CELADON GROUP INC
Form 10-K
September 04, 2009

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________________ to ______________

Commission file number: 0-23192

CELADON GROUP, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of Incorporation or organization) | 13-3361050<br>(I.R.S. Employer Identification Number) |
| 9503 East 33rd Street<br>Indianapolis, IN<br>(Address of principal executive offices) | 46235<br>(Zip Code) |

Registrant's telephone number, including area code: (317) 972-7000

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock ($0.033 par value) | The NASDAQ Stock Market LLC (Global Select Market) |
| Series A Junior Participating Preferred Stock Purchase Rights | The NASDAQ Stock Market LLC (Global Select Market) |

Securities registered pursuant to Section 12(g) of the Act: None

| | | |
|---|---|---|
| Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. | oYes | xNo |
| Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act. | oYes | xNo |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. xYes oNo

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). oYes oNo

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| Large accelerated filer o | Accelerated filer x |
| Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). oYes xNo

On December 31, 2008, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock ($0.033 par value) held by non-affiliates (20,076,814 shares) was approximately $171 million based upon the last reported sale price of the common stock on that date. The exclusion from such amount of the market value of shares of common stock owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant.

The number of outstanding shares of the registrant's common stock as of the close of business on September 4, 2009 was 22,096,432.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of Form 10-K - Portions of Definitive Proxy Statement for the 2009 Annual Meeting of Stockholders

CELADON GROUP, INC.
FORM 10-K

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# PART I

## Disclosure Regarding Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain statements contained in this Form 10-K and those portions of the 2009 Proxy Statement incorporated by reference may be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and, as such, involve known and unknown risks, uncertainties and other factors which may cause the actual results, events, performance, or achievements of the Company to be materially different from any future results, events, performance, or achievements expressed or implied by such forward-looking statements. Words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes," and words or terms of similar substance used in connection with any discussion of future operating results, financial performance, or business plans identify forward-looking statements. All forward-looking statements reflect our management's present expectation of future events and are subject to a number of important factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. While it is impossible to identify all factors that may cause actual results to differ, the risks and uncertainties that may affect the Company's business, performance, and results of operations include the factors discussed in Item 1A of this report. Subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this Form 10-K.

All such forward-looking statements speak only as of the date of this Form 10-K. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"), as amended.

References to the "Company", "Celadon", "we", "us", "our" and words of similar import refer to Celadon Group, Inc. and its consolidated subsidiaries.

## Item 1. Business

### Introduction

We are one of North America's fifteen largest truckload carriers as measured by revenue. We generated $490.3 million in operating revenue during our fiscal year ended June 30, 2009. We have grown significantly since our incorporation in 1986 through internal growth and a series of acquisitions since 1995. As a dry van truckload carrier, we generally transport full trailer loads of freight from origin to destination without intermediate stops or handling. Our customer base includes Fortune 500 shippers such as Alcoa, Carrier Corporation, General Electric, International Truck & Engine, John Deere, Kohler Company, Philip Morris, Phillips Lighting, Proctor & Gamble, and Wal-Mart.

In our international operations, we offer time-sensitive transportation in and between the United States and its two largest trading partners, Mexico and Canada. We generated approximately one-half of our revenue in fiscal 2009 from international movements, and we believe our annual border crossings make us the largest provider of international truckload movements in North America. We believe that our strategically located terminals and experience with the language, culture, and border crossing requirements of each North American country provide a competitive advantage in the international trucking marketplace.

We believe our international operations, particularly those involving Mexico, offer an attractive business niche for several reasons. The additional complexity and the need to establish cross-border business partners and to develop a strong organization and an adequate infrastructure in Mexico afford some barriers to competition that are not present in traditional U.S. truckload service. Information regarding our revenue derived from foreign customers and long-lived assets located in foreign countries is set forth in Note 12 to the consolidated financial statements filed as part of this report.

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Our success is partially dependent upon the success of our operations in Mexico and Canada, and we are subject to risks of doing business internationally, including fluctuations in foreign currencies, changes in the economic strength of the countries in which we do business, difficulties in enforcing contractual obligations and intellectual property rights, burdens of complying with a wide variety of international and United States export and import laws, and social, political, and economic instability. Additional risks associated with our foreign operations, including restrictive trade policies and imposition of duties, taxes, or government royalties by foreign governments, are present but largely mitigated by the terms of NAFTA. Information regarding our revenue derived from foreign external customers and long-lived assets located in foreign countries is set forth in Note 12 to the consolidated financial statements filed as part of this report.

In addition to our international business, we offer a broad range of truckload transportation services within the United States, including long-haul, regional, dedicated, less-than-truckload, intermodal, and logistics. With the acquisitions of certain assets of Highway Express, Inc. ("Highway") in August 2003, CX Roberson, Inc. ("Roberson") in January 2005, Erin Truckways Ltd., d/b/a Digby Truck Line, Inc. ("Digby") in October 2006, Warrior Services Inc. d/b/a Warrior Xpress ("Warrior") in February 2007, Air Road Express Inc. ("Air Road") in June 2007, and Continental Express ("Continental") in December 2008, we expanded our operations and service offerings within the United States and significantly improved our lane density, freight mix, and customer diversity.

We also operate TruckersB2B, Inc. ("Truckers B2B"), a profitable marketing business that affords volume purchasing power for items such as fuel, tires, and equipment to approximately 21,000 member trucking fleets representing approximately 488,000 tractors. TruckersB2B represents a separate operating segment under generally accepted accounting principles. Information regarding revenue, profits and losses, and total assets of our transportation and e-commerce (TruckersB2B) operating segments is set forth in Note 12 to the consolidated financial statements filed as part of this report.

Operating and Sales Strategy

We approach our trucking operations as an integrated effort of marketing, customer service, and fleet management. We have identified as priorities: increasing our freight rates; raising our service standards; rebalancing lane flows to enhance asset utilization; and identifying and acquiring suitable acquisition candidates and successfully integrating acquired operations. To accomplish these objectives, we have sought to instill high levels of discipline, cooperation, and trust between our operations and sales departments. As a part of this integrated effort, our operations and sales departments have developed the following strategies, goals, and objectives:

Seeking high yielding freight from targeted industries, customers, regions, and lanes that improves our overall network density and diversifies our customer and freight mix. We believe that by focusing our sales resources on targeted regions and lanes with emphasis on cross-border or international moves and a north - south direction, we can improve our lane density and equipment utilization, increase our average revenue per mile, and control our average cost per mile. Each piece of business has rate and productivity goals that are designed to improve our yield management. We believe that by increasing the business we do with less cyclical shippers and reducing our dependency on the automotive industry, our ability to improve rate per mile increases.

Focusing on asset productivity. Our primary productivity measure is revenue per tractor per week. Within revenue per tractor we examine rates, non-revenue miles, and loaded miles per tractor. We actively analyze customers and freight movements in an effort to enhance the revenue production of our tractors. We also attempt to concentrate our equipment in defined operating lanes to create more predictable movements, reduce non-revenue miles, and shorten turn times between loads.

Operating a modern fleet to reduce maintenance costs and improve safety and driver retention. We believe that updating our tractor fleet has produced several benefits, including lower maintenance expenses, and enhanced safety, driver recruitment, and retention. We have taken an important step towards modernizing our fleet. We shortened the replacement cycle for our tractors from four years to three years. This trade policy has allowed us to recognize significant benefits over the past few years because maintenance and tire expenses increase significantly for tractors beyond the third year of operation, as wear and tear increases and some warranties expire.

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Continuing our emphasis on service, safety, and technology. We offer just-in-time, time-definite, and other premium transportation services to meet the expectations of our service-oriented customers. We believe that targeting premium service freight permits us to obtain higher rates, build long-term, service-based customer relationships, and avoid competition from railroad, intermodal, and trucking companies that compete primarily on the basis of price. We believe our recent safety record has been among the best in our industry. In March 2006, 2005, and 2003, at the Truckload Carriers Association Annual Conference, we were awarded first place in fleet safety among all truckload fleets that log more than 100 million miles per year. In addition, in May 2009 we were awarded the Indiana Motor Truck Associations Local Fleet Safety Award for the fourth time in five years. We have made significant investments in technologies that are intended to reduce costs, afford a competitive advantage with service-sensitive customers, be environmentally friendly, and promote economies of scale. Examples of these technologies are Qualcomm satellite-based tracking and communications systems, our proprietary CelaTrac system that enables customers to track shipments and access other information via the Internet, and document imaging.

Maintaining our leading position in cross-border truckload shipments while offering diversified, nationwide transportation services in the U.S. We believe our strategically located terminals and experience with the languages, cultures, and border crossing requirements of all three North American countries provide us with competitive advantages in the international trucking marketplace. As a result of these advantages, we believe we are the industry leader in cross-border movements between North American countries. These cross-border shipments, which comprised over 45% of our revenue in fiscal 2009, are balanced by a strong and growing business with domestic freight from service-sensitive customers.

Seeking strategic acquisitions to broaden our existing domestic operations. We have made twelve trucking company acquisitions since 1995 and continue to evaluate acquisition candidates. Our current acquisition strategy, as evidenced by our purchases of certain assets of Highway Express in 2003, CX Roberson in 2005, Digby in October 2006, Warrior in February 2007, Air Road in June 2007, and Continental in December 2008, is focused on broadening our domestic operations through the addition of carriers that improve our lane density, customer diversity, and service offerings.

Other Services

TruckersB2B. Our TruckersB2B subsidiary is a profitable marketing business that affords volume purchasing power for items such as fuel, tires, insurance, and other products and services to small and medium-sized trucking companies through its website, www.truckersb2b.com. TruckersB2B provides small and medium-sized trucking company members with the ability to cut costs and thereby compete more effectively and profitably with the larger fleets. TruckersB2B has approximately 21,000 member trucking fleets representing approximately 488,000 tractors. TruckersB2B had $8.5 million in revenue and an operating profit of $1.3 million in fiscal 2009. TruckersB2B continues to introduce complementary products and services to drive its growth and attract new fleets.

Celadon Dedicated Services. Through Celadon Dedicated Services, we provide warehousing and trucking services to three Fortune 500 companies. Our warehouse facilities are located near our customers' manufacturing plants. We also transport the manufacturing component parts to our warehouses and sequence those parts for our customers. We then transport completed units from our customers' plants. In fiscal 2008, we began to offer less-than-truckload services to our customers.

Industry and Competition

The full truckload market is defined by the quantity of goods, generally over 10,000 pounds, shipped by a single customer point-to-point and is divided into several segments by the type of trailer used to transport the goods. These segments include van, temperature-controlled, flatbed, and tank carriers. We participate in the North American van truckload market. The markets within the United States, Canada, and Mexico are fragmented, with thousands of competitors, none of whom dominate the market. We believe that the current economic pressures will continue to force many smaller and private fleets to exit the industry.

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Transportation of goods by truck between the United States, Canada, and Mexico is subject to the provisions of NAFTA. Transportation of goods between the United States or Canada and Mexico consists of three components: (i) transportation from the point of origin to the Mexican border, (ii) transportation across the border, and (iii) transportation from the border to the final destination. United States and Canadian based carriers may operate within both countries. United States and Canadian carriers are not allowed to operate within Mexico, and Mexican carriers are not allowed to operate within the United States and Canada, in each case except for a 26-kilometer, or approximately 16 miles, band along either side of the Mexican border. Trailers may cross all borders. We are one of a limited number of trucking companies that participates in all three segments of this cross border market, providing or arranging for door-to-door transport service between points in the United States, Canada, and Mexico.

The truckload industry is highly competitive and fragmented. Although both service and price drive competition in the premium long haul, time sensitive portion of the market, we rely primarily on our high level of service to attract customers. This strategy requires us to focus on market segments that employ just-in-time inventory systems and other premium services. Our competitors for freight include other long-haul truckload carriers and, to a lesser extent, medium-haul truckload carriers and railroads. We also compete with other trucking companies for the services of drivers. Some of the truckload carriers with which we compete have greater financial resources, operate more revenue equipment, and carry a larger total volume of freight than we do.

TruckersB2B is a business-to-business savings program for small and mid-sized fleets. Competitors include other large trucking companies and other business-to-business buying programs.

Customers

We target large service-sensitive customers with time-definite delivery requirements throughout the United States, Canada, and Mexico. Our customers frequently ship in the north-south lanes (i.e., to and from locations in Mexico and locations in the United States and Eastern Canada). The sales personnel in our offices work to source northbound and southbound transport, in addition to other transportation solutions. We currently service approximately 2,300 customers. Our premium service to these customers is enhanced by the ability to provide significant trailer capacity where needed, state-of-the-art technology, well-maintained tractors and trailers, and 24/7 dispatch and reporting services. The principal types of freight transported include tobacco, consumer goods, automotive parts, various home products and fixtures, lawn tractors and assorted equipment, light bulbs, and various parts for engines.

No customer accounted for more than 5% of our total revenue during any of our three most recent fiscal years.

Drivers and Personnel

At June 30, 2009, we employed 3,777 persons, of whom 2,829 were drivers, 209 were truck maintenance personnel, 537 were administrative personnel, and 202 were dedicated services personnel. None of our U.S. or Canadian employees is represented by a union or a collective bargaining unit.

Driver recruitment, retention, and satisfaction are essential components of our success. Historically, competition to recruit and retain drivers has been intense in the trucking industry. In the past, there has been a shortage of qualified drivers in the industry. Although the recessionary economy has eased this competition and minimized the shortage, when the economy rebounds and volumes and pricing return to historical levels, we expect the competition for qualified drivers will intensify. Drivers are selected in accordance with specific guidelines, relating primarily to safety records, driving experience, and personal evaluations, including a physical examination and mandatory drug testing. Our drivers attend an orientation program and ongoing driver efficiency and safety programs. An increase in driver turnover can have a negative impact on our results of operations.

Independent contractors are utilized through a contract with us to supply one or more tractors and drivers for our use. Independent contractors must pay their own tractor expenses, fuel, maintenance, and driver costs and must meet our specified guidelines with respect to safety. A lease-purchase program offered through third party financing sources and an internal lease purchase program provide independent contractors the opportunity to lease-to-own a tractor. As of June 30, 2009, there were 280 independent contractors providing a combined 8.8% of our tractor capacity.

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Revenue Equipment

Our equipment strategy is to utilize late-model tractors and high-capacity trailers, actively manage equipment throughout its life cycle, and employ a comprehensive service and maintenance program.

We have determined that the average annual cost of maintenance and tires for tractors in our fleet rises substantially after the first three years due to a combination of greater wear and tear and the expiration of some warranty coverages. We believe these costs rise late in the trade cycle for our trailers as well. We anticipate that we will achieve ongoing savings in maintenance and tire expense by replacing tractors and trailers more often. In addition, we believe operating newer equipment will enhance our driver recruiting and retention efforts. Accordingly, we seek to manage our tractor trade cycle at approximately three years and our trailer trade cycle at approximately seven years.

The average age of our owned and leased tractors and trailers was approximately 1.5 and 5.0 years, respectively, at June 30, 2009. We utilize a comprehensive maintenance program to minimize downtime and control maintenance costs. Centralized purchasing of spare parts and tires, and centralized control of over-the-road repairs are also used to control costs.

Fuel

We purchase the majority of our fuel through a network of over 700 fuel stops throughout the United States and Canada. We have negotiated discounted pricing based on certain volume commitments with these fuel stops. We maintain bulk-fueling facilities in Indianapolis, Laredo, and Kitchener, Ontario to further reduce fuel costs.

Shortages of fuel, increases in prices, or rationing of petroleum products can have a materially adverse effect on our operations and profitability. Fuel is subject to economic, political, climatic, and market factors that are outside of our control. We have historically been able to recover a majority of high fuel prices from customers in the form of fuel surcharges. However, a portion of the fuel expense increase is not recovered due to several factors, including the base fuel price levels, which determine when surcharges are collected, truck idling, empty miles between freight shipments, and out-of-route miles. We cannot predict whether high fuel price levels will occur in the future or the extent to which fuel surcharges will be collected to offset such increases.

Regulation

Our operations are regulated and licensed by various United States federal and state, Canadian provincial, and Mexican federal agencies. Interstate motor carrier operations are subject to safety requirements prescribed by the United States Department of Transportation ("DOT"). Such matters as weight and equipment dimensions are also subject to United States federal and state regulation and Canadian provincial regulations. We operate in the United States throughout the 48 contiguous states pursuant to operating authority granted by the Federal Highway Administration, in various Canadian provinces pursuant to operating authority granted by the Ministries of Transportation and Communications in such provinces, and within Mexico pursuant to operating authority granted by Secretaria de Communiciones y Transportes. To the extent that we conduct operations outside the United States, we are subject to the Foreign Corrupt Practices Act, which generally prohibits United States companies and their intermediaries from bribing foreign officials for the purpose of obtaining or retaining favorable treatment.

New rules that limit driver hours-of-service were adopted by the DOT, through the Federal Motor Carrier Safety Administration ("FMCSA"), effective January 4, 2004, and then modified effective October 1, 2005 (the "2005 Rules"). On July 24, 2007, a federal appeals court vacated portions of the 2005 Rules. Two of the key portions vacated by the court include the expansion of the driving day from 10 hours to 11 hours, and the "34 hour restart" requirement that drivers must have a break of at least 34 consecutive hours during each week. The court indicated that, in addition to other reasons, it vacated these two portions of the 2005 Rules because FMCSA failed to provide adequate data supporting its decision to increase the driving day and provide for the 34-hour restart. In November 2008, following the submission of additional data by FMCSA and several appeals and court rulings, FMSCA published its final rule, retaining the 11 hour driving day and the 34-hour restart. However, certain advocacy groups continue to challenge the final rule, and we are unable to predict how a court might rule on these challenges. If the court did strike down this rule, it could cause significant cost increases, due to loss of efficiency, driver reeducation, computer programming changes, and additional driver and equipment needs.

Our operations are subject to various federal, state, and local environmental laws and regulations, implemented principally by the Environmental Protection Agency ("EPA") and similar state regulatory agencies, governing the management of hazardous wastes, other discharge of pollutants into the air and surface and underground waters, and the disposal of certain substances. We do not believe that compliance with these regulations has a material effect on our capital expenditures, earnings, and competitive position.

In addition, the engines used in our newer tractors are subject to emissions control regulations issued by the EPA. The regulations require progressive reductions in exhaust emissions from diesel engines for 2007 through 2010. Compliance with such regulations has increased the cost of our new tractors and could impair equipment productivity, lower fuel mileage, and increase our operating expenses. These adverse effects combined with the uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values realized from the disposition of these vehicles could increase our costs or otherwise adversely affect our business or operations. Some manufacturers have significantly increased new equipment prices, in part to meet new engine design requirements.

Cargo Liability, Insurance, and Legal Proceedings

We are a party to routine litigation incidental to our business, primarily involving claims for bodily injury or property damage incurred in the transportation of freight. We are responsible for the safe delivery of cargo. We have increased the self-insured retention portion of our insurance coverage for most claims significantly over the past several years. Effective July 1, 2008, we renewed our auto liability policy for two years, self-insuring for personal injury and property damage claims for amounts up to $1.5 million per occurrence. Management believes our uninsured exposure is reasonable for the transportation industry, based on previous history.

We are also responsible for administrative expenses, for each occurrence involving personal injury or property damage. We are also self-insured for the full amount of all our physical damage losses, for workers' compensation losses up to $1.5 million per claim, and for cargo claims up to $100,000 per shipment, except for a few transportation contracts in which a higher retention may apply. Subject to these self-insured retention amounts, our current workers' compensation policy provides coverage up to a maximum per claim amount of $10.0 million, and our current cargo loss and damage coverage provides coverage up to $1.0 million per shipment. We maintain separate insurance in Mexico consisting of bodily injury and property damage coverage with acceptable deductibles. Management believes our uninsured exposure is reasonable for the transportation industry, based on previous history.

There are various claims, lawsuits, and pending actions against us and our subsidiaries that arise in the normal course of business. We believe many of these proceedings are covered in whole or in part by insurance and that none of these matters will have a materially adverse effect on our consolidated financial position or results of operations in any given period.

Seasonality

In the trucking industry, revenue generally decreases as customers reduce shipments during the winter holiday season and as inclement weather impedes operations. At the same time, operating expenses generally increase, with fuel efficiency declining because of engine idling and weather, creating more equipment repairs. For the reasons stated, third quarter net income historically has been lower than net income in each of the other three quarters of the year excluding charges. Our equipment utilization typically improves substantially between May and October of each year because of seasonal increased shipping and better weather. Also, during September and October, business generally increases as a result of increased retail merchandise shipped in anticipation of the holidays.

Internet Website

We maintain an Internet website where additional information concerning our business can be found. The address of that website is www.celadontrucking.com. All of our reports filed with or furnished to the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Exchange Act, including our annual report on Form 10-K, quarterly reports on Form 10-Q, or current reports on Form 8-K, and amendments thereto are made available free of charge on or through our Internet website as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. Information contained on our website is not incorporated into this Annual Report on Form 10-K, and you should not consider information contained on our website to be part of this report.

Item 1A. Risk Factors

Our future results may be affected by a number of factors over which we have little or no control. The following issues, uncertainties, and risks, among others, should be considered in evaluating our business and growth outlook.

Our business is subject to general economic and business factors that are largely out of our control, any of which could have a materially adverse effect on our operating results.

Our business is dependent on a number of factors that may have a materially adverse effect on our results of operations, many of which are beyond our control. Some of the most significant of these factors include excess tractor and trailer capacity in the trucking industry, declines in the resale value of used equipment, strikes or work stoppages, or work slow downs at our facilities or at customer, port, border crossing, or other shipping related facilities, increases in interest rates, fuel taxes, tolls, and license and registration fees, rising costs of healthcare, and fluctuations in foreign exchange rates.

We are also affected by recessionary economic cycles, changes in customers' inventory levels, and downturns in customers' business cycles, particularly in market segments and industries, such as retail and manufacturing, where we have a significant concentration of customers, and regions of the country, such as Texas and the Midwest, where we have a significant amount of business. Economic conditions may adversely affect our customers and their ability to pay for our services. Customers encountering adverse economic conditions represent a greater potential for loss and we may be required to increase our allowance for doubtful accounts. These economic conditions may adversely affect our ability to execute our strategic plan.

In addition, we cannot predict the effects on the economy or consumer confidence of actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against a foreign state or group located in a foreign state, or heightened security requirements. Enhanced security measures could impair our operating efficiency and productivity and result in higher operating costs.

Ongoing insurance and claims expenses could significantly affect our earnings.

We self-insure for a significant portion of our claims exposure, which could significantly increase the volatility of, and decrease the amount of, our earnings. Our future insurance and claims expenses may exceed historical levels, which could reduce our earnings. We currently accrue amounts for liabilities based on our assessment of claims that arise and our insurance coverage for the periods in which the claims arise and we evaluate and revise these accruals from time-to-time based on additional information. We do not currently maintain directors and officers' insurance coverage, although we are obligated to indemnify them against certain liabilities they may incur while serving in such capacities. Because of our significant self-insured amounts, we have significant exposure to fluctuations in the number and severity of claims and the risk of being required to accrue or pay additional amounts if our estimates are revised or the claims ultimately prove to be more severe than originally assessed.

We maintain insurance above the amounts for which we self-insure with licensed insurance carriers. If any claim were to exceed our coverage, we would bear the excess, in addition to our other self-insured amounts. Our insurance and claims expense could increase when our current coverage expires or we could raise our self-insured retention. Although we believe our aggregate insurance limits are sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed those limits. If insurance carriers raise our premiums, our insurance and claims expense could increase, or we could find it necessary to again raise our self-insured retention or decrease our aggregate coverage limits when our policies are renewed or replaced. Our operating results and financial condition could be materially and adversely affected if these expenses increase, if we experience a claim in excess of our coverage limits, or if we experience a claim for which we do not have coverage.

Ongoing insurance requirements could constrain our borrowing capacity. At June 30, 2009, our revolving line of credit was amended to provide a maximum borrowing limit of $40.0 million, outstanding borrowings of $5.5 million, and outstanding letters of credit of $4.2 million. Our borrowings may increase if we do acquisitions or finance more of our equipment under our revolving line of credit. Outstanding letters of credit with certain financial institutions reduce the available borrowings under our revolving line of credit, which could negatively affect our liquidity should we need to increase our borrowings in the future. In addition, ongoing insurance requirements could constrain our borrowing capacity.

We operate in a highly competitive and fragmented industry and our business may suffer if we are unable to adequately address downward pricing pressures and other results of competition.

Numerous competitive factors could impair our ability to maintain or improve our current profitability. These factors include the following:

We compete with many other truckload carriers of varying sizes and, to a lesser extent, with less-than-truckload carriers, railroads, and other transportation companies, many of which have more equipment and greater capital resources than we do.

Many of our competitors periodically reduce their freight rates to gain business, especially during times of reduced growth rates in the economy, which may limit our ability to maintain or increase freight rates or maintain significant growth in our business.

Many customers reduce the number of carriers they use by selecting so-called "core carriers" as approved service providers, and in some instances we may not be selected.

Many customers periodically accept bids from multiple carriers for their shipping needs, and this process may depress freight rates or result in the loss of some business to competitors.

The trend toward consolidation in the trucking industry may create other large carriers with greater financial resources and other competitive advantages relating to their size.

Advances in technology require increased investments to remain competitive, and our customers may not be willing to accept higher freight rates to cover the cost of these investments.

Competition from non-asset-based logistics and freight brokerage companies may adversely affect our customer relationships and freight rates.

Economies of scale that may be passed on to smaller carriers by procurement aggregation providers may improve their ability to compete with us.

We derive a significant portion of our revenue from our major customers, the loss of one or more of which could have a materially adverse effect on our business.

A significant portion of our revenue is generated from our major customers. For 2009, our top 25 customers, based on revenue, accounted for approximately 37% of our revenue, and our top 10 customers, approximately 23% of our revenue. We do not expect these percentages to change materially for 2010. Generally, we do not have long term contractual relationships with our major customers, and we cannot assure you that our customers will continue to use our services or that they will continue at the same levels. A reduction in or termination of our services by one or more of our major customers could have a materially adverse effect on our business and operating results.

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Increases in driver compensation or difficulty in attracting and retaining drivers could affect our profitability and ability to grow.

The trucking industry experiences substantial difficulty in attracting and retaining qualified drivers, including independent contractors. In the past, because of the shortage of qualified drivers, the availability of alternative jobs, and intense competition for drivers from other trucking companies, we have faced difficulty increasing the number of our drivers, including independent contractor drivers, and may continue to in the future. The compensation we offer our drivers and independent contractors is subject to market conditions, and we may find it necessary to increase driver and independent contractor compensation in future periods. In addition, the Company suffers from a high turnover rate of drivers; although our turnover rate is lower than the industry average. A high turnover rate requires us to continually recruit a substantial number of drivers in order to operate existing revenue equipment. If we are unable to continue to attract and retain a sufficient number of drivers and independent contractors, we could be required to adjust our compensation packages, let trucks sit idle, or operate with fewer trucks and face difficulty meeting shipper demands, all of which would adversely affect our growth and profitability.

Our revenue growth may not continue at historical rates, which could adversely affect our stock price.

We experienced significant growth in revenue between 2002 and 2008. In light of the weakened economy and freight environment, our revenue for 2009 was less than the previous year. We have taken strategic steps to offset portions of these revenue reductions by reducing costs through downsizing our administrative personnel staff and concentrating on increased fuel efficiency.  We can provide no assurance that our operating margins will not be further adversely affected by these changes in economic conditions. Slower or less profitable growth could adversely affect our stock price.

We operate in a highly regulated industry and increased costs of compliance with, or liability for violation of, existing or future regulations could have a materially adverse effect on our business.

Our operations are regulated and licensed by various U.S., Canadian, and Mexican agencies. Our company drivers and independent contractors also must comply with the safety and fitness regulations of the United States DOT, including those relating to drug and alcohol testing and hours-of-service. Such matters as weight and equipment dimensions are also subject to U.S. and Canadian regulations. We also may become subject to new or more restrictive regulations relating to fuel emissions, drivers' hours-of-service, ergonomics, or other matters affecting safety or operating methods. Other agencies, such as the EPA and the Department of Homeland Security also regulate our equipment, operations, and drivers. Future laws and regulations may be more stringent and require changes in our operating practices, influence the demand for transportation services, or require us to incur significant additional costs. Higher costs incurred by us or by our suppliers who pass the costs onto us through higher prices could adversely affect our results of operations.

The DOT, through the FMCSA, imposes safety and fitness regulations on us and our drivers. On July 24, 2007, a federal appeals court vacated portions of the existing rules relating to drivers' hours of service. Two of the key portions that were vacated include the expansion of the driving day from 10 hours to 11 hours, and the "34 hour restart" requirement that drivers must have a break of at least 34 consecutive hours during each week. In November 2008, following the submission of additional data by FMCSA and several appeals and court rulings, FMSCA published its final rule, retaining the 11 hour driving day and the 34-hour restart. However, certain advocacy groups continue to challenge the final rule, and we are unable to predict how a court might rule on these challenges. If the court did strike down this rule, it could cause significant cost increases, due to loss of efficiency, driver reeducation, computer programming changes, and additional driver and equipment needs.

The Transportation Security Administration ("TSA") has adopted regulations that require the TSA to determine that each driver who renews his or her Hazmat license or applies for a new Hazmat license is not a security threat. This could reduce our available pool of Hazmat drivers, and cause us to incur more costs related to driver compensation. We may experience difficulty in matching available drivers and equipment with Hazmat shipments, which could cause delivery failures or increased non-revenue miles to re-position drivers for these loads.

Federal, state, and municipal authorities have implemented and continue to implement various security measures, including checkpoints and travel restrictions on large trucks. These regulations also could complicate the matching of available equipment with hazardous material shipments, thereby increasing our response time on customer orders and our non-revenue miles. As a result, it is possible we may fail to meet the needs of our customers or may incur increased expenses to do so. These security measures could negatively impact our operating results.

Some states and municipalities have begun to restrict the locations and amount of time where diesel-powered tractors, such as ours, may idle, in order to reduce exhaust emissions. These restrictions could force us to alter our drivers' behavior, purchase on-board power units that do not require the engine to idle, or face a decrease in productivity.

We have significant ongoing capital requirements that could affect our profitability if we are unable to generate sufficient cash from operations and obtain financing on favorable terms.

The truckload industry is capital intensive, and our policy of operating newer equipment requires us to expend significant amounts annually. If we elect to expand our fleet in future periods, our capital needs would increase. We expect to pay for projected capital expenditures with operating leases of revenue equipment, cash flows from operations, and borrowings under our line of credit. If we are unable to generate sufficient cash from operations and obtain financing on favorable terms in the future, we may have to limit our growth, enter into less favorable financing arrangements, or operate our revenue equipment for longer periods, any of which could have a materially adverse effect on our profitability.

We currently have significant lease residual value guarantees, substantially all of which are not covered by trade-in or fixed residual agreements with the equipment suppliers. We are exposed to decreases in the resale value of our used equipment and we have increased exposure to issues on the significant percentage of our fleet not covered by manufacturer commitments which could have a materially adverse effect on our results of operations.

Fluctuations in the price or availability of fuel, as well as hedging activities, surcharge collection, and the volume and terms of diesel fuel purchase commitments may increase our cost of operation, which could materially and adversely affect our profitability.

Fuel is one of our largest operating expenses. Diesel fuel prices fluctuate greatly due to economic, political, climatic, and other factors beyond our control. Fuel is also subject to regional pricing differences and often costs more on the West Coast, where we have significant operations. From time-to-time we have used fuel surcharges, hedging contracts, and volume purchase arrangements to attempt to limit the effect of price fluctuations. Although we seek to recover a portion of the short-term increases in fuel prices from customers through fuel surcharges, these arrangements do not fully offset the increase in the cost of diesel fuel and also may result in us not receiving the full benefit of any fuel price decreases. We currently do not have any fuel hedging contracts in place. If we do hedge, we may be forced to make cash payments under the hedging arrangements. Based on current market conditions we have decided to limit our hedging and purchase commitments, but we continue to evaluate such measures. The absence of meaningful fuel price protection through these measures, fluctuations in fuel prices, or a shortage of diesel fuel, could materially and adversely affect our results of operations.

We may not make acquisitions in the future, or if we do, we may not be successful in our acquisition strategy.

We have made twelve acquisitions since 1995. Accordingly, acquisitions have provided a substantial portion of our growth. There is no assurance that we will be successful in identifying, negotiating, or consummating any future acquisitions. If we fail to make any future acquisitions, our growth rate could be materially and adversely affected.

Any acquisitions we undertake could involve the dilutive issuance of equity securities and/or incurring indebtedness. In addition, acquisitions involve numerous risks, including difficulties in assimilating the acquired company's operations, the diversion of our management's attention from other business concerns, risks of entering into markets in which we have had no or only limited direct experience, and the potential loss of customers, key employees, and drivers of the acquired company, any of which could have a materially adverse effect on our business and operating results. If we make acquisitions in the future, we cannot assure you that we will be able to successfully integrate the acquired companies or assets into our business.

If we cannot effectively manage the challenges associated with doing business internationally, our revenues and profitability may suffer.

Our success is dependent upon the success of our operations in Mexico and Canada, and we are subject to risks of doing business internationally, including fluctuations in foreign currencies, changes in the economic strength of the countries in which we do business, difficulties in enforcing contractual obligations and intellectual property rights, burdens of complying with a wide variety of international and United States export and import laws, and social, political, and economic instability. Additional risks associated with our foreign operations, including restrictive trade policies and imposition of duties, taxes, or government royalties by foreign governments, are present but largely mitigated by the terms of NAFTA.

Increased prices, reduced productivity, and restricted availability of new revenue equipment may adversely affect our earnings and cash flows.

We have experienced higher prices for new tractors over the past few years, partially as a result of government regulations applicable to newly manufactured tractors and diesel engines, in addition to higher commodity prices and better pricing power among equipment manufacturers. More restrictive EPA emissions standards that went into effect in 2007 and emission standards that will take effect in 2010 are more stringent than prior standards and will require vendors to introduce new engines. Our business could be harmed if we are unable to continue to obtain an adequate supply of new tractors and trailers for these or other reasons. As a result, we expect to continue to pay increased prices for equipment and incur additional expenses and related financing costs for the foreseeable future. Furthermore, the new engines are expected to reduce equipment efficiency and lower fuel mileage and, therefore, increase our operating expenses.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.

In addition to direct regulation by the DOT and other agencies, we are subject to various environmental laws and regulations dealing with the hauling and handling of hazardous materials, fuel storage tanks, air emissions from our vehicles and facilities, and discharge and retention of storm water. We operate in industrial areas, where truck terminals and other industrial activities are located, and where groundwater or other forms of environmental contamination have occurred. Our operations involve the risks of fuel spillage or seepage, environmental damage, and hazardous waste disposal, among others. We also maintain underground bulk fuel storage tanks and fueling islands at two of our facilities. A small percentage of our freight consists of low-grade hazardous substances, which subjects us to a wide array of regulations. If we are involved in a spill or other accident involving hazardous substances, if there are releases of hazardous substances we transport, or if we are found to be in violation of applicable laws or regulations, we could be subject to liabilities that could have a materially adverse effect on our business and operating results. If we should fail to comply with applicable environmental regulations, we could be subject to substantial fines or penalties and to civil and criminal liability.

If we are unable to retain our key employees, our business, financial condition, and results of operations could be adversely affected.

We are highly dependent upon the services of certain key employees, including, but not limited to: Stephen Russell, our Chairman of the Board and Chief Executive Officer; Chris Hines, our President and Chief Operating Officer; Jonathan Russell, Executive Vice President Logistics and President of Truckers B2B; and Paul Will, our Vice Chairman of the Board, Executive Vice President, and Chief Financial Officer. Although we have an employment agreement with Mr. Stephen Russell and a separation agreement with Mr. Will, the loss of either of their services or the services of Messrs. Hines or Jonathan Russell could negatively impact our operations and future profitability.

Seasonality and the impact of weather affect our operations and profitability.

Our tractor productivity decreases during the winter season because inclement weather impedes operations, and some shippers reduce their shipments after the winter holiday season. Revenue can also be affected by bad weather and holidays, since revenue is directly related to available working days of shippers. At the same time, operating expenses increase, with fuel efficiency declining because of engine idling and harsh weather creating higher accident frequency, increased claims, and more equipment repairs. We could also suffer short-term impacts from weather-related events such as hurricanes, blizzards, ice storms, and floods that could harm our results or make our results more volatile. Weather and other seasonal events could adversely affect our operating results.

Our Board of Directors authorized the repurchase of shares of our common stock under a stock repurchase program. The number of shares repurchased and the effects of repurchasing the shares may have an adverse effect on debt, equity, and liquidity of the Company.

On October 24, 2007, the Company's Board of Directors authorized a stock repurchase program pursuant to which the Company purchased 2,000,000 shares of the Company's common stock. On December 5, 2007, the Company announced that it had purchased all of the shares of the Company's common stock previously authorized and that the Company's Board of Directors authorized an additional stock repurchase program pursuant to which the Company may purchase up to 2,000,000 additional shares of the Company's common stock through December 3, 2008. None of these additional shares were purchased and no additional repurchase programs have been authorized.

Our business is subject to certain credit factors affecting the trucking industry that are largely out of our control and that could have a material adverse effect on our operating results.

Recently, there has been widespread concern over the instability of the credit markets and the current credit market effects on the economy. If the economy and credit markets continue to weaken, our business, financial results, and results of operations could be materially and adversely affected, especially if consumer confidence declines and domestic spending decreases. Additionally, the stresses in the credit market have caused uncertainty in the equity markets, which may result in volatility of the market price for our securities.

If the credit markets continue to erode, we also may not be able to access our current sources of credit and our lenders may not have the capital to fund those sources. We may need to incur additional indebtedness or issue debt or equity securities in the future to refinance existing debt, fund working capital requirements, make investments, or for general corporate purposes. As a result of contractions in the credit market, as well as other economic trends in the credit market industry, we may not be able to secure financing for future activities on satisfactory terms, or at all. If we are not successful in obtaining sufficient financing because we are unable to access the capital markets on financially economical or feasible terms, it could impact our ability to provide services to our customers and may materially and adversely affect our business, financial results, results of operations, and potential investments.

Our primary credit agreement contains certain covenants, restrictions, and requirements, and we may be unable to comply with the covenants, restrictions, and requirements. A default could result in the acceleration of all or part of our outstanding indebtedness, which could have an adverse effect on our financial condition, liquidity, results of operations, and the price of our common stock.

We have financing arrangements that contain certain restrictions and covenants relating to, among other things, dividends, liens, acquisitions and dispositions outside of the ordinary course of business, affiliate transactions, and financial covenants. If we fail to comply with any of our financing arrangement covenants, restrictions, and requirements, we will be in default under the relevant agreement, which could cause acceleration. The current credit market crisis may make it difficult or expensive to refinance accelerated debt or we may have to issue equity securities, which would dilute stock ownership. Even if new financing is made available to us, the current lack of available credit and consequent more stringent borrowing terms may mean that credit is not available to us on acceptable terms. A default under our financing arrangements could cause a materially adverse effect on our liquidity, financial condition, and results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Primary Credit Agreement" for additional information on our primary credit agreement.

Restrictions on travel to and from Mexico due to health epidemics could significantly disrupt our operations and may materially and adversely affect our ability to provide services to our customers and results.

A significant amount of our business involves freight moving to or from Mexico. Our business could be materially and adversely affected by restrictions on travel to and from Mexico due to a health epidemic or outbreak such as the swine flu. Any restrictions on travel to and from Mexico due to the swine flu or another epidemic or outbreak in Mexico may significantly disrupt our operations and decrease our ability to provide services to our customers. Additionally, any such epidemic or outbreak may have a materially adverse effect on demand for freight into and out of Mexico, which could severely disrupt our business operations and adversely affect our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We operate a network of 17 terminal locations, including facilities in Laredo and El Paso, Texas, which are the two largest inland freight gateway cities between the U.S. and Mexico. Our operating terminals currently are located in the following cities:

| United States | Mexico | Canada |
|---|---|---|
| Baltimore, MD (Leased) | Guadalajara (Leased) | Kitchener, ON (Leased) |
| Dallas, TX (Owned) | Mexico City (Leased) | |
| El Paso, TX (Owned) | Monterrey (Leased) | |
| Greensboro, NC (Leased) | Nuevo Laredo (Owned) | |
| Hampton, VA (Leased) | Puebla (Leased) | |
| Indianapolis, IN (Leased) | Silao (Leased) | |
| Laredo, TX (Owned and Leased) | | |
| Richmond, VA (Leased) | | |
| Nashville, TN (Leased) | | |
| Little Rock, AR (Leased) | | |

Our executive and administrative offices occupy four buildings located on 40 acres of property in Indianapolis, Indiana. The Indianapolis, Laredo, and Kitchener terminals include administrative functions, lounge facilities for drivers, parking, fuel, maintenance, and truck washing facilities. A portion of the Indianapolis facility is used for the operations of Truckers B2B. All of our other owned and leased facilities are utilized exclusively by our transportation segment.

Item 3. Legal Proceedings

See discussion under "Cargo Liability, Insurance, and Legal Proceedings" in Item 1, and Note 9 to the consolidated financial statements, "Commitments and Contingencies."

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted for a vote of security holders, through the solicitation of proxies or otherwise, during the quarter ended June 30, 2009.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Our common stock is listed on the NASDAQ Global Select Market under the symbol "CLDN." The following table sets forth, for the periods indicated, the high and low sales price per share of our common stock as reported by NASDAQ.

| Fiscal 2008 | High | Low |
|---|---|---|
| Quarter ended September 30, 2007 | $ 18.22 | $ 11.77 |
| Quarter ended December 31, 2007 | $ 11.45 | $ 6.50 |
| Quarter ended March 31, 2008 | $ 11.61 | $ 7.13 |
| Quarter ended June 30, 2008 | $ 11.68 | $ 9.15 |
| | | |
| Fiscal 2009 | | |
| Quarter ended September 30, 2008 | $ 15.25 | $ 9.25 |
| Quarter ended December 31, 2008 | $ 11.77 | $ 4.85 |
| Quarter ended March 31, 2009 | $ 9.58 | $ 4.40 |
| Quarter ended June 30, 2009 | $ 9.64 | $ 5.14 |

On August 13, 2009, there were 369 holders of our common stock based upon the number of record holders on that date. However, we estimate our actual number of stockholders is much higher because a substantial number of our shares are held of record by brokers or dealers for their customers in street names.

Dividend Policy

We have never paid a cash dividend on our common stock, and we do not expect to make or declare any cash dividends in the foreseeable future. We currently intend to continue to retain earnings to finance the growth of our business and reduce our indebtedness. Our ability to pay cash dividends is currently prohibited by restrictions contained in our revolving credit facility. Future payments of cash dividends will depend on our financial condition, results of operations, capital commitments, restrictions under our then-existing debt agreements, and other factors our Board of Directors may consider relevant.

Stock Repurchase Programs

On October 24, 2007, the Company's Board of Directors authorized a stock repurchase program pursuant to which the Company purchased 2,000,000 shares of the Company's common stock. On December 5, 2007, the Company announced that it had purchased all of the shares of the Company's common stock previously authorized.

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Item 6. Selected Financial Data

The statements of operations data and balance sheet data presented below have been derived from our consolidated financial statements and related notes thereto. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto.

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| | (in thousands, except per share data and operating data) | | | | |
| Statements of Operations Data: | | | | | |
| Freight revenue(1) | $ 408,156 | $ 457,482 | $ 433,012 | $ 414,465 | $ 399,656 |
| Fuel surcharge revenue | 82,182 | 108,413 | 69,680 | 65,729 | 37,107 |
| Total revenue | 490,338 | 565,895 | 502,692 | 480,194 | 436,763 |
| Operating expense | 479,448 | 547,097 | 462,592 | 445,966 | 413,355 |
| Operating income | 10,890 | 18,798 | 40,100 | 34,228 | 23,408 |
| Interest expense, net | 3,554 | 4,922 | 3,511 | 780 | 1,418 |
| Other expense (income) | (227) | 193 | 109 | 34 | 13 |
| Income before income taxes | 7,563 | 13,683 | 36,480 | 33,414 | 21,977 |
| Provision for income taxes | 5,007 | 7,147 | 14,228 | 12,866 | 9,397 |
| Net income (loss) | $ 2,556 | $ 6,536 | $ 22,252 | $ 20,548 | $ 12,580 |
| Diluted earnings (loss) per share(2) | $ 0.12 | $ 0.29 | $ 0.94 | $ 0.88 | $ 0.55 |
| Weighted average diluted shares outstanding(2) | 22,134 | 22,617 | 23,698 | 23,386 | 23,013 |
| | | | | | |
| Balance Sheet Data (at end of period): | | | | | |
| Net property and equipment | $ 167,142 | $ 206,199 | $ 207,499 | $ 91,267 | $ 57,545 |
| Total assets | 270,999 | 329,335 | 306,913 | 190,066 | 160,508 |
| Long-term debt, revolving lines of credit, and capital lease obligations, including current maturities | 48,983 | 102,506 | 94,642 | 12,023 | 7,344 |
| Stockholders' equity | 143,667 | 143,852 | 147,320 | 121,427 | 98,491 |
| | | | | | |
| Operating Data: | | | | | |
| For period(3): | | | | | |
| Average revenue per loaded mile(4) | $ 1.464 | $ 1.503 | $ 1.534 | $ 1.491 | $ 1.424 |
| Average revenue per total mile(4) | $ 1.307 | $ 1.348 | $ 1.380 | $ 1.367 | $ 1.316 |
| Average revenue per tractor per week(4) | $ 2,360 | $ 2,717 | $ 2,790 | $ 2,948 | $ 2,841 |
| Average length of haul | 907 | 935 | 960 | 1,004 | 995 |
| At end of period: | | | | | |
| Total tractors(5) | 3,168 | 2,929 | 3,016 | 2,732 | 2,570 |
| Average age of company tractors (in years) | 1.5 | 1.8 | 1.6 | 2.0 | 1.9 |
| Total trailers(5) | 10,015 | 9,052 | 7,843 | 7,630 | 7,468 |

| | | | | | |
|---|---|---|---|---|---|
| Average age of company trailers (in years) | 5.0 | 4.1 | 3.8 | 3.5 | 3.6 |

(1) Freight revenue is total revenue less fuel surcharges.
(2) Earnings per share amounts and weighted average number of shares outstanding have been adjusted to give retroactive effect to two three-for-two stock splits effected in the form of a 50% stock dividend paid on February 15, 2006 and June 15, 2006.
(3) Unless otherwise indicated, operating data and statistics presented in this table and elsewhere in this report are for our truckload revenue and operations and exclude revenue and operations of TruckersB2B, our Mexican subsidiary, Servicio de Transportation Jaguar, S.A. de C.V. ("Jaguar"), and our less-than-truckload, local trucking or "shuttle", brokerage, and logistics.
(4) Excludes fuel surcharges.
(5) Total fleet, including equipment operated by Jaguar.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Recent Results and Fiscal Year-End Financial Condition

For the fiscal year ended June 30, 2009, total revenue decreased 13.4%, to $490.3 million from $565.9 million during fiscal 2008. Freight revenue, which excludes revenue from fuel surcharges, decreased 10.8%, to $408.2 million in fiscal 2009 from $457.5 million in 2008. We generated net income of $2.6 million, or $0.12 per diluted share, for fiscal 2009 compared with net income of $6.5 million, or $0.29 per diluted share, for 2008.

We believe that a weakened freight market and increased industry-wide trucking capacity in fiscal 2009 compared to fiscal 2008 were the major factors that contributed to our decrease in net income. Decreased freight demand due to a slower economy caused a decrease in truck utilization measured by miles per tractor. In addition, shippers used the less robust freight market to reduce freight rates. As a result, average freight revenue per loaded mile excluding fuel surcharge for 2009 decreased $0.039 per mile to $1.464, a 2.6% decrease compared with $1.503 per mile for 2008. Average freight revenue per tractor per week, our main measure of asset productivity, decreased by 13.1% to $2,360 in 2009 compared with $2,717 for 2008. This decrease was due to lower general freight demand and an increase in non-revenue miles, partially offset by an increase in fleet size to 3,168 tractors at June 30, 2009 from 2,929 tractors at June 30, 2008, which was primarily driven by the Continental acquisition. As the freight market weakened and we ran more empty miles to get to our next load and position equipment for sale, our non-revenue miles increased. Our operating ratio, excluding the effect of fuel surcharge, increased to 97.3% for 2009 compared with 95.9% for 2008.

At June 30, 2009, our total balance sheet debt was $49.0 million and our total stockholders' equity was $143.7 million, for a total debt to capitalization ratio of 25.4%. At June 30, 2009, we had $30.3 million of available borrowing capacity under our revolving credit facility and $0.9 million of cash on hand.

### Revenue

We generate substantially all of our revenue by transporting freight for our customers. Generally, we are paid by the mile or by the load for our services. We also derive revenue from fuel surcharges, loading and unloading activities, equipment detention, other trucking related services, and from TruckersB2B. The main factors that affect our revenue are the revenue per mile we receive from our customers, the percentage of miles for which we are compensated, the number of tractors operating, and the number of miles we generate with our equipment. These factors relate to, among other things, the U.S. economy, inventory levels, the level of truck capacity in our markets, specific customer demand, the percentage of team-driven tractors in our fleet, driver availability, and our average length of haul.

We eliminate fuel surcharges from revenue, when calculating operating ratios and some of our operating data. We believe that eliminating the impact of this sometimes volatile source of revenue affords a more consistent basis for comparing our results of operations from period to period.

### Expenses and Profitability

The main factors that impact our profitability on the expense side are the variable costs of transporting freight for our customers. These costs include fuel expense, driver-related expenses, such as wages, benefits, training, and recruitment, and independent contractor costs, which we record as purchased transportation. Expenses that have both fixed and variable components include maintenance and tire expense and our total cost of insurance and claims. These expenses generally vary with the miles we travel, but also have a controllable component based on safety, fleet age, efficiency, and other factors. Our main fixed cost is the acquisition and financing of long-term assets, primarily revenue equipment. We have other mostly fixed costs, such as our non-driver personnel and facilities expenses. In discussing our expenses as a percentage of revenue, we sometimes discuss changes as a percentage of revenue before fuel surcharges, in addition to absolute dollar changes, because we believe the high variable cost nature of our business makes a comparison of changes in expenses as a percentage of revenue more meaningful at times than absolute dollar changes.

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The trucking industry has experienced significant increases in expenses over the past three years, in particular those relating to equipment costs, driver compensation, insurance, and fuel. As the United States economy has slowed down, many trucking companies have been forced to lower freight rates to keep their trucks moving. Over the long term, we expect a limited pool of qualified drivers and intense competition to recruit and retain those drivers to constrain overall industry capacity. Assuming a return to economic growth in U.S. manufacturing, retail, and other high volume shipping industries, we expect to be able to raise freight rates in line with or faster than costs. Over the near term this may prove challenging in the current freight environment.

Revenue Equipment

We operate 3,168 tractors and 10,015 trailers. Of our tractors at June 30, 2009, 1,145 were owned, 1,743 were acquired under operating leases, and 280 were provided by independent contractors, who own and drive their own tractors. Of our trailers at June 30, 2009, 2,962 were owned and 7,053 were acquired under operating and capital leases.

We use a combination of cash and operating leases to acquire our new tractors. Most of our new trailers are acquired with operating leases. These leases generally run for a period of seven years for trailers. When we finance revenue equipment acquisitions with operating leases, rather than borrowings or capital leases, the interest component of our financing activities is recorded as an "above-the-line" operating expense on our statements of operations.

Independent contractors (owner operators) provide a tractor and a driver and are responsible for all operating expenses in exchange for a fixed payment per mile. We do not have the capital outlay of purchasing the tractors. The payments to independent contractors are recorded in purchased transportation and the payments for equipment under operating leases are recorded in revenue equipment rentals. Expenses associated with owned equipment, such as interest and depreciation, are not incurred, and for independent contractor tractors, driver compensation, fuel, and other expenses are not incurred. Because obtaining equipment from independent contractors and through operating leases effectively shifts these expenses from interest to "above the line" operating expenses, we evaluate our efficiency using our operating ratio as well as income before income taxes.

Outlook

Looking forward, our profitability goal is to return our operating ratio to the mid 90s in the near term and subsequently achieve an operating ratio of less than 90%. We expect this to require improvements in rate per mile and miles per tractor and decreased non-revenue miles. Because a large percentage of our costs are variable, changes in revenue per mile affect our profitability to a greater extent than changes in miles per tractor. For fiscal 2010, the key factors that we expect to have the greatest effect on our profitability are our freight revenue per tractor per week (which will be affected by the general freight environment, including the balance of freight demand and industry-wide trucking capacity), our compensation of drivers, our cost of revenue equipment (particularly in light of the 2010 EPA engine requirements), our fuel costs, and our insurance and claims. To overcome cost increases and improve our margins, we will need to achieve increases in freight revenue per tractor. Operationally, we will seek improvements in safety, driver recruiting, and retention. Our success in these areas primarily will affect revenue, driver-related expenses, and insurance and claims expense. Given the difficult freight market confronting our industry and the difficult economy, we believe achieving our near term profitability goal will be difficult.

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Results of Operations

The following tables set forth the percentage relationship of revenue and expense items to operating and freight revenue for the periods indicated.

| | Fiscal year ended June 30, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| Operating revenue | 100.0 % | 100.0 % | 100.0 % |
| Operating expenses: | | | |
| Salaries, wages, and employee benefits | 31.7 | 28.2 | 28.8 |
| Fuel | 25.7 | 28.8 | 23.1 |
| Operations and maintenance | 7.2 | 6.6 | 6.4 |
| Insurance and claims | 2.8 | 2.7 | 2.6 |
| Depreciation and amortization | 7.2 | 5.9 | 4.4 |
| Revenue equipment rentals | 5.9 | 4.5 | 6.3 |
| Purchased transportation | 11.4 | 14.5 | 14.7 |
| Cost of products and services sold | 1.2 | 1.1 | 1.4 |
| Communication and utilities | 1.0 | 0.9 | 1.0 |
| Operating taxes and licenses | 2.0 | 1.6 | 1.7 |
| General and other operating | 1.7 | 1.9 | 1.6 |
| Total operating expenses | 97.8 | 96.7 | 92.0 |
| Operating income | 2.2 | 3.3 | 8.0 |
| Other expense: | | | |
| Interest expense, net | 0.7 | 0.9 | 0.7 |
| Income before income taxes | 1.5 | 2.4 | 7.3 |
| Provision for income taxes | 1.0 | 1.2 | 2.9 |
| Net income | 0.5 % | 1.2 % | 4.4 % |

| | | | |
|---|---|---|---|
| Freight revenue(1) | 100.0 % | 100.0 % | 100.0 % |
| Operating expenses: | | | |
| Salaries, wages, and employee benefits | 38.1 | 34.9 | 33.5 |
| Fuel | 10.7 | 12.0 | 10.8 |
| Operations and maintenance | 8.7 | 8.1 | 7.5 |
| Insurance and claims | 3.4 | 3.4 | 3.0 |
| Depreciation and amortization | 8.6 | 7.3 | 5.1 |
| Revenue equipment rentals | 7.1 | 5.6 | 7.4 |
| Purchased transportation | 13.7 | 18.0 | 17.0 |
| Cost of products and services sold | 1.4 | 1.4 | 1.6 |
| Communication and utilities | 1.2 | 1.1 | 1.1 |
| Operating taxes and licenses | 2.4 | 2.0 | 2.0 |
| General and other operating | 2.0 | 2.1 | 1.7 |
| Total operating expenses | 97.3 | 95.9 | 90.7 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Operating income | 2.7 | | 4.1 | | 9.3 | |
| Other expense: | | | | | | |
| Interest expense, net | 0.9 | | 1.1 | | 0.9 | |
| Income before income taxes | 1.8 | | 3.0 | | 8.4 | |
| Provision for income taxes | 1.2 | | 1.6 | | 3.3 | |
| Net income | 0.6 | % | 1.4 | % | 5.1 | % |

(1) Freight revenue is total operating revenue less fuel surcharges. In this table, fuel surcharges are eliminated from revenue and subtracted from fuel expense. The amounts were \$82.2 million, \$108.4 million, and \$69.7 million in 2009, 2008, and 2007, respectively.

Fiscal year ended June 30, 2009, compared with fiscal year ended June 30, 2008

Total revenue decreased by $75.6 million, or 13.4%, to $490.3 million for fiscal 2009, from $565.9 million for fiscal 2008. Freight revenue excludes $82.2 million and $108.4 million of fuel surcharge revenue for fiscal 2009 and 2008, respectively.

Freight revenue decreased by $49.3 million, or 10.8%, to $408.2 million for fiscal 2009, from $457.5 million for fiscal 2008. This decrease was primarily attributable to a decrease in freight demand and rates, due to a weakened economy and the difficult freight market and aggressive rate environment confronting our industry. This decrease was also attributable to a decrease in billed miles to 233.7 million in fiscal 2009, compared to 253.3 million in fiscal 2008, and a 3.0% decrease in average freight revenue per total mile, excluding fuel surcharge, to $1.307 from $1.348. Average freight revenue per tractor per week, excluding fuel surcharge, which is our primary measure of asset productivity, decreased 13.1% to $2,360 in fiscal 2009, from $2,717 for fiscal 2008, as a result of lower general freight demand, a decrease in miles and rates, partially offset by an increase in fleet size.  The decrease in miles per tractor and an increase in non-revenue miles were also attributable to less freight demand.

Revenue for TruckersB2B was $8.5 million in fiscal 2009, compared to $9.3 million in fiscal 2008. The decrease was related to decreases in fuel and tire rebate revenue due to small and mid size carriers being adversely affected by the lagging freight demand.  To the extent small and mid size carriers continue to be affected adversely by the weakened economy, lagging freight demand, limited financing availability, and licensing, insurance, and other costs, we anticipate the revenue for TruckersB2B to be negatively impacted as well.

Salaries, wages, and employee benefits were $155.6 million, or 38.1% of freight revenue, for fiscal 2009, compared to $159.9 million, or 34.9% of freight revenue, for fiscal 2008. The dollar decrease in salaries, wages, and benefits is largely due to decreased driver payroll related to decreased miles.  Additionally, decreases in administrative payroll resulting from ongoing efforts to consolidate and/or eliminate several functions into Indianapolis from various terminals, which plan reduced our non-driver administrative workforce by approximately 5%, also decreased our salaries, wages, and benefits.  However, these factors were more than offset by reduced freight revenue resulting in an increase in salaries, wages, and employee benefits as a percentage of freight revenue.

Fuel expenses, net of fuel surcharge revenue of $82.2 million and $108.4 million for fiscal 2009 and fiscal 2008, respectively, decreased to $43.7 million, or 10.7% of freight revenue, for fiscal 2009, compared to $54.7 million, or 12.0% of freight revenue, for fiscal 2008. These decreases were attributable to a 21.2% decrease in average fuel prices to $2.64 per gallon for fiscal 2009, from $3.35 per gallon for fiscal 2008, and a decrease in the gallons purchased due to fewer miles driven and increased miles per gallon related to reduced idling and operating more fuel efficient tractors.  We expect that our continued efforts to reduce idling and operate more fuel efficient tractors will continue to have a positive impact on our miles per gallon; however, we expect this will be partially offset by lower fuel economy on EPA-mandated new engines and use of ultra-low sulfur diesel fuel.

Operations and maintenance consist of direct operating expense, maintenance, physical damage, and tire expense. This category decreased to $35.5 million, or 8.7% of freight revenue, for fiscal 2009, from $37.2 million, or 8.1% of freight revenue, for fiscal 2008. The dollar decrease in fiscal 2009 is primarily related to a decrease in costs associated with tractor maintenance, other maintenance expenses, and physical damage expenses.  However, these factors were more than offset by an increase in tire expense and miscellaneous direct operating expenses.

Insurance and claims expense was $13.8 million for fiscal 2009, compared to $15.5 million for fiscal 2008.  As a percentage of freight revenue, insurance and claims remained constant at 3.4% for fiscal 2009 and 2008.  Insurance consists of premiums for liability, physical damage, cargo damage, and workers' compensation insurance.  The decrease in the overall dollar amount is attributable to a decrease in workers' compensation claims and cargo claims expense, due to a reduction in the number and severity of claims reported. Our insurance program involves self-insurance at various risk retention levels. Claims in excess of these risk levels are covered by insurance in amounts we consider to be adequate. We accrue for the uninsured portion of claims based on known claims and historical experience. We continually revise and change our insurance program to maintain a balance between premium expense and the risk retention we are willing to assume.

Depreciation and amortization, consisting primarily of depreciation of revenue equipment, increased to $35.2 million, or 8.6% of freight revenue, in fiscal 2009 from $33.3 million, or 7.3% of freight revenue, for fiscal 2008. These increases are related to an increase year-over-year in the number of owned tractors and trailers. These increases are partially offset by gains on sales of equipment in fiscal 2009 compared to losses on sales of equipment in fiscal 2008. Despite the gains in fiscal 2009, the used equipment market remains weak. To the extent the used equipment market remains weak going forward, we expect to face difficulty selling equipment in quantities and at prices that are satisfactory to us. Revenue equipment held under operating leases is not reflected on our balance sheet and the expenses related to such equipment are reflected on our statements of operations in revenue equipment rentals, rather than in depreciation and amortization and interest expense, as is the case for revenue equipment that is financed with borrowings or capital leases.

Revenue equipment rentals were $29.1 million, or 7.1% of freight revenue, in fiscal 2009, compared to $25.6 million, or 5.6% of freight revenue, for fiscal 2008. The majority of these increases are related to the net addition of approximately 720 tractors and 330 trailers under operating lease, which has increased our tractor and trailer rents.

Purchased transportation decreased to $55.8 million, or 13.7% of freight revenue, for fiscal 2009, from $82.2 million, or 18.0% of freight revenue, for fiscal 2008. The majority of these decreases are related to fewer miles by our independent contractor fleet, which averaged 206 independent contractors in fiscal 2009, compared to an average of 337 independent contractors in fiscal 2008, and a reduction of the fuel surcharge component of their pay resulting from decreased fuel costs. These factors were partially offset by more independent contractors in fiscal 2009. Independent contractors are drivers who cover all their operating expenses (fuel, driver salaries, maintenance, and equipment costs) for a fixed payment per mile.

All of our other expenses are relatively minor in amount, and there were no significant changes in these expenses. Accordingly, we have not provided a detailed discussion of such expenses.

Our pretax margin, which we believe is a useful measure of our operating performance because it is neutral with regard to the method of revenue equipment financing that a company uses, decreased 120 basis points to 1.8% of freight revenue for fiscal 2009 from 3.0% for fiscal 2008.

In addition to other factors described above, Canadian exchange rate fluctuations principally impact salaries, wages, and benefits and purchased transportation and, therefore, impact our pretax margin and results of operations. The lower Canadian dollar, which decreased to a .86 relationship with the U.S. dollar for fiscal 2009, from a ..99 relationship with the U.S. dollar for fiscal 2008, positively impacted earnings per share by approximately $.07.

Income taxes decreased to $5.0 million for fiscal 2009, from $7.1 million for fiscal 2008, due to lower pre-tax income. Due to the non-deductible effects of our driver per diem pay structure, our tax rate will fluctuate from the 35% standard federal rate, in future periods as net income fluctuates. Income tax expense for fiscal 2009 included an adjustment of approximately $300,000 related to per diem calculations for prior years.

As a result of the factors described above, net income decreased to $2.6 million for fiscal 2009, from $6.5 million for fiscal 2008.

Fiscal year ended June 30, 2008, compared with fiscal year ended June 30, 2007

Total revenue increased by $63.2 million, or 12.6%, to $565.9 million for fiscal 2008, from $502.7 million for fiscal 2007. Freight revenue excludes $108.4 million and $69.7 million of fuel surcharge revenue for fiscal 2008 and 2007, respectively.

Freight revenue increased by $24.5 million, or 5.7%, to $457.5 million for fiscal 2008, from $433.0 million for fiscal 2007. This increase resulted from the continuation of our efforts to eliminate the least favorable freight from our system and the growth of customer relationships from our prior year acquisitions, which more than offset softer freight demand generally. The increase was attributable to an increase in billed miles to 253.3 million in fiscal 2008, compared to 237.8 million in fiscal 2007, partially offset by a 2.3% decrease in average freight revenue per total mile, excluding fuel surcharge, to $1.348 from $1.380. The reduction in average freight revenue per total mile resulted primarily from an increase in non-revenue miles. Average freight revenue per tractor per week, excluding fuel surcharge, which is our primary measure of asset productivity, decreased 2.6% to $2,717 in fiscal 2008, from $2,790 for fiscal 2007, as a result of lower general freight demand and an increase in non-revenue miles. The decrease in miles per tractor and an increase in non-revenue mile percentage were attributable to less freight demand.

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Revenue for TruckersB2B was $9.3 million in fiscal 2008, compared to $10.0 million in fiscal 2007. The decrease was related to a decrease in tractor and trailer rebate revenue, partially due to the discontinuance of the trailer incentive program, and decreases in the fuel rebates due to small and mid size carriers being adversely affected by weak freight demand.

Salaries, wages, and employee benefits were $159.9 million, or 34.9% of freight revenue, for fiscal 2008, compared to $144.8 million, or 33.5% of freight revenue, for fiscal 2007. These increases were primarily due to increased driver payroll, resulting from a 10.2% increase in company miles.

Fuel expenses, net of fuel surcharge revenue of $108.4 million and $69.7 million for fiscal 2008 and fiscal 2007, respectively, increased to $54.7 million, or 12.0% of freight revenue, for fiscal 2008, compared to $46.6 million, or 10.8% of freight revenue, for fiscal 2007. These increases were due to an increase of 10.2% in company miles, an increase in non-revenue miles, and an increase in average fuel prices of approximately $0.82 per gallon. In addition, we began to experience lower fuel economy and higher costs of fuel from the installation of EPA-mandated new engines and use of ultra-low-sulfur diesel fuel. Higher fuel prices and lower fuel economy will increase our operating expenses to the extent we cannot offset them with surcharges.

Operations and maintenance consist of direct operating expense, maintenance, and tire expense. This category increased to $37.2 million, or 8.1% of freight revenue, for fiscal 2008, from $32.3 million, or 7.5% of freight revenue, for fiscal 2007. These increases are primarily related to an increase in costs associated with various direct expenses such as toll expense, border drayage expense, and scales expense and an increase in physical damage expense, due to increased accidents.

Insurance and claims expense was $15.5 million, or 3.4% of freight revenue, for fiscal 2008, compared to $13.1 million, or 3.0% of freight revenue, for fiscal 2007. Insurance and claims increased as a percentage of freight revenue due to increased number of claims, increased claim dollars, increased number of workers' compensation claims, and increased dollar of workers' compensation claims. Our insurance expense consists of premiums and deductible amounts for liability, physical damage, and cargo damage insurance. Our insurance program involves self-insurance at various risk retention levels. Claims in excess of these risk levels are covered by insurance in amounts we consider to be adequate. We accrue for the uninsured portion of claims based on known claims and historical experience. Insurance and claims expense will vary based primarily on the frequency and severity of claims, the level of self-retention, and the premium expense.

Depreciation and amortization, consisting primarily of depreciation of revenue equipment, increased to $33.3 million, or 7.3% of freight revenue, in fiscal 2008 from $21.9 million, or 5.1% of freight revenue, for fiscal 2007. These increases are related to the conversion of operating leases to capital leases related to approximately 3,700 trailers, in the third and fourth quarters of fiscal 2007, resulting from the Company declaring its intent to purchase certain trailers previously financed with operating leases. The conversion of the trailer leases resulted in a simultaneous decrease in our revenue equipment rentals. Revenue equipment held under operating leases is not reflected on our balance sheet and the expenses related to such equipment are reflected on our statements of operations in revenue equipment rentals, rather than in depreciation and amortization and interest expense, as is the case for revenue equipment that is financed with borrowings or capital leases. In addition, we have continued to purchase tractors with cash and borrowings, which has increased our tractor depreciation. In the near term we expect to purchase new tractors primarily with cash or finance new trailers with operating leases.

Revenue equipment rentals were $25.6 million, or 5.6% of freight revenue, in fiscal 2008, compared to $31.9 million, or 7.4% of freight revenue, for fiscal 2007. These decreases were attributable to a decrease in our tractor fleet financed under operating leases as discussed under depreciation and amortization. At June 30, 2008, 1,026 tractors, or 37.8% of our company tractors, were held under operating leases, compared to 1,433 tractors, or 54.8% of our company tractors, at June 30, 2007.

Purchased transportation increased to $82.2 million, or 18.0% of freight revenue, for fiscal 2008, from $73.7 million, or 17.0% of freight revenue, for fiscal 2007. These increases are primarily related to increases in our third-party carrier expense and warehousing expenses, related to an effort to grow these portions of our business. Our independent contractor expense was largely unchanged as a percentage of freight revenue between fiscal 2007 and fiscal 2008, as a 45.9% decrease in independent contractors to 216 at June 30, 2008, from 399 at June 30, 2007, was offset by increased fuel surcharge reimbursement. The challenging freight environment has had a negative impact on independent contractors, who are drivers who cover all their operating expenses (fuel, driver salaries, maintenance, and equipment costs) for a fixed payment per mile.

All of our other expenses are relatively minor in amount, and there were no significant changes in these expenses. Accordingly, we have not provided a detailed discussion of such expenses.

Our pretax margin, which we believe is a useful measure of our operating performance because it is neutral with regard to the method of revenue equipment financing that a company uses, decreased to 3.0% of freight revenue for fiscal 2008 from 8.4% for fiscal 2007.

In addition to other factors described above, Canadian exchange rate fluctuations principally impact salaries, wages, and benefits and purchased transportation and, therefore, impact our pretax margin and results of operations. The higher Canadian dollar, which increased to a .990 relationship with the U.S. dollar for fiscal 2008, from a .884 relationship with the U.S. dollar for fiscal 2007, negatively impacted earnings per share by approximately $.11.

Income taxes decreased to $7.1 million for fiscal 2008, from $14.2 million for fiscal 2007, due to lower pre-tax income. Due to the non-deductible effects of our driver per diem pay structure, our tax rate will fluctuate from the 35% standard federal rate, in future periods as net income fluctuates.

As a result of the factors described above, net income decreased to $6.5 million for fiscal 2008, from $22.3 million for fiscal 2007.

Liquidity and Capital Resources

Trucking is a capital-intensive business. We require cash to fund our operating expenses (other than depreciation and amortization), to make capital expenditures and acquisitions, and to repay debt, including principal and interest payments. Other than ordinary operating expenses, we anticipate that capital expenditures for the acquisition of revenue equipment will constitute our primary cash requirement over the next twelve months. We frequently consider potential acquisitions, and if we were to consummate an acquisition, our cash requirements would increase and we may have to modify our expected financing sources for the purchase of tractors. Subject to any required lender approval, we may make acquisitions, although we do not have any specific acquisition plans at this time. Our principal sources of liquidity are cash generated from operations, bank borrowings, capital and operating lease financing of revenue equipment, and proceeds from the sale of used revenue equipment.

As of June 30, 2009, we had on order 610 tractors for delivery through fiscal 2010. These revenue equipment orders represent a capital commitment of approximately $57.6 million, before considering the proceeds of equipment dispositions. In fiscal 2009, we purchased our new tractors with a mixture of cash or borrowings and off-balance sheet operating leases, and we acquired the new trailers with cash through the Continental acquisition, which was our last acquisition of trailers in fiscal 2009.  In the third and fourth quarters of fiscal 2007, we also declared our intent to purchase approximately 3,700 trailers at the end of the respective lease term, resulting in a change from operating lease to capital lease classification. At June 30, 2009, our total balance sheet debt, including capital lease obligations and current maturities, was $49.0 million, compared to $102.5 million at June 30, 2008, and $94.6 million at June 30, 2007. Our debt-to-capitalization ratio (total balance sheet debt as a percentage of total balance sheet debt plus total stockholders' equity) was 25.4% at June 30, 2009, 41.6% at June 30, 2008, and 39.1% at June 30, 2007.

We believe we will be able to fund our operating expenses, as well as our current commitments for the acquisition of revenue equipment, over the next twelve months with a combination of cash generated from operations, borrowings available under secured equipment financing or our primary credit facility, equipment sales, and lease financing arrangements. We will continue to have significant capital requirements over the long term, and the availability of the needed capital will depend upon our financial condition and operating results and numerous other factors over which we have limited or no control, including prevailing market conditions and the market price of our common stock. However, based on our operating results, anticipated future cash flows, current availability under our credit facility, and sources of equipment lease financing that we expect will be available to us, we do not expect to experience significant liquidity constraints in the foreseeable future.

Cash Flows

We generated net cash from operating activities of $52.7 million in fiscal 2009, $37.5 million in fiscal 2008, and $53.6 million in fiscal 2007. The increase in net cash provided by operations in fiscal 2009 from fiscal 2008 is due primarily to a decrease of trade receivables, income tax recoverable, and accounts payable and accrued expenses, offset by an increase in depreciation and amortization.

Net cash used in investing activities was $0.1million for fiscal 2009, compared to $31.4 million for fiscal 2008, and $61.2 million for fiscal 2007. The decrease in cash used for investing activities from 2008 to 2009 was primarily due to decreased capital expenditures on equipment and increased proceeds from sale of equipment, offset by the purchase of Continental for $24.1 million. Capital expenditures primarily for tractors and trailers (including lease buyouts and new equipment purchases) totaled $24.7 million in fiscal 2009, excluding the assets purchased from Continental, $69.0 million in fiscal 2008, and $66.8 million in fiscal 2007, excluding the assets purchased from Digby, Warrior, and Air Road. We generated proceeds from the sale of property and equipment of $51.1million in fiscal 2009, $37.6 million in fiscal 2008, and $37.9 million in fiscal 2007.

Net cash used in financing activities was $53.5 million in fiscal 2009 and $4.9 million in fiscal 2008, compared to net cash provided by financing activities of $7.2 million in fiscal 2007. The increase in cash used for financing activities was primarily due to the increased payments on our borrowings and long term debt. During fiscal 2009 our mortgaged equipment debt was paid down, and the outstanding borrowings on our line of credit decreased to $5.5 million at the end of fiscal 2009, from $43.1 million at the end of fiscal 2008. Financing activity represents bank borrowings (new borrowings, net of repayments) and payment of the principal component of capital lease obligations.

Off-Balance Sheet Arrangements

Operating leases have been an important source of financing for our revenue equipment. Our operating leases include some under which we do not guarantee the value of the asset at the end of the lease term ("walk-away leases") and some under which we do guarantee the value of the asset at the end of the lease term ("residual value"). Therefore, we are subject to the risk that equipment value may decline in which case we would suffer a loss upon disposition and be required to make cash payments because of the residual value guarantees. We were obligated for residual value guarantees related to operating leases of $75.4 million at June 30, 2009 compared to $67.1 million at June 30, 2008. A small portion of these amounts is covered by repurchase and/or trade agreements we have with the equipment manufacturer. We believe that any residual payment obligations that are not covered by the manufacturer will be satisfied, in the aggregate, by the value of the related equipment at the end of the lease. To the extent the expected value at the lease termination date is lower than the residual value guarantee, we would accrue for the difference over the remaining lease term. We anticipate that going forward we will use a combination of operating leases and cash generated from operations to finance tractor purchases and operating leases to finance trailer purchases.

The use of operating leases also affects our statement of cash flows. For assets subject to these operating leases, we do not record depreciation as an increase to net cash provided by operations, nor do we record any entry with respect to investing activities or financing activities.

Primary Credit Agreement

On September 26, 2005, Celadon Group, Inc., Celadon Trucking Services, Inc., and TruckersB2B entered into an unsecured Credit Agreement (the "Credit Agreement") with LaSalle Bank National Association, as administrative agent, and LaSalle Bank National Association, Fifth Third Bank (Central Indiana), and JPMorgan Chase Bank, N.A., as lenders. The Credit Agreement was amended on December 23, 2005, by the First Amendment to Credit Agreement, pursuant to which Celadon Logistics Services, Inc. was added as a borrower to the Credit Agreement. The Credit Agreement was also amended on June 30, 2007 and January 22, 2008 by the Second Amendment to Credit Agreement and Third Amendment to Credit Agreement, respectively. On August 11, 2009, the Credit Agreement was amended and restated (the "Restatement"). Pursuant to the Restatement, (i) the maximum available borrowing limit under the Credit Agreement was reduced from a $70 million unsecured line to a $40 million secured line and (ii) certain financial covenants were adjusted as follows: Minimum Fixed Charge ratio to a minimum of .90, Maximum Lease-Adjusted Total Debt to EBITDAR ratio up to 3.25 to 1, Minimum Tangible Net Worth to $100 million, and the Minimum Asset Coverage ratio to be no less than 1.25 to 1. The Restatement and the financial covenants included therein were in effect starting June 30, 2009, at which time we were in compliance with the restated covenants. The Credit Agreement, as amended by the Restatement, matures on January 23, 2013. The Credit Agreement is intended to provide for ongoing working capital needs and general corporate purposes. Borrowings under the Credit Agreement are based, at the option of the Company, on a base rate equal to the greater of the federal funds rate plus an applicable margin between 0.75% and 1.50% and the administrative agent's prime rate or LIBOR plus an applicable margin between 2.25% and 3.00% that is adjusted quarterly based on cash flow coverage. The Credit Agreement is guaranteed by Celadon E-Commerce, Inc., Celadon Canada, Inc., and Jaguar, each of which is a subsidiary of the Company.

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The Credit Agreement, as amended by the Restatement, has a maximum revolving borrowing limit of $40.0 million. Letters of credit are limited to an aggregate commitment of $15.0 million and a swing line facility has a limit of $3.0 million. A commitment fee that is adjusted quarterly between 0.375% and 0.500% per annum based on cash flow coverage is due on the daily unused portion of the Credit Agreement. The Credit Agreement contains certain restrictions and covenants relating to, among other things, dividends, tangible net worth, cash flow, mergers, consolidations, acquisitions and dispositions, and total indebtedness. At June 30, 2009, $5.5 million of our credit facility was utilized as outstanding borrowings and $4.2 million was utilized for standby letters of credit.

Contractual Obligations and Commitments

As of June 30, 2009, our bank loans, capitalized leases, operating leases, other debts, and future commitments have stated maturities or minimum annual payments as follows:

Cash Requirements
as of June 30, 2009
(in thousands)
Payments Due by Period

| Contractual Obligations | Total | Less than One Year | One to Three Years | Three to Five Years | More Than Five Years |
|---|---|---|---|---|---|
| Operating leases | $ 114,146 | $ 37,015 | $ 53,419 | $ 7,458 | $ 16,254 |
| Lease residual value guarantees | 75,361 | 5,995 | 46,862 | 21,204 | 1,300 |
| Capital lease obligations(1) | 45,807 | 8,487 | 35,516 | 1,804 | --- |
| Long-term debt (1) | 7,247 | 1,361 | 352 | 5,534 | --- |
| Sub-total | 242,561 | 52,858 | 136,149 | 36,000 | 17,554 |
| Future purchase of revenue equipment | 57,553 | 35,612 | 21,941 | --- | --- |
| Employment and consulting agreements(2) | 700 | 700 | --- | --- | --- |
| Standby letters of credit | 4,231 | 4,231 | --- | --- | --- |
| Total contractual and cash obligations | $ 305,045 | $ 93,401 | $ 158,090 | $ 36,000 | $ 17,554 |

(1) Includes interest.
(2) The amounts reflected in the table do not include amounts that could become payable to our Chief Executive Officer and Chief Financial Officer, under certain circumstances if their employment by the Company is terminated.

Inflation, New Emissions Control Regulations, and Fuel Costs

Most of our operating expenses are inflation-sensitive, with inflation generally producing increased costs of operations. During the past three years, the most significant effects of inflation have been on revenue equipment prices and fuel prices. New emissions control regulations and increases in commodity prices, wages of manufacturing workers, and other items have resulted in higher tractor prices. The cost of fuel also has risen substantially over the past three years, though prices have eased over the last 6 months. We attempt to limit the effects of inflation through increases in freight rates, certain cost control efforts, and limiting the effects of fuel prices through fuel surcharges.

The engines used in our tractors are subject to emissions control regulations, which have substantially increased our operating expenses since additional and more stringent regulation began in 2002. As of June 30, 2009, the majority of our tractor fleet has engines compliant with stricter regulations regarding emissions that became effective in 2007. Compliance with such regulations is expected to increase the cost of new tractors and could impair equipment productivity, lower fuel mileage, and increase our operating expenses. These adverse effects combined with the uncertainty as to the reliability of the vehicles equipped with the newly designed diesel engines and the residual values that will be realized from the disposition of these vehicles could increase our costs or otherwise adversely affect our business or operations as the regulations impact our business through new tractor purchases.

Fluctuations in the price or availability of fuel, as well as hedging activities, surcharge collection, the percentage of freight we obtain through brokers, and the volume and terms of diesel fuel purchase commitments may increase our costs of operation, which could materially and adversely affect our profitability. We impose fuel surcharges on substantially all accounts. These arrangements may not fully protect us from fuel price increases and also may result in us not receiving the full benefit of any fuel price decreases. We currently do not have any fuel hedging contracts in place. If we do hedge, we may be forced to make cash payments under the hedging arrangements. Based on current market conditions, we have decided to limit our hedging and purchase commitments, but we continue to evaluate such measures. The absence of meaningful fuel price protection through these measures could adversely affect our profitability.

Critical Accounting Policies

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that impact the amounts reported in our consolidated financial statements and accompanying notes. Therefore, the reported amounts of assets, liabilities, revenues, expenses, and associated disclosures of contingent assets and liabilities are affected by these estimates and assumptions. We evaluate these estimates and assumptions on an ongoing basis, utilizing historical experience, consultation with experts, and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates and assumptions, and it is possible that materially different amounts would be reported using differing estimates or assumptions. We consider our critical accounting policies to be those that require us to make more significant judgments and estimates when we prepare our financial statements. Our critical accounting policies include the following:

Depreciation of Property and Equipment. We depreciate our property and equipment using the straight-line method over the estimated useful life of the asset. We generally use estimated useful lives of 2 to 7 years for new tractors and trailers, and estimated salvage values for new tractors and trailers generally range from 35% to 50% of the capitalized cost. Gains and losses on the disposal of revenue equipment are included in depreciation expense in our statements of operations.

We review the reasonableness of our estimates regarding useful lives and salvage values of our revenue equipment and other long-lived assets based upon, among other things, our experience with similar assets, conditions in the used equipment market, and prevailing industry practice. Changes in our useful life or salvage value estimates or fluctuations in market values that are not reflected in our estimates, could have a material effect on our results of operations.

Revenue equipment and other long-lived assets are tested for impairment whenever an event occurs that indicates an impairment may exist. Expected future cash flows are used to analyze whether an impairment has occurred. If the sum of expected undiscounted cash flows is less than the carrying value of the long-lived asset, then an impairment loss is recognized. We measure the impairment loss by comparing the fair value of the asset to its carrying value. Fair value is determined based on a discounted cash flow analysis or the appraised or estimated market value of the asset, as appropriate.

Operating leases. We have financed a substantial percentage of our tractors and trailers with operating leases. These leases generally contain residual value guarantees, which provide that the value of equipment returned to the lessor at the end of the lease term will be no lower than a negotiated amount. To the extent that the value of the equipment is below the negotiated amount, we are liable to the lessor for the shortage at the expiration of the lease. For all equipment, we are required to recognize additional rental expense to the extent we believe the fair market value at the lease termination will be less than our obligation to the lessor.

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In accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases," property and equipment held under operating leases, and liabilities related thereto, are not reflected on our balance sheet. All expenses related to revenue equipment operating leases are reflected on our statements of operations in the line item entitled "Revenue equipment rentals." As such, financing revenue equipment with operating leases instead of bank borrowings or capital leases effectively moves the interest component of the financing arrangement into operating expenses on our statements of operations.

Claims Reserves and Estimates. The primary claims arising for us consist of cargo liability, personal injury, property damage, collision and comprehensive, workers' compensation, and employee medical expenses. We maintain self-insurance levels for these various areas of risk and have established reserves to cover these self-insured liabilities. We also maintain insurance to cover liabilities in excess of these self-insurance amounts. Claims reserves represent accruals for the estimated uninsured portion of reported claims, including adverse development of reported claims, as well as estimates of incurred but not reported claims. Reported claims and related loss reserves are estimated by third party administrators, and we refer to these estimates in establishing our reserves. Claims incurred but not reported are estimated based on our historical experience and industry trends, which are continually monitored, and accruals are adjusted when warranted by changes in facts and circumstances. In establishing our reserves we must take into account and estimate various factors, including, but not limited to, assumptions concerning the nature and severity of the claim, the effect of the jurisdiction on any award or settlement, the length of time until ultimate resolution, inflation rates in health care, and in general interest rates, legal expenses, and other factors. Our actual experience may be different than our estimates, sometimes significantly. Changes in assumptions as well as changes in actual experience could cause these estimates to change in the near term. Insurance and claims expense will vary from period to period based on the severity and frequency of claims incurred in a given period.

Goodwill. The consolidated balance sheets at June 30, 2009 and 2008 included goodwill of acquired businesses of approximately $19.1 million for both years. These amounts have been recorded as a result of business acquisitions accounted for under the purchase method of accounting. Under Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets, goodwill is not amortized but is tested for impairment annually (or more often, if an event or circumstance indicates that an impairment loss has been incurred). The Company performed its annual goodwill impairment assessment under SFAS 142, as of April 1, 2009 and the Company's market capitalization was less than its book value at such date, indicating a potential devaluation of the Company's assets. The Company determined that no impairment had occurred as of the measurement date based upon a set of assumptions which represent the Company's best estimate of future performance at this time. The Company reconciled the aggregate estimated fair value of reporting units to the market capitalization of the consolidated Company. In addition to traditional control premiums, the Company noted that the overall market conditions have depressed the stock value. Based on these factors, the Company concluded that the market capitalization with the control premium represents the fair value of the Company.

Tests for impairment include estimating the fair value of our reporting units. As required by SFAS No. 142, we compare the estimated fair value of our reporting units with their respective carrying amounts, including goodwill. We define a reporting unit as an operating segment. Under SFAS No. 142, fair value refers to the amount for which the entire reporting unit could be bought or sold. Our methods for estimating reporting unit values include market quotations and other valuation techniques, such as discounted cash flows and multiples of earnings, revenue, or other financial measures. With the exception of market quotations, all of these methods involve significant estimates and assumptions, including estimates of future financial performance and the selection of appropriate discount rates and valuation multiples.

Derivative Instruments and Hedging Activity. We use derivative financial instruments to manage the economic impact of fluctuations in currency exchange rates. Derivative financial instruments related to currency exchange rates include forward purchase and sale agreements which generally have terms no greater than 12 months.

To account for our derivative financial instruments, we follow the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, SFAS No. 138, and SFAS No. 161. Derivative financial instruments are recognized on the Consolidated Balance Sheets as either assets or liabilities and are measured at fair value. Changes in the fair value of derivatives are recorded each period in earnings or accumulated other comprehensive income, depending on whether a derivative is designated and effective as part of a hedge transaction, and if it is, the type of hedge transaction. Gains and losses on derivative instruments reported in accumulated other comprehensive income are subsequently included in earnings in the periods in which earnings are affected by the hedged item. These activities have not had a material impact on our financial position or results of operations for the periods presented herein.

Accounting for Income Taxes. Deferred income taxes represent a substantial liability on our consolidated balance sheet. Deferred income taxes are determined in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry-forwards. We evaluate our tax assets and liabilities on a periodic basis and adjust these balances as appropriate. We believe that we have adequately provided for our future tax consequences based upon current facts and circumstances and current tax law. However, should our tax positions be challenged and not prevail, different outcomes could result and have a significant impact on the amounts reported in our consolidated financial statements.

The carrying value of our deferred tax assets (tax benefits expected to be realized in the future) assumes that we will be able to generate, based on certain estimates and assumptions, sufficient future taxable income in certain tax jurisdictions to utilize these deferred tax benefits. If these estimates and related assumptions change in the future, we may be required to reduce the value of the deferred tax assets resulting in additional income tax expense. We believe that it is more likely than not that the deferred tax assets, net of valuation allowance, will be realized, based on forecasted income. However, there can be no assurance that we will meet our forecasts of future income. We evaluate the deferred tax assets on a periodic basis and assess the need for additional valuation allowances.

Federal income taxes are provided on that portion of the income of foreign subsidiaries that is expected to be remitted to the United States.

Recent Accounting Pronouncements

In September 2006, FASB issued SFAS No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. It also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued Staff Position No. 157-2, which provides a one-year delayed application of SFAS 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company's adoption of the provisions of SFAS 157 with respect to the financial assets and liabilities measured at fair value did not have a material impact on the fair value measurements or the consolidated financial statements. In accordance with SFAS 157-2 the Company is currently evaluating the potential impact of applying the provisions of SFAS 157 to nonfinancial assets and nonfinancial liabilities beginning in fiscal 2010, including, but not limited to, the valuation of the Company's reporting units for the purpose of assessing goodwill impairment, the valuation of property and equipment when assessing long-lived asset impairment, and the valuation of assets acquired and liabilities assumed in business combinations. In October 2008, the FASB issued SFAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active, which became effective upon issuance, including periods for which financial statements have not been issued. SFAS 157-3 clarifies the application of SFAS 157. The Company's adoption of SFAS 157-3 in determination of fair values did not have a material impact on the consolidated financial statements.

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In December 2007, FASB issued SFAS No. 141R (revised 2007), Business Combinations ("SFAS 141R"), which replaces SFAS No. 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS 141R is effective for us beginning July 1, 2009 and will apply prospectively to business combinations completed on or after that date.

In December 2007, FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51 ("SFAS 160"), which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 is effective for us beginning July 1, 2009 and will apply prospectively, except for the presentation and disclosure requirements, which will apply retrospectively. We are currently assessing the potential impact that adoption of SFAS 160 would have on our financial statements.

In March 2008, FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133, ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities, including (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133, and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years beginning after Nov. 15, 2008. Accordingly, the Company will adopt SFAS 161 in fiscal year 2010.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events. This standard is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for fiscal years and interim periods ended after June 15, 2009. We are currently assessing the potential impact that adoption of SFAS 165 would have on our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We experience various market risks, including changes in interest rates, foreign currency exchange rates, and fuel prices. We do not enter into derivatives or other financial instruments for trading or speculative purposes, nor when there are no underlying related exposures.

Interest Rate Risk. We are exposed to interest rate risk principally from our primary credit facility. The credit facility carries a maximum variable interest rate of either the bank's base rate or LIBOR plus 3.00%. At June 30, 2009, the interest rate for revolving borrowings under our credit facility was LIBOR plus 1.125%. At June 30, 2009, we had $5.5 million variable rate term loan borrowings outstanding under the credit facility. A hypothetical 10% increase in the bank's base rate and LIBOR would be immaterial to our net income.

Foreign Currency Exchange Rate Risk. We are subject to foreign currency exchange rate risk, specifically in connection with our Canadian operations. While virtually all of the expenses associated with our Canadian operations, such as independent contractor costs, company driver compensation, and administrative costs, are paid in Canadian dollars, a significant portion of our revenue generated from those operations is billed in U.S. dollars because many of our customers are U.S. shippers transporting goods to or from Canada. As a result, increases in the Canadian dollar exchange rate adversely affect the profitability of our Canadian operations. Assuming revenue and expenses for our Canadian operations identical to the year ended June 30, 2009 (both in terms of amount and currency mix), we estimate that a $0.01 increase in the Canadian dollar exchange rate would reduce our annual net income by approximately $108,000. As of June 30, 2009, we had none of our Canadian currency exposure hedged.

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We generally do not face the same magnitude of foreign currency exchange rate risk in connection with our intra-Mexico operations conducted through our Mexican subsidiary, Jaguar, because our foreign currency revenues are generally proportionate to our foreign currency expenses for those operations. For purposes of consolidation, however, the operating results earned by our subsidiaries, including Jaguar, in foreign currencies are converted into United States dollars. As a result, a decrease in the value of the Mexican peso could adversely affect our consolidated results of operations. Assuming revenue and expenses for our Mexican operations identical to the year ended June 30, 2009 (both in terms of amount and currency mix), we estimate that a $0.01 decrease in the Mexican peso exchange rate would reduce our annual net income by approximately $61,000. We currently have contracts for 1.5 million Mexican pesos per month over the next 6 months, representing approximately 16% of our Mexican currency exposure. Derivative gains/(losses), initially reported as a component of other comprehensive income, are reclassified to earnings in the period when the forecasted transaction affects earnings.

Commodity Price Risk. Shortages of fuel, increases in prices, or rationing of petroleum products can have a materially adverse effect on our operations and profitability. Fuel is subject to economic, political, and market factors that are outside of our control. Historically, we have sought to recover a portion of short-term increases in fuel prices from customers through the collection of fuel surcharges. However, fuel surcharges do not always fully offset increases in fuel prices. In addition, from time-to-time we may enter into derivative financial instruments to reduce our exposure to fuel price fluctuations. As of June 30, 2009, we had none of our estimated fuel purchases hedged.

Item 8. Financial Statements and Supplementary Data

The following statements are filed with this report:

Report of Independent Registered Public Accounting Firm - KPMG LLP;
Consolidated Balance Sheets;
Consolidated Statements of Operations;
Consolidated Statements of Cash Flows;
Consolidated Statements of Stockholders' Equity; and
Notes to Consolidated Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Celadon Group, Inc.:

We have audited the accompanying consolidated balance sheets of Celadon Group, Inc. and subsidiaries (the "Company") as of June 30, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2009. In connection with our audits of the consolidated financial statements, we have also audited the financial statement Schedule II. We also have audited the Company's internal control over financial reporting as of June 30, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Celadon Group, Inc. and subsidiaries as of June 30, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement Schedule II, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, Celadon Group, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2009, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/KPMG LLP
Indianapolis, Indiana
September 4, 2009

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CELADON GROUP, INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2009 and 2008
(Dollars in thousands)

| ASSETS | 2009 | 2008 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 863 | $ 2,325 |
| Trade receivables, net of allowance for doubtful accounts of $1,059 and $1,194 in 2009 and 2008, respectively | 55,291 | 69,513 |
| Prepaid expenses and other current assets | 10,044 | 16,697 |
| Tires in service | 4,336 | 3,765 |
| Equipment held for resale | 8,012 | --- |
| Income tax receivable | 232 | 5,846 |
| Deferred income taxes | 2,780 | 3,035 |
| Total current assets | 81,558 | 101,181 |
| Property and equipment | 237,167 | 270,832 |
| Less accumulated depreciation and amortization | 70,025 | 64,633 |
| Net property and equipment | 167,142 | 206,199 |
| Tires in service | 1,581 | 1,483 |
| Goodwill | 19,137 | 19,137 |
| Other assets | 1,581 | 1,335 |
| Total assets | $ 270,999 | $ 329,335 |
| | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| | | |
| Current liabilities: | | |
| Accounts payable | $ 5,461 | $ 6,910 |
| Accrued salaries and benefits | 10,084 | 11,358 |
| Accrued insurance and claims | 8,508 | 9,086 |
| Accrued fuel expense | 8,592 | 12,170 |
| Other accrued expenses | 11,547 | 11,916 |
| Current maturities of long-term debt | 1,109 | 8,290 |
| Current maturities of capital lease obligations | 6,693 | 6,454 |
| Total current liabilities | 51,994 | 66,184 |
| Long-term debt, net of current maturities | 5,870 | 45,645 |
| Capital lease obligations, net of current maturities | 35,311 | 42,117 |
| Deferred income taxes | 34,132 | 31,512 |
| Minority interest | 25 | 25 |
| Stockholders' equity: | | |
| Common stock, $0.033 par value, authorized 40,000,000 shares; issued and outstanding 23,840,677 and 23,704,046 shares at June 30, 2009 and 2008, respectively | 787 | 782 |
| Treasury stock at cost; 1,744,245 and 1,832,386 shares at June 30, 2009 and 2008, respectively | (12,025) | (12,633) |
| Additional paid-in capital | 97,030 | 95,173 |
| Retained earnings | 63,437 | 60,881 |
| Accumulated other comprehensive loss | (5,562) | (351) |

| | | | | |
|---|---|---|---|---|
| Total stockholders' equity | | 143,667 | | 143,852 |
| Total liabilities and stockholders' equity | $ | 270,999 | $ | 329,335 |

See accompanying notes to consolidated financial statements.

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CELADON GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended June 30, 2009, 2008, and 2007
(Dollars and shares in thousands, except per share amounts)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Revenue: | | | |
| Freight revenue | $ 408,156 | $ 457,482 | $ 433,012 |
| Fuel surcharges | 82,182 | 108,413 | 69,680 |
| Total revenue | 490,338 | 565,895 | 502,692 |
| | | | |
| Operating expenses: | | | |
| Salaries, wages, and employee benefits | 155,554 | 159,859 | 144,845 |
| Fuel | 125,922 | 163,111 | 116,251 |
| Operations and maintenance | 35,483 | 37,213 | 32,299 |
| Insurance and claims | 13,828 | 15,527 | 13,054 |
| Depreciation and amortization | 35,221 | 33,264 | 21,880 |
| Revenue equipment rentals | 29,138 | 25,596 | 31,900 |
| Purchased transportation | 55,789 | 82,205 | 73,699 |
| Cost of products and services sold | 5,818 | 6,406 | 6,961 |
| Communications and utilities | 4,929 | 5,117 | 4,838 |
| Operating taxes and licenses | 9,700 | 9,112 | 8,629 |
| General and other operating | 8,066 | 9,687 | 8,236 |
| Total operating expenses | 479,448 | 547,097 | 462,592 |
| | | | |
| Operating income | 10,890 | 18,798 | 40,100 |
| | | | |
| Other (income) expense: | | | |
| Interest income | (35) | (106) | (21) |
| Interest expense | 3,589 | 5,028 | 3,532 |
| Other | (227) | 193 | 109 |
| Income before income taxes | 7,563 | 13,683 | 36,480 |
| Provision for income taxes | 5,007 | 7,147 | 14,228 |
| Net income | $ 2,556 | $ 6,536 | $ 22,252 |
| | | | |
| Earnings per common share: | | | |
| Diluted earnings per share | $ 0.12 | $ 0.29 | $ 0.94 |
| Basic earnings per share | $ 0.12 | $ 0.29 | $ 0.96 |
| Weighted average shares outstanding: | | | |
| Diluted | 22,134 | 22,617 | 23,698 |
| Basic | 21,727 | 22,378 | 23,252 |

See accompanying notes to consolidated financial statements.

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CELADON GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2009, 2008, and 2007
(Dollars in thousands)

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ 2,556 | $ 6,536 | $ 22,252 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 35,242 | 32,432 | 21,625 |
| Loss on sale of equipment | 38 | 833 | 255 |
| Provision for deferred income taxes | 2,923 | 10,166 | 10,311 |
| Provision for doubtful accounts | 94 | 911 | 366 |
| Stock based compensation expense | 2,293 | 1,905 | 1,827 |
| Changes in assets and liabilities: | | | |
| Trade receivables | 13,323 | (11,037) | (4,291) |
| Income tax receivable | 5,351 | (4,320) | 3,690 |
| Tires in service | (702) | (786) | (154) |
| Prepaid expenses and other current assets | (1,767) | (6,081) | (484) |
| Other assets | (380) | 243 | 381 |
| Accounts payable and accrued expenses | (6,238) | 6,693 | (2,185) |
| Net cash provided by operating activities | 52,733 | 37,495 | 53,593 |
| Cash flows from investing activities: | | | |
| Purchase of property and equipment | (28,636) | (69,021) | (66,783) |
| Proceeds on sale of property and equipment | 52,657 | 37,586 | 37,933 |
| Purchase of businesses | (24,100) | --- | (32,383) |
| Net cash used in investing activities | (79) | (31,435) | (61,233) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of common stock | (28) | 1,059 | 985 |
| Repurchase of stock | --- | (13,848) | --- |
| Tax benefit from issuance of common stock | --- | -- | 12 |
| Proceeds of long-term debt | --- | 25,110 | 13,250 |
| Payments on long-term debt | (46,920) | (10,797) | (4,180) |
| Principal payments on capital lease obligations | (6,567) | (6,449) | (2,911) |
| Net cash provided by (used in) financing activities | (53,515) | (4,925) | 7,156 |
| Effect of exchange rates on cash and cash equivalents | (601) | --- | --- |
| Increase (decrease) in cash and cash equivalents | (1,462) | 1,135 | (484) |
| Cash and cash equivalents at beginning of year | 2,325 | 1,190 | 1,674 |
| Cash and cash equivalents at end of year | $ 863 | $ 2,325 | $ 1,190 |
| Supplemental disclosure of cash flow information: | | | |
| Interest paid | $ 3,689 | $ 5,188 | $ 3,475 |
| Income taxes paid | $ 349 | $ 3,132 | $ 6,701 |
| Supplemental disclosure of non-cash investing activities: | | | |
| Lease obligation/debt incurred in the purchase of equipment | $ --- | $ --- | $ 76,461 |

See accompanying notes to consolidated financial statements.

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CELADON GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended June 30, 2009, 2008, and 2007
(Dollars in thousands, except share amounts)

| | Common Stock No. of Shares Outstanding | Amount | Additional Paid-In Capital | Treasury Stock | Retained Earnings (Deficit) | Accumulat Other Comprehen Income/(Lo |
|---|---|---|---|---|---|---|
| une | 23,111,367 | $763 | $90,828 | --- | $32,092 | $(2,256 |
| | --- | --- | --- | --- | 22,253 | --- |
| for | | | | | | |
| et | --- | --- | --- | --- | --- | 871 |
| ive | --- | --- | --- | --- | 22,253 | 871 |
| | --- | --- | 12 | --- | --- | --- |
| | 68,160 | 2 | 1,770 | --- | --- | --- |
| ck | 401,718 | 13 | 972 | --- | --- | --- |
| une | 23,581,245 | $778 | $93,582 | $--- | $54,345 | $(1,385 |
| | --- | --- | --- | --- | 6,536 | --- |
| for | | | | | | |
| et | --- | --- | --- | --- | --- | 1,034 |
| ive | --- | --- | --- | --- | 6,536 | 1,034 |
| ck | (2,000,000 ) | --- | --- | (13,848) | --- | --- |
| ck | --- | (5 ) | (1,180 ) | 1,185 | --- | --- |

28,974 1 1,750 ---  tyle="font-family:inherit;font-size:9pt;font-weight:bold;">Total
14.1

$
3,267.5

$
(204.4
)

$
3,063.1

$
3,584.2

$
(630.3
)

$
2,953.9

For the three months ended June 30, 2016 and 2015, the Company recorded amortization expense on intangible assets of $66.6 million and $52.4 million, respectively. For the six months ended June 30, 2016 and 2015, the Company recorded amortization expense on intangible assets of $131 million and $92.2 million, respectively.

6. EQUITY COMPENSATION PLANS

In June 2014, the Company’s stockholders approved the 2013 Plan, which is administered by the compensation committee of the Board, except as otherwise expressly provided in the 2013 Plan. The Board approved a maximum of 15,500,000 shares of common stock (subject to increase in accordance with the terms of the 2013 Plan), which were reserved and made available for issuance under the 2013 Plan.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

As of June 30, 2016, a total of 373,434 shares of common stock had been issued and 2,738,885 awarded RSUs and stock options were outstanding under the 2013 Plan.

| | Six Months Ended June 30, 2016 | | | |
|---|---|---|---|---|
| | | RSUs | | |
| | Total | Equity Classified | Liability Classified | Stock Options |
| Outstanding at December 31, 2015 | 1,006,436 | 501,634 | 329,802 | 175,000 |
| Granted | 1,999,346 | 1,609,148 | — | 390,198 |
| Exercised/Issued | (7,642) | (7,642) | — | — |
| Forfeited | (84,255) | (84,255) | — | — |
| Outstanding at June 30, 2016 | 2,913,885 | 2,018,885 | 329,802 | 565,198 |

Equity Classified Share Based Payments

During the six months ended June 30, 2016, the Company issued the following RSU grants following their approval by the Board:

| | RSUs | Weighted average grant date fair value | Weighted average vesting period (months) |
|---|---|---|---|
| RSUs issued | 1,609,148 | $ 10.83 | 34.6 |

As of June 30, 2016, there were 723,878 RSUs outstanding with service vesting conditions and 310,775 RSUs outstanding with performance or market vesting conditions that will vest ratably over a weighed average service period of 2.9 years. In addition, certain other RSU grants outstanding at June 30, 2016 contain provisions for additional share awards if performance or market conditions are met at the end of the applicable vesting period. These conditions are generally based on return on invested capital (ROIC) or total shareholder return (TSR) targets. As of June 30, 2016, a total of 984,232 RSUs are subject to these provisions, with 408,489 and 575,743 RSUs containing provisions for ROIC and TSR targets, respectively. If all conditions of these awards are satisfied at the end of the applicable vesting period, an aggregate total of 1,559,975 additional RSUs could be potentially issued. The RSUs associated with these provisions have vesting periods that end between December 31, 2018 and December 1, 2020.

The Board had approved 166,667 RSUs under the 2013 Plan. These RSUs are subject to performance conditions that must be achieved in the applicable vesting year and include a multiplier of zero to 100% based upon adjusted EBITDA target benchmarks. As those target adjusted EBITDA benchmarks have not yet been established, these RSUs have been excluded from the above grant activity. The EBITDA target benchmarks are expected to be established in 2017 and 2018.

For the three months ended June 30, 2016 and 2015, total compensation expense associated with RSUs classified as equity totaled $1.7 million and zero, respectively. For the six months ended June 30, 2016 and 2015, total compensation expense associated with RSUs classified as equity totaled $2.6 million and $0.3 million, respectively.

Liability Classified Share Based Payments

On March 6, 2014, effective on June 12, 2014, which corresponds to the approval of the 2013 Plan by the Company's stockholders, the Board approved grants to certain employees totaling 329,823 RSUs that cliff vest on December 31, 2020. These RSUs are subject to an adjusted EBITDA performance condition and a share price market condition. Additionally, the number of shares of common stock to be issued is limited to a maximum cash value, requiring these awards to be classified as liabilities. There were 329,802 RSUs associated with these grants outstanding as of June 30, 2016. The combined undiscounted maximum cash value of all liability-classified RSUs issued is approximately $7.1 million, which is being recognized as compensation expense over the period from grant to the vesting date.

For the three months ended June 30, 2016 and 2015, compensation expense associated with these awards totaled $0.1 million and $0.9 million, respectively. For the six months ended June 30, 2016 and 2015, compensation expense associated with these awards was zero and $1.4 million, respectively.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Stock Options

During the six months ended June 30, 2016, the Company granted non-qualified stock options under the 2013 Plan as follows:

| | Stock Options | Weighted average strike price | Weighted average grant date fair value |
|---|---|---|---|
| Stock options granted | 390,198 | $ 8.05 | $ 4.35 |

All options granted during 2016 are subject to graded vesting over a three-year period and have contractual lives of ten years from the grant date. Fair value of the grants is calculated using the Black-Scholes option pricing model at the grant date.

The following table provides the range of assumptions used in valuing the option grants using the Black-Scholes option pricing method:

| | Black-Scholes Input Assumptions |
|---|---|
| Weighted average expected term (years) | 6.0 |
| Expected volatility | 53.0% |
| Risk-free rate | 1.52% to 1.56% |
| Expected dividend rate | —% |
| Fair value price | $4.32 to $4.81 |

Weighted average expected term is calculated based on the simplified method for plain vanilla options as the Company has concluded that its historical share option exercise experience does not provide a reasonable basis upon which to estimate expected term and certain alternative information to assist with estimating it is not easily obtainable. Expected volatility is calculated based on a blend of the implied and historical equity volatility of an index of comparable companies.

For the three and six months ended June 30, 2016, the Company recognized compensation expense associated with stock options of $0.1 million and $0.2 million, respectively.

Long Term Cash Bonus Plan

The Company established the LTCB during the first quarter of 2015. As of June 30, 2016, the LTCB provides participants with the right to receive long-term cash bonuses totaling in the aggregate $10.5 million, a decrease of $4.8 million from December 31, 2015 due to forfeitures. Benefits under the plan vest over periods ranging from 36 to 62.5 months and include EBITDA performance targets, which are subject to appropriate and equitable adjustments by the compensation committee of the Board in order to reflect any subsequent acquisition, divestiture or other corporate reorganizations, as necessary. For the three months ended June 30, 2016 and 2015, compensation benefit associated with the LTCB totaled $0.1 million and $0.3 million, respectively. For the six months ended June 30, 2016 and 2015, compensation expense associated with the LTCB totaled $0.2 million and $0.8 million, respectively.

Employee Stock Purchase Plan

Effective March 6, 2014, the Board adopted the ESPP, which was approved by the Company’s stockholders on June 12, 2014. The Board approved a maximum of 5,178,815 shares of common stock, which were reserved and made available for issuance under the ESPP. As of June 30, 2016, a total of 127,003 shares had been issued under the ESPP, and approximately 800 persons were eligible to participate in the ESPP. For the three months ended June 30, 2016 and 2015, compensation expense associated with the ESPP was zero. For the six months ended June 30, 2016 and 2015, compensation expense associated with the ESPP was $0.1 million.

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(In millions)

7. PENSION AND POST-RETIREMENT PLANS

The components of net periodic pension and post-retirement benefit costs for the three and six months ended June 30, 2016 and 2015 were as follows:

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| (amounts in millions) | 2016 | | 2015 | | 2016 | | 2015 | |
| Pension & SERP Benefits: | Domestic | Foreign | Domestic | Foreign | Domestic | Foreign | Domestic | Foreign |
| Net periodic (benefit) cost: | | | | | | | | |
| Service cost | $— | $ 0.4 | $— | $ 0.2 | $— | $ 0.9 | $— | $ 0.4 |
| Interest cost on the projected benefit obligation | 2.5 | 0.8 | 1.6 | 0.5 | 5.1 | 1.5 | 3.2 | 1.0 |
| Expected return on plan assets | (2.9) | (0.7) | (2.4) | (0.5) | (5.8) | (1.3) | (4.8) | (1.0) |
| Amortization of prior service cost | — | 0.2 | — | — | — | 0.3 | — | — |
| Net periodic (benefit) cost | $(0.4) | $ 0.7 | $(0.8) | $ 0.2 | $(0.7) | $ 1.4 | $(1.6) | $ 0.4 |

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| (amounts in millions) | 2016 | | 2015 | | 2016 | | 2015 | |
| Post-retirement Benefits: | Domestic | Foreign | Domestic | Foreign | Domestic | Foreign | Domestic | Foreign |
| Net periodic cost: | | | | | | | | |
| Interest cost on the projected benefit obligation | $0.1 | $ 0.1 | $ 0.1 | $ — | $0.2 | $ 0.1 | $ 0.2 | $ — |
| Net periodic cost | $0.1 | $ 0.1 | $ 0.1 | $ — | $0.2 | $ 0.1 | $ 0.2 | $ — |

No pension service cost was recognized during the three and six months ended June 30, 2016 and 2015 under the Domestic Pension Plan, nor will there be in future periods, as benefits in the plan were frozen in connection with the MacDermid Acquisition.

The Company did not make any contributions to the pension plans or other post-retirement benefit plans during the three and six months ended June 30, 2016. The Company expects to make contributions totaling $6.3 million and $0.6 million to the pension and other post-retirement benefit plans, respectively, during 2016.

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8. DEBT, CAPITAL LEASES, FINANCIAL GUARANTEES AND FACTORING ARRANGEMENTS

The Company's debt and capital lease obligations consisted of the following:

| (amounts in millions) | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Debt and Capital Lease Obligations | | |
| USD Senior Notes, due 2022,<br>interest at 6.5%, net of unamortized premium and debt issuance costs of $18.1 million and $18.9 million at June 30, 2016 and December 31, 2015, respectively | $1,081.9 | $ 1,081.1 |
| EUR Senior Notes, due 2023,<br>interest at 6.00%, net of debt issuance costs of $5.9 million and $6.1 million at June 30, 2016 and December 31, 2015, respectively | 382.7 | 374.0 |
| USD Senior Notes, due 2021,<br>interest at 10.375%, net of debt issuance costs of $11.9 million and $12.5 million at June 30, 2016 and December 31, 2015, respectively | 488.1 | 487.5 |
| First Lien Credit Facility - U.S. Dollar Term Loans, due 2020,<br>interest at the greater of 5.50% or LIBOR plus 4.50%, net of unamortized discount and debt issuance costs of $61.6 million and $66.8 million at June 30, 2016 and December 31, 2015, respectively | 2,622.8 | 2,631.3 |
| First Lien Credit Facility - EURO Term Loans, due 2020,<br>interest at the greater of 5.50% or LIBOR plus 4.50%, net of unamortized discount and debt issuance costs of $13.6 million and $14.9 million at June 30, 2016 and December 31, 2015, respectively | 631.4 | 619.2 |
| Borrowings under the Revolving Credit Facility,<br>interest at LIBOR plus 3.00% at June 30, 2016 | 90.0 | — |
| Borrowings under lines of credit,<br>weighted average interest rate of 2.86% and 4.28% at June 30, 2016 and December 31, 2015, respectively | 34.5 | 16.7 |
| Other | 17.3 | 18.5 |
| Total debt and capital lease obligations | 5,348.7 | 5,228.3 |
| Less: current portion debt and capital lease obligations | (161.5 ) | (54.7 ) |
| Total long-term debt and capital lease obligations | $5,187.2 | $ 5,173.6 |

The weighted average effective interest rate associated with debt outstanding at June 30, 2016, based on currently applicable interest rates, was 6.99%. This rate includes the effects of interest rate swaps, as well as the impact of deferred financing fees and original issue discount and premium amortization calculated using the effective interest method.

In August 2015, the Company entered into a series of pay fixed, receive floating interest rate swaps with respect to a portion of its indebtedness. The swaps effectively fix the floating base rate portion of the interest payments on approximately $1.15 billion of the Company's USD denominated debt and €283 million of its Euro denominated debt at 1.96% and 1.20%, respectively, from September 2015 through June 2020.

Minimum principal payments on long-term debt and capital leases were as follows:

| (amounts in millions)<br>Year ending December 31, | Principal Payments |
|---|---|
| 2016 - remaining | $ 17.6 |
| 2017 | 34.8 |
| 2018 | 34.6 |

| | |
|---|---|
| 2019 | 34.5 |
| 2020 | 3,211.3 |
| 2021 | 500.5 |
| Thereafter | 1,489.9 |
| Total | $ 5,323.2 |

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In order to fund our acquisition activity, we have incurred substantial indebtedness totaling $5.35 billion as of June 30, 2016, with expected interest payments in excess of $300 million per year. Our first significant principal debt payments, totaling $3.21 billion and primarily representing principal payments at maturity associated with all of our outstanding term loans under our Amended and Restated Credit Agreement, are due in 2020. In addition, on April 20, 2017, we may also be required to repurchase, in consideration and exchange for shares of our common stock, each share of Series B Convertible Preferred Stock that has not been previously converted into shares of our common stock or automatically redeemed for cash. Upon such repurchase, we may also pay to holders of Series B Convertible Preferred Stock in cash a make-whole payment, which corresponds to any deficit between (i) the 10-day volume weighted price of Platform's common stock prior to such repurchase and (ii) $27.14 per share. This make-whole payment, which varies based on our stock price, corresponds to a maximum amount of $600 million. Based on Platform's common stock price of $8.88 as of June 30, 2016, this maximum make-whole payment would total approximately $404 million, assuming no impact from the March 2013 arbitration matter described in Note 15, Contingencies, Environmental and Legal Matters. We anticipate sufficient cash from operations to fund interest, working capital and other capital expenditures for the foreseeable future and have access to a $500 million line of credit under our Revolving Credit Facility, with current availability of $410 million, as well as availability under various lines of credit and overdraft facilities of $89.8 million. However, a combination of the make-whole payment to the holders of the Series B Convertible Preferred Stock, working capital shortfalls and future acquisitions may require utilization of our Revolving Credit Facility as well as proceeds from future debt and/or equity offerings. Our long-term liquidity may be impacted by our ability to borrow additional funds, renegotiate existing debt and/or raise equity under terms that are favorable to us.

Amended and Restated Credit Agreement

The Company is party to the Amended and Restated Credit Agreement, which governs our First Lien Credit Facility and our Revolving Credit Facility (in U.S. Dollar or multicurrency). A portion of our Revolving Credit Facility not in excess of $30.0 million is available for the issuance of letters of credit. As of June 30, 2016, our maximum borrowing capacity under our Amended and Restated Credit Agreement consisted (i) an aggregate principal amount of up to $250 million under our Revolving Credit Facility to be denominated in U.S. Dollars, and (ii) an aggregate principal amount of up to $250 million under our Revolving Credit Facility to be denominated in multicurrency.

Pursuant to the terms of the Amended and Restated Credit Agreement, each of the First Lien Credit Facility term loans bear interest at a rate per annum equal to the greater of 5.50% or LIBOR plus an adjusted eurocurrency rate, or 4.50% plus an adjusted base rate, calculated as set forth in the Amended and Restated Credit Agreement. Each tranche of term loans will mature on June 7, 2020.

Pursuant to the terms of the Amended and Restated Credit Agreement, loans under the Revolving Credit Facility bear interest at a rate per annum equal to 3.00% plus an adjusted eurocurrency rate, or 2.00% plus an adjusted base rate, each as calculated as set forth in the Amended and Restated Credit Agreement. The Revolving Credit Facility will mature on June 7, 2019. Revolving loans and commitments held by revolving facility lenders who did not consent to any extension, will mature on June 7, 2018.

Certain domestic and foreign subsidiaries of the Company, including certain subsidiaries acquired in the Alent, Arysta and OMG Acquisitions, are guarantors under the Amended and Restated Credit Agreement, with certain of these subsidiaries having pledged collateral to secure the obligations incurred thereunder.

Covenants and Events of Default

The Amended and Restated Credit Agreement contains customary covenants including limitations on additional indebtedness, dividends and other distributions, entry into new lines of business, use of loan proceeds, capital expenditures, restricted payments, restrictions on liens, transactions with affiliates, amendments to organizational documents, accounting changes, sale and leaseback transactions and dispositions. The Revolving Credit Facility also imposes a financial covenant to maintain a first lien net leverage ratio of 6.25 to 1.0 of (x) consolidated indebtedness secured by a first lien minus unrestricted cash and cash equivalents of the borrowers and guarantors under the Amended and Restated Credit Agreement to (y) consolidated EBITDA for the four most recent fiscal quarters, subject to a right to cure. A violation of this financial covenant can become an event of default under our Credit Facilities and result in the acceleration of all of our indebtedness. As of June 30, 2016, the Company was in compliance with the debt covenants contained in the Credit Facilities and, in accordance with such debt covenants, had full availability of its unused borrowing capacity of $410 million under the Revolving Credit Facility.

The Amended and Restated Credit Agreement also contains customary events of default that include, among others, non-payment of principal, interest or fees, violation of certain covenants, inaccuracy of representations and warranties, failure to make payment on certain other material indebtedness, bankruptcy and insolvency events, material judgments and change of control provisions. Upon the occurrence of an event of default, payment of any outstanding loans under the Amended and Restated Credit Agreement may be accelerated. Borrowings under the Amended and Restated Credit Agreement are also subject to mandatory prepayment from the proceeds of certain dispositions of assets and from certain insurance and condemnation proceeds, excess cash flow and debt incurrences, in each case, subject to customary carve-outs and exceptions.

The Amended and Restated Credit Agreement also contains a yield protection provision wherein the yield on any current indebtedness issued under the Amended and Restated Credit Agreement would be increased to within 50 basis points of the yield on any additional incremental term loan(s), in the event the incremental term loan(s) provided an initial yield, including original issue discount (OID), subject to the yield calculation provisions, as defined, is in excess of 50 basis points of the yield on existing term loan indebtedness.

Guarantees

The obligations of Platform and MacDermid, as borrowers, under the Amended and Restated Credit Agreement are guaranteed by current and future direct and indirect domestic subsidiaries. Certain of Platform's foreign subsidiaries also guarantee the obligations of MAS Holdings, NAIP, MacDermid Europe and MacDermid Funding with respect to the EURO Tranche C Term Loans. Pursuant to the Security Agreement, the Company's obligations under the Amended and Restated Credit Agreement are secured by a security interest in substantially all of the personal property, whether owned on the date of the Security Agreement, or entered into or acquired in the future, of Platform and MacDermid, as borrowers, and the guarantors listed in the Security Agreement, including the pledge by Platform, MacDermid and guarantors generally of 100% of the voting common stock and other equity interests in all of their respective domestic subsidiaries and 65% of the voting common stock and other equity interests in all of their respective directly owned non-domestic subsidiaries (in each case, whether existing on the date of the Security Agreement or entered into or acquired thereafter), subject to certain exceptions contained in the Amended and Restated Credit Agreement and the Security Agreement.

Lines of Credit and Other Debt Facilities

The Company carries a Revolving Credit Facility and various lines of credit, short-term debt facilities and overdraft facilities worldwide which are used to fund short-term cash needs. As of June 30, 2016 and December 31, 2015, the aggregate principal amount outstanding under such facilities totaled $125 million and $16.7 million, respectively. The Company also had letters of credit outstanding of $35.6 million and $40.0 million as of June 30, 2016 and December 31, 2015, respectively, of which $11.2 million and $11.0 million as of June 30, 2016 and December 31, 2015, respectively, reduce the borrowings available under the Revolving Credit Facility. As of June 30, 2016 and December 31, 2015, the availability under these facilities was approximately $500 million and $618 million, respectively, net of outstanding letters of credit.

Financial Guarantees and Factoring Arrangements

The Company periodically enters into certain arrangements with vendors and customers under which it provides guarantees to financial institutions for loans entered into between its vendors and customers and the financial institutions, the proceeds of which are used to settle outstanding accounts receivables. The terms of the guarantees are equivalent to the terms of the customer loans. Liabilities for the guarantees are recorded at amounts that approximate fair value, based on the Company’s historical collection experience with vendors and customers that participate in the program and a current assessment of credit exposure. Such liabilities are included in "Accrued expenses and other current liabilities" in the Company's Condensed Consolidated Balance Sheets, and totaled $14.0 million and $46.3 million as of June 30, 2016 and December 31, 2015, respectively. Program income and expenses are recorded in "Interest expense, net" in the Condensed Consolidated Statements of Operations. For the three months ended June 30, 2016 and 2015, program income totaled $0.2 million and zero, respectively. For the six months ended June 30, 2016 and 2015, program income (expenses) totaled $0.2 million and $(0.2) million, respectively.

The Company also utilizes accounts receivable factoring arrangements as a part of its working capital management strategies. Total current capacity under such programs is approximately $270 million as of June 30, 2016. Under these arrangements, factored accounts receivable may be transferred with or without recourse. Factoring transactions qualifying for sales treatment, where the derecognition criteria have been met, totaled $58.9 million as of June 30, 2016. As of December 31, 2015, such transactions totaled $189 million. Account receivable balances related to arrangements not having met the derecognition criteria, where the risks and rewards of ownership have not been transferred, remain recorded in "Account receivable" and the related liabilities are included in "Accrued expenses and other current liabilities" in the Company's Condensed Consolidated Balance Sheets, and totaled $31.3 million and $24.8 million as of June 30, 2016 and December 31, 2015, respectively. Factoring fees are recorded in "Interest expense, net" in the Condensed Consolidated Statements of Operations and totaled $0.6 million and $0.5 million for the three months ended

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June 30, 2016 and 2015, respectively. For the six months ended June 30, 2016 and 2015, factoring fees totaled $0.8 million and $1.2 million, respectively. As of June 30, 2016, the Company had additional capacity under its factoring arrangements of approximately $96.5 million, subject to the limitations outlined in its Credit Facilities and other agreements governing outstanding debt.

Some of the Company’s subsidiaries in the United States and the Netherlands periodically enter into arrangements for consignment and/or purchase of precious metals with financial institutions. The present and future indebtedness and liability relating to such arrangements are guaranteed by the Company. The Company’s maximum guarantee liability under these arrangements is limited to an aggregate of $18.0 million. No guarantee liability is recorded by the Company for its subsidiary’s debt to financial institutions.

## 9. DERIVATIVE INSTRUMENTS

In the normal course of business, the Company is exposed to risks relating to changes in foreign currency exchange rates, interest rates and commodity prices. Derivative financial instruments, such as foreign currency exchange forward contracts, interest rate swaps and commodities futures contracts are used to manage the risks associated with changes in the conditions of those markets. All derivatives are recognized in the Condensed Consolidated Balance Sheets at fair value at the end of each period. The counterparties to the Company’s derivative agreements are primarily major international financial institutions. The Company continually monitors its positions and the credit ratings of its counterparties and does not anticipate nonperformance by the counterparties.

### Foreign Currency

The Company conducts a significant portion of its business in currencies other than the U.S. Dollar, the currency in which the unaudited interim Condensed Consolidated Financial Statements are reported. As a result, the Company’s operating results are affected by foreign currency exchange rate volatility relative to the U.S. Dollar.

As of June 30, 2016, the Company held foreign currency forward contracts to purchase and sell various currencies primarily with U.S. Dollars and Euro, with insignificant amounts traded with Japanese Yen. The Company has not designated any foreign currency exchange forward contracts as eligible for hedge accounting. The total U.S. Dollar equivalent of foreign currency exchange forward contracts held at June 30, 2016 was approximately $307 million, all of which have settlement dates within one year. The following table details the Company's significant outstanding foreign exchange derivative contracts:

| (in millions) | Traded against USD | | Traded against EUR (USD equivalent) | |
|---|---|---|---|---|
| Currency | Purchasing | Selling | Purchasing | Selling |
| Euro (EUR) | $67.8 | $52.4 | $ — | $ — |
| Brazilian Real (BRL) | 22.9 | 89.1 | — | — |
| British Pound (GBP) | 13.1 | — | 4.1 | — |
| Japanese Yen (JPY) | 12.4 | 28.4 | 1.6 | 1.7 |
| Taiwan Dollar (TWD) | 12.9 | — | — | — |
| Other | 0.3 | — | — | — |
| Total | $129.4 | $169.9 | $5.7 | $ 1.7 |

The change in the net fair value of the foreign currency forward contracts is recorded in "Loss on derivative contracts" in the accompanying Condensed Consolidated Statements of Operations.

### Interest Rates

In August 2015, the Company entered into a series of pay fixed, receive floating interest rate swaps with respect to a portion of its indebtedness. The swaps effectively fix the floating base rate portion of the interest payments on approximately $1.15 billion of the Company's USD denominated debt and €283 million of its Euro denominated debt at

1.96% and 1.20%, respectively, from September 2015 through June 2020.

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Changes in the fair value of a derivative that is designated as, and meets all the required criteria for, a cash flow hedge are recorded in "Accumulated other comprehensive income (loss)" and reclassified into earnings as the underlying hedged item affects earnings. Amounts reclassified into earnings related to the interest rate swaps are included in interest expense.

Commodities

As part of its risk management policy, the Company enters into commodities futures contracts on an ongoing basis for the purpose of mitigating its exposure to fluctuations in prices of certain metals it uses in the production of its finished goods. The Company held futures contracts to purchase and sell various metals, primarily silver and tin, for a notional amount of $29.0 million and $16.5 million as of June 30, 2016 and December 31, 2015, respectively. All contracts outstanding at June 30, 2016 have delivery dates within the next nine months. The change in the net fair value of the commodities futures contracts is recorded in "Loss on derivative contracts" in the accompanying Condensed Consolidated Statements of Operations.

Certain subsidiaries of the Company have entered into supply agreements with a third party that have been deemed to constitute financing agreements with an embedded derivative feature whose fair value is determined by the change in the market value of the underlying metals between delivery date and measurement date. Amounts associated with these supply agreements, which serve as the notional of the embedded derivative, have been recorded in "Inventory" and "Current installments of long-term debt and revolving credit facilities" in the Condensed Consolidated Balance Sheets and totaled $12.1 million and $13.0 million at June 30, 2016 and December 31, 2015, respectively. The fair value of these contracts has been bifurcated and recorded as a derivative liability in "Accrued expenses and other current liabilities" in the Condensed Consolidated Balance Sheets and totaled $0.9 million and zero at June 30, 2016 and December 31, 2015, respectively.

The following table summarizes the fair value of derivative instruments reported in the Condensed Consolidated Balance Sheets:

| (amounts in millions) | | June 30, 2016 | December 31, 2015 |
|---|---|---|---|
| Derivatives designated as hedging instruments | Liabilities Balance Sheet location | | |
| Interest rate swaps | Accrued expenses and other current liabilities | $ (10.6 ) | $ — |
| Interest rate swaps | Other long-term liabilities | (18.8 ) | (12.5 ) |
| | | | |
| Derivatives not designated as hedging instruments: | Assets Balance Sheet location | | |
| Foreign exchange and metals contracts | Prepaid expenses and other current assets | 5.4 | 1.1 |
| Foreign exchange contracts | Other Assets | — | 1.0 |
| | Liabilities Balance Sheet location | | |
| Foreign exchange and metals contracts | Accrued expenses and other current liabilities | (21.9 ) | (1.0 ) |
| Net derivative contract liability | | $ (45.9 ) | $ (11.4 ) |

The Company recorded unrealized losses of $8.8 million and $22.7 million for the three and six months ended June 30, 2016, respectively, in "Other comprehensive income (loss)" related to interest rate swaps. There was no such activity during the three and six months ended June 30, 2015. The interest rate swaps were deemed highly effective with no ineffective portions for cash flow hedge accounting purposes during the six months ended June 30, 2016. For the three and six months ended June 30, 2016, the Company reclassified $3.0 million and $5.9 million, respectively, of unrealized losses associated with the interest rate swaps from "Accumulated other comprehensive income" to "Interest expense, net." During the next twelve months, the Company expects to reclassify $10.6 million from "Accumulated Other Comprehensive Income" to "Interest expense, net" in the Condensed Consolidated Statements of Operations.

For the three months ended June 30, 2016 and 2015, the Company recorded realized and unrealized losses of $5.4 million and $1.4 million in "Loss on derivative contracts" in the Condensed Consolidated Statements of Operations related to foreign exchange and metals derivative contracts. For the six months ended June 30, 2016 and 2015, the Company recorded realized and unrealized losses of $10.7 million and $1.4 million, respectively, related to foreign exchange and metals contracts.

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In the normal course of business, the Company enters into contracts with certain counterparties to purchase and sell foreign currency exchange forwards and metal futures that contain master netting arrangements, typically in the form of an International Swaps and Derivatives Association (ISDA) or similar agreement. The right to set-off within these agreements is limited to certain termination events, such as bankruptcy or default of either party to the agreement. The Company has made an accounting policy decision not to offset and reports gross derivative asset and liability balances in the Condensed Consolidated Balance Sheets.
The following table presents recognized foreign currency exchange forward and metal future derivative contracts that are subject to master netting arrangements but not offset, as at June 30, 2016, and shows in the "Net" column what the net impact would be on the Company's Condensed Consolidated Balance Sheets if all set-off rights were exercised:

| Financial assets | Amounts offset | | | Amounts not offset | | Net |
|---|---|---|---|---|---|---|
| June 30, 2016 | Gross assets | Gross liabilities offset | Net amounts presented | Financial instruments | Cash collateral paid | |
| Derivative assets | $4.4 | $ — | $ 4.4 | $(2.0) | $ — | $2.4 |

| Financial liabilities | Amounts offset | | | Amounts not offset | | Net |
|---|---|---|---|---|---|---|
| June 30, 2016 | Gross liabilities | Gross assets offset | Net amounts presented | Financial instruments | Cash collateral paid | |
| Derivative liabilities | $19.1 | $ — | $ 19.1 | $(1.8) | $ (2.5 ) | $14.8 |

Paid cash collateral to counterparties is recorded in "Prepaid expenses and other current assets" in the Condensed Consolidated Balance Sheets.

## 10. FAIR VALUE MEASUREMENTS

The Company determines fair value measurements used in its unaudited interim Condensed Consolidated Financial Statements based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs, as determined by either the principal market or the most advantageous market. The principal market is the market with the greatest level of activity and volume for the asset or liability. Absent a principal market to measure fair value, the Company uses the most advantageous market, which is the market in which the Company would receive the highest selling price for the asset or pay the lowest price to settle the liability, after considering transaction costs. However, when using the most advantageous market, transaction costs are only considered to determine which market is the most advantageous and these costs are then excluded when applying a fair value measurement.
Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy. The basis for fair value measurements for each level within the hierarchy is described below, with Level 1 having the highest priority, and Level 3 having the lowest.
The three levels of the fair value hierarchy are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in non-active markets; and model-derived valuations whose inputs are observable or whose significant valuation drivers are observable.
- Level 3 – significant inputs to the valuation model are unobservable and/or reflect the Company’s market assumptions.

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Recurring Fair Value Measurements

The following tables present the Company's financial instruments, assets and liabilities that are measured at fair value on a recurring basis:

| (amounts in millions) | June 30, 2016 | Fair Value Measurement Using Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| Asset Category | | | | |
| Cash equivalents | $ 17.2 | $1.0 | $ 16.2 | $ — |
| Available for sale equity securities | 2.4 | 1.8 | 0.6 | — |
| Derivatives | 5.4 | — | 5.4 | — |
| Total | $ 25.0 | $2.8 | $ 22.2 | $ — |
| Liability Category | | | | |
| Long-term contingent consideration | $ 74.8 | $— | $ — | $ 74.8 |
| Derivatives | 51.3 | — | 51.3 | — |
| Total | $ 126.1 | $— | $ 51.3 | $ 74.8 |

| (amounts in millions) | December 31, 2015 | Fair Value Measurement Using Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| Asset Category | | | | |
| Cash equivalents | $ 59.4 | $2.9 | $ 56.5 | $ — |
| Available for sale equity securities | 6.6 | 5.8 | 0.8 | — |
| Derivatives | 2.1 | — | 2.1 | — |
| Total | $ 68.1 | $8.7 | $ 59.4 | $ — |
| Liability Category | | | | |
| Long-term contingent consideration | $ 70.7 | $— | $ — | $ 70.7 |
| Derivatives | 13.5 | — | 13.5 | — |
| Total | $ 84.2 | $— | $ 13.5 | $ 70.7 |

The following methods and assumptions were used to estimate the fair value of each class of the Company's financial instruments, assets and liabilities:

Cash equivalents - Cash equivalents comprise money market accounts and certificates of deposits issued by financial institutions. The Company invests in various money market funds which are managed by financial institutions. These funds are not publicly traded, but historically have been highly liquid. The fair values of the money market accounts are determined by the banks based upon the funds' NAV. All of the money market accounts currently permit daily investments and redemptions at $1.00 NAV and are classified as Level 1 assets. The Company records certificates of deposit at amortized cost in the Condensed Consolidated Balance Sheets. Given the relatively short maturities of these instruments, the Company believes amortized cost approximates fair value. The Company classifies these instruments as Level 2.

Available for sale equity securities - Equity securities classified as available for sale are measured using quoted market prices at the reporting date multiplied by the quantity held and, accordingly, are classified as Level 1 assets. Level 2 equity securities are measured using quoted prices for similar instruments in active markets. Available for sale securities are included in "Other assets" in the Condensed Consolidated Balance Sheets.

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Derivatives - Derivative assets and liabilities include foreign currency, metals and interest rate derivatives. The values were determined using pricing models based upon observable market inputs, such as market spot and futures prices on over-the-counter derivative instruments, market interest rates and consideration of counterparty credit risk.
Long-term contingent consideration - The long-term contingent consideration represents a potential liability of up to $100 million tied to achievement of EBITDA and common stock trading price performance metrics over a seven-year period ending December 2020 in connection with the MacDermid Acquisition. The common stock performance metric has been satisfied. The fair value of the EBITDA performance metric is derived using the income approach with unobservable inputs, based on future forecasts and present value assumptions which include a discount rate of approximately 0.96% and expected future value of payments of $60.0 million calculated using a probability weighted EBITDA assessment with higher probability associated with the Company achieving the maximum EBITDA targets. Changes in the fair value of the long-term contingent consideration are recorded in "Selling, technical, general and administrative expenses" in the Condensed Consolidated Statements of Operations. Relative to the share price metric, an increase or decrease in the discount rate of 1% changes the fair value measure of the metric by approximately $1.7 million. Relative to the EBITDA metric, an increase or a decrease in the discount rate of 1%, within a range of probability between 80% and 100%, changes the fair value measure of the metric by a range of approximately $2.9 million to $3.2 million.
The following table provides a reconciliation of the beginning and ending balances for the six months ended June 30, 2016 for instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

| (amounts in millions) | Long-term contingent consideration |
|---|---|
| Fair value measurements using significant unobservable inputs (Level 3) | June 30, 2016 |
| Balance at December 31, 2015 | $ 70.7 |
| Changes in fair value | 4.1 |
| Purchases, sales and settlements [(1)] | — |
| Transfers into Level 3 | — |
| Transfers out of Level 3 | — |
| Balance at June 30, 2016 | $ 74.8 |

[(1)] There were no purchases, sales or settlements during the six months ended June 30, 2016.
The Company consistently applies its policy for transfers between fair value hierarchy levels as disclosed in the Company's Annual Report. There were no significant transfers between the fair value hierarchy levels for the six months ended June 30, 2016.
Nonrecurring Fair Value Measurements
The following table presents the carrying value and estimated fair value of the Company’s long-term debt and capital lease obligations:

| (amounts in millions) | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| USD Senior Notes, due 2022 | $1,081.9 | $970.8 | $1,081.1 | $946.3 |
| EUR Senior Notes, due 2023 | 382.7 | 329.6 | 374.0 | 326.7 |
| USD Senior Notes, due 2021 | 488.1 | 505.0 | 487.5 | 500.0 |
| First Lien Credit Facility - U.S. Dollar Term Loans | 2,622.8 | 2,641.9 | 2,631.3 | 2,603.6 |
| First Lien Credit Facility - EURO Term Loans | 631.4 | 638.7 | 619.2 | 624.3 |
| Capital lease obligations | 5.2 | 5.2 | 5.5 | 5.3 |

| | | | | |
|---|---|---|---|---|
| Total | $5,212.1 | $5,091.2 | $5,198.6 | $5,006.2 |

Carrying values presented above include unamortized premiums, discounts and debt issuance costs.

The following methods and assumptions were used to estimate the fair value of the Company’s long-term debt:

Long-term Debt Instruments - These financial instruments are measured using quoted market prices at the reporting date multiplied by the gross carrying amount of the related debt, which excludes unamortized premiums, discounts and debt issuance costs. Such instruments are valued using Level 2 inputs.

## 11. STOCKHOLDERS’ EQUITY

### Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock. The Board has designated 2,000,000 of those shares as "Series A Preferred Stock." As of June 30, 2016 and December 31, 2015, a total of 2,000,000 shares of Series A Preferred Stock were issued and outstanding. The Board has also designated 600,000 of those shares as "Series B Convertible Preferred Stock," which are redeemable and are presented in the mezzanine section of the Company's Condensed Consolidated Balance Sheets. As of June 30, 2016 and December 31, 2015, a total of 600,000 shares of Series B Convertible Preferred Stock were issued and outstanding. Shares of preferred stock have no voting rights, except in respect of any amendment to the Company's Certificate of Incorporation, as amended, that would alter or change their rights or privileges.

### Series A Preferred Stock

The Founder Entities are the current holders of Platform's outstanding 2,000,000 shares of Series A Preferred Stock. Each share of Series A Preferred Stock is convertible into one share of common stock at the option of the holders until December 31, 2020. All outstanding shares of Series A Preferred Stock will be automatically converted into shares of common stock on a one for one basis (i) in the event of a change of control of the Company following an acquisition or (ii) upon the last day of the seventh full financial year following the MacDermid Acquisition, being December 31, 2020 (which may be extended by the Board for three additional years).

Holders of Series A Preferred Stock are entitled to receive dividends in the form of shares of common stock. The dividend amount is calculated based on the appreciated stock price compared to the highest dividend price previously used in calculating the Series A Preferred Stock dividends, which is currently $22.85.

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Series B Convertible Preferred Stock

In connection with the Arysta Acquisition, the Company issued to the Arysta Seller 600,000 shares of Series B Convertible Preferred Stock, which have a $1,000 per share liquidation preference. The fair value of these shares, $646 million, was recognized as "Redeemable preferred stock – Series B" in the Condensed Consolidated Balance Sheets. At any time, the Arysta Seller may convert these shares into common stock of Platform at a conversion price of $27.14. Additionally, any shares that have not previously been converted will be automatically redeemed at a $1,000 redemption price in the event of certain mergers or consolidations, the sale of all or substantially all of the Company's assets or subsidiaries, the sale of certain subsidiaries of the Company or the approval of any plan for the dissolution, liquidation or termination of the Company by its stockholders. Pursuant to the terms of the Arysta share purchase agreement, on April 20, 2017, the Company may be required to repurchase, in consideration and exchange for Platform's shares of common stock, each share of Series B Convertible Preferred Stock that has not been previously converted into shares of common stock of Platform, or automatically redeemed for cash as described above at the $1,000 redemption price payable in shares of the Company's common stock (22,107,590 shares of common stock valued at $27.14 per share). Upon such repurchase, the Company may also pay to holders of Series B Convertible Preferred Stock in cash a make-whole payment, which corresponds to any deficit between (i) the 10-day volume weighted price of Platform's common stock prior to such repurchase and (ii) $27.14 per share. To the extent the Arysta Seller continues to own shares of Series B Convertible Preferred Stock, then, if as a result of the March 2013 arbitration matter described in Note 15, Contingencies, Environmental and Legal Matters, to the unaudited interim Condensed Consolidated Financial Statements, the Arysta Seller is obligated to make a payment to us, we may offset any make-whole payment due to the Arysta Seller by any such amount due from the Arysta Seller. If such make whole payment is less than the amount resolved in connection with this arbitration matter, the deficit will be due from the Arysta Seller. Based on Platform's common stock price of $8.88 as of June 30, 2016, the maximum potential make whole payment would total approximately $404 million, assuming no impact from the March 2013 arbitration matter described in Note 15, Contingencies, Environmental and Legal Matters. The holders of Series B Convertible Preferred Stock are also entitled to an incremental payment equal to $4.0 million per month from October 20, 2016 to April 20, 2017, or such earlier date after October 20, 2016 that the then outstanding shares of Series B Convertible Preferred Stock are converted into shares of common stock of Platform or automatically redeemed for cash by Platform.

Non-Controlling Interest

In connection with the MacDermid Acquisition, approximately $97.5 million was raised in new equity consisting of shares of PDH Common Stock. Since October 31, 2014, all shares of PDH common stock are convertible, at the option of the holder, into a like number of shares of the Company's common stock, the sale of which is subject to a contractual lock-up of 25% per year over a four-year period, which started on October 31, 2013.

The PDH Common Stock is classified as a non-controlling interest on the Condensed Consolidated Balance Sheets at June 30, 2016 and December 31, 2015 and will continue to be until such time as it is fully converted into shares of the Company's common stock. The total number of shares of common stock originally issuable upon the exchange of PDH Common Stock pursuant to the RHSA was approximately 8.8 million, against which 766,862 shares have been issued as of June 30, 2016.

For the three months ended June 30, 2016 and 2015, approximately $(1.5) million and $2.0 million, respectively, of net (loss) income has been allocated to the Retaining Holders, as included in the Condensed Consolidated Statements of Operations, representing non-controlling interest of 6.21% and 6.36% at June 30, 2016 and 2015, respectively.

For the six months ended June 30, 2016 and 2015, approximately $(2.7) million and $1.2 million, respectively, of net (loss) income has been allocated to the Retaining Holders, as included in the Condensed Consolidated Statements of Operations.

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12. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Changes in each component of accumulated other comprehensive (loss) income, net of tax, for the three and six months ended June 30, 2016 and 2015 were as follows:

| | Three Months Ended June 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| (amounts in millions) | Foreign Currency Translation Adjustments | Pension and Post-retirement Plans | Unrealized Gain on Available for Sale Securities | Derivative Financial Instrument Revaluation | Non-Controlling Interests | Accumulated Other Comprehensive Loss |
| Balance at March 31, 2016 | $(577.8) | $ (26.3) | $ 0.8 | $ (19.1) | $ 34.7 | $ (587.7) |
| Other comprehensive income (loss) before reclassifications, net | 131.0 | — | (1.2) | (8.8) | (10.0) | 111.0 |
| Reclassifications, pretax | — | — | — | 3.0 | — | 3.0 |
| Tax benefit reclassified | — | — | — | — | — | — |
| Balance at June 30, 2016 | $(446.8) | $ (26.3) | $ (0.4) | $ (24.9) | $ 24.7 | $ (473.7) |

| | Six Months Ended June 30, 2016 | | | | | |
|---|---|---|---|---|---|---|
| (amounts in millions) | Foreign Currency Translation Adjustments | Pension and Post-retirement Plans | Unrealized Gain on Available for Sale Securities | Derivative Financial Instrument Revaluation | Non-Controlling Interests | Accumulated Other Comprehensive (loss) Income |
| Balance at December 31, 2015 | $(899.3) | $ (26.3) | $ 1.2 | $ (8.1) | $ 46.4 | $ (886.1) |
| Other comprehensive income (loss) before reclassifications, net | 452.5 | — | (1.6) | (22.7) | (21.7) | 406.5 |
| Reclassifications, pretax | — | — | — | 5.9 | — | 5.9 |
| Tax benefit reclassified | — | — | — | — | — | — |
| Balance at June 30, 2016 | $(446.8) | $ (26.3) | $ (0.4) | $ (24.9) | $ 24.7 | $ (473.7) |

| | Three Months Ended June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| (amounts in millions) | Foreign Currency Translation Adjustments | Pension and Post-retirement Plans | Unrealized Gain on Available for Sale Securities | Derivative Financial Instrument Revaluation | Non-Controlling Interests | Accumulated Other Comprehensive Loss |
| Balance at March 31, 2015 (as restated) | $(474.7) | $ (15.4) | $ — | $ — | $ 15.1 | $ (475.0) |
| Other comprehensive income (loss) before reclassifications, net (as restated) | 88.7 | — | 0.3 | — | (1.6) | 87.4 |
| Reclassifications, pretax | — | — | — | — | — | — |
| Tax expense reclassified | — | — | — | — | — | — |
| Balance at June 30, 2015 | $(386.0) | $ (15.4) | $ 0.3 | $ — | $ 13.5 | $ (387.6) |

| | Six Months Ended June 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| (amounts in millions) | Foreign Currency Translation Adjustments | Pension and Post-retirement Plans | Unrealized Gain on Available for Sale Securities | Derivative Financial Instrument Revaluation | Non-Controlling Interests | Accumulated Other Comprehensive (loss) Income |

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance at December 31, 2014 | $(122.2) | $ (14.9 ) | $ 0.1 | $ — | $ 6.4 | $ (130.6 ) |
| Other comprehensive (loss) income before reclassifications, net | (263.8 ) | — | 0.2 | — | 7.1 | (256.5 ) |
| Reclassifications, pretax | — | — | — | — | — | — |
| Tax expense reclassified | — | (0.5 ) | — | — | — | (0.5 ) |
| Balance at June 30, 2015 | $(386.0) | $ (15.4 ) | $ 0.3 | $ — | $ 13.5 | $ (387.6 ) |

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## 13. EARNINGS PER SHARE

A computation of the weighted average shares of common stock outstanding for the three and six months ended June 30, 2016 and 2015 follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (amounts in millions, except per share amounts) | 2016 | 2015 | 2016 | 2015 |
| Net loss attributable to common stockholders | $(8.8 ) | $(12.2) | $(143.6) | $(38.9) |
| Basic weighted average common stock outstanding | 229.6 | 192.8 | 229.5 | 192.3 |
| Share adjustments [1] | — | — | — | — |
| Dilutive weighted average common stock outstanding | 229.6 | 192.8 | 229.5 | 192.3 |
| Loss per share attributable to common stockholders: | | | | |
| Basic | $(0.04) | $(0.06) | $(0.63 ) | $(0.20) |
| Diluted | $(0.04) | $(0.06) | $(0.63 ) | $(0.20) |
| Dividends per share paid to common stockholders | $— | $— | $— | $— |

[1] For the three and six months ended June 30, 2016 and 2015, no share adjustments are included in the dilutive weighted average shares outstanding computation as their effect would have been anti-dilutive. For more information about such dilutive shares outstanding, refer to the table below.

For the three and six months ended June 30, 2016 and 2015, the following securities were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive or because performance targets were not yet achieved for awards contingent upon performance. These securities may become dilutive in future periods.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (amounts in thousands) | 2016 | 2015 | 2016 | 2015 |
| Shares contingently issuable to Founder Entities as stock dividend on Series A Preferred Stock | — | 2,789 | — | 2,789 |
| Shares issuable upon conversion of PDH Common Stock | 8,014 | 8,213 | 8,033 | 8,213 |
| Shares issuable upon conversion of Series A Preferred Stock | 2,000 | 2,000 | 2,000 | 2,000 |
| Shares issuable upon conversion of Series B Convertible Preferred Stock | 22,108 | 22,108 | 22,108 | 16,733 |
| Shares contingently issuable for the contingent consideration | 8,490 | 1,347 | 8,599 | 1,333 |
| Stock options | — | 69 | — | 79 |
| RSUs | 144 | 161 | 72 | 89 |
| Shares issuable under the ESPP | 2 | — | 2 | — |
| | 40,758 | 36,687 | 40,814 | 31,236 |

## 14. OPERATING LEASE COMMITMENTS

The Company leases certain land, office space, warehouse space and equipment under agreements which are classified as operating leases for financial statement purposes. Certain of these leases provide for payment of real estate taxes, common area maintenance, insurance and certain other expenses. Lease terms may have escalating rent provisions and rent holidays which are recognized on a straight-line basis over the term of the lease. The leases expire at various dates through 2055.

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Total rent expense for operating leases was as follows:

| (amounts in millions) | Three Months Ended June 30, 2016 | 2015 | Six Months Ended June 30, 2016 | 2015 |
|---|---|---|---|---|
| Rent expense | $10.0 | $6.1 | $19.1 | $10.4 |

Minimum non-cancelable operating lease commitments were as follows:

| (amounts in millions) As of June 30, 2016 | Operating Lease Payment |
|---|---|
| 2016, remaining | $ 18.0 |
| 2017 | 25.4 |
| 2018 | 16.8 |
| 2019 | 11.6 |
| 2020 | 9.7 |
| 2021 | 8.8 |
| Thereafter | 26.1 |
| Total minimum non-cancelable operating lease commitments | $ 116.4 |

The fixed operating lease commitments detailed above assume that the Company continues the leases through their initial lease terms.

15. CONTINGENCIES, ENVIRONMENTAL AND LEGAL MATTERS

Asset Retirement Obligations

The Company has recognized AROs for properties where it can make a reasonable estimate of the future expenditures necessary to satisfy the related obligations. The Company considers identified legally enforceable obligations, estimated settlement dates and appropriate discount and inflation rates in calculating the fair value of its AROs.

As of June 30, 2016 and December 31, 2015, the Company's ARO reserves, included in other short and long-term liabilities in the Condensed Consolidated Balance Sheets, totaled $20.9 million and $17.5 million, respectively.

Changes in the Company’s AROs were as follows:

| (amounts in millions) | Three Months Ended June 30, 2016 | 2015 | Six Months Ended June 30, 2016 | 2015 |
|---|---|---|---|---|
| AROs, beginning of period | $18.3 | $17.4 | $17.5 | $18.5 |
| Acquisitions | 2.8 | 0.4 | 2.8 | 0.4 |
| Accretion expense | 0.4 | 0.2 | 0.6 | 0.5 |
| Remeasurements | — | (0.7 ) | 0.1 | (0.7 ) |
| Payments | (0.3 ) | — | (0.5 ) | — |
| Foreign currency adjustments | (0.3 ) | 0.4 | 0.4 | (1.0 ) |
| AROs, end of period | $20.9 | $17.7 | $20.9 | $17.7 |

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Environmental

The Company formulates and distributes specialty chemical products and is therefore subject to extensive domestic and foreign environmental protection laws and regulations, including those governing the management, discharge and disposal of hazardous material and pollutants into the soil, air and water, as well as laws and regulations governing workers' health and safety. As a result, the Company is exposed to risks of liability or claims with respect to environmental clean-up of contaminated facilities or other matters, including those in connection with the disposal or releases of, or exposure to, hazardous materials. The Company has incurred, and will continue to incur, costs and capital expenditures in complying with these laws and regulations. Additional costs could be incurred, including clean-up costs, fines, sanctions, and third-party claims, as a result of violations of or liabilities under environmental laws.

Among other environmental laws, the Company is subject to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (commonly known as Superfund), under which the Company may be designated as a “potentially responsible party,” or PRP, with respect to clean-up costs associated with sites on the U.S. Environmental Protection Agency National Priority List. The Company conducts studies, individually or jointly with other PRPs, to determine the feasibility of various remedial techniques. It is the Company's policy to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on the Company's best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts are determined.

Remediation activities vary substantially in duration and cost from site to site. These activities, and their associated costs, depend on the mix of unique site characteristics, evolving remediation technologies, diverse regulatory agencies and enforcement policies, as well as the presence or absence of PRPs.

In particular, the Company has reserved approximately $47.3 million primarily related to potential liability in connection with environmental remediation, clean-up costs, and monitoring of sites that were either closed or disposed of in prior years by Alent, which the Company acquired in December 2015. These sites are in various stages of environmental management: at some sites, the work is in the early stages of assessment and investigation, while at others, the clean-up remedies have been implemented and the remaining work consists of monitoring the integrity of those remedies. These sites include, but are not limited to, federal or state Superfund sites. Because the laws pertaining to Superfund sites generally impose retroactive, strict, joint and several liability, a governmental plaintiff could seek to recover all remediation costs at any such site from any of the PRPs for such site, including the Company, despite the involvement of other PRPs. The Company is one of several identified PRPs in the aforementioned Superfund sites. The Company believes that the liability associated with these sites has been apportioned based on the type and amount of waste disposed by each PRP at such disposal site and the number of financially solvent PRPs. In many cases, the nature of future environmental expenditures cannot be quantified with accuracy.

The Company does not currently anticipate any material losses in excess of the reserve amount recorded. However, it is possible that new information about these sites, such as results of investigations, could make it necessary for the Company to reassess its potential exposure related to these environmental matters. As the settlement of many of the obligations for which provision is made is subject to legal or other regulatory process, the timing of the associated cash outflows is subject to some uncertainty, but the majority of the amounts provided are expected to be utilized over the next five to ten years.

As of June 30, 2016 and December 31, 2015, the Company's environmental reserves totaled $50.6 million and $25.7 million, respectively. As of the date hereof, management does not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of the Company's recorded liabilities, and is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters.

Legal Proceedings

From time to time, the Company is involved in various legal proceedings in the normal course of its business. The Company believes that the resolution of these claims, to the extent not covered by insurance, will not, individually or in the aggregate, have a material adverse effect on the Company's business, financial condition, results of operations or cash flows. As of June 30, 2016 and December 31, 2015, the Company has reserved approximately $9.6 million and $6.5 million, respectively, for its outstanding legal proceedings. The following is a description of certain litigation matters.

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Product liability and/or personal injury claims for, or relating to, products the Company sells under its Agricultural Solutions segment are complex in nature and have outcomes that are difficult to predict. Since these products are used in the food chain on a global basis, any such product liability or personal injury claim could lead to litigation in multiple jurisdictions. In September 2014, Agricola Colonet, SA de CV filed a complaint with the 1st Civil Court in San Quintin (Baja California) where it alleged that certain Arysta products purchased from a retail distributor in Mexico were contaminated, requiring treated crops to be destroyed. Agricola Colonet, SA de CV is seeking compensation of approximately MXN 186 million ($10.2 million, based on the MXN/ USD exchange rate of 0.0547 on June 30, 2016). The Company is also aware of a related complaint filed in June 2016 in the U.S. District Court for the Southern District of California by Fresh Pac International, Inc. and naming the Company as a defendant, although the Company has not yet been served with the complaint. In the complaint, Fresh Pac International Inc. claims to be a distributor of produce for Agricola Colonet, SA de CV and seeks in excess of $6.0 million in damages allegedly sustained in connection with the events that appear to form the basis of the claim by Agricola Colonet SA de CV. The Company believes that it has adequate defenses and intends to vigorously defend against these claims. Under its risk management policies, the Company maintains certain insurance policies under which such claims may be covered.

In March 2013, a claim was filed against Arysta LifeScience Corporation, a subsidiary of the Company, relating to a purchasing optimization agreement entered into in 2011 between Arysta LifeScience Corporation and a consulting firm. The agreement provided for an incentive fee to be paid to the plaintiff based upon savings to Arysta resulting from the plaintiff's work. In addition to fees already received, the plaintiff claims damages, which the Company considered to be immaterial. The Company believes this claim was without merit and that the fees already paid under the agreement exceeded or were equal to the fees owed to the plaintiff. An arbitration hearing was conducted in May 2014, and in May 2015 the tribunal published a partial award, ruling on various issues of principle, but declining to calculate an award amount, rather asking the parties to attempt to agree upon a calculation reflecting the decisions of the tribunal set out in the award. In April 2016, the tribunal awarded the plaintiff $0.1 million pursuant to the agreement. In addition, the tribunal ordered the plaintiff to pay to Arysta LifeScience Corporation the amount of $0.6 million, which represents a portion of Arysta LifeScience Corporation's total legal costs, with each party bearing 50% of the arbitration costs. Finally, the tribunal dismissed any and all other claims in this arbitration. The time period available to the plaintiff under the arbitration rules to seek to "correct" the award has expired, with no such attempt by the plaintiff. The plaintiff may seek to vacate the award in a judicial proceeding, but the Company believes there are no grounds for any such action.

The $600 million of Series B Convertible Preferred Stock issued in connection with the Arysta Acquisition may be converted into a maximum of 22,107,590 shares of Platform common stock. To the extent that the aggregate value of such shares is less than $600 million (based on a 10-day volume weighted average price), then such shortfall would be payable in cash by Platform. As previously disclosed, such shortfall would be reduced by a portion, or all, of the amount for which the March 2013 arbitration matter described in the preceding paragraph may be resolved. In light of the resolution of this matter as described above, such shortfall reduction is expected to be immaterial.

In June 2009, a lawsuit was filed in the District Court for the City of Ulianópolis in the State of Pará, Brazil by a private individual against Arysta LifeScience do Brasil Industria Química e Agropecuária Ltda, or Arysta Brazil, and 25 other defendants, and in November 2011, a claim was filed, also in the District Court for the City of Ulianópolis in the State of Pará, Brazil, against Arysta Brazil and five other defendants by the city of Ulianópolis, in each case in connection with materials sent by Arysta Brazil and others to an incineration site owned and operated by an unaffiliated third party in the state of Pará, Brazil. Arysta Brazil was summoned and has filed its answer in connection with both cases. Proceedings have been suspended indefinitely in order to allow the Pará State Attorney to conduct civil inquiries to determine the extent of contamination and the appropriate remediation, and to identify potentially responsible parties. Damages sought in the private lawsuit include a penalty of BRL 50.0 million ($15.6 million, based on the BRL/USD exchange rate of 0.3112 on June 30, 2016), plus interest and the cost of remediation. The cost of remediation in the case brought by the city of Ulianopolis was previously estimated by the city to be BRL 70.9 million ($22.1 million, based on the BRL/USD exchange rate of 0.3112 on June 30, 2016). In addition, 29 former employees of the incineration facility have brought actions in the Labor Court of Paragominas in the State of Pará, Brazil naming 80 defendants, including Arysta Brazil, seeking compensation in an aggregate amount of BRL 387 million ($120 million, based on the BRL/USD exchange rate of 0.3112 on June 30, 2016) for health problems allegedly contracted as a result of their employment at the incineration site.

From time to time, in the ordinary course of our business, we contest tax assessments received by our subsidiaries in various jurisdictions. Our contested tax assessments have been most prevalent in Brazil, where the tax regime is complex, and the administrative and judicial procedures for resolving disputed tax assessments are expensive and time-consuming. In addition, short of simply paying the entire amount demanded, including penalties, interest, and attorney's fees, it is not possible to settle disputed tax assessments other than by submission for inclusion in formal tax amnesty programs announced by the Brazilian federal or state governments from time to time at irregular intervals. The terms of such amnesty programs vary, but generally offer the possibility of reduced interest and penalties. Historically, Arysta has submitted selected contested tax matters for inclusion in such amnesty programs in Brazil, when it appeared prudent to management to do so. The Company is currently contesting several tax assessments at various stages of the applicable administrative and judicial processes, with a combined amount at issue, including interest and penalties, of approximately BRL 79.2 million ($24.7 million, based on the BRL/USD exchange rate of 0.3112 on June 30, 2016). Because tax matters in Brazil historically take many years to resolve, it is very difficult to estimate when these matters will be finally resolved. Based on management's judgments, the Company does not expect it will incur a material loss in excess of accrued liabilities.

In July 2014, a federal court jury in the U.S. District Court for the District of Connecticut found in favor of MacDermid Printing Solutions LLC in litigation against Cortron, Inc. The court entered a judgment in the amount of approximately $64.7 million. Cortron, Inc. has appealed the verdict. Accordingly, MacDermid Printing Solutions LLC’s ability to collect on the judgment is uncertain. All proceeds from this litigation are subject to the pending litigation provisions of the Business Combination Agreement and Plan of Merger dated as of October 10, 2013.

In September 2014, the U.S. District Court for the District of New Jersey rendered a summary judgment in favor of MacDermid related to a patent litigation with E.I. du Pont de Nemours and Company. The Court issued summary judgment rulings in favor of MacDermid finding certain E.I. du Pont de Nemours and Company’s patents invalid and not infringed. These rulings summarily find against E.I. du Pont de Nemours and Company on all of the patent claims asserted by E.I. du Pont de Nemours and Company in this lawsuit. The ruling, however, leaves the counterclaims made by MacDermid against E.I. du Pont de Nemours and Company in place. E.I. du Pont de Nemours has appealed the summary judgment and accordingly, the final judgment remains uncertain. All proceeds from this litigation are subject to the pending litigation provisions of the Business Combination Agreement and Plan of Merger dated as of October 10, 2013.

In February 2015, MacDermid, as plaintiff, settled a litigation with Cookson Group plc, Enthone Inc., Cookson Electronics and David North, as defendants, for $25.0 million. The litigation related to certain corporate activities that occurred between MacDermid and the defendants in 2006 and 2007. On April 3, 2015, the Company received part of the settlement in the amount of $16.0 million, and placed the remainder, net of legal costs, into escrow for future distribution in accordance with the pending litigation provisions of our Business Combination Agreement and Plan of Merger dated as of October 10, 2013.

In March and April 2016, a class action lawsuit entitled Dillard v. Platform Specialty Products Corporation, et al. and a shareholder derivative action entitled Tuttelman v. Platform Specialty Products Corporation, et al., respectively, were filed against Platform, certain of its former and current executive officers and, in the case of the derivative action, its directors in the U.S. District Court for the Southern District of Florida alleging that the defendants made material false and misleading statements relating to the Company's business, operational and compliance policies in light of certain matters discovered and reported by the Company itself in connection with a Company internal investigation into certain past business practices of the Company's Arysta West Africa business, as disclosed herein and in the Annual Report. In June 2016, the shareholder derivative action was dismissed by the Court. On June 29, 2016, the Court appointed joint lead plaintiffs in the class action lawsuit, and on July 20, 2016, the plaintiffs filed an amended complaint with an expanded class period but stating substantially similar claims to those contained in the original complaint. The class action lawsuit, which remains pending, is seeking unspecified damages. The Company believes this proceeding is without merit and intends to defend it vigorously.

16. INCOME TAXES

For the three months ended June 30, 2016 and 2015, income tax (expense) benefit totaled $(26.9) million and $0.2 million, respectively. The Company's effective tax rate in the second quarter of 2016 was 143.1% on pre-tax income of $18.8 million, compared to an effective tax rate of 2.7% on pre-tax losses of $9.3 million in the second quarter of 2015. The difference between the statutory and effective tax rates for the three months ended June 30, 2016 principally relates to the recognition of a $21.7 million valuation allowance on current quarter losses that may not be

recoverable for U.S. and foreign companies.
For the six months ended June 30, 2016 and 2015, income tax expense totaled $45.3 million and $24.5 million, respectively. The Company's effective tax rate for the six months ended June 30, 2016 was (46.7)% on pre-tax losses of $97.1 million, compared to an effective tax rate of (224.7)% on pre-tax losses of $10.9 million for the six months ended June 30, 2015. The difference between the statutory and effective tax rates for the six months ended June 30, 2016 principally relates to the recognition of an $81.4 million valuation allowance on current period losses that may not be recoverable for U.S. and foreign companies.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The amount of unrecognized tax benefits was $162 million and $112 million at June 30, 2016 and December 31, 2015, respectively, of which $91.7 million, if recognized, would reduce the Company's effective tax rate. The increase of unrecognized tax benefits during the period is mainly attributable to the Alent acquisition. Based on an analysis of the information that existed as of the acquisition date, the Company recorded an uncertain tax liability of $44.5 million in purchase accounting related to certain acquired net operating losses. Accrued interest and penalties related to unrecognized tax benefits were $18.3 million and $17.5 million at June 30, 2016 and December 31, 2015, respectively. The Company recognized interest and penalties of $0.5 million and $0.4 million related to unrecognized tax benefits in the income tax provision for the six months ended June 30, 2016 and 2015, respectively. The unrecognized tax benefits could be reduced by $7.3 million over the next 12 months as a result of the lapse of statutes of limitations in various jurisdictions.

17. RELATED PARTY TRANSACTIONS

RHSA

Immediately prior to the closing of the MacDermid Acquisition, each Retaining Holder entered into a RHSA pursuant to which they agreed to exchange their respective interests in MacDermid Holdings for shares of PDH Common Stock, at an exchange rate of $11.00 per share plus, with respect to the common, class A and class B unit equity interests of MacDermid Holdings held by the Retaining Holder, (i) a proportionate share of a contingent interest in certain pending litigation, and (ii) a proportionate share of up to $100 million of contingent purchase price payable upon the attainment of certain EBITDA and stock trading price performance metrics during the seven-year period following the closing of the MacDermid Acquisition. The resulting non-controlling interest percentage for the Retaining Holders was 6.21% at June 30, 2016 and 6.25% at December 31, 2015.

Advisory Services Agreement

The Company is party to an Advisory Services Agreement with Mariposa Capital, LLC, an affiliate of one of our founder directors, whereby Mariposa Capital, LLC is entitled to receive an annual fee equal to $2.0 million, payable in quarterly installments. This agreement is automatically renewed for successive one-year terms unless either party notifies the other party in writing of its intention not to renew no later than 90 days prior to the expiration of the term. For each of the three month periods ended June 30, 2016 and 2015, the Company incurred advisory fees under the agreement totaling $0.5 million. For each of the six month periods ended June 30, 2016 and 2015, the Company incurred advisory fees under the agreement totaling $1.0 million.

18. RESTRUCTURING

The Company continuously evaluates all operations to identify opportunities to improve profitability by leveraging existing infrastructure to reduce operating costs and respond to overall economic conditions.

Restructuring expenses were recorded as follows in each of the Company's segments:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (amounts in millions) | 2016 | 2015 | 2016 | 2015 |
| Performance Solutions | $6.2 | $1.4 | $10.4 | $2.9 |
| Agricultural Solutions | 0.9 | 10.7 | 1.8 | 10.8 |
| Total restructuring | $7.1 | $12.1 | $12.2 | $13.7 |

The restructuring plans initiated within the Performance Solutions segment primarily relate to headcount reductions associated with the integration of the Alent, OMG and OMG Malaysia Acquisitions. The restructuring plans initiated within the Agricultural Solutions segment primarily relate to cost saving opportunities associated with the integration of the Arysta, CAS and Agriphar Acquisitions. There are no material additional costs expected to be incurred related to these discrete restructuring plans.

As of June 30, 2016 and December 31, 2015, restructuring liabilities totaled $0.2 million and $1.1 million, respectively, and were included in "Accrued expenses and other current liabilities" in the Condensed Consolidated Balance Sheets.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Restructuring expenses were recorded as follows in the Condensed Consolidated Statements of Operations:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (amounts in millions) | 2016 | 2015 | 2016 | 2015 |
| Cost of sales | $— | $1.2 | $(0.4 ) | $1.2 |
| Selling, technical, general and administrative | 7.1 | 10.9 | 12.6 | 12.5 |
| Total restructuring | $7.1 | $12.1 | $12.2 | $13.7 |

19. SEGMENT INFORMATION

The Company's operations are organized into two reportable segments: Performance Solutions and Agricultural Solutions. The reporting segments represent businesses for which separate financial information is utilized by the chief operating decision maker, or CODM, for purpose of allocating resources and evaluating performance. Each of the reportable segments has its own president, who reports to the CODM.

Performance Solutions - The Performance Solutions segment formulates and markets dynamic chemistry solutions that are used in automotive production, commercial packaging and printing, electronics, and oil and gas production and drilling. Its products include surface and coating materials, functional conversion coatings, electronics assembly materials, water-based hydraulic control fluids and photopolymers. Performance Solutions products are sold worldwide. In conjunction with the sale of its products, extensive technical service and support is provided to ensure superior performance. Within this segment, the Company provides specialty chemicals to the following industries: Electronics, Electronics Assembly Materials, Commercial Packing and Printing, Industrial, and Offshore. For the Electronics industry, the segment designs and formulates a complete line of proprietary “wet” dynamic chemistries used by customers to process the surface of the printed circuit boards and other electronic components they manufacture. For the Electronics Assembly Materials industry, the segment develops, manufactures and sells innovative interconnected materials, primarily in the electronics market, used to assemble printed circuit boards and advanced semiconductor packaging. For the Commercial Packaging and Printing industries, the segment produces photopolymers, through an extensive line of flexographic plates, which are used to produce printing plates for transferring images onto commercial packaging, including packaging for consumer food products, pet food bags, corrugated boxes, labels and beverage containers. In addition, the segment also produces photopolymer printing plates for the flexographic and letterpress newspaper and publications markets. For the Industrials, the segment's dynamic chemistries are used for finishing, cleaning and providing surface coatings for a broad range of metal and non-metal surfaces which improve the performance or look of a component of an industrial part or process. For the Offshore industry, the segment produces water-based hydraulic control fluids for major oil and gas companies and drilling contractors for offshore deep water production and drilling applications.

Agricultural Solutions - The Agricultural Solutions segment is based on a solutions-oriented business model that focuses on product innovation to address an ever-increasing need for higher crop yield and quality. It offers to growers diverse crop-protection solutions from weeds (herbicides), insects (insecticides) and diseases (fungicides), in foliar and seed treatment applications. The segment also offers a wide variety of proven biosolutions, including biostimulants, innovative nutrition and biocontrol products. It emphasizes farmer economics and food safety by combining, when possible, biosolutions with crop protection and seed treatment agrochemicals. Its Global Value Added Portfolio, or GVAP, consists of agrochemicals in the fungicides, herbicides, insecticides and seed treatment categories, based on patented or proprietary off-patent AIs. Its Global BioSolutions Portfolio, or GBP, includes biostimulants, innovative nutrition and biocontrol products. The segment considers its GVAP and GBP offerings to be key pillars for sustainable growth. In addition, the segment offers regional off-patent AIs and certain non-crop products, including animal health products, such as honey bee protective miticides and certain veterinary vaccines.

The Company evaluates the performance of its operating segments based on net sales and adjusted EBITDA. Adjusted EBITDA for each segment is defined as earnings before interest, taxes, depreciation and amortization, as further adjusted for additional items included in earnings that are not representative or indicative of our ongoing business Adjusted EBITDA for each segment also includes an allocation of corporate costs such as corporate salaries, wages, equity compensation expenses and legal costs.

PLATFORM SPECIALTY PRODUCTS CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The following table summarizes financial information regarding each reportable segment's results of operations for the periods presented.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (amounts in millions) | 2016 | 2015 | 2016 | 2015 |
| Net Sales (from external customers): | | | | |
| Performance Solutions | $438.0 | $181.5 | $858.0 | $361.8 |
| Agricultural Solutions | 483.6 | 493.6 | 887.4 | 848.1 |
| Consolidated net sales | $921.6 | $675.1 | $1,745.4 | $1,209.9 |
| Adjusted EBITDA: | | | | |
| Performance Solutions | $97.9 | $54.0 | $180.8 | $102.8 |
| Agricultural Solutions | 95.0 | 113.8 | 180.5 | 197.0 |
| Adjusted EBITDA | $192.9 | $167.8 | $361.3 | $299.8 |

The following table reconciles Adjusted EBITDA to Net loss attributable to common stockholders:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (amounts in millions) | 2016 | 2015 | 2016 | 2015 |
| Net loss attributable to common stockholders | $(8.8) | $(12.2) | $(143.6) | $(38.9) |
| Net income attributable to the non-controlling interests | 0.7 | 3.1 | 1.2 | 3.5 |
| Income tax expense (benefit) | 26.9 | (0.2) | 45.3 | 24.5 |
| Net income (loss) before income taxes and non-controlling interests | 18.8 | (9.3) | (97.1) | (10.9) |
| Adjustments to reconcile to Adjusted EBITDA: | | | | |
| Interest expense, net | 97.4 | 51.1 | 191.2 | 90.5 |
| Depreciation expense | 18.8 | 13.7 | 37.0 | 22.0 |
| Amortization expense | 66.6 | 52.5 | 131.0 | 92.2 |
| Long-term compensation issued in connection with acquisitions | 0.1 | 0.2 | 0.4 | 1.7 |
| Restructuring expenses | 7.1 | 12.1 | 12.2 | 13.7 |
| Manufacturer's profit in inventory purchase accounting adjustments | (0.3) | 20.6 | 11.7 | 56.7 |
| Acquisition and integration costs | 5.2 | 24.1 | 24.2 | 55.4 |
| Non-cash change in fair value of contingent consideration | 1.3 | 0.9 | 4.1 | 3.6 |
| Legal settlements | (2.8) | (16.0) | (2.8) | (16.0) |
| Foreign exchange (gains) losses on foreign denominated external and internal debt | (19.3) | 17.9 | 46.8 | (6.1) |
| Other expense (income) | — | — | 2.6 | (3.0) |
| Adjusted EBITDA | $192.9 | $167.8 | $361.3 | $299.8 |

20. SUBSEQUENT EVENTS

On July 12, 2016, the Company filed with the SEC a shelf registration statement on Form S-3 under which the Company may issue up to $1.00 billion of securities, including common stock, preferred stock and debt securities. The shelf registration statement was declared effective by the SEC on July 26, 2016.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

From time to time, Platform may make or publish forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect Platform's current views with respect to, among other things, future events and performance. These statements may discuss, among other things, Platform's financial or operational results including earnings guidance, future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; business and management strategies; and the effects of global economic conditions on Platform's business. Platform generally identifies forward-looking statements by words such as "plans," "expects," "is expected," "is subject to," "budget," "scheduled," "estimates," "forecasts," "intends," "anticipates," "believes," "targets," "aims," "projects" or words or terms of si substance or the negative thereof, as well as variations of such words and phrases or statements that certain actions, events or results "may," "could," "should," "would," "might" or "will" be taken, occur or be achieved. Forward-looking statem are based on beliefs and assumptions made by management using currently available information. These statements are only predictions and are not guarantees of future performance, actions or events. Forward-looking statements are subject to risks and uncertainties. If one or more of these risks or uncertainties materialize, or if management's underlying beliefs and assumptions prove to be incorrect, actual results may differ materially from those contemplated by a forward-looking statement. Factors that can cause actual results to differ materially from those reflected in the forward-looking statements include, among others, those discussed in Part I, Item 1A of Platform's Annual Report, Part II, Item 1A of Platform's quarterly report on Form 10-Q for the three months ended March 31, 2016 and this Quarterly Report, in each case under the heading "Risk Factors." You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties, and we urge you not to place undue reliance on any forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Also, historical results are not necessarily indicative of the results expected for any future period. You are advised to consult any further disclosures we make on related subjects in the Company's Form 10-K, 10-Q and 8-K reports filed with the SEC.

The following "Executive Overview" section is a brief summary of our recent developments, business, past acquisitions and certain significant items addressed in this Management's Discussion and Analysis of Financial Condition and Results of Operations. Investors should read the relevant portions of this section for a complete discussion of the events and items summarized below.

Executive Overview

We are a global, diversified producer of high-technology specialty chemical products. Our business involves the formulation of a broad range of solutions-oriented specialty chemicals, which are sold into multiple industries, including agricultural, animal health, electronics, graphic arts, plating, and offshore oil and gas production and drilling. We refer to our products as "dynamic chemistries" due to their intricate chemical compositions. Our dynamic chemistries are used in a wide variety of attractive niche markets and we believe that the majority of our operations hold strong positions in the product markets they serve.

Our strategy is to acquire and maintain leading positions in niche sectors of high-growth markets. As our name "Platform Specialty Products Corporation" implies, we continually seek opportunities to act as an acquirer and consolidator of specialty chemical businesses on a global basis, particularly those meeting our "Asset-Lite, High-Touch" philosophy, which involves prioritizing extensive resources to research and development and highly technical customer service, while managing conservatively our investments in fixed assets and capital expenditures. We regularly review acquisition opportunities and may acquire businesses that meet our acquisition criteria when we deem it to be financially prudent. To date, we have completed seven acquisitions: the MacDermid Acquisition on October 31, 2013; the Agriphar Acquisition on October 1, 2014; the CAS Acquisition on November 3, 2014; the Arysta Acquisition on February 13, 2015; the OMG Acquisition on October 28, 2015; the Alent Acquisition on December 1, 2015 and the OMG Malaysia Acquisition on January 31, 2016.

We generate revenue through the formulation and sale of our dynamic chemistries and by providing highly-technical services to our customers through our extensive global network of specially trained service personnel. Our personnel work closely with our customers to ensure that the intricate chemical composition and function of our products are

maintained as intended while ensuring that these products are applied safely and effectively by users globally.
We believe that the fragmented nature of the specialty chemical products market will continue to provide significant opportunities for growth. We also believe that our combined company provides a strong platform on which to grow our business and expand our market shares in key geographic markets, particularly in emerging markets. We expect that the Acquisitions will enhance our growth by extending our products' breadth, developing higher-margin products and growing internationally. We intend to extend

many of our product offerings through the development of new applications for our existing products or through synergistic combinations. Our goal is to target those geographies with attractive market fundamentals where our strengths in marketing, portfolio development, registration and customer education can add value for our customers.
On July 12, 2016, we filed with the SEC a shelf registration statement on Form S-3 under which we may issue up to $1.00 billion of securities, including common stock, preferred stock and debt securities. The shelf registration statement was declared effective by the SEC on July 26, 2016.
John E. Capps joined Platform on May 31, 2016 as Executive Vice President, General Counsel and Secretary. Before joining Platform, Mr. Capps was Executive Vice President - Administration, General Counsel and Secretary of Jarden Corporation, a Fortune 500 broad-based consumer products company, where he served until April 2016 when Jarden Corporation merged with Newell Brands Inc. Previously, Mr. Capps worked with American Household, Inc., which was acquired by Jarden Corporation in January 2005, and as a private lawyer with the firm Sullivan & Cromwell LLP.
As previously disclosed in our Annual Report, in connection with the implementation of our internal controls, policies and procedures at Arysta, a newly acquired subsidiary, following our acquisition of that business we discovered certain payments made to third-party agents in connection with Arysta’s government tender business in West Africa which may be illegal or otherwise inappropriate. We have engaged outside counsel and an outside accounting firm to conduct an internal investigation to review the legality of these and other payments made in Arysta’s West Africa tender business, including Arysta’s compliance with the FCPA. We contacted the SEC and the U.S. Department of Justice to voluntarily inform them of this matter and we are fully cooperating with these governmental authorities as the investigation continues and as they review the matter. Although the internal investigation is still ongoing at the time of this Quarterly Report, based on the results to date, management does not currently believe that the amount of the payments in question, or any revenue or operating income related to those payments, are material to our business, results of operations, financial condition or liquidity.
Acquisitions
OMG Malaysia Acquisition
On January 31, 2016, we completed the OMG Malaysia Acquisition for approximately $124 million, net of acquired cash and closing working capital adjustments.
We financed the OMG Malaysia Acquisition with the proceeds from the June 2015 Equity Offering.
Alent Acquisition
On December 1, 2015, we completed the Alent Acquisition by acquiring all the issued shares of Alent for approximately $1.74 billion in cash, net of acquired cash, and 18,419,738 shares of our common stock issued to Alent shareholders, including Cevian Capital II Master Fund LP, the then largest shareholder of Alent.
We financed the Alent Acquisition with (i) available cash on hand, (ii) the proceeds from the November 2015 Notes Offering of $500 million aggregate principal amount of 10.375% USD Notes due 2021, and (iii) additional borrowings of $1.05 billion (less original issue discount of 2%) and approximately €300 million (less original discount of 2%) under our First Lien Credit Facility, and $115 million under our U.S. Dollar Revolving Credit Facility.
OMG Acquisition
On October 28, 2015, we completed the OMG Acquisition for a total purchase price of approximately $239 million in cash, net of acquired cash, and purchase price adjustments.
We financed the OMG Acquisition with the proceeds from the June 2015 Equity Offering.
Arysta Acquisition
On February 13, 2015, we completed the Arysta Acquisition for approximately $3.50 billion. The purchase price consisted of $2.86 billion in cash (net of acquired cash, closing adjustments and including Arysta Seller transaction expenses paid by Platform) and $600 million of Platform's Series B Convertible Preferred Stock issued to the Arysta Seller with a fair market value of $646 million.

We financed the Arysta Acquisition with the proceeds from (i) available cash on hand, (ii) the offering of $1.10 billion aggregate principal amount of 6.50% USD Notes due 2022 denominated in U.S. Dollars and €350 million aggregate principal amount of 6.00% EUR Notes due 2023 denominated in Euros (plus original issue premium of $1.0 million), and (iii) additional borrowings of $500 million (less original issue discount of 1%) and €83 million (less original discount of 2%) under our First Lien Credit Facility, and an additional $160 million under our U.S. Dollar Revolving Credit Facility.

Our Business

We generate revenue through the formulation and sale of our dynamic chemistries to our customers through our extensive global network of specially trained service personnel. Our personnel work closely with our customers to ensure that the chemical composition and function of our dynamic chemistries are maintained as intended.

While our dynamic chemistries typically represent only a small portion of our customers' costs, we believe that they are critical to our customers' manufacturing processes and overall product performance. Further, operational risks and switching costs make it difficult for our customers to change suppliers, which grants us an advantage in retaining customers and maintaining our market positions.

Business Segments

Our operations are organized into two reportable segments: Performance Solutions and Agricultural Solutions. The reporting segments represent businesses for which separate financial information is utilized by the chief operating decision maker, or CODM, for the purpose of allocating resources and evaluating performance. Each of the reportable segments has its own president, who reports to the CODM.

Performance Solutions

Our Performance Solutions segment formulates and markets dynamic chemistry solutions that are used in electronics, automotive production, oil and gas production, drilling, and commercial packaging and printing. Our products include surface and coating materials, functional convention coatings, electronic assembly materials, water-based hydraulic control fluids and photopolymers. In conjunction with the sale of these products, we provide extensive technical service and support when necessary to ensure superior performance of their application. Within this segment, we provide specialty chemicals to the following industries: Electronics, Electronics Assembly Materials, Industrial, Offshore and Commercial Packing and Printing. For the Electronics industry, we design and formulate a complete line of proprietary "wet" dynamic chemistries that our customers use to process the surface of printed circuit boards and other electronic components they manufacture. For the Electronics Assembly Materials industry, we develop, manufacture and sell innovative interconnected materials, primarily in the electronics market, used to assemble printed circuit boards and advanced semiconductor packaging. We also offer a small water treatment product line. For the Industrial industry, our dynamic chemistries are used for finishing, cleaning and providing surface coatings for a broad range of metal and non-metal surfaces which improve the performance or look of a component of an industrial part or process. For the Offshore industry, we produce water-based hydraulic control fluids for major oil and gas companies and drilling contractors for offshore deep water production and drilling applications. For the Commercial Packaging and Printing industries, we produce photopolymers through an extensive line of flexographic plates, used to produce printing plates for transferring images onto commercial packaging, including packaging for consumer food products, pet food bags, corrugated boxes, labels and beverage containers. In addition, we also produce photopolymer printing plates for the flexographic and letterpress newspaper and publications markets.

Agricultural Solutions

Our Agricultural Solutions segment is based on a solutions-oriented business model that focuses on product innovation to address an ever-increasing need for higher crop yield and quality. We offer to growers diverse crop protection solutions from weeds (herbicides), insects (insecticides) and diseases (fungicides), in foliar and seed treatment applications. We also offer a wide variety of proven biosolutions, including biostimulants, which stimulate plant growth and reproductive development, innovative nutrition, which optimizes the nutrition of plants, and biocontrol products, such as bioinsecticides and biofungicides, which perform the same task as conventional crop protection products without chemical residues. We emphasize farmer economics and food safety by combining, when possible, biosolutions with crop protection and seed treatment agrochemicals. Our Global Value Added Portfolio, or GVAP, consists of agrochemicals in the herbicides, insecticides, fungicides and seed treatment categories, based on patented or proprietary off-patent AIs. Our Global BioSolutions Portfolio, or GBP, includes biostimulants, innovative nutrition and biocontrol products. In addition, we offer regional off-patent AIs and certain non-crop products, including animal health products, such as honey bee protective miticides and certain veterinary vaccines.

Our business segments include significant foreign operations. There are certain risks associated with our foreign operations. See Part II, Item 1A Risk Factors – “Our substantial international operations subject us to risks not faced by domestic competitors” included in this Quarterly Report.

We sell our products worldwide. Because our segments may utilize shared facilities and administrative resources and offer products that are distinct from one another, we make decisions about how to manage our operations by reference to each segment and not with respect to the underlying products or geographic regions that comprise each segment.

Results of Operations

The following table summarizes the results of operations for the three and six months ended June 30, 2016 and 2015:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (amounts in millions) | 2016 | 2015 | 2016 | 2015 |
| Net sales | $921.6 | $675.1 | $1,745.4 | $1,209.9 |
| Cost of sales | 541.0 | 406.5 | 1,008.8 | 734.2 |
| Gross profit | 380.6 | 268.6 | 736.6 | 475.7 |
| Selling, technical, general and administrative | 265.2 | 206.2 | 549.2 | 398.2 |
| Research and development | 20.5 | 18.4 | 40.4 | 31.3 |
| Operating profit | 94.9 | 44.0 | 147.0 | 46.2 |
| Interest expense, net | (97.4 ) | (51.1 ) | (191.2 ) | (90.5 ) |
| Other income (expense) | 21.3 | (2.2 ) | (52.9 ) | 33.4 |
| Income tax (expense) income | (26.9 ) | 0.2 | (45.3 ) | (24.5 ) |
| Net loss | $(8.1 ) | $(9.1 ) | $(142.4 ) | $(35.4 ) |

In addition, our other comprehensive income increased by $26.6 million and $669.4 million for the three and six months ended June 30, 2016 and 2015, driven primarily by changes in foreign currency translation resulting from the weakening Brazilian Real and British Pound, offset in part by a strengthening Japanese Yen relative to the U.S.Dollar.

The following table summarizes the results of operations for the three and six months ended June 30, 2016 and 2015 by reportable segment:

| (amounts in millions) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| Performance Solutions | 2016 | 2015 | 2016 | 2015 |
| Net sales | $438.0 | $181.5 | $858.0 | $361.9 |
| Cost of sales | 242.6 | 86.4 | 484.9 | 172.6 |
| Gross profit | 195.4 | 95.1 | 373.1 | 189.3 |
| Selling, technical, general and administrative | 127.6 | 53.2 | 251.6 | 108.5 |
| Research and development | 11.4 | 5.9 | 23.5 | 11.5 |
| Operating profit | $56.4 | $36.0 | $98.0 | $69.3 |
| | | | | |
| Agricultural Solutions | | | | |
| Net sales | $483.6 | $493.6 | $887.4 | $848.1 |
| Cost of sales | 298.4 | 320.1 | 523.9 | 561.6 |
| Gross profit | 185.2 | 173.5 | 363.5 | 286.5 |
| Selling, technical, general and administrative | 119.8 | 128.0 | 235.8 | 235.8 |
| Research and development | 9.1 | 12.5 | 16.9 | 19.8 |
| Operating profit | $56.3 | $33.0 | $110.8 | $30.9 |

Non-U.S. GAAP Financial Measures

In this Management’s Discussion and Analysis of Financial Condition and Results of Operations section, we present certain financial measures related to our business that are "non-U.S. GAAP financial measures" within the meaning of Item 10 of Regulation S-K. Such non-U.S. GAAP financial measures include adjusted net sales change, adjusted cost of sales change, adjusted gross profit change, adjusted selling, technical, general and administrative expense change, adjusted research and development expense change and adjusted operating profit change, in each case adjusted for the the OMG Malaysia, Alent and OMG Acquisitions for all periods presented and changes in foreign currency translations. We believe these non-U.S. GAAP financial measures provide useful information about our operating performance by excluding certain items that we believe are not representative of our business and including other items that we believe are useful in evaluating our business. We also believe that these financial measures provide investors with measures that allow them to more readily assess our performance, including, among other things, giving investors additional information regarding our organic performance without giving effect to the OMG Malaysia, Alent and OMG Acquisitions and the impact of translating foreign currencies into U.S. Dollars and the impact of currency rate changes on foreign currency denominated transactions. However, these non-U.S. GAAP financial measures should be considered in addition to, and not a substitute for, the financial information that we report in accordance with U.S. GAAP.

The adjustments for the OMG Malaysia, Alent and OMG Acquisitions were as follows:

| (amounts in millions) | Three Months Ended June 30, 2016 | Six Months Ended June 30, 2016 |
|---|---|---|
| Net sales | $ 262.6 | $ 514.9 |
| Cost of sales | 158.8 | 323.2 |
| Gross profit | 103.8 | 191.7 |
| Selling, technical, general and administrative | 69.5 | 140.2 |
| Research and development | 6.6 | 13.5 |
| Operating profit | 27.7 | 38.0 |

The adjustments for changes in foreign currency translations consisted of converting our current-period local currency financial results into U.S. Dollars using the prior period's exchange rates and comparing these adjusted amounts to our prior period reported results. The weakening Brazilian Real, South African Rand and Mexican Peso most notably contributed to the year-over-year and quarter-over results, offset in part by the strengthening Japanese Yen.

We believe that these adjustments provide a more meaningful basis of comparison of our results on a year-over-year basis, consistent with how we evaluate our performance.

Three and six months ended June 30, 2016 versus the three and six months ended June 30, 2015.

Net Sales

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (amounts in millions) | 2016 | 2015 | 2016 | 2015 |
| Net sales | $921.6 | $675.1 | $1,745.4 | $1,209.9 |

For the three months ended June 30, 2016, net sales totaled $922 million, representing an increase of $247 million, or 36.5%, as compared to the same period in 2015. For the six months ended June 30, 2016, net sales totaled $1.75 billion, representing an increase of $536 million, or 44.3%, as compared to the same period in 2015.

| (amounts in millions) | Three Months Ended June 30, 2016 $ Change | Three Months Ended June 30, 2016 % Change | Six Months Ended June 30, 2016 $ Change | Six Months Ended June 30, 2016 % Change |
|---|---|---|---|---|
| Total change | $246.5 | 36.5 % | $535.5 | 44.3 % |
| - acquisitions | (262.6 ) | (38.9)% | (514.9 ) | (42.6)% |
| - foreign currency translation | 27.7 | 4.1 % | 67.3 | 5.6 % |
| Change, adjusted for acquisitions and foreign currency translation | $11.6 | 1.7 % | $87.9 | 7.3 % |

For the three months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, net sales increased by $11.6 million, or 1.7%. For the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, net sales increased by $87.9 million, or 7.3%.

| (amounts in millions) | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Performance Solutions | | | | |
| Net sales | $438.0 | $ 181.5 | $858.0 | $ 361.9 |
| - acquisitions | (262.6 ) | — | (514.9 ) | — |
| - foreign currency translation | 3.7 | — | 10.7 | — |
| Net sales, adjusted for acquisitions and foreign exchange | $179.1 | $ 181.5 | $353.8 | $ 361.9 |
| | | | | |
| Agricultural Solutions | | | | |
| Net sales | $483.6 | $ 493.6 | $887.4 | $ 848.1 |
| - foreign currency translation | 24.0 | — | 56.6 | — |
| Net sales, adjusted for acquisitions and foreign exchange | $507.6 | $ 493.6 | $944.0 | $ 848.1 |

Performance Solutions' net sales in the second quarter of 2016, adjusted for acquisitions and foreign currency translation, totaled $179 million, representing a decrease of $2.4 million, or 1.3%, as compared to the second quarter of 2015. The decrease in net sales was driven by general softness in the offshore business primarily in the U.S. and European regions due to decreases in the price of oil, which resulted in delays of project startups. The impact of oil prices was twofold: (1) reduced demand for offshore production control and drilling fluids, and (2) reduced demand for plating chemistry sold into the supply chain for onshore oil production rigs and stripping/cleaning chemistry utilized in polyethylene terephthalate recycling. Additionally, continued slowness in core electronics end-markets served in Asia contributed to lower sales volume.

Performance Solutions' net sales for the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, totaled $354 million, representing a decrease of $8.1 million, or 2.2%, as compared to the six months ended June 30, 2015. The decrease in net sales was driven by softness in both core electronics end-markets, primarily correlated to reduced spending in Asia telecommunications infrastructure, and in the offshore U.S. and European markets, due to lower fills and maintenance product activity given the lower oil prices as discussed in the preceding paragraph.

Agricultural Solutions' net sales in the second quarter of 2016, adjusted for foreign currency translation, totaled $508 million, representing an increase of $14.0 million, or 2.8%, as compared to the second quarter of 2015. The increase in sales was driven by several factors. Early rainfall coupled with a strong customer order pipeline led to volume growth in Latin America, particularly in herbicides and insecticides. We saw strong volume growth in Africa within the insecticide business, particularly for products related to malaria control. The business experienced soft North American demand due to declining farmer incomes, lower miticides demand, and high inventory levels. Selling prices increased in Latin America and Europe. Asia benefited from strong organic growth in the biosolutions business and higher international demand for Japanese manufactured products, although Asian volumes were adversely affected by prolonged drought in southern Asia as well as a scale-back of some activities in India.

Agricultural Solutions' net sales for the six months ended June 30, 2016, adjusted for foreign currency translation, totaled $944 million, representing an increase of $95.9 million, or 11.3%, as compared to the six months ended June 30, 2015. The increase in net sales was primarily driven by the exclusion of sales made in 2015 prior to the Arysta Acquisition on February 13, 2015. On a comparable basis, net sales increased, which was primarily a result of favorable pricing changes, particularly in Latin America and Europe. We experienced increased demand for our herbicides and insecticides in Latin America, our insecticides in Africa, and our biosolutions business. These effects were partially offset by lower volumes in North America, mainly due to falling farmer incomes and soft demand.

Cost of Sales

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (amounts in millions) | 2016 | 2015 | 2016 | 2015 |
| Cost of sales | $541.0 | $406.5 | $1,008.8 | $734.2 |

For the three months ended June 30, 2016, cost of sales totaled $541 million, or 58.7% of net sales, as compared to $407 million, or 60.2% of net sales, during the same period in 2015, representing an increase of $135 million. For the six months ended June 30, 2016, cost of sales totaled $1.01 billion, or 57.8% of net sales, as compared to $734 million, or 60.7% of net sales, during the same period in 2015, representing an increase of $275 million.

| | Three Months Ended June 30, 2016 | | Six Months Ended June 30, 2016 | |
|---|---|---|---|---|
| (amounts in millions) | $ Change | % Change | $ Change | % Change |
| Total change | $134.5 | 33.1 % | $274.6 | 37.4 % |
| - acquisitions | (158.8 ) | (39.1)% | (323.2 ) | (44.0)% |
| - foreign currency translation | 16.2 | 4.0 % | 38.1 | 5.2 % |
| Change, adjusted for acquisitions and foreign currency translation | $(8.1 ) | (2.0 )% | $(10.5 ) | (1.4 )% |

For the three months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, cost of sales decreased by $8.1 million, or 2.0%. For the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, cost of sales decreased by $10.5 million, or 1.4%.

| (amounts in millions) | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Performance Solutions | | | | |
| Cost of sales | $242.6 | $86.4 | $484.9 | $172.6 |
| - acquisitions | (158.8 ) | — | (323.2 ) | — |
| - foreign currency translation | 1.4 | — | 4.6 | — |
| Cost of sales, adjusted for acquisitions and foreign exchange | $85.2 | $86.4 | $166.3 | $172.6 |
| | | | | |
| Agricultural Solutions | | | | |
| Cost of sales | $298.4 | $320.1 | $523.9 | $561.6 |
| - foreign currency translation | 14.8 | — | 33.5 | — |
| Cost of sales, adjusted for acquisitions and foreign exchange | $313.2 | $320.1 | $557.4 | $561.6 |

Performance Solutions' cost of sales in the second quarter of 2016, adjusted for acquisitions and foreign currency translation, totaled $85.2 million, as compared to $86.4 million in the second quarter of 2015, representing a decrease of $1.2 million, or 1.4%. The decrease in cost of sales related primarily to lower adjusted sales volume in the second quarter of 2016 coupled with reduced raw material costs which yielded margin expansion for the segment over the comparative prior year period.

Performance Solutions' cost of sales for the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, totaled $166 million, as compared to $173 million for the six months ended June 30, 2015, representing a decrease of $6.3 million, or 3.7%, due primarily to the aforementioned lower adjusted sales volume, lower material costs from achieved synergies and favorable product mix.

Agricultural Solutions' cost of sales in the second quarter of 2016, adjusted for foreign currency translation, totaled $313 million, as compared to $320 million in the second quarter of 2015, representing a decrease of $6.9 million, or 2.2%. The decrease included the impact of purchase accounting related to the step-up of inventory that was sold during the second quarter of 2015, which totaled $20.6 million. Excluding the effect of purchase accounting, cost of sales increased by $13.7 million. The increase was driven largely by additional sales volume in Latin America and

Africa, partially offset by a reduction in sales volume in North America. Procurement trends remain favorable due to integration activities.

Agricultural Solutions' cost of sales for the six months ended June 30, 2016, adjusted for foreign currency translation, totaled $557 million, as compared to $562 million for the six months ended June 30, 2015, representing a decrease of $4.2 million, or 0.7%. The decrease included the impact of purchase accounting related to the step-up of inventory that was sold during the first half of 2015, which totaled $56.7 million. Excluding the effect of purchase accounting, cost of sales increased by $52.5 million. The increase is primarily driven by the exclusion of cost of sales incurred in 2015 prior to the Arysta Acquisition on February 13, 2015. On a comparable basis, cost of sales was relatively flat as second quarter 2016 volume increases were offset by first quarter 2016 volume declines, continuing integration trends that reduce our raw material procurement costs and a shift in production volume from higher cost regions.

Gross Profit

| (amounts in millions) | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Gross profit | $380.6 | $268.6 | $736.6 | $475.7 |

For the three months ended June 30, 2016, gross profit totaled $381 million, or 41.3% of net sales, as compared to $269 million, or 39.8% of net sales, during the same period in 2015, representing an increase of $112 million. For the six months ended June 30, 2016, gross profit totaled $737 million, or 42.2% of net sales, as compared to $476 million, or 39.3% of net sales, during the same period in 2015, representing an increase of $261 million.

| (amounts in millions) | Three Months Ended June 30, 2016 $ Change | Three Months Ended June 30, 2016 % Change | Six Months Ended June 30, 2016 $ Change | Six Months Ended June 30, 2016 % Change |
|---|---|---|---|---|
| Total change | $112.0 | 41.7 % | $260.9 | 54.8 % |
| - acquisitions | (103.8 ) | (38.6)% | (191.7 ) | (40.3)% |
| - foreign currency translation | 11.5 | 4.3 % | 29.2 | 6.1 % |
| Change, adjusted for acquisitions and foreign currency translation | $19.7 | 7.3 % | $98.4 | 20.7 % |

For the three months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, gross profit increased $19.7 million, or 7.3%. For the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, gross profit increased $98.4 million, or 20.7%.

| (amounts in millions) | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Performance Solutions | | | | |
| Gross profit | $195.4 | $95.1 | $373.1 | $189.3 |
| - acquisitions | (103.8 ) | — | (191.7 ) | — |
| - foreign currency translation | 2.3 | — | 6.1 | — |
| Gross profit, adjusted for acquisitions and foreign exchange | $93.9 | $95.1 | $187.5 | $189.3 |
| | | | | |
| Agricultural Solutions | | | | |
| Gross profit | $185.2 | $173.5 | $363.5 | $286.5 |
| - foreign currency translation | 9.2 | — | 23.1 | — |
| Gross profit, adjusted for acquisitions and foreign exchange | $194.4 | $173.5 | $386.6 | $286.5 |

Performance Solutions' gross profit in the second quarter of 2016, adjusted for acquisitions and foreign currency translation, totaled $93.9 million, as compared to $95.1 million in the second quarter of 2015, representing a decrease of $1.2 million, or 1.3%. The decrease in gross profit primarily related to a decrease of $2.4 million in net sales partially offset by favorable product mix.

Performance Solutions' gross profit for the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, totaled $188 million, as compared to $189 million for the six months ended June 30, 2015, representing a decrease of $1.8 million, or 1.0% primarily related to the lower sales volume as compared to the first six months of 2015 which was partially offset by gross margin expansion from lower raw material purchases through synergies and favorable product mix.

Agricultural Solutions' gross profit in the second quarter of 2016, adjusted for foreign currency translation, totaled $194 million, as compared to $174 million in the second quarter of 2015, representing an increase of $20.9 million, or 12.0%. The increase is primarily driven by significantly higher sales volume and pricing in Latin America and Europe, and volume increases in Africa. These increases are partially offset by the lower margins realized on products sold in those regions, compared to North America, where volumes fell as a result of falling farmer incomes and lower demand.

Agricultural Solutions' gross profit for the six months ended June 30, 2016, adjusted for foreign currency translation, totaled $387 million, as compared to $287 million for the six months ended June 30, 2015, representing an increase of $100.1 million, or 34.9%. The increase is largely a result of the exclusion of gross profit earned in 2015 prior to the Arysta Acquisition on February 13, 2015. On a comparable basis, gross profit increased primarily due to higher sales volumes and pricing in Latin America and Europe, and volume increases in Africa, across various businesses. These increases are partially offset by the lower margins realized on products sold in those regions, compared to North America, where volumes fell as a result of falling farmer incomes and lower demand. We continue to see favorable effects from improved procurement trends, product mix and our focus on proprietary products and more profitable growing niche markets.

Selling, Technical, General and Administrative Expense

| (amounts in millions) | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Selling, technical, general and administrative | $265.2 | $206.2 | $549.2 | $398.2 |

For the three months ended June 30, 2016, selling, technical, general and administrative expense totaled $265 million, or 28.8% of net sales, as compared to $206 million, or 30.5% of net sales, during the same period in 2015, representing an increase of $59.0 million. For the six months ended June 30, 2016, selling, technical, general and administrative expense totaled $549 million, or 31.5% of net sales, as compared to $398 million, or 32.9% of net sales, during the same period in 2015, representing an increase of $151 million.

| (amounts in millions) | Three Months Ended June 30, 2016 $ Change | Three Months Ended June 30, 2016 % Change | Six Months Ended June 30, 2016 $ Change | Six Months Ended June 30, 2016 % Change |
|---|---|---|---|---|
| Total change | $59.0 | 28.6 % | $151.0 | 37.9 % |
| - acquisitions | (69.5 ) | (33.7)% | (140.2 ) | (35.2)% |
| - foreign currency translation | 9.0 | 4.4 % | 21.2 | 5.3 % |
| Change, adjusted for acquisitions and foreign currency translation | $(1.5 ) | (0.7 )% | $32.0 | 8.0 % |

For the three months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, selling, technical, general and administrative expense decreased by $1.5 million, or 0.7%. The decrease was due to a reduction in corporate spending related to acquisition and integration activities, partially offset by increased costs at the segment level, discussed below.

For the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, selling, technical, general and administrative expense increased by $32.0 million, or 8.0%. The increase was due in part to additional investments made in our corporate infrastructure, especially related to acquisition and integration activities during the first quarter of 2016, aimed at supporting increased demands driven by our substantial growth, including increases in headcount and professional fees, and higher segment-level costs, as discussed below. These increases were partially offset by lower quarter-over-quarter acquisition and integration-related costs incurred at the corporate level.

| (amounts in millions) | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Performance Solutions | | | | |
| Selling, technical, general and administrative expense | $127.6 | $53.2 | $251.6 | $108.5 |
| - acquisitions | (69.5 ) | — | (140.2 ) | — |
| - foreign currency translation | 1.1 | — | 3.1 | — |
| Selling, technical, general and administrative expense, adjusted for acquisitions and foreign exchange | $59.2 | $53.2 | $114.5 | $108.5 |
| | | | | |
| Agricultural Solutions | | | | |
| Selling, technical, general and administrative expense | $119.8 | $128.0 | $235.8 | $235.8 |
| - foreign currency translation | 7.9 | — | 18.1 | — |
| Selling, technical, general and administrative expense, adjusted for acquisitions and foreign exchange | $127.7 | $128.0 | $253.9 | $235.8 |

Performance Solutions' selling, technical, general and administrative expense in the second quarter of 2016, adjusted for acquisitions and foreign currency translation, totaled $59.2 million as compared to $53.2 million in the second quarter of 2015, representing an increase of $6.0 million, or 11.3%, primarily due to additional third-party professional fees and administrative expenses in connection with integrating and managing the acquired businesses.
Performance Solutions' selling, technical, general and administrative expense for the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, totaled $115 million, as compared to $109 million for the six months ended June 30, 2015, representing an increase of $6.0 million, or 5.5% for the reasons discussed in the preceding paragraph given that such expenses were relatively flat in the first quarter of 2016 as compared to the 2015 period.
Agricultural Solutions' selling, technical, general and administrative expense in the second quarter of 2016, adjusted for foreign currency translation, totaled $128 million, as compared to $128 million in the second quarter of 2015, representing a decrease of $0.3 million, or 0.2%. The decrease was due, in part, to lower acquisition-related costs as compared to 2015, when the Arysta Acquisition was closed, as well as continued efforts by management to realize synergies with its acquisitions and control spending. Offsetting these decreases were additional investments made in our infrastructure aimed at supporting increased demands driven by our substantial growth, including increases in headcount and professional fees. Growth-related expenses, such as sales bonuses and advertising expenses, have increased as a result of our continued efforts to expand our businesses.
Agricultural Solutions' selling, technical, general and administrative expense for the six months ended June 30, 2016, adjusted for foreign currency translation, totaled $254 million, as compared to $236 million for the six months ended June 30, 2015, representing an increase of $18.1 million, or 7.7%. The increase is largely a result of the exclusion of 2015 selling, technical, general and administrative expenses prior to the Arysta Acquisition on February 13, 2015. On a comparable basis, related expenses declined for the first half of 2016 compared to the same period in 2015. The decline is largely the result of management's realization of synergies associated with acquisitions and focus to control spending. These activities have offset the increase in growth-related and infrastructural expenditures.
Research and Development Expense

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (amounts in millions) | 2016 | 2015 | 2016 | 2015 |
| Research and development | $20.5 | $18.4 | $40.4 | $31.3 |

For the three months ended June 30, 2016, research and development expense totaled $20.5 million, or 2.2% of net sales, as compared to $18.4 million, or 2.7% of net sales, during the same period in 2015, representing an increase of

$2.1 million. For the six months ended June 30, 2016, research and development expense totaled $40.4 million, or 2.3% of net sales, as compared to $31.3 million, or 2.6% of net sales, during the same period in 2015, representing an increase of $9.1 million.

| (amounts in millions) | Three Months Ended June 30, 2016 $ Change | Three Months Ended June 30, 2016 % Change | Six Months Ended June 30, 2016 $ Change | Six Months Ended June 30, 2016 % Change |
|---|---|---|---|---|
| Total change | $2.1 | 11.4 % | $9.1 | 29.1 % |
| - acquisitions | (6.6 ) | (35.9)% | (13.5 ) | (43.1)% |
| - foreign currency translation | 0.6 | 3.3 % | 1.3 | 4.2 % |
| Change, adjusted for acquisitions and foreign currency translation | $(3.9) | (21.2)% | $(3.1) | (9.9 )% |

For the three months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, research and development expense decreased by $3.9 million, or 21.2%. For the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, research and development expense decreased by $3.1 million, or 9.9%.

| (amounts in millions) | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Performance Solutions | | | | |
| Research and development expense | $ 11.4 | $ 5.9 | $ 23.5 | $ 11.5 |
| - acquisitions | (6.6 ) | — | (13.5 ) | — |
| - foreign currency translation | — | — | — | — |
| Research and development expense, adjusted for acquisitions and foreign exchange | $ 4.8 | $ 5.9 | $ 10.0 | $ 11.5 |
| | | | | |
| Agricultural Solutions | | | | |
| Research and development expense | $ 9.1 | $ 12.5 | $ 16.9 | $ 19.8 |
| - foreign currency translation | 0.6 | — | 1.3 | — |
| Research and development expense, adjusted for acquisitions and foreign exchange | $ 9.7 | $ 12.5 | $ 18.2 | $ 19.8 |

Performance Solutions' research and development expense in the second quarter of 2016, adjusted for acquisitions and a de minimis foreign currency translation impact, totaled $4.8 million, as compared to $5.9 million in the second quarter of 2015, representing a decrease of $1.1 million, or 18.6%. For the six months ended June 30, 2016, research and development expense totaled $10.0 million, as compared to $11.5 million for the six months ended June 30, 2015, representing a decrease of $1.5 million, or 13.0%. The decrease in both periods is driven by lower investment in long term projects relative to the three months ended June 30, 2015.

Agricultural Solutions' research and development expense in the second quarter of 2016, adjusted for foreign currency translation, totaled $9.7 million, as compared to $12.5 million in the second quarter of 2015, representing a decrease of $2.8 million, or 22.4%. For the six months ended June 30, 2016, adjusted for foreign currency translation, research and development expense totaled $18.2 million, as compared to $19.8 million for the six months ended June 30, 2015, representing a decrease of $1.6 million, or 8.1%. The decrease in research and development expense in both periods is largely due to the integration of research and development functions of the acquisitions into the legacy business and management's continued focus on cost controls.

Operating Profit

| (amounts in millions) | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Operating profit | $94.9 | $44.0 | $147.0 | $46.2 |

For the three months ended June 30, 2016, operating profit totaled $94.9 million, or 10.3% of net sales, as compared to $44.0 million, or 6.5% of net sales, during the same period in 2015, representing an increase of $50.9 million. For the six months ended June 30, 2016, operating profit totaled $147 million, or 8.4% of net sales, as compared to $46.2 million, or 3.8% of net sales, during the same period in 2015, representing an increase of $101 million.

| (amounts in millions) | Three Months Ended June 30, 2016 $ Change | Three Months Ended June 30, 2016 % Change | Six Months Ended June 30, 2016 $ Change | Six Months Ended June 30, 2016 % Change |
|---|---|---|---|---|
| Total Change | $50.9 | 115.7 % | $100.8 | 218.2 % |
| - acquisitions | (27.7 ) | (63.0 )% | (38.0 ) | (82.3 )% |
| - foreign currency translation | 1.9 | 4.3 % | 6.7 | 14.5 % |
| Change, adjusted for acquisitions and foreign currency translation | $25.1 | 57.0 % | $69.5 | 150.4 % |

For the three months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, operating profit increased by $25.1 million. For the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, operating profit increased by $69.5 million.

| (amounts in millions) | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|---|---|
| Performance Solutions | | | | |
| Operating profit | $ 56.4 | $ 36.0 | $98.0 | $ 69.3 |
| - acquisitions | (27.7 ) | — | (38.0 ) | — |
| - foreign currency translation | 1.2 | — | 3.0 | — |
| Operating Profit, adjusted for acquisitions and foreign exchange | $ 29.9 | $ 36.0 | $63.0 | $ 69.3 |
| | | | | |
| Agricultural Solutions | | | | |
| Operating profit | $ 56.3 | $ 33.0 | $110.8 | $ 30.9 |
| - foreign currency translation | 0.7 | — | 3.7 | — |
| Operating profit, adjusted for acquisitions and foreign exchange | $ 57.0 | $ 33.0 | $114.5 | $ 30.9 |

Performance Solutions' operating profit in the second quarter of 2016, adjusted for acquisitions and foreign currency translation, totaled $29.9 million, as compared to $36.0 million in the second quarter of 2015, representing a decrease of $6.1 million, or 16.9%. For the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, operating profit totaled $63.0 million, as compared to $69.3 million for the six months ended June 30, 2015, representing a decrease of $6.3 million, or 9.1%. The decrease was due primarily to higher selling, general, technical and administrative expenses from additional third-party professional fees and administrative expenses in connection with integrating and managing the acquired business.

Agricultural Solutions' operating profit in the second quarter of 2016, adjusted for foreign currency translation, totaled $57.0 million, as compared to $33.0 million in the second quarter of 2015, representing an increase of $24.0 million, or 72.7%. The increase was driven primarily by the increase in gross profits, complemented by reductions in selling, technical, general and administrative expenditures and research and development costs, resulting from integration efforts and management oversight.

Agricultural Solutions' operating profit for the six months ended June 30, 2016, adjusted for acquisitions and foreign currency translation, totaled $115 million, as compared to $30.9 million for the six months ended June 30, 2015, representing an increase of $83.6 million. The increase is due in part to the exclusion of 2015 operating results prior to the Arysta Acquisition on February 13, 2015, as well as the impact of inventory purchase accounting in 2015 of $56.7 million. On a comparable basis, operating profit improvements were driven primarily by the increase in gross profits, complemented by reductions in selling, technical, general and administrative expenditures and research and development costs, resulting from integration efforts and management oversight.

Other (Expense) Income

| (amounts in millions) | Three Months Ended June 30, 2016 | 2015 | Six Months Ended June 30, 2016 | 2015 |
|---|---|---|---|---|
| Interest expense, net | $(97.4) | $(51.1) | $(191.2) | $(90.5) |
| Loss on derivative contracts | (5.4) | (1.4) | (10.7) | (1.4) |
| Foreign exchange gain (loss) | 25.0 | (15.1) | (46.2) | 18.8 |
| Other income, net | 1.7 | 14.3 | 4.0 | 16.0 |
| Total other expense | $(76.1) | $(53.3) | $(244.1) | $(57.1) |

Interest Expense, Net

For the three months ended June 30, 2016 and 2015, net interest expense totaled $97.4 million and $51.1 million, respectively, representing an increase of $46.3 million. For the six months ended June 30, 2016 and 2015, net interest expense totaled $191 million and $90.5 million, respectively, representing an increase of $101 million. The increase in both periods relates primarily to interest charges resulting from incremental debt facilities used to fund the Alent Acquisition, including the November 2015 Notes Offering of $500 million, borrowings of $1.05 billion (less original issue discount of 2%) and approximately €300 million (less original discount of 2%) under our First Lien Credit Facility. In addition, the year-to-date increase also includes a full first quarter's impact in 2016 of the interest expense related to the incremental debt facilities used to fund the Arysta Acquisition.

Loss on Derivative Contracts

For the three months ended June 30, 2016 and 2015, loss on derivative contracts totaled $5.4 million and $1.4 million, respectively, representing an increase in loss of $4.0 million. For the six months ended June 30, 2016 and 2015, loss on derivative contracts totaled $10.7 million and $1.4 million, respectively, representing an increase in loss of $9.3 million. The increases in both periods resulted from an increase in our use of foreign exchange and metals derivative contracts to better manage our market risks, coupled with an increase in the volatility of certain foreign exchange rates, particularly the Brazilian Real, and of prices of certain commodities, particularly silver.

Foreign Exchange Gain (Loss)

For the three months ended June 30, 2016 and 2015, foreign exchange gain (loss) totaled $25.0 million and $(15.1) million, respectively, representing a change of $40.1 million. The second quarter of 2016 includes $19.3 million of foreign exchange gains associated with the remeasurement of foreign denominated external and intercompany debt related to the Acquisitions, compared to a loss of $17.9 million in the second quarter 2015.

For the six months ended June 30, 2016 and 2015, foreign exchange (loss) gain totaled $(46.2) million and $18.8 million, respectively, representing a change of $65.0 million. The first half of 2016 includes $46.8 million of foreign exchange losses associated with the remeasurement of foreign denominated external and intercompany debt related to the Acquisitions, compared to a gain of $6.1 million for the same period in 2015.

Other Income, Net

For the three months ended June 30, 2016 and 2015, other income, net totaled $1.7 million and $14.3 million, respectively, representing a decrease of $12.6 million. The decrease was primarily driven by a legal settlement gain totaling $16.0 million in the first quarter 2015, compared to a $2.8 million legal settlement recored in the second quarter 2016.

For the six months ended June 30, 2016 and 2015, other income, net totaled $4.0 million and $16.0 million, respectively, representing a decrease of $12.0 million. The decrease was primarily driven by a legal settlement gain totaling $16.0 million and the expiration of an acquisition-related put option on our common stock in connection with the Agriphar Acquisition totaling $3.0 million in the first quarter 2015 compared to a $2.8 million legal settlement recored in the second quarter 2016.

Income Tax

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (amounts in millions) | 2016 | 2015 | 2016 | 2015 |
| Income tax (expense) benefit | $(26.9) | $0.2 | $(45.3) | $(24.5) |
| Effective tax rate | 143.1 % | 2.7 % | (46.7 )% | (224.7 )% |

For the three months ended June 30, 2016, income tax expense totaled $26.9 million, compared to an income tax benefit of $0.2 million for the three months ended June 30, 2015. Our effective tax rate for the three months ended June 30, 2016 was 143.1% on pre-tax income of $18.8 million, compared to an effective tax rate of 2.7% on pre-tax loss of $9.3 million for the three months ended June 30, 2015. The difference between the statutory and effective tax rates for the three months ended June 30, 2016 primarily related to the recognition of a $21.7 million valuation allowance on current quarter losses that may not be recoverable for U.S. and foreign companies. The difference from the statutory to effective tax rates for the three months ended June 30, 2015 was driven primarily by a tax charge of $4.8 million related to a change in valuation allowance, due to a change in expected foreign tax credit utilization, partially offset by a tax benefit from the release of a tax reserve of $2.4 million.

The increase in the income tax expense from a benefit of $0.2 million for the three months ended June 30, 2015 to an expense of $26.9 million for the three months ended June 30, 2016 primarily related to recording a full valuation allowance against our U.S. federal and state net deferred tax assets. The valuation allowance was recorded due to the historic and projected domestic losses, which were partially driven by interest expense related to the debt incurred to fund the acquisitions that took place in 2015. This impact is expected to continue for the foreseeable future.

For the six months ended June 30, 2016 and 2015, income tax expense totaled $45.3 million and $24.5 million, respectively. Our effective tax rate for the six months ended June 30, 2016 was (46.7)% on pre-tax loss of $97.1 million, compared to an effective tax rate of (224.7)% on pre-tax loss of $10.9 million for the six months ended June 30, 2015. The difference between the statutory and effective tax rates for the six months ended June 30, 2016 primarily related to the recognition of an $81.4 million valuation allowance on current period losses that may not be recoverable for U.S. and foreign companies. The difference from the statutory to effective tax rates for the six months ended June 30, 2015 was driven primarily by the establishment of a $23.8 million valuation allowance on foreign tax credit carryovers as a result of the impact of the Arysta Acquisition and losses that did not produce tax benefits.

The increase in the income tax expense from $24.5 million for the six months ended June 30, 2015 to $45.3 million for the six months ended June 30, 2016 primarily related to recording a full valuation allowance against our U.S. federal and state net deferred tax assets. The valuation allowance was recorded due to the historic and projected domestic losses, which were partially driven by interest expense related to the debt incurred to fund the acquisitions that took place in 2015. This impact is expected to continue for the foreseeable future.

Liquidity and Capital Resources

In order to fund our acquisition activity, we have incurred substantial indebtedness totaling $5.35 billion as of June 30, 2016, with expected interest payments in excess of $300 million per year. Our first significant principal debt payments, totaling $3.21 billion, primarily represent principal payments at maturity associated with all of our outstanding term loans under our Amended and Restated Credit Agreement, are due in 2020. In addition, on April 20, 2017, we may also be required to repurchase, in consideration and exchange for shares of our common stock, each share of Series B Convertible Preferred Stock that has not been previously converted into shares of our common stock or automatically redeemed for cash. Upon such repurchase, we may also pay to holders of Series B Convertible Preferred Stock in cash a make-whole payment, which corresponds to any deficit between (i) the 10-day volume weighted price of Platform's common stock prior to such repurchase and (ii) $27.14 per share. This make-whole payment, which varies based on our stock price, corresponds to a maximum amount of $600 million. As of June 30, 2016, this maximum make-whole payment was approximately $404 million, assuming no impact from the March 2013 arbitration matter described in Note 15, Contingencies, Environmental and Legal Matters.

We anticipate sufficient cash from operations to fund interest, working capital and other capital expenditures for the foreseeable future and have access to a $500 million line of credit under our Revolving Credit Facility, with current availability of $410 million, as well as availability under various lines of credit and overdraft facilities of $89.8 million. However, a combination of the make-whole payment to the holders of the Series B Convertible Preferred Stock, working capital shortfalls and future acquisitions may require utilization of our Revolving Credit Facility as well as proceeds from future debt and/or equity offerings. Our long-term liquidity may be impacted by our ability to borrow additional funds, renegotiate existing debt and/or raise equity under terms that are favorable to us. Our long-term liquidity may also be impacted by the pending withdrawal of the United Kingdom from the E.U., commonly referred to as "Brexit." In June 2016, a referendum was held in which voters approved an exit from the E.U. As a result, it is expected that the British government will begin negotiating the terms of the United Kingdom's withdrawal from the E.U. A withdrawal could cause disruption and uncertainty surrounding our business, including affecting our relationships with our existing and future customers, suppliers and employees in the United Kingdom and in other countries in the E.U. The announcement of Brexit also caused significant volatility in global stock markets and fluctuations in currency exchange rates that resulted in the strengthening of the U.S. Dollar against foreign currencies in which we conduct business. The strengthening of the U.S. Dollar relative to other currencies may adversely affect our business, financial conditions or results of operations, and expose us to gains and losses on non-U.S. currency transactions. This volatility in foreign currencies is expected to continue as the United Kingdom negotiates and executes its exit from the E.U. but it is uncertain over what time period this will occur. Any of these effects of Brexit, among others, could adversely affect our business, financial condition, operating results and cash flows.

On July 12, 2016, the Company filed with the SEC a shelf registration statement on Form S-3 under which the Company may issue up to $1.00 billion of securities, including common stock, preferred stock and debt securities. The shelf registration statement was declared effective by the SEC on July 26, 2016.

Our primary sources of liquidity during the six months ended June 30, 2016 were borrowings under our Revolving Credit Facility and available cash. Our primary uses of cash and cash equivalents were raw material purchases, salary expenses, capital expenditures and debt service obligations. We believe that our cash and cash equivalent balance, cash generated from operations and availability under our Revolving Credit Facility will be sufficient to meet our working capital needs, capital expenditures and other business requirements for at least the next twelve months. Pending any future acquisitions, however, we may require additional borrowings against our Revolving Credit Facility, as well as future debt and/or equity offerings. At June 30, 2016, we had $342 million in cash and cash equivalents in addition to availability under our Revolving Credit Facility and lines of credit of $500 million.

Of our $342 million of cash and cash equivalents at June 30, 2016, $327 million was held by our foreign subsidiaries. The majority of the cash held by foreign subsidiaries is generally available for the ongoing needs of our operations. The laws of certain countries may limit our ability to utilize cash resources held in those countries for operations in other countries. However, these laws are not likely to impact our liquidity in a material way. The operations of each foreign subsidiary generally fund such subsidiary's capital requirements. In the event that other foreign operations or operations within the United States require additional cash, we may transfer cash between and among subsidiaries as needed so long as such transfers are in accordance with law. As of June 30, 2016, we had the ability to repatriate $4.6 million at our discretion from the foreign subsidiaries and branches while the remaining balance of $323 million was held at subsidiaries in which earnings are considered permanently reinvested. Repatriation of some of these funds could be subject to delays and could have potential tax consequences, principally with respect to withholding taxes paid in foreign jurisdictions. If cash is repatriated from jurisdictions in which earnings are considered permanently reinvested we will be required to accrue and pay U.S. income taxes on such repatriations.

On January 31, 2016, the Company completed the OMG Malaysia Acquisition for approximately $124 million, net of acquired cash and closing working capital adjustments, subject to purchase price adjustments. The Company acquired OMG Malaysia to add-on to the OMG Acquisition and further enhance its Performance Solutions segment. See Note 2, Acquisitions of Business, for further detail.

We may from time to time seek to retire or purchase our outstanding debt, including, but not limited to, our Senior Notes, through cash purchases, exchanges for equity securities, or refinancing, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

The following is a summary of our cash flows (used in) provided by operating, investing and financing activities during the periods indicated:

| | Six Months Ended June 30, | |
|---|---|---|
| (amounts in millions) | 2016 | 2015 |
| Cash and cash equivalents, beginning of the period | $432.2 | $397.3 |
| Cash (used in) provided by operating activities | (113.3 ) | 100.3 |
| Cash used in investing activities | (30.2 ) | (2,300.5) |
| Cash provided by financing activities | 47.5 | 2,483.9 |
| Exchange rate impact on cash and cash equivalents | 5.5 | (8.8 ) |
| Cash and cash equivalents, end of the period | $341.7 | $672.2 |
| | | |
| Key operating metrics | | |
| Days sales outstanding (DSO) | 124 | 123 |
| Days in Inventory (DII) | 104 | 106 |

Operating Activities

During the six months ended June 30, 2016, cash used in operating activities totaled $113 million, compared to cash provided by operating activities of $100 million during the six months ended June 30, 2015. This compared with a net loss of $35.4 million which was offset by $186 million in non-cash add-backs for the six months ended June 30, 2015. The impact was a reduction to operating cash year over year of $75 million.

The impact on operating cash was further reduced as a result of the changes in assets and liabilities, net of acquisitions, which consumed $139 million more cash during the six months ended June 30, 2016 as compared to the six months ended June 30, 2015. The major driver of the unfavorable change in assets and liabilities were decreases in our accounts payable and accrued expenses related to timing of payments to suppliers. Partially offsetting this cash usage, was an improvement in accounts receivable and non-working capital assets and liabilities.

Investing Activities

Cash flows used in investing activities totaled $30.2 million during the six months ended June 30, 2016, as compared to $2.30 billion of cash flows used in investing activities during the six months ended June 30, 2015. The decrease was largely due to $2.86 billion of net cash outflows related primarily to the Arysta Acquisition on February 13, 2015, which was partially offset by a release of $600 million in acquisition-related restricted cash, compared to $1.3 million of acquisition-related net cash inflows primarily related to the OMG Malaysia Acquisition for the same period during 2016. Additionally, during the six months ended June 30, 2016, we reduced capital expenditures and investments in product registration rights by an aggregate $5.9 million, compared to the same period in 2015. Lastly, we received cash payments totaling $12.1 million related to the sale of certain fixed assets and paid $4.5 million related to derivative contracts during the six months ended June 30, 2016 with no comparable activity during the same period in 2015.

Financing Activities

Cash flows provided by financing activities totaled $47.5 million during the six months ended June 30, 2016, as compared to $2.48 billion of cash flows provided by financing activities during the six months ended June 30, 2015. The decreased financing activity cash inflows were primarily related to the financing of the Arysta Acquisition, which included proceeds of $2.08 billion from borrowings and $469 million from the issuance of common stock. Offsetting these 2015 inflows were payments of debt financing fees associated primarily with the Arysta Acquisition of $45.5 million. Our factored liabilities decreased cash flows by $18.0 million and repayments of debt increased on a period-to-period basis by $7.1 million.

Partially offsetting the decreased period-to-period financing activity inflows were $97.0 million of increased borrowings under our Revolving Credit Facility and lines of credit during the six months ended June 30, 2016 compared to the same period in 2015.

Financial Borrowings

Credit Facilities

As of June 30, 2016, we had $5.35 billion of indebtedness, which included $1.95 billion of Senior Notes and $3.25 billion of term debt arrangements outstanding under our First Lien Credit Facility; $90.0 million of borrowings under our Revolving Credit Facility and $34.5 million under our overdraft lines of credit; and $11.2 million of stand-by letters of credit, which reduce the borrowings available under our Revolving Credit facility. Availability under our Revolving Credit Facility and various lines of credit and overdraft facilities totaled $500 million as of June 30, 2016.

Alent Acquisition

In connection with the Alent Acquisition, we completed the November 2015 Notes Offering of $500 million in aggregate principal amount of 10.375% USD Notes due 2021. The notes are governed by an indenture, dated November 10, 2015, as amended from time to time, bear interest at a rate of 10.375% and mature on May 1, 2021, unless earlier redeemed. In addition, we borrowed $1.05 billion (less original issue discount of 2%) and €300 million (less original issue discount of 2%) under our First Lien Credit Facility, and $115 million under our multi-currency Revolving Credit Facility.

Arysta Acquisition

In connection with the Arysta Acquisition , we completed the February 2015 Notes Offering of $1.10 billion aggregate principal amount of 6.50% USD Notes due 2022, plus original issue premium of $1.0 million, and €350 million aggregate principal amount of 6.00% EUR Notes due 2023. The notes are governed by an indenture, dated February 2, 2015, as amended from time to time. The 6.50% USD Notes due 2022 and the 6.00% EUR Notes due 2023 mature on February 1, 2022 and February 1, 2023, respectively, unless earlier redeemed. The 6.50% USD Notes due 2022 and the 6.00% EUR Notes due 2023 bear interest at a rate of 6.50% and 6.00% per year, respectively, until maturity. In addition, we borrowed $500 million (less original issue discount of 1%) and €83.0 million (less original issue discount of 2%) under our First Lien Credit Facility, and $160 million under our U.S. Dollar Revolving Credit Facility.

CAS Acquisition

In connection with the CAS Acquisition, in August 2014, we borrowed $130 million and €205 million under our First Lien Credit Facility, $60.0 million under our U.S. Dollar Revolving Credit Facility, and €55.0 million under our multicurrency Revolving Credit Facility.

Agriphar Acquisition

In connection with the Agriphar Acquisition, in October 2014, we borrowed $300 million under our First Lien Credit Facility.

MacDermid Acquisition

In connection with the MacDermid Acquisition, in October 2013, under its First Lien Credit Agreement, MacDermid, with Platform as co-borrower, borrowed $373 million in connection with the repayment of the $360 million in principal on its then second lien credit facility.

Our Credit Facilities contain various covenants, including limitations on additional indebtedness, dividends and other distributions, entry into new lines of business, use of loan proceeds, capital expenditures, restricted payments, restrictions on liens, transactions with affiliates, amendments to organizational documents, accounting changes, sale and leaseback transactions and dispositions. In addition, our Revolving Credit Facility requires compliance with certain financial covenants, including a first lien net leverage ratio of no greater than 6.25 to 1.0 of (x) consolidated indebtedness secured by a first lien minus unrestricted cash and cash equivalents of the borrowers and guarantors under the Amended and Restated Credit Agreement to (y) consolidated EBITDA for the four most recent fiscal quarters, subject to a right to cure. As of June 30, 2016, the Company was in compliance with the debt covenants contained in our Credit Facilities.

Off-Balance Sheet Transactions

We use customary off-balance sheet arrangements, such as operating leases and letters of credit, to finance our business. As a result of ASU No. 2016-02, “Leases,” for fiscal years and interim periods beginning after December 15, 2018, we will be required to record lease liabilities and right-of-use assets for all of our qualifying operating leases that are currently treated as off-balance sheet transactions.

There are no other arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Recent Accounting Pronouncements

A summary of recent accounting pronouncements in included in Note 1, Basis of Presentation and Significant Accounting Policies, to our unaudited interim Condensed Consolidated Financial Statements included in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The quantitative and qualitative disclosures about market risk required by this item have not changed materially from those disclosed in our Annual Report, except as indicated below. For a discussion of our exposure to market risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," contained in our Annual Report.

Foreign Currency Risk

The announcement of the Referendum of the United Kingdom’s Membership of the E.U., often referred to as "Brexit," advising for the exit of the United Kingdom from the E.U., caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in the strengthening of the U.S. Dollar against foreign currencies in which we conduct business. The strengthening of the U.S. Dollar relative to other currencies may adversely affect our business, financial condition, or results of operations, and expose us to gains and losses on non-U.S. currency transactions. In addition, a potential devaluation of the local currencies of our customers relative to the U.S. Dollar may impair the purchasing power of our customers and could cause customers to decrease or cancel orders or default on payments. This volatility in foreign currencies is expected to continue as the United Kingdom negotiates and executes its exit from the E.U., but it is uncertain over what time period this will occur.

Item 4. Controls and Procedures
(a) Evaluation of Disclosure Controls and Procedures
Our management is responsible for establishing and maintaining disclosure controls and procedures as defined in Rules 13a-15 (e) and 15d-15(e) under the Exchange Act. As required by Rule 13a-15(b) of the Exchange Act, management, including our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our CEO and CFO have concluded that the Company's disclosure controls and procedures were not effective due to material weaknesses in our internal control over financial reporting previously identified by our management and described more fully under Item 9A of our Annual Report.
The material weaknesses in our internal control relating to insufficient complement of personnel with an appropriate level of accounting knowledge, experience and training commensurate with our financial reporting requirements, as further described in our Annual Report, continued to exist as of the end of the period covered by this Quarterly Report. These material weaknesses resulted to date in the restatement of the unaudited interim financial statements previously issued in our quarterly report on Form 10-Q for the quarter ended March 31, 2015 as a result of an error related to the Arysta Acquisition, as described in the 2016 Q1 Form 10-Q, and the restatement of income taxes in the unaudited interim financial statements previously issued in our quarterly report on Form 10-Q for the quarter ended September 30, 2015, as described in our Annual Report.
Our management is actively engaged in implementing the remediation initiatives described in our Annual Report and 2016 Q1 Form 10-Q which are designed to address these material weaknesses. As indicated in our 2016 Q1 Form 10-Q, we completed the implementation of a global tax reporting system during the first quarter of 2016. During the second quarter of 2016, we continued the following remediation efforts, which were previously described in the 2016 Q1 Form 10-Q and which remain on-going as of the date of this Quarterly Report:

- implementation of a global consolidation and planning system, which is expected to be completed during the later half of 2016;
- implementation of control processes as it relates to newly-acquired businesses and non-routine transactions;
- implementation of enhanced monitoring controls relating to the financial reporting and performance of our newly-acquired businesses;
- implementation of enhanced our financial planning and analysis function within our businesses and at the corporate level;
- addition of further qualified resources to our corporate and segment staff;
- enhancement of the controllership function in our newly-acquired businesses; and
- continued recruiting efforts to hire qualified personnel.

While significant progress has been made, additional time is however needed to fully implement and demonstrate the effectiveness of these remediation initiatives and until remediated, the material weaknesses described above could result in material misstatements of our annual or interim consolidated financial statements that would not be prevented or detected. We are committed to operating effective controls, and management continues to regularly assess the progress and sufficiency of the ongoing initiatives and make adjustments as and when necessary.
Notwithstanding the aforementioned material weaknesses, our management believes that the unaudited interim Condensed Consolidated Financial Statements included in this Quarterly Report fairly represent, in all material respects, our results of operations, financial position, and cash flows as of and for the periods presented, each in accordance with U.S. GAAP. Based in part on these additional efforts, our CEO and CFO have included their certifications as exhibits to this Quarterly Report.

Our management has excluded from the evaluation of disclosure controls and procedures as of June 30, 2016 the internal control over financial reporting related to Alent, the OMG Businesses and OMG Malaysia because they were acquired by Platform in purchase business combinations consummated during the fourth quarter of 2015 with respect to Alent and the OMG Businesses and the first quarter of 2016 with respect to OMG Malaysia. Alent's, the OMG Businesses' and OMG Malaysia's total assets, excluding goodwill and intangible assets recognized in purchase accounting, and total revenues represent approximately 24% and 28%, respectively, of the related unaudited interim Condensed Consolidated Financial Statement amounts as of and for the quarter ended June 30, 2016. These acquisitions are material to our results of operations, financial condition and cash flows, and the integration following these business combinations is likely to materially impact the Company's internal control over financial reporting. We are in process of evaluating the internal controls over financial reporting for these acquisitions as required by the above stated Rules.

(b) Changes to Internal Control Over Financial Reporting

As required by Rule 13a-15(d) under the Exchange Act, our management, including our CEO and CFO, has evaluated the Company's internal control over financial reporting to determine whether any changes occurred during the quarter covered by this Quarterly Report have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

There have been no changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the quarter covered by this Quarterly Report.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of our business, we are subject to periodic lawsuits, investigations and claims, including, but not limited to, product liability claims, contractual disputes, premises claims, and employment, and environmental, health and safety matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, we believe that the resolution of these claims, to the extent not covered by insurance, will not individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or cash flows.

For more information regarding certain proceedings and their possible effects on our business, see Note 15, Contingencies, Environmental and Legal Matters, to our unaudited interim Condensed Consolidated Financial Statements included in this Quarterly Report, under the headings Environmental and Legal Proceedings, which sections are incorporated herein by reference.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors set forth in Part I, Item 1A of our Annual Report under the heading "Risk Factors."

We have restated our unaudited interim condensed consolidated financial statements previously issued in our quarterly report on Form 10-Q for the quarter ended March 31, 2015.

As further described in Note 20, Restatement of Unaudited Interim Condensed Consolidated Financial Statements (Unaudited) to the unaudited interim Condensed Consolidated Financial Statements included in the 2016 Q1 Form 10-Q, we previously disclosed in our quarterly report on Form 10-Q for the quarter ended June 30, 2015 an error to goodwill and foreign currency translation adjustment of $72.8 million related to the Arysta Acquisition, which was corrected as an out-of-period adjustment in such quarterly report. We subsequently concluded that this previously disclosed error also had the effect of understating cash flows provided by operating activities and cash flows used in investing activities by $72.8 million and therefore further concluded that the previously reported information should no longer be relied upon. As a result, we restated our unaudited interim financial information for our first quarter ended March 31, 2015 in the aforementioned Note 20. If we are required to restate previously issued financial statements for any additional periods, such restatement could impair our reputation, could cause a loss of investor confidence and adversely materially affect our business, financial condition, or results of operations.

Volatility of the trading prices of our common stock and/or Senior Notes could adversely affect our security holders.

The trading prices of our common stock and Senior Notes have been highly volatile and could continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control, including, but not limited to:

- quarterly variations in our operating results;
- changes in the market's expectations about our operating results;
- our operating results failing to meet the expectation of management, securities analysts or investors in a particular period;
- the failure to remediate identified material weaknesses;
- changes in financial estimates and recommendations by securities analysts concerning our Company or our industry in general;
- operating and securities price performance of companies that investors deem comparable to us;
- news reports and publication of research reports relating to our business or trends in our markets;
- changes in laws and regulations affecting our businesses;
- announcements or strategic developments, acquisitions and other material events by us or our competitors;
- sales of substantial amounts of common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur;
- adverse market reaction to any additional debt we incur in the future;
- litigation and class action proceedings;

- the failure to identify and complete acquisitions in the future or unexpected difficulties or developments related to the integration of recently completed, pending or future acquisitions;
- actions by institutional stockholders;
- general economic and political conditions such as business cycles, recessions and acts of war or terrorism; and
- other matters discussed in this Quarterly Report.

In addition, the stock market in general, and the market for specialty chemicals companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of particular companies' securities, securities litigation and class action proceedings have often been instituted against such companies. A shareholder derivative action and a class action lawsuit of these types were filed against us in April and March 2016, respectively. There can be no assurance that the market price of our common stock and/or Senior Notes will not fall in the future due to any of the aforementioned factors.

Failure to comply with the FCPA and other similar anti-corruption laws could subject us to penalties and damage our reputation.

We are subject to the FCPA, the Bribery Act, and other anti-corruption laws that generally prohibit companies, directors, officers, employees, and their intermediaries from making corrupt payments to foreign officials for the purpose of obtaining or retaining business or securing an improper advantage. Under many of these laws, companies may also be held liable for actions taken by third-parties acting on their behalf, such as strategic or local partners or representatives. Certain anti-corruption laws, including the Bribery Act, also prohibit commercial bribery and the receipt of bribes, while others, such as the FCPA, require companies to maintain accurate books and records and adequate internal controls. Certain of the jurisdictions in which we conduct business are perceived to have a heightened risk for corruption, extortion, bribery, pay-offs, theft and other improper practices. We also count governments among our customers, which increases our risks under the FCPA, the Bribery Act and other laws. Our businesses prohibit bribery and unethical conduct, but these policies may not prevent our employees or agents from violating these laws in contravention of our policies. Failure by us, our employees or our intermediaries to comply with applicable anti-corruption laws, governmental authorities in the United States or elsewhere, as applicable, may result in civil and/or criminal penalties against us, our officers or our employees, or prohibitions on the conduct of our business, all of which could damage our reputation and have a material adverse effect on our business, financial condition and results of operations. Any determination that our operations or activities, including our licenses or permits, importing or exporting, product testing or registrations, or sales and marketing are not in compliance with existing laws or regulations could result in the imposition of substantial fines, civil and criminal penalties, interruptions of business, modification of business practices and compliance programs, loss of supplier, vendor or other third-party relationship, termination of necessary licenses and permits, and other legal or equitable sanctions, including disgorgement, injunctive relief and other sanctions that we may take against our personnel or that may be taken against us or our personnel.

As previously disclosed in our 2015 Annual Report, in connection with the implementation of our internal controls, policies and procedures at Arysta, a newly acquired subsidiary, following our acquisition of that business we discovered certain payments made to third-party agents in connection with Arysta's government tender business in West Africa which may be illegal or otherwise inappropriate. We have engaged outside counsel and an outside accounting firm to conduct an internal investigation to review the legality of these and other payments made in Arysta's West Africa tender business, including Arysta's compliance with the FCPA. We contacted the SEC and the U.S. Department of Justice to voluntarily inform them of this matter and we are fully cooperating with these governmental authorities as the investigation continues and as they review the matter. Because the internal investigation and compliance reviews are ongoing, there can be no assurance as to how the resulting consequences, if any, may impact our internal controls and reputation, as well as our business, financial condition, or results of operations.

We are subject to a shareholder class action lawsuit which may adversely affect our business, financial condition, results of operations and cash flows.

We and certain of our current and former executive officers are defendants in a securities class action lawsuit. This lawsuit, including its current status, is described in Part II, Item 1 “Legal Proceedings” in this Quarterly Report. While we believe this lawsuit to be without merit and intend to vigorously defend it, we are in the early stages of this case and we cannot guarantee any particular outcome. This and any similar future matters may divert our attention from our ordinary business operations, and we may incur significant expenses associated with it (including, without limitation, substantial attorneys’ fees and other fees of professional advisors and potential indemnification obligations). Depending on the outcome of such matter, we could be required to pay material damages and/or suffer other penalties, remedies or sanctions. Accordingly, the ultimate resolution of this pending matter or any similar future matters could have a material adverse effect on our business, financial condition, results of operations, cash flows, and/or liquidity and could negatively impact the trading price of our common stock. Any existing or future shareholder lawsuits could also materially adversely affect our reputation and our business, financial condition, or results of operations.

Our substantial international operations subject us to risks not faced by domestic competitors.

Sales from international markets represent a significant portion of our net sales. Accordingly, our business is subject to increasing risks related to the different legal, political, social and regulatory requirements and economic conditions of many jurisdictions. Risks inherent to our international operations include the following:

- increased credit risk and different financial conditions, which may necessitate longer payment cycles of accounts receivable or result in increased bad debt write-offs (including due to bankruptcy) or additions to reserves;
- additional withholding taxes or otherwise tax our foreign income, tariffs, duties, export controls, import restrictions or other restrictions on foreign trade or investment, including currency exchange controls;
- foreign exchange controls or other currency restrictions and limitation on the movement of funds, including the prohibition of the repatriation of funds, which may result in adverse tax consequences and tax inefficiencies;
- export licenses may be difficult to obtain, and the transportation of our products may be delayed or interrupted;
- general economic and political conditions in the countries in which we operate, including devaluation or fluctuations in the value of currencies, gross domestic product, interest rates, market demand, labor costs and other factors beyond our control;
- unexpected adverse changes in foreign laws or in foreign regulatory requirements, including in laws or regulatory requirements pertaining to employee benefits, the environment and health and safety;
- protectionist policies, which may restrict or impair the manufacturing, sales or import and export of our products;
- new restrictions on access to markets, such as adverse trade policies or trade barriers;
- a lack of or inadequate infrastructure;
- natural disasters or other crises;
- reduced protection of intellectual property rights in some countries;
- expropriation of assets or forced relocations of operations;
- inflation and hyperinflationary economic conditions and adverse economic effects resulting from governmental attempts to control inflation, such as imposition of wage and price controls and higher interest rates;
- the requirement to comply with a wide variety of foreign and U.S. laws and regulations that apply to international operations, including, without limitation, economic sanctions regulations, labor laws, import and export regulations, anti-corruption and anti-bribery laws;
- challenges in maintaining an effective internal control environment with operations in multiple international locations, including language differences, varying levels of U.S. GAAP expertise in international locations and multiple financial information systems; and
- labor disruptions, civil unrest, significant social, political or economic instability, wars or other armed conflict or acts of terrorism.

Should any of these risks occur, our ability to manufacture, source, sell or export our products or repatriate profits could be impaired; we could experience a loss of sales and profitability from our international operations; and/or we could experience a substantial impairment or loss of assets, any of which could have a material adverse impact on our business, financial condition, or results of operations.

Furthermore, some of our international operations are conducted in parts of the world that experience corruption to some degree. Although we have policies and procedures in place that are designed to promote legal and regulatory compliance (including with respect to the FCPA and the Bribery Act as further described above), our employees, distributors and wholesalers could take actions in contravention of our policies and procedures that violate applicable anti-corruption laws or regulations. Violations of these laws, or allegations of such violations, could have a material adverse affect on our reputation, our business, financial condition, or results of operations.

We also may face difficulties managing and administering an internationally dispersed business. In particular, the management of our personnel across many countries can present legal, logistical and managerial challenges. Additionally, international operations present challenges related to operating under different business cultures and languages. Our overall success as a global business depends, in part, upon our ability to succeed in different legal, regulatory, economic, social and political conditions.

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The results of the United Kingdom's referendum on withdrawal from the E.U. may have a negative effect on global economic conditions, financial markets and our business, which could reduce the price of our shares of common stock.

We are a multinational company with worldwide operations, including significant business operations in Europe. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the E.U. in a national referendum, commonly referred to as "Brexit." The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the United Kingdom and the E.U., and has given rise to calls for certain regions within the United Kingdom to preserve their place in the E.U. by separating from the United Kingdom as well as for the governments of other E.U. member states to consider withdrawal.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. Lack of clarity about future United Kingdom laws and regulations as the United Kingdom determines which E.U. laws to replace or replicate in the event of a withdrawal, including financial laws and regulations, tax and free trade agreements, intellectual property rights, supply chain logistics, environmental, health and safety laws and regulations, immigration laws and employment laws, could decrease foreign direct investment in the United Kingdom, increase costs, depress economic activity and restrict our access to capital. If the United Kingdom and the E.U. are unable to negotiate acceptable withdrawal terms or if other E.U. member states pursue withdrawal, barrier-free access between the United Kingdom and other E.U. member states or among the European economic area overall could be diminished or eliminated. Any of these factors could have a material adverse effect on our business, financial condition or results of operations and reduce the price of our shares of common stock.

We are exposed to fluctuations in currency exchange rates, which may adversely affect our operating results and may significantly affect the comparability of our results between financial periods.

Our consolidated financial statements are reported in U.S. Dollars while a significant proportion of our assets, liabilities and earnings are denominated in non-U.S. Dollar currencies. As a result, we are exposed to foreign currency exchange rate fluctuations from translating certain of our foreign subsidiaries' financial statements. Fluctuations in the value of local currencies in which we derive significant net sales may also impact the U.S. Dollar amounts reflected in our financial statements. Such U.S. Dollar amounts may obscure underlying financial trends that would be apparent in financial statements prepared on a constant currency basis or affect the comparability of our results between financial periods.

The announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in the strengthening of the U.S. Dollar against foreign currencies in which we conduct business. The strengthening of the U.S. Dollar relative to other currencies may adversely affect our business, financial condition, or results of operations, and expose us to gains and losses on non-U.S. currency transactions. In addition, a potential devaluation of the local currencies of our customers relative to the U.S. Dollar may impair the purchasing power of our customer and could cause customers to decrease or cancel orders or default on payment. This volatility in foreign currencies is expected to continue as the United Kingdom negotiates and executes its exit from the E.U. but it is uncertain over what time period this will occur. Any of these effects of Brexit, among others, could adversely affect our business, financial condition, results of operations and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

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Item 5. Other Information

Item 5.07 Submission of Matters to a Vote of Security Holders

As previously reported in our current report on Form 8-K filed with the SEC on June 3, 2016, in a non-binding advisory vote on the frequency of future say-on-pay votes held at our 2016 Annual Meeting, our stockholders approved the frequency of one (1) year for future say-on-pay votes as follows: 181,081,053 shares voted for one (1) year, 113,507 shares voted for two (2) years, 13,656,383 shares voted for three (3) years, 58,509 shares abstained and there were 14,702,935 broker non-votes.

The Board has considered the outcome of this advisory vote and has determined, as was recommended with respect to this proposal by the Board in the Company's definitive proxy statement for the 2016 Annual Meeting, that the Company will hold future say-on-pay votes on an annual basis until the occurrence of the next advisory vote on the frequency of say-on-pay votes. The next advisory vote regarding the frequency of say-on-pay votes is required to occur no later than the Company’s 2022 annual meeting of stockholders.

Item 6. Exhibits

The following exhibits are filed as part of this Quarterly Report:

| Exhibit Number | Description |
|---|---|
| 3.1(a) | Certificate of Incorporation (filed as Exhibit 3.1 of Post-Effective Amendment No.1 to the Registration Statement on Form S-4 (File No. 333-192778) filed on January 24, 2014, and incorporated herein by reference) |
| 3.1(b) | Certificate of Amendment of Certificate of Incorporation (filed as Exhibit 3.1 of Current Report on Form 8-K filed on June 13, 2014, and incorporated herein by reference) |
| 3.1(c) | Certificate of Designation of Series B Convertible Preferred Stock (filed as Exhibit 3.1 of Current Report on Form 8-K filed on February 17, 2015, and incorporated herein by reference) |
| 3.2 | Amended and Restated By-laws (filed as Exhibit 3.2 of the Annual Report on Form 10-K filed on March 31, 2014, and incorporated herein by reference) |
| 4.1* | Fourth Supplemental Indenture, dated as of April 13, 2016, among Platform, the Subsequent Guarantors, the Trustee and the EUR Agent, to the Indenture dated as of February 2, 2015 |
| 4.2* | Third Supplemental Indenture, dated as of April 13, 2016, among Platform, the Subsequent Guarantors and the Trustee, to the Indenture dated as of November 10, 2015 |
| 10.1* | Amendment No.5 to Platform Specialty Products Corporation Employee Savings and 401(k) Plan |
| 10.2* | Amendment No.6 to Platform Specialty Products Corporation Employee Savings and 401(k) Plan |
| 31.1* | Principal Executive Officer Certification Pursuant to Exchange Act Rules 13a-14 and 15d-14 as adopted pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | Principal Financial Officer Certification Pursuant to Exchange Act Rules 13a-14 and 15d-14 as adopted pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1** | Principal Executive Officer and Principal Financial Officer Certifications Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101. INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema Document |
| 101.CAL* | XBRL Extension Calculation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed herewith.

** Furnished herewith.

SIGNATURES

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, thereunto duly authorized this August 9, 2016.

PLATFORM SPECIALTY PRODUCTS CORPORATION

By: /s/ Robert L. Worshek
Name: Robert L. Worshek
Title: Vice President and Chief Accounting Officer
(Principal Accounting Officer)

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