-owned subsidiary of Koppers Holdings Inc. (“Koppers”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) by and among Cox Industries, Inc., a South Carolina corporation (“Cox”) and its Selling Shareholders (“Sellers”). Pursuant to the Merger Agreement, Buyer agreed to acquire from Sellers (the “Acquisition”) all of the outstanding stock of Cox. Cox and its subsidiaries are engaged in the business of manufacturing treated utility transmission and distribution poles for investor-owned and cooperative utility companies and treated pilings for construction and marine applications in North America. The Merger Agreement contains representations, warranties and covenants of the parties customary for transactions of this type.

The Acquisition closed on April 10, 2018 for an aggregate cash purchase price of $202.9 million (the “Closing Purchase Price). The Closing Purchase Price included estimated net working capital adjustments and is subject to certain post-closing adjustments, including, but not limited to, final net working capital adjustments. The Closing Purchase Price was funded by an amended credit agreement with a consortium of banks which provides for a $600.0 million revolving credit facility (the “Revolving Facility”) and a $100.0 million secured term loan (the “Term Loan,” together with the Revolving Facility, the “Secured Term Loan Facility”).

The following unaudited pro forma condensed combined financial information is based on the historical consolidated financial information of Koppers and Cox and has been prepared to reflect the Acquisition and related financing transactions.

The unaudited pro forma condensed combined financial information is provided for informational purposes only. The unaudited pro forma condensed combined statement of income is not necessarily indicative of operating results that would have been achieved had the acquisition been completed as of January 1, 2017 (first day of the most recently completed fiscal year) and does not intend to project the future financial results of Koppers after the Acquisition. The unaudited pro forma condensed combined balance sheet does not purport to reflect what Koppers’ financial condition would have been had the transaction closed on December 31, 2017 (latest required balance sheet date) or for any future or historical period. The unaudited pro forma condensed combined statement of income and balance sheet are based on certain assumptions, described in the accompanying notes, which management believes are reasonable and do not reflect the cost of any integration activities or the benefits from the Acquisition and synergies that may be derived from any integration activities.

The unaudited pro forma condensed combined balance sheet combines the audited condensed consolidated balance sheet of Koppers as of December 31, 2017, and the audited combined carve-out balance sheet of Cox as of December 31, 2017. The full-year unaudited pro forma condensed combined statement of income for the year ended December 31, 2017, combines the audited condensed consolidated statement of income for Koppers for the fiscal year ended December 31, 2017 and the audited combined carve-out statement of income of Cox for the fiscal year ended December 31, 2017.

The unaudited pro forma condensed combined financial information should be read in conjunction with the notes to the unaudited pro forma condensed combined financial information, the consolidated financial statements of Koppers and related notes thereto as of and for the year ended December 31, 2017 contained in Koppers Annual Report on Form 10-K and the combined carve-out financial statements of Cox Industries, Inc. – Industrial Group and Brokerage Group as of and for the year ended December 31, 2017 included as Exhibit 99.1 to this Amendment No. 1 to the Current Report on Form 8-K/A filed on June 25, 2018.

**Unaudited Pro Forma Condensed Combined Balance Sheet**
**As of December 31, 2017 (dollars in millions)**

| | Koppers Historical | Cox Historical | Pro Forma Adjustments | | Pro Forma Combined |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 60.3 | $ 1.2 | $ - | | $ 61.5 |
| Accounts receivable - net of allowance | 159.2 | 15.3 | (1.2) | (1) | 173.3 |
| Income tax receivable | 1.7 | - | - | | 1.7 |
| Inventories, net | 236.9 | 26.1 | 4.1 | (2) | 267.1 |
| Other current assets | 48.6 | 0.6 | (0.2) | (1) | 49.0 |
| Total current assets | 506.7 | 43.2 | 2.7 | | 552.6 |
| Property, plant and equipment, net | 328.0 | 14.7 | 3.6 | (3) | 346.3 |
| Goodwill | 188.2 | 0.9 | 96.3 | (4) | 285.4 |
| Identifiable intangible assets, net | 129.6 | 4.3 | 51.8 | (5) | 185.7 |
| Deferred tax assets | 18.4 | - | - | | 18.4 |
| Related party note receivable | - | 4.5 | (4.5) | (6) | - |
| Other assets | 29.3 | 0.3 | (0.4) | (6) | 29.2 |
| Total assets | $ 1,200.2 | $ 67.9 | $ 149.5 | | $ 1,417.6 |
| | | | | | |
| **Liabilities** | | | | | |
| Accounts payable | $ 141.9 | $ 8.6 | $ (0.9) | (7) | $ 149.6 |
| Accrued liabilities | 127.9 | 5.8 | 1.0 | (8) | 134.7 |
| Dividends payable | - | 0.4 | (0.4) | (9) | - |
| Short-term debt and current portion of long-term debt | 11.4 | 28.9 | (18.9) | (10) | 21.4 |
| Total current liabilities | 281.2 | 43.7 | (19.2) | | 305.7 |
| Long-term debt | 665.6 | 1.9 | 194.7 | (10) | 862.2 |
| Postretirement liabilities | 46.3 | - | - | | 46.3 |
| Deferred tax liabilities | 7.3 | - | - | | 7.3 |
| Other long-term liabilities | 94.0 | - | 0.3 | (11) | 94.3 |
| Total liabilities | $ 1,094.4 | $ 45.6 | $ 175.8 | | $ 1,315.8 |
| | | | | | |
| **Equity** | | | | | |
| Shareholders' equity | 99.9 | 22.3 | (26.3) | (12) | 95.9 |
| Noncontrolling interests | 5.9 | - | - | | 5.9 |
| Total equity | 105.8 | 22.3 | (26.3) | | 101.8 |
| Total liabilities and equity | $ 1,200.2 | $ 67.9 | $ 149.5 | | $ 1,417.6 |

See notes to the unaudited pro forma condensed combined financial information.

**Unaudited Pro Forma Condensed Combined Statements of Income**
**For the Year Ended December 31, 2017 (dollars in millions, except per share amounts)**

| | Koppers Historical | Cox Historical | Pro Forma Adjustments | | Pro Forma Combined |
|---|---|---|---|---|---|
| Net sales | $ 1,475.5 | $ 147.1 | $ (5.6) | (13) | $ 1,617.0 |
| Cost of sales, excluding items below | 1,154.1 | 115.7 | (1.4) | (14) | 1,268.4 |
| Depreciation and amortization | 49.8 | 3.2 | 4.2 | (15) | 57.2 |
| Impairment and restructuring charges | 16.2 | - | - | | 16.2 |
| Loss on pension settlement | 10.0 | - | - | | 10.0 |
| Selling, general and administrative | 133.3 | 17.6 | (1.2) | (16) | 149.7 |
| Operating profit | 112.1 | 10.6 | (7.2) | | 115.5 |
| Other income | 4.0 | 0.6 | (0.1) | (17) | 4.5 |
| Interest expense | 42.5 | 0.6 | 9.0 | (18) | 52.1 |
| Loss on extinguishment of debt | 13.3 | - | - | | 13.3 |
| Income before income taxes | 60.3 | 10.6 | (16.3) | | 54.6 |
| Income tax provision (benefit) | 29.0 | - | (2.6) | (19) | 26.4 |
| Income from continuing operations | 31.3 | 10.6 | (13.7) | | 28.2 |
| Net income attributable to noncontrolling interests | 1.4 | - | - | | 1.4 |
| Net income from continuing operations attributable to Koppers | $ 29.9 | $ 10.6 | $ (13.7) | | $ 26.8 |
| Weighted average shares outstanding (in thousands) | | | | | |
| Basic | 20,754 | | | | 20,754 |
| Diluted | 22,000 | | | | 22,000 |
| Net income per share from continuing operations | | | | | |
| Basic | $ 1.44 | | | | $ 1.29 |
| Diluted | $ 1.36 | | | | $ 1.22 |

See notes to the unaudited pro forma condensed combined financial information.

## NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
**(Dollars in millions, except per share amounts)**

**Basis of Pro Forma Presentation**

The unaudited pro forma condensed combined financial information presented is based on the historical audited consolidated financial information of Koppers and the audited combined carve-out financial information of Cox. The unaudited pro forma condensed combined balance sheet as of December 31, 2017 assumes the Cox acquisition was completed on that date. The unaudited pro forma condensed combined statement of income for the year ended December 31, 2017 (latest required balance sheet date) assumes the Acquisition was completed on January 1, 2017 (first day of the most recently completed fiscal year).

Pro forma adjustments reflected in the unaudited pro forma condensed combined balance sheet are based on items that are directly attributable to the Acquisition and related financing that are factually supportable. Pro forma adjustments reflected in the unaudited pro forma condensed combined statement of income are based on items directly attributable to the Acquisition and related financing and are factually supportable and expected to have a continuing impact on Koppers.

The Acquisition will be accounted for as a business combination in accordance with Accounting Standards Codification 805 (ASC 805). Accordingly, the assets acquired and liabilities assumed are recorded based on their estimated fair values. The unaudited pro forma condensed consolidated statements of income do not reflect the cost of any integration activities or benefits from the Acquisition and synergies that may be derived from any integration activities, both of which may have a material effect on Koppers' consolidated statements of income and comprehensive income in periods following the completion of the Acquisition.

Certain amounts in Cox's historical financial information have been reclassified to conform to Koppers presentation.

**Cox Acquisition Transaction Summary**

Koppers paid a cash purchase price equal to $202.9 million at or around closing to consummate the Acquisition. Pro forma adjustments related to the financing for the Acquisition have been made in the unaudited pro forma condensed consolidated balance sheet as of December 31, 2017 (latest required balance sheet date) as if the Acquisition had closed on that date and in the unaudited pro forma condensed consolidated statement of income for the year ended December 31, as if the Acquisition had been completed on January 1, 2017 (first day of the most recently completed fiscal year).

The Acquisition financing consisted of an amended credit agreement with a syndicate of banks which provides for a Revolving Credit Facility of $600.0 million and a Term Loan of $100.0 million. The amended Revolving Credit Facility and Secured Term Loan Facility matures in April 2023. Borrowings under both facilities will initially bear interest at a Base Rate per annum equal to an agreed applicable margin plus, at our election, a prime rate equivalent or a Eurodollar rate. For purposes of these facilities, the Base Rate equivalent is defined as the highest of (1) the Overnight Bank Funding Rate, plus 0.5%, (2) the prime rate in effect on such day published by PNC Bank, National Association, or (3) an adjusted LIBOR rate.

The Acquisition will be accounted for using the acquisition method of accounting in accordance with ASC 805. Under the acquisition method of accounting, all identifiable assets and liabilities assumed are recorded at their respective acquisition date fair values. At this time, Koppers has not completed detailed valuation analyses to determine the fair values of Cox's assets and liabilities. Accordingly, the unaudited pro forma condensed combined financial information includes a preliminary fair value determination based on assumptions and estimates that, while considered reasonable under the circumstances, are subject to changes, which may be material.

To prepare the unaudited pro forma condensed combined statements of income, Koppers performed a preliminary review of Cox's accounting policies to identify significant differences. During the preparation of the unaudited pro forma condensed combined financial information, Koppers did not become aware of any material differences, other than presentation of certain line items in the condensed combined statements of income and balance sheet, between the accounting policies of Koppers and Cox. Koppers is currently conducting a detailed review of Cox's accounting policies to determine if differences in accounting policies require further adjustment or reclassification of presented results of operations, assets or liabilities to conform to Koppers' accounting policies and classifications.

Upon completion of detailed valuation analyses, there may be additional increases or decreases to the recorded book values of the acquired assets and liabilities, including but not limited to inventories, brands, trademarks, customer relationships and other intangible assets, property, plant and equipment, and debt that could give rise to future amounts of depreciation and amortization expense and changes in related deferred taxes that are not reflected in the unaudited pro forma condensed combined financial information. Accordingly, once the necessary valuation analyses have been performed and the final fair value determination has been completed, actual results may differ materially from the information presented in this unaudited pro forma condensed combined financial information. Additionally, the unaudited pro forma condensed combined statement of income does not reflect the cost of any integration activities or benefits from the Acquisition and synergies that may be derived from any integration activities, both of which may have a material effect on our consolidated results of operations in periods following the completion of the Acquisition.

Below is a summary of the preliminary reconciliation of purchase consideration to the book value of net assets acquired and certain valuation adjustments related to the Acquisition:

| | | |
|---|---|---|
| **Total consideration** | $ | 202.9 |
| Historical net book value of Cox | $ | 22.3 |
| Preliminary valuation adjustment to inventories | | 4.3 |
| Preliminary valuation adjustment to property, plant and equipment | | 3.6 |
| Preliminary valuation adjustment to identifiable intangible assets | | 51.8 |
| Preliminary valuation of liabilities assumed by Cox | | (1.8) |
| Repayment of historical Cox debt | | 30.1 |
| Receipt of proceeds from related party note | | (4.7) |
| Payment of Cox compensatory plan | | 0.6 |
| Payment of distributions payable to Cox shareholders | | 0.4 |
| Residual adjustment to goodwill created by the business combination | | 96.3 |
| Total acquisition cost | $ | 202.9 |

The following table is the total sources and uses of cash as a result of the Acquisition and related financing transactions.

| | | |
|---|---|---|
| **Sources of cash** | | |
| Term loans maturing April 2023 (amortizing quarterly) | $ | 100.0 |
| Revolving credit facility expiring April 2023 | | 108.5 |
| Total sources of cash | $ | 208.5 |
| **Uses of cash** | | |
| Fund the Acquisition | $ | 202.9 |
| Transaction fees and expenses | | 5.6 |
| Total uses of cash | $ | 208.5 |

**Cox Acquisition Pro Forma Adjustments for the Unaudited Condensed Combined Balance Sheet**

(1) Reflects the elimination of receivables and payables between Koppers and Cox of $1.2 million and the reduction of a related party note of $0.2 million due to repayment.

(2) Reflects the $4.3 million adjustment of Cox's inventory to its preliminary estimated fair value and the elimination of intercompany profit in inventory of $0.2 million. It is expected that this fair value adjustment will impact cost of goods sold within four months of the Acquisition.

(3) Reflects the adjustment of Cox’s property, plant and equipment to its preliminary estimated fair value.

(4) Represents the goodwill resulting from purchase accounting after estimating the fair value of the identifiable assets acquired and liabilities assumed. See “Cox Acquisition Transaction Summary” above.

(5) For purposes of the preliminary fair value determination discussed in “Cox Acquisition Transaction Summary” above, Koppers estimated the fair value of Cox’s identifiable intangible assets at $56.1 million, an increase of approximately $51.8 million. Identifiable intangible assets include approximately $54.9 million of customer relationship intangibles and approximately $1.2 million representing non-compete agreements. For purposes of determining incremental pro forma amortization expense to be recorded in the unaudited pro forma condensed combined statement of income, the customer relationship intangible assets were assumed to have a weighted average life of approximately 15 years and the non-compete agreements were assumed to have a weighted average life of approximately two years. Each of the intangible assets will be amortized on a straight-line basis.

(6) Reflects the elimination of receivables and payables between Koppers and Cox of $0.4 million and the reduction of a related party note of $4.5 million due to repayment.

(7) Reflects the elimination of receivables and payables between Koppers and Cox of $0.9 million.

(8) Reflects the current portion of the assumed Cox environmental remediation liabilities of $1.6 million and the settlement of the Cox compensatory plan of $0.6 million.

(9) Reflects the payment of dividends payable to Cox shareholders of $0.4 million.

(10) Current debt adjustment represents amounts expected to be due in the first year on the amortizing term loans. Long-term debt represents the incremental new debt Koppers incurred to finance the Acquisition less the current portion. The balance of new Koppers debt consists of the following components: term loans of $100.0 million ($10.0 million shown as current debt) and long-term Revolving Credit Facility borrowings of $102.9 million. Adjustments also represent the repayment of Cox debt of $30.1 million, payment of acquisition transaction costs of $3.7 million and the elimination of the note payable from Cox to Koppers of $0.7 million.

(11) Reflects the non-current portion of the assumed Cox environmental remediation liabilities of $0.3 million.

(12) Reflects the elimination of Cox’s historical equity accounts as well as adjustments to reduce retained earnings to reflect the after-tax effect of the elimination of intercompany profit of $0.2 million and the after-tax effect of $3.7 million for transaction fees and costs.

**Cox Acquisition Pro Forma Adjustments for the Unaudited Condensed Combined Statement of Income**

(13) Reflects the elimination of sales between Koppers and Cox of $5.6 million for the year ended December 31, 2017.

(14) Reflects the charge to cost of sales for the inventory step-up amortization of $4.3 million, offset by the reduction of cost of sales to eliminate sales between Koppers and Cox of $5.6 million for the year ended December 31, 2017 as well as adjust for the change in the intercompany profit in inventory balance of $0.1 million.

(15) Reflects the increase in depreciation and amortization from the step-up of the preliminary fair values for property, plant and equipment and identifiable intangible assets as described in notes (3) and (5), respectively.

(16) Reflects adjustments to remove transaction expenses directly attributable to the Acquisition of $1.2 million for the year ended December 31, 2017.

(17) Reflects the elimination of interest earned on a note between Koppers and Cox of $0.1 million.

(18) As described in the notes herein, Koppers incurred new debt to finance the Acquisition. The pro forma adjustments for the year ended December 31, 2017 reflect incremental interest expense, including incremental amortization of deferred financing fees, for new debt incurred by Koppers. The initial variable interest rate reflected in the pro forma adjustment is 4.61 percent. An increase in the variable interest rate by 0.125 percent would increase pro forma interest expense by $0.3 million for the year ended December 31, 2017.

(19) Reflects an estimated income tax benefit of $6.4 million on pre-tax pro forma adjustments of $16.3 million offset by an estimated income tax expense of $3.8 million on historical Cox pre-tax profit of $10.6 million. The tax effect of pre-tax pro forma adjustments has been estimated at Koppers' incremental statutory tax rate of 39 percent. The estimated income tax provision for historical Cox was determined on a separate return basis as Cox was organized as an S corporation for federal tax purposes prior to the Acquisition. Accordingly, income tax for Cox was assessed at the shareholder level and is not reflected in the condensed carve-out financial statements of Cox. The actual effective tax rate of the combined company could be different depending on post-acquisition activities.