May 17, 2023

Via E-mail (KScottMathews@umb.com)

UMB Bank, N.A., as Trustee
120 South 6th Street, Suite 1400
Minneapolis, Minnesota 55402
Attention: Corporate Trust

PureCycle: Ohio LLC
5950 Hazeltine National Drive, Suite 650
Orlando, Florida 32822
Attention: Dustin Olson

**Subject: Southern Ohio Port Authority**
**Exempt Facility Revenue Bonds (PureCycle Project), Tax-Exempt Series 2020A**
**Subordinate Exempt Facility Revenue Bonds (PureCycle Project),Tax-Exempt Series 2020B and Taxable Series 2020C**
**PureCycle Polypropylene Phase II Project**
**April 2023 Project Status Report**

Ladies and Gentlemen:

Attached is the Construction Monitor's Project Status Report (the "Report") for the PureCycle Polypropylene Phase II Project (the "Project") for the period ending April 30, 2023 (the "Relevant Period"), being delivered to you by Leidos Engineering, LLC ("Leidos"), as Construction Monitor ("CM").

Our review of the data made available to us by PureCycle Ohio LLC (the "Owner"), Denham-Blythe Company ("Denham-Blythe") and other equipment suppliers and contractors working on the Project for the Owner was performed within the scope and terms of a Professional Services Agreement ("PSA"), dated as of May 9, 2017, between Leidos and PureCycle Technologies, LLC. On October 1, 2020, UMB Bank, N.A. as trustee (the "Trustee") under the Indenture of Trust issued by the Southern Ohio Port Authority for Exempt Facility Revenue Bonds (PureCycle Project), Tax-Exempt Series 2020A, Subordinate Exempt Facility Revenue Bonds (PureCycle Project), Tax-Exempt Series 2020B and Subordinate Exempt Facility Revenue Bonds (PureCycle Project), Taxable Series 2020C dated October 1, 2020 (the "Indenture") entered into a Consent and Agreement with Leidos outlining the terms and conditions of the Trustee's use of the reports, certificates and other work products issued by Leidos. This Report is solely for the information of and assistance to the Trustee in connection with its review of the Project and is not to be used, circulated, quoted or otherwise referred to for any other purpose. The Independent Engineer disclaims any obligation to update this Report. The information contained herein is for the benefit of the Trustee and may be used in connection with providing financing to the Company for construction and development of the Project.

To the extent that it has been practical to do so, we have verified the status of the work performed by the Owner, Denham-Blythe and the major equipment suppliers. During our review our observations indicated that progress made through the Relevant Period was not commensurate with Project objectives. As discussed further below, Mechanical Completion was achieved on April 24, 2023 and the current timeline for key completion milestones is: (a) initiation of polymer and first production of saleable product (Commercial Operation) in late May 2023; (b) initial production on recycled (post-consumer) feed end of May 2023; and (c) targeted Substantial Completion in early to mid-June 2023.

The next monthly Project review meeting is scheduled for June 8, 2023 at the PureCycle office in Ironton, Ohio.

Sincerely,
**LEIDOS ENGINEERING, LLC**

Nicholas Drobot
Construction Manager

ND/KMN

Attachment

Ec: Karen Napoli, Kenneth Rush – Leidos Engineering, LLC

Leidos Engineering, LLC ("Leidos" or "we"), in its capacity as the Construction Monitor ("CM") reviewed the progress of engineering, procurement and construction of the PureCycle Polypropylene Phase II Project (the "Project") including: information from the Denham-Blythe Company ("Denham-Blythe"), the engineering, procurement and construction ("EPC") contractor for the Outside Battery Limits ("OSBL"), including utilities and product storage under the Construction Contract dated October 7, 2020 (the "EPC Contract") and progress information from the Inside Battery Limits ("ISBL") and OSBL major equipment suppliers. Additionally, we held discussions with the Owner's management relative to the status of the Project to review the progress for the period ending April 30, 2023 (the "Relevant Period"). We visited the Project on May 11, 2023 and participated in a progress meeting. Terms used in this Project Status Report ("Report") without definition shall have the meaning ascribed thereto in the Credit Agreement or the EPC Contract.

## Project Technical Description

The Project is a waste polypropylene processing facility under development by the Owner and sponsored by PureCycle Technologies, LLC (the "Sponsor"). The Project will be located on 26 acres of land in Ironton, Lawrence County (the County"), Ohio (the "Facility Site"). The Facility Site is a former Dow Chemical Company ("Dow") plant site. The Facility Site land was previously donated by Dow to the Lawrence Economic Development Corporation ("LEDC") and includes three existing buildings (Building 504, Building 507, and Building 509) totaling 150,000 square feet that will be reused for raw material delivery, processing, and storage, and for utility equipment. An affiliate of the Owner purchased the land from the LEDC, and the affiliate sold the land to the Owner for use as the Facility Site.

## Summary

During the progress meeting noted above, the Owner's construction manager presented detailed updates highlighting the progress of EPC contractor activities under the Construction Contract. The Owner also reported on progress with regard to the ISBL equipment supply contract and the PureCycle-supplied OSBL equipment.

The Owner's construction manager reported that the overall progress, as modified to reflect work added by approved change orders ("COs"), is 99.8 percent complete as compared to a re-baselined plan of 100 percent complete. As previously reported, Denham-Blythe and the major equipment supplier's engineering effort commenced with the issuance of a Notice to Proceed ("NTP") to all parties in October 2020.

During the Relevant Period, the engineering group continued updating the ISBL 3D model and the programming and controls integration for the distributed control system ("DCS"). Documentation of as-built conditions continued as did addressing of engineering related requests for information ("RFIs"). Procurement activities continued with monitoring and expediting of replacement items and issuing field requisitions as required.

Construction activities by Denham-Blythe continued with the addressing of punchlist items Facility-wide, removal of scaffolding and demobilization. Asphalt paving was completed. Mechanical Completion was achieved on April 24, 2023.

Start-up completed mechanical completion walkdowns of all systems and continued pre-start-up safety reviews ("PSSRs"). Final inspections and closure of major vessels were completed. "Wet" commissioning

of several extruders continued and was completed on KE-60 extruder. "Dry" commissioning of PK-720 pelletizer, dryer and classifier package continued and was completed on KE-250 extruder. Check-out of all conveyance systems was completed and sequence testing of switching for key equipment continued. Testing of adsorbent and diatomaceous earth loading sequence commenced. The nitrogen system was commissioned and placed in service. Pressure testing checking of completed systems was nearing completion.

As previously noted, there are numerous delays that have previously impacted the Project or continue to impact the Project, even if not directly impacting the current critical path. These impacts include, but are not limited to, the war in Ukraine, COVID-19, supply chain issues and low water on the Mississippi River. The Facility was ready for solvent introduction into the process on May 5, 2023. The current timeline for key completion milestones is: (a) initiation of polymer and first production of saleable product (Commercial Operation) in late May 2023; (b) initial production on recycled (post-consumer) feed end of May 2023; and (c) targeted Substantial Completion in early- to mid-June 2023 The Owner continues to evaluate commissioning and start-up of operations procedures so as to ensure the safe and efficient start of operations. Budget overruns beyond contingency continue to be funded by PCT.

During the Relevant Period there were no Occupational Safety and Health Administration ("OSHA") recordable safety incidents reported and no lost time incidents. There were no environmental incidents reported during the Relevant Period. The Owner reported that subsequent to the Relevant Period, a lost time incident occurred,

# Project Status

The Owner's construction manager reported the actual and planned schedule progress percentage complete for construction and start-up activities. The progress percentage reported for construction, start-up and total were 100, 90.9 and 99.8, respectively.

# EPC Contract Activities

EPC Contract activities reported by the Owner and the Owner's construction manager included engineering, procurement and construction activities as described herein.

## Engineering

Overall, the Owner's construction manager reported that engineering is essentially complete. Updating of the ISBL 3D model continued as did addressing of engineering related RFIs. Documentation of as-built conditions continued as did support of DCS programming and controls integration.

## Procurement

Overall, the Owner's construction manager reported that procurement is essentially complete. Field requisitions continued to be issued as required as did expediting of replacement items as required.

## Construction

Overall, the Owner's construction manager reported that construction was essentially complete. Denham-Blythe construction activities through the Relevant Period include, but are not limited to, the following:

- Continued pressure testing of systems as required;
- Continued resolution of punchlist items throughout the Facility;
- Continued removal of scaffolding;
- Continued demobilization and clean-up;
- Completed asphalt paving; and
- Continued final grading in remaining non-paved areas.

Mechanical Completion was achieved on April 24, 2023 and the Facility was ready for solvent introduction into the process on May 5, 2023. The current timeline for key completion milestones is: (a) initiation of polymer and first production of saleable product (Commercial Operation) in late May 2023; (b) initial production on recycled (post-consumer) feed end of May 2023; and (c) targeted Substantial Completion in early- to mid-June 2023. The Owner continues to pursue all available workaround approaches.

The EPC Contractor reported that the manpower during the Relevant Period averaged approximately 233.

# Owner Activities, Off-Site and Interconnection Projects

The Owner's construction manager and the Owner provided updates covering the Owner's responsibilities and offsite and interconnection project activities on the Project. As of the end of the Relevant Period, the Owner reported that all permits required for the current phase of construction are in place and that remaining permitting activities for operation were progressing materially as planned.

## Interconnections

The Owner previously reported that the natural gas line to the Facility was installed. Installation of the metering related foundations was completed and the gas metering skid was set. Installation of "point-of-distribution" items was completed as was the commissioning of the gas line to the boundary line. The Owner reported that natural gas can be brought into the Facility when required.

As previously reported, installation of the substation was completed and the substation was successfully energized on March 17, 2022. Energizing of all areas on permanent power was completed.

# Start-Up, Commissioning and Operations

Overall, the Owner's construction manager reported that, as modified to reflect work added by additional approved COs, 90.9 percent of the commissioning and start-up effort was completed against a planned 100 percent of the January 2022 baseline plan. Commissioning planning with regular coordination meetings continued.

As previously reported, the substation was energized on March 17, 2022 and energizing of all areas on permanent power was essentially complete.

Checkout, commissioning and start-up activities through the Relevant Period include, but are not limited to, the following:

- Continued configuration of DCS;
- Continued loop checking;
- Completed mechanical completion walkdowns of systems;

- Continued checkouts of "E-houses" high-voltage panels and switchgear;
- Continued "wet" commissioning of several extruders;
- Completed "wet" commissioning of KE-60 extruder;
- Continued "dry" commissioning of PK-720 pelletizer, dryer and classifier package;
- Completed "dry" commissioning of KE-250 extruder;
- Completed check-out of all conveyance systems;
- Continued PSSRs of remaining systems;
- Completed inspection and close-out of vessels;
- Continued sequence testing of switching for key equipment;
- Completed commissioning of nitrogen system and placed it in service;
- Continued pressure testing of systems;
- Commenced testing of adsorbent loading sequence; and
- Commenced testing of diatomaceous earth loading sequence.

At the time of the May 11, 2023 visit the Owner reported that all but seven of the 1,863 loop checks were completed. The Owner noted that the remaining loops are non-critical process information devices and are not needed for operation. All 63 systems were deemed mechanically complete. PSSRs were reported to be essentially complete. Delivery of solvent was observed during the May 11, 2023 visit.

As previously reported, hiring of Facility personnel was essentially complete with all salaried positions but one having been filled.

# Safety/Environmental/Permits

## Safety and Environmental

The following items were reported through the Relevant Period:

- During the Relevant Period, the Owner's construction manager reported that there were no OSHA recordable incidents and no lost time incidents. Since the commencement of work at the Project Site, there were four recordable incidents and one lost time incident.
- The Owner reported that there were 61,450 manhours worked during the Relevant Period and 1,238,356 cumulative manhours worked through the end of the Relevant Period.
- There were no environmental incidents reported at the Project Site during the Relevant Period.

The Owner reported that subsequent to the Relevant Period, a lost time incident occurred,

## Permitting

Denham-Blythe continued to work with the Owner to secure the appropriate permits, certificates, notifications and approvals necessary to support the then-current phases of construction at the Project Site. Denham-Blythe is providing support to ensure overall compliance with applicable laws, regulations, permits and approvals.

The Owner and EPC Contractor reported that the following permitting activities were completed or continued through the Relevant Period:

- Continued to implement and monitor the stormwater pollution prevention plan ("SWPPP") at the Facility Site;
- Continued implementation of changeover to the SWPPP for industrial operations;
- Continued dust collection monitoring as per the air permit monitoring requirements in conjunction with start-up and commissioning of pre-process equipment in Building 504 and conveyance systems; and
- Continued coordination with local wastewater treatment plants and the Ohio Environmental Protection Agency ("OEPA") to ensure compliance with all environmental permits for commissioning activities.

The Owner reported that a Facility-wide occupancy permit was expected to be received shortly. The Owner also reported that the EPC Contractor was coordinating activities with local agencies for a consolidated certificate of occupancy for the whole Facility.

# Schedule

As previously reported, in light of the numerous schedule impacts discussed previously and again in this Report, the Owner has modified the work sequence of the remaining activities so as to achieve the earliest possible completion. The modified approach does not utilize certain of the remaining unachieved milestones in the original schedule as these were presented in our previous monthly reports. The remaining modified key completion milestones are presented in Table 1.

**Table 1**
**Key Completion Milestone Dates (1)**

| Key Event | Planned Date (1) | Forecasted/ Actual Date (2) |
|---|---|---|
| ISBL Hot Commissioning and Start-Up Milestones | | |
| Facility Mechanical Completion | | April 24, 2023 (A) |
| Facility Ready for Solvent Introduction | February 7, 2023 | May 5, 2023 (A) |
| Initial Production on "Post-Industrial" Feed | February 15, 2023 | May 26, 2023 |
| Initial Production on (Post-Consumer) Recycled Feed | March 2, 2023 | May 31 2023 |
| Process Capable of Running at 100 Percent Rates (Performance Test Capable) | March 7, 2023 | June 8, 2023 |
| | | |
| Major Completion Milestones | | |
| Commercial Operations (Initiation of Polymer and First Production of Saleable Product) | February 15, 2023 | May 26, 2023 |
| Target Substantial Completion | March 20, 2023 | June 8, 2023 |

1) Targeted dates based on the March 2023 Monthly Construction Report.
2) An (A) after a date indicates an actual date or completed activity.

Mechanical Completion was achieved on April 24, 2023. Substantial Completion is to occur at the conclusion of a successful performance test and was targeted to occur around June 8, 2023. Commercial operations will begin at the initiation of polymer and production on "post-industrial" feed, forecasted to occur on May 26, 2023.

The Owner indicated that, due to the newness of the process and technology of the Project, the above planned and forecasted dates are not considered fixed but are considered targets with a plus/minus range of two weeks. This plus/minus range allows for the Project team to respond to any unforeseen conditions or troubleshooting that often occur during the start-up and commissioning process.

As previously noted, there are numerous delays that have previously impacted the Project or continue to impact the Project, even if not directly impacting the current critical path. These impacts include, but are not limited to, the war in Ukraine, COVID-19, supply chain issues and low water on the Mississippi River and, most recently, the delay caused by damage to the PK-720 pelletizer, dryer and classifier package electrical panel sustained during commissioning activities. The Owner continues to evaluate commissioning and start-up of operations procedures so as to ensure the safe and efficient start of operations.

# Change Orders

There were several COs approved or finalized by the Owner with Denham-Blythe or major equipment suppliers during the Relevant Period. Table 2 shows approved COs under the EPC Contract, major equipment supply contracts and other budget variances through March 31, 2023. The total out-of-scope cost approved and/or pending COs under the EPC Contract, major equipment supply contracts and other budget variances, as of March 31, 2023, was approximately $128,755,152 of which Contingency will fund $21,153,011. The remaining $107,486,734 is being funded by PCT. The Owner also reported that, subsequent to the Relevant Period, an additional $1,000,000 of COs were approved.

**Table 2**
**Construction Contract Approved and Pending Change Orders**
**and Other Budget Variances**

| Item No. | Contract/Area | Cost Impact | Schedule Impact | Status |
|---|---|---|---|---|
| 1 | Total ISBL Equipment Supply (1) | $12,809,637 | None | Approved/ Pending |
| 2 | Total EPC Contract (1) | 121,257,955 | None | Approved/ Pending |
| 3 | Material Handling | 1,710,195 | None | Approved |
| 4 | Pre-processing Equipment (2) | 252,172 | None | Approved |
| 5 | Degassing Equipment Contract (1) (2) | (14,110) | None | Approved |
| 6 | Additional Shipping Costs | 3,150,000 | | |
| | Sub-Total | $139,165,849 | | |
| | Other Budget Variances/Credits | (10,410,697) | | |
| | Total | $128,755,152 | | |

1) Various COs.
2) Approximate conversion from Euros.

The Owner previously reported that the bulk of the $107,486,734 and the additional pending COs noted above funded by PCT for COs and other budget variances is related to supply chain issues reported to be due to COVID-19 and a Project de-risking activity that allows PCT to process higher levels of solids and polyethylene in the feedstocks, and other recently identified improvements. The Owner also reported that the most recent CO increases are a result of costs associated with delays caused by weather, engineering field revisions, and delivery from suppliers of minor components such as valves, pipe spools or other replacements due to damaged or faulty components.

We note that the forecasted budget will increase due to the delay of completion and additional COs as well as due to pending COs not being included in the current budget. As noted above, the Owner reported that, subsequent to the Relevant Period, an additional $1,000,000 of COs were approved.

# Summary of Cost and Contingency

During the Relevant Period, the Borrower made payments with PCT funds covering work completed during March 2023.

The budget and expenditures, as presented by the Owner, are shown in Table 3.

**Table 3**
**Facility Budget and Expenditures through the Relevant Period (1)**

| Cost Category | Facility Budget (1) | Adjusted Facility Budget | Payments Made to Date | Remaining Budget |
|---|---|---|---|---|
| Facility Costs (2) | $ 242,079,604 | $351,396,338 | $315,369,680 | $36,026,659 |
| | | | | |
| LOC (3) | 1,830,000 | | | 0 |
| | | | | |
| Financing Costs | 97,979,918 | 97,979,918 | 59,577,546 | 38,402,372 |
| Capitalized Interest Reserve (4) | 55,723,700 | 55,723,700 | 39,491,742 | 16,231,958 |
| Debt Service Reserve (5) | 20,987,800 | 20,987,800 | | 20,987,800 |
| Cost of Issuance (6) | 21,268,418 | 21,268,418 | 20,085,804 | 1,182,614 |
| | | | | |
| Development Costs (7) | 55,735,603 | 55,735,603 | 55,735,603 | |
| | | | | |
| Total | $397,625,125 | $505,111,860 | $430,682,829 | $74,429,031 |

1) "Facility" refers to the production facility located in Ironton, Ohio and referred to by PCT as "Plant 1".
2) Facility Costs include: engineering, procurement of certain materials, construction costs, program management, inspections and testing and other various required elements for cost to complete the Facility.
3) Letter of Credit ("LOC") is related to an LOC for the Facility and was included in restricted cash on the PCT balance sheet.
4) Capitalized Interest Required Reserve represents future interest payments through December 1, 2023.
5) Debt Service Required Reserve represents a portion of debt service required to be in reserve.
6) Cost of Issuance represents remaining reimbursable costs for engineering reviews, legal fees, etc.
7) Development Costs include: cost to construct the FEU, land purchases and other development related expenses.

The adjusted Facility budget is $505,111,860 and includes $21,153,011 of construction contingency. Cumulative Project expenditures reported by the Borrower were $430,682,829. Included in the current expenditures are total costs in Table 4 above in the columns titled "Payments Made to Date". Through the Relevant Period, net allocation of contingency, allowances and actual or planned payments by PCT was reported to be $21,153,011. We note that although this amount was allocated and funds will be or have been drawn, the appropriate funds will be returned to contingency in the allowed time to maintain the required $21,153,011 level.

# Miscellaneous

None at this time.

# Areas of Concern

As discussed above and/or previously reported, there are several critical and near critical paths that continue to shift and/or run concurrently, as is normal for a project in the completion, commissioning and start-up stages. Schedule mitigation discussions between the Owner, Denham-Blythe, the ISBL equipment supplier and sub-suppliers continue as does identification of alternate suppliers, where required. As previously noted, there are numerous delays that have previously impacted the Project or continue to impact the Project, even if not directly impacting the current critical path. These impacts include, but are not limited to, the war in Ukraine, COVID-19, supply chain issues and low water on the Mississippi River.

Mechanical Completion was achieved on April 24, 2023 and the Facility was ready for solvent introduction into the process on May 5, 2023. The current timeline for key completion milestones is: (a) initiation of polymer and first production of saleable product (Commercial Operation) in late May 2023; (b) initial production on recycled (post-consumer) feed end of May 2023; and (c) targeted Substantial Completion in early- to mid-June 2023. The Owner continues to evaluate commissioning and start-up of operations procedures so as to ensure the safe and efficient start of operations.

As previously noted, the Owner also reported several other earlier items that delayed near critical activities at the time. These items include, but are not limited to, the Project safety management effort requiring significantly more time than planned, supply chain issues causing the preprocessing equipment to be delivered late, and significantly longer lead times for structural steel.

# Photographs

Photographs included in Attachment 1 were taken on May 11, 2023.

# Attachment 1: Photographs

**Figure 1: Operating Nitrogen System**


**Figure 2: "Dry" Commissioning of PK-720 Package in Building 610**

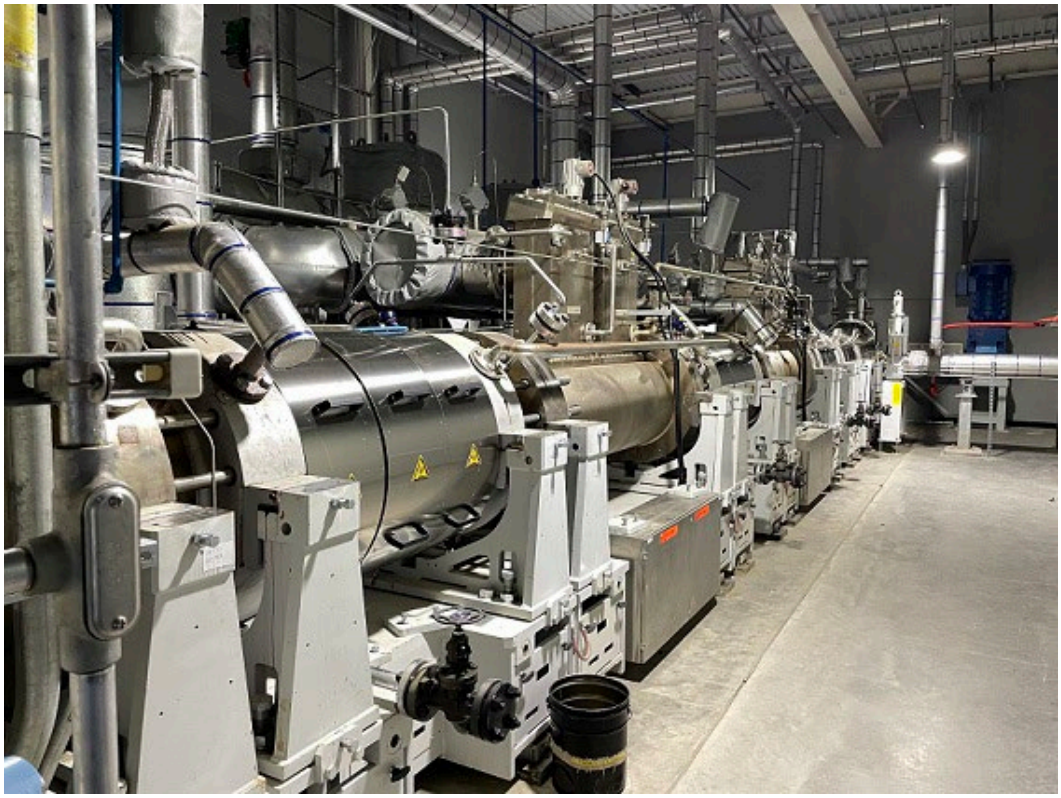

**Figure 3: Check-out of Diatomaceous Earth and Adsorbent Systems**

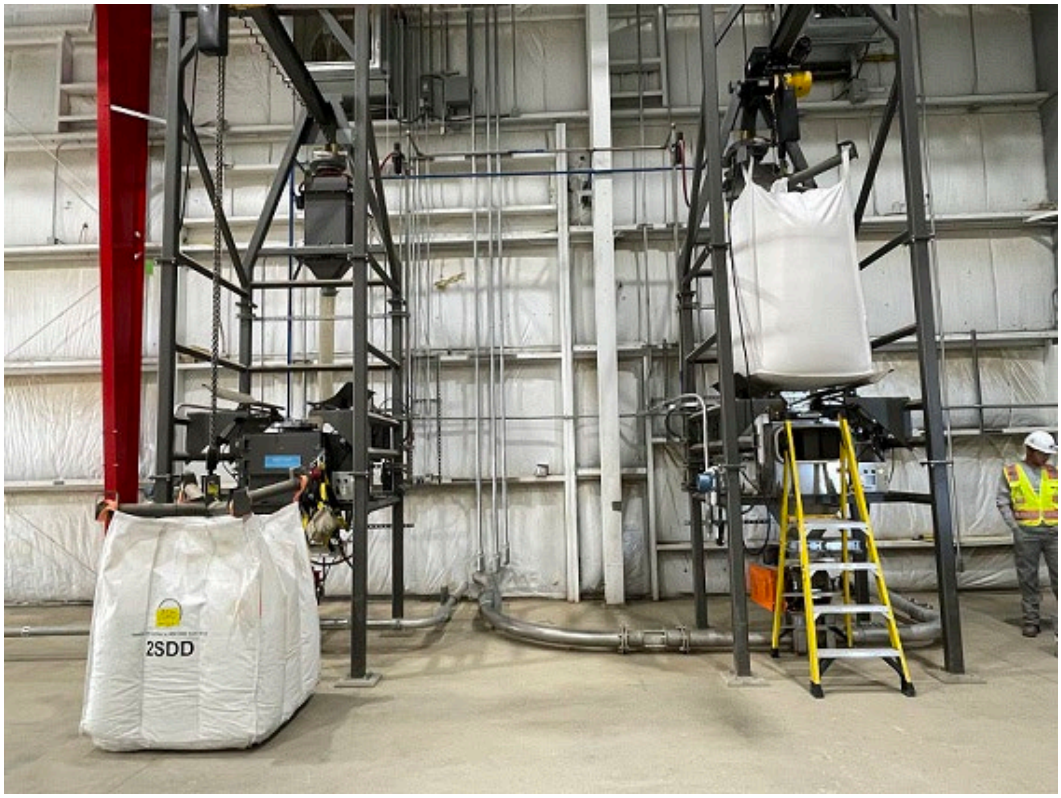


**Figure 4: Commissioning of Agglomeration Equipment**

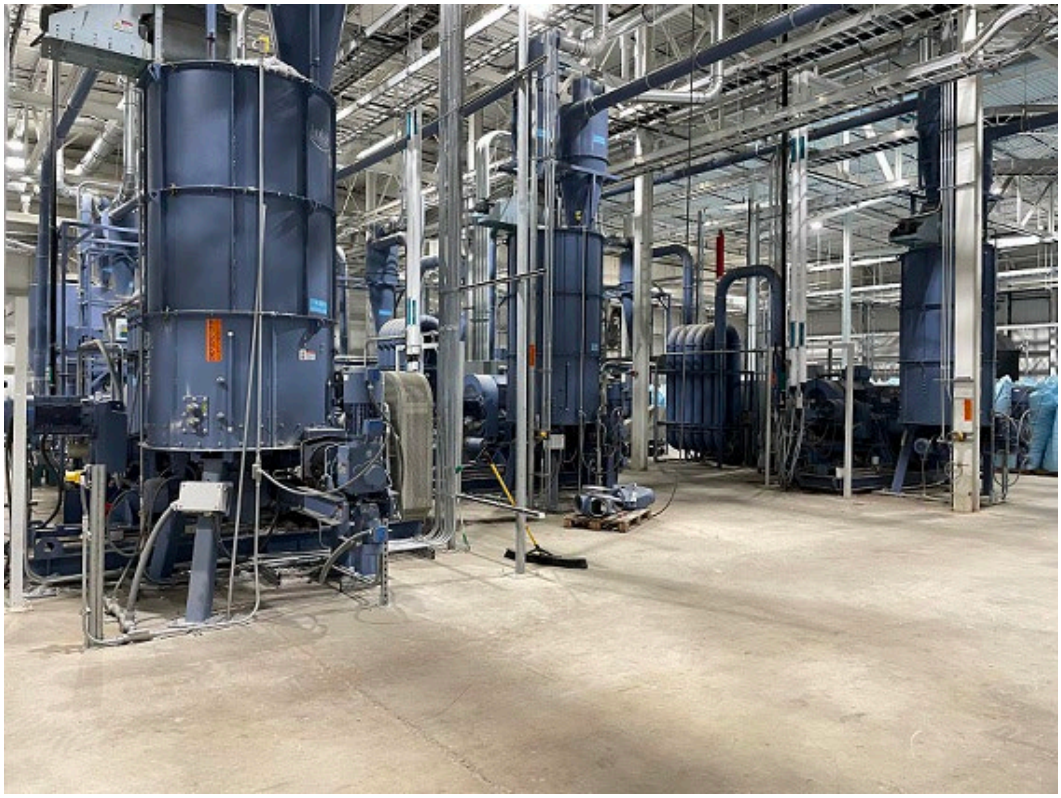

**Figure 5: Solvent Storage Area**

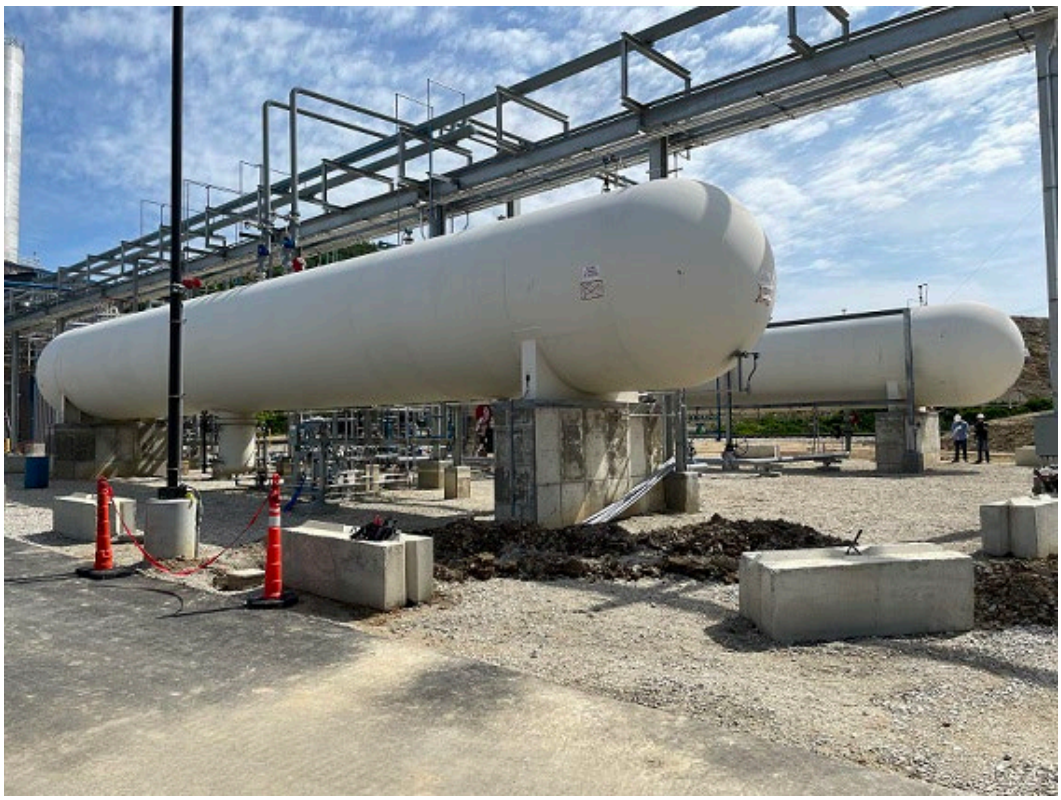

**Figure 6: Delivery of Solvent**