

POLYONE CORP
Form S-4
August 23, 2013
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As filed with the Securities and Exchange Commission on August 23, 2013

Registration No. 333-

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

Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

POLYONE CORPORATION

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of)

2821
(Primary Standard Industrial

34-1730488
(I.R.S. Employer

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incorporation or organization)

Classification Code Number)

Identification Number)

PolyOne Center
33587 Walker Road
Avon Lake, Ohio 44012
(440) 930-1000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Lisa K. Kunkle
Vice President, General Counsel and Secretary

PolyOne Center
33587 Walker Road
Avon Lake, Ohio 44012
(440) 930-1000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Michael J. Solecki
Jones Day
901 Lakeside Avenue
Cleveland, Ohio 44114
Phone: (216) 586-3939
Fax: (216) 579-0212

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the effective date of this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit(1)	Proposed maximum aggregate offering price(1)	Amount of registration fee
5.25% Senior Notes due 2023	\$600,000,000	100%	\$600,000,000	\$81,840

(1) Calculated in accordance with Rule 457(f) under the Securities Act of 1933 solely for purposes of calculating the registration fee.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such state.

SUBJECT TO COMPLETION, DATED AUGUST 23, 2013

PolyOne Corporation

Offer to Exchange up to \$600,000,000

Aggregate Principal Amount of Newly

Issued 5.25% Notes due 2023

For

a Like Principal Amount of Outstanding

Restricted 5.25% Notes due 2023

Issued on February 28, 2013

On February 28, 2013, we issued \$600,000,000 aggregate principal amount of restricted 5.25% Notes due 2023, in a private placement. We refer to these notes as the *Original Notes*.

We are offering to exchange up to \$600,000,000 aggregate principal amount of new 5.25% Notes due 2023, which we refer to as the *Exchange Notes*, for outstanding Original Notes. We refer to this offer to exchange as the *Exchange Offer*. The terms of the Exchange Notes are substantially identical to the terms of the Original Notes, except that the Exchange Notes will be registered under the Securities Act of 1933, or the *Securities Act*, and the transfer restrictions and registration rights and related special interest provisions applicable to the Original Notes will not apply to the Exchange Notes. The Exchange Notes will be part of the same series of the Original Notes and issued under the base indenture. The Exchange Notes will be exchanged for Original Notes in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. We will not receive any proceeds from the issuance of Exchange Notes in the Exchange Offer.

You may withdraw tenders of Original Notes at any time prior to the expiration of the Exchange Offer.

The Exchange Offer expires at 9:00 a.m. New York City time on _____, 2013, unless extended, which we refer to as the *Expiration Date*.

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We do not intend to list the Exchange Notes on any securities exchange or to seek approval through any automated quotation system, and no active public market for the Exchange Notes is anticipated.

You should consider carefully the risk factors beginning on page 10 of this Prospectus before deciding whether to participate in the Exchange Offer.

Neither the Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of the Exchange Notes or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2013.

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This prospectus may only be used where it is legal to make the Exchange Offer and by a broker-dealer for resales of Exchange Notes acquired in the Exchange Offer where it is legal to do so.	

This prospectus and the information incorporated by reference summarize documents and other information in a manner we believe to be accurate, but we refer you to the actual documents for a more complete understanding of the information we discuss in this prospectus and the information incorporated by reference. In making an investment decision, you must rely on your own examination of such documents, our business and the terms of the offering and the Exchange Notes, including the merits and risks involved.

We make no representation to you that the Exchange Notes are a legal investment for you. You should not consider any information in this prospectus to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Exchange Notes. Neither the delivery of the prospectus nor any exchange made pursuant to this prospectus implies that any information set forth in or incorporated by reference in this prospectus is correct as of any date after the date of this prospectus.

Each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of Exchange Notes. The letter of transmittal accompanying this prospectus states that by so acknowledging and by delivering a prospectus, a broker dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Original Notes where the Original Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period ending on the earlier of (i) 180 days from the date on which the registration statement of which this prospectus forms a part is declared effective and (ii) the date on which a broker-dealer is no longer required to deliver a prospectus in connection with market-making or other trading activities, we will make this prospectus available to any broker-dealer for use in connection with these resales. See *Plan of Distribution*.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

In this prospectus, including the documents incorporated by reference, statements that are not reported financial results or other historical information are forward-looking statements within the meaning of the federal securities laws. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management's expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. They use words such as will, anticipate, estimate, expect, project, intend, plan, believe, words and terms of similar meaning in connection with any discussion of future operating or financial performance and/or sales. In particular, these include statements relating to future actions; prospective changes in raw material costs, product pricing or product demand; future performance; results of current and anticipated market conditions and market strategies; sales efforts; expenses; the outcome of contingencies such as legal proceedings; and financial results. Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:

the effect on foreign operations of currency fluctuations, tariffs and other political, economic and regulatory risks;

changes in polymer consumption growth rates where we conduct business;

changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online in the industries in which we participate;

fluctuations in raw material prices, quality and supply and in energy prices and supply;

production outages or material costs associated with scheduled or unscheduled maintenance programs;

unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters, including any developments that would require any increase in our costs and/or reserves for such contingencies;

an inability to achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives related to working capital reductions, cost reductions and employee productivity goals, an inability to raise or sustain prices for products or services;

an inability to maintain appropriate relations with unions and employees;

the speed and extent of an economic recovery, including the recovery of the housing markets;

the financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability;

disruptions, uncertainty or volatility in the credit markets that may limit our access to capital;

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other factors affecting our business beyond our control, including, without limitation, changes in the general economy, changes in interest rates and changes in the rate of inflation;

the amount and timing of repurchases, if any, of PolyOne common shares;

our ability to pay regular quarterly cash dividends and the amounts and timing of any future dividends;

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the ability to successfully integrate acquired companies into our operations, retain the management teams of acquired companies, and retain relationships with customers of acquired companies, including without limitation ColorMatrix Group, Inc., Glasforms Inc. and Spartech Corporation, or Spartech;

the ability to achieve the expected results of any acquisitions, including the acquisitions being accretive; and

other factors described in our Annual Report on Form 10-K for the year ended December 31, 2012 under Item 1A, Risk Factors. We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. You are advised, however, to consult any further disclosures we make on related subjects in our reports on Forms 10-Q, 8-K and 10-K furnished to the SEC. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

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SUMMARY

*This summary does not contain all of the information that you should consider before making an investment decision. You should read this entire prospectus carefully, including the matters discussed under the caption *Risk factors* and the more detailed information and financial statements included or incorporated by reference in this prospectus. Unless otherwise indicated or the context otherwise requires, all references in this prospectus to the Company, PolyOne, we, our, us or similar terms mean PolyOne Corporation and its subsidiaries. Unless otherwise indicated or the context requires otherwise, all references in this prospectus to Notes mean collectively the Original Notes and the Exchange Notes.*

Company Overview

We are a premier provider of specialized polymer materials, services and solutions with operations in specialty polymer formulations, color and additive systems, plastic sheet, packaging solutions and polymer distribution. We are also a highly specialized developer and manufacturer of performance enhancing additives, liquid colorants, and fluoropolymer and silicone colorants. Headquartered in Avon Lake, Ohio, we have employees at manufacturing sites and distribution facilities in North America, South America, Europe and Asia. We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain capabilities to provide value added solutions to designers, assemblers and processors of plastics (our customers).

Corporate Information

We are an Ohio corporation formed on August 31, 2000 by the consolidation of The Geon Company and M.A. Hanna Company. Geon's roots date back to 1927 when BFGoodrich scientist Waldo Semon produced the first usable vinyl polymer. In 1948, BFGoodrich created a vinyl plastic division that was subsequently spun off through a public offering in 1993, creating Geon, a separate publicly-held company. Hanna was formed in 1885 as a privately-held company and became publicly-held in 1927. In the mid-1980s, Hanna began to divest its historic mining and shipping businesses to focus on polymers. Hanna purchased its first polymer company in 1986 and completed its 26th polymer company acquisition in 2000. Our principal executive office is located at 33587 Walker Road, Avon Lake, Ohio, and our telephone number is (440) 930-1000. Our common stock is listed on the New York Stock Exchange under the symbol *POL*. Our website address is www.polyone.com. The information contained on or accessible through our website is not a part of this prospectus, other than the documents that we file with the SEC that are incorporated by reference in this prospectus.

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The Exchange Offer

The Exchange Offer

We are offering to exchange up to \$600,000,000 aggregate principal amount of our registered 5.25% Notes due 2023, which we refer to as the *Exchange Notes*, for an equal principal amount of our outstanding restricted 5.25% Notes due 2023, which we refer to as the *Original Notes*, that were issued on February 28, 2013. The terms of the Exchange Notes are identical in all material respects to those of the Original Notes, except for transfer restrictions and registration rights and related special interest provisions relating to the Original Notes. Holders of Original Notes do not have any appraisal or dissenters rights in connection with the Exchange Offer.

Purposes of the Exchange Offer

The Exchange Notes are being offered to satisfy our obligations under the registration rights agreement entered into at the time we issued and sold the Original Notes.

Expiration Date; withdrawal of tenders; return of Original Notes not accepted for exchange

The Exchange Offer will expire at 9:00 a.m., New York City time, on _____ 2013, or on a later date and time to which we extend it. We refer to such time and date as the *Expiration Date*. Tenders of Original Notes in the Exchange Offer may be withdrawn at any time prior to the Expiration Date. We will exchange the Exchange Notes for validly tendered Original Notes promptly following the Expiration Date. Any Original Notes that are not accepted for exchange for any reason will be returned by us, at our expense, to the tendering holder promptly after the expiration or termination of the Exchange Offer.

Procedures for tendering Original Notes

Each holder of Original Notes wishing to participate in the Exchange Offer must follow procedures of The Depository Trust Company s, or DTC s, Automated Tender Offer Program, or *ATOP*, subject to the terms and procedures of that program. The ATOP procedures require that the exchange agent receives, prior to the Expiration Date, a computer-generated message known as an *agent s message* that is transmitted through ATOP and that DTC confirm that:

DTC has received instructions to exchange your Original Notes; and

you agree to be bound by the terms of the letter of transmittal.

See *The Exchange Offer Procedures for Tendering Original Notes*.

Consequences of failure to exchange Original Notes

You will continue to hold Original Notes, which will remain subject to their existing transfer restrictions, if you do not validly tender your Original Notes or you tender your Original Notes and they are not accepted for exchange. With some limited exceptions, we will have no obligation to register the Original Notes after we consummate the

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Exchange Offer. See *The Exchange Offer Terms of the Exchange Offer* and *The Exchange Offer Consequences of Failure To Exchange*.

Conditions to the Exchange Offer

The Exchange Offer is not conditioned upon any minimum aggregate principal amount of Original Notes of either series being tendered or accepted for exchange. The Exchange Offer is subject to customary conditions, which may be waived by us in our discretion. We currently expect that all of the conditions will be satisfied and that no waivers will be necessary.

Exchange agent

Wells Fargo Bank, National Association.

Certain U.S. federal income tax considerations

Your exchange of an Original Note for an Exchange Note pursuant to the Exchange Offer will not constitute a taxable exchange. You will not recognize any taxable income, gain or loss in the exchange. Immediately after the exchange, you will have the same adjusted tax basis and holding period in each Exchange Note received as you had immediately prior to the exchange in the corresponding Original Note surrendered. See *Certain U.S. Federal Income Tax Considerations*.

Risk factors

You should carefully read and consider the risk factors beginning on page 10 of this prospectus before deciding whether to participate in the Exchange Offer.

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The Exchange Notes

*The following is a brief summary of the principal terms of the Exchange Notes and is provided solely for your convenience. It is not intended to be complete. You should read the full text and more specific details contained elsewhere in this prospectus. For a more detailed description of the Exchange Notes, see *Description of Notes*.*

Issuer	PolyOne Corporation
Notes offered	Up to \$600,000,000 aggregate principal amount of 5.25% senior notes due 2023.
Maturity date	Unless redeemed prior to maturity as described below, the Notes will mature on March 15, 2023.
Interest payment dates	The Notes will bear interest at the rate of 5.25% per year, payable semi-annually in cash, in arrears on March 15 and September 15 of each year, commencing on September 15, 2013.
Ranking	<p>The Notes will be our senior unsecured obligations and initially will not be guaranteed by any of our subsidiaries. However, if certain of our domestic subsidiaries incur certain types of debt, such subsidiaries will also have to guarantee the Notes. See <i>Description of Notes Guarantees</i>. Accordingly, the Notes will:</p> <ul style="list-style-type: none"> rank equally in right of payment with all of our existing and future senior debt; rank senior in right of payment to all of our existing and future debt that is by its terms expressly subordinated to the Notes; be effectively subordinated to all of our future secured debt, including secured debt under our credit facility, to the extent of the assets securing such debt; and be structurally junior to all of our future debt and other liabilities of any non-guarantor subsidiaries (as of the date hereof, no subsidiaries are guarantors). <p>As of June 30, 2013, we had total debt of approximately \$1,031.2 million, \$8.3 million of which was secured debt.</p> <p>As of June 30, 2013, our subsidiaries had total debt of approximately \$21.2 million, or 2% of our total debt, and held approximately \$2,101.1 million of assets, or 68.4% of our total assets. For the six-month period ended June 30, 2013, our subsidiaries generated approximately \$912.2 million of revenues, or 49.6% of our total revenues.</p>

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Redemption

We may redeem any of the Notes, in whole or in part, at any time and from time to time at a price equal to 100% of the principal amount of Notes, plus a make-whole premium described under *Description of Notes Optional Redemption*, plus accrued and unpaid interest.

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Change of Control

If we experience certain kinds of changes of control of our company, we must give holders the opportunity to sell their Notes to us at 101% of their principal amount, plus accrued and unpaid interest. See *Description of Notes Change of Control*.

We might not be able to pay the required price for Notes presented to us at the time of a change of control because:

we might not have enough funds at the time; or

the terms of our other debt may prevent us from paying for the Notes.

Covenants

The covenants contained in the indenture governing the Notes, among other things, limit our ability and the ability of our restricted subsidiaries to:

incur more debt;

pay dividends and make distributions or repurchase shares;

make investments;

create liens;

enter into restrictions on the ability of our restricted subsidiaries to make distributions, loans or advances to us;

sell assets;

engage in certain types of transactions with affiliates;

engage in certain sale and leaseback transactions; and

merge or consolidate with other companies or sell substantially all of our assets.

These covenants are subject to a number of important exceptions, limitations and qualifications that are described under *Description of Notes*.

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During any period in which we achieve an investment grade rating for the Notes from both Moody's Investors Service, Inc. (*Moody's*) and Standard & Poor's Ratings Services (*S&P*) and in which no default or event of default has occurred and is continuing under the indenture, most of these covenants will be suspended. However, those covenants will apply and the suspension period will no longer be in effect if and when the Notes cease to have investment grade ratings by both Moody's and S&P.

Use of proceeds

We will not receive any cash proceeds from the issuance of the Exchange Notes. See *Use of Proceeds*.

Trustee

Wells Fargo Bank, National Association.

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On March 13, 2013, pursuant to the terms and conditions of the Agreement and Plan of Merger, dated October 23, 2012, which we refer to as the Merger Agreement, by and among the Company, 2012 RedHawk, Inc., 2012 RedHawk, LLC (n/k/a PolyOne Designed Structures and Solutions LLC) and Spartech, we acquired Spartech. On May 30, 2013, we sold our vinyl dispersion, blending and suspension resin assets, which we refer to as the Resin Business, which was part of the Performance Products and Solutions segment, to Mexichem Specialty Resins Inc., or Mexichem, a wholly-owned subsidiary of Mexichem, S.A.B. de C.V. In compliance with ASC 205-20, PolyOne has reported revenue, expenses, assets and liabilities associated with the Resin Business as a discontinued operation for each of the periods presented in its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2013 and June 30, 2013. The Current Report on Form 8-K, filed with the SEC on August 23, 2013, updates PolyOne's financial statements and other financial information included in PolyOne's Annual Report on Form 10-K for the year ended December 31, 2012 to retrospectively reflect the changes resulting from discontinued operations and the resegmentation for all periods presented.

The following table presents our summary historical condensed consolidated financial information, adjusted for discontinued operations, and unaudited pro forma condensed consolidated financial information, giving effect to our acquisition of Spartech. The summary unaudited pro forma condensed combined statement of income data for the year ended December 31, 2012 and six months ended June 30, 2013 give effect to the acquisition of Spartech as if it had occurred on January 1, 2012 and is not necessarily indicative of operating results that would have been achieved had the acquisition of Spartech been completed as of such dates and do not intend to project future financial results of the combined company. The data set forth below should be read in conjunction with the financial information contained in our Annual Report on Form 10-K for the year ended December 31, 2012, as updated by our Current Report on Form 8-K, filed with the SEC on August 23, 2013, and our Quarterly Report on Form 10-Q for the period ended June 30, 2013, as well as Spartech's consolidated financial statements and the notes thereto for the year ended November 3, 2012 contained in our Current Report on Form 8-K filed with the SEC on March 13, 2013, as amended on May 1, 2013, which are incorporated by reference in this prospectus.

PolyOne Corporation	Actual			Pro Forma (unaudited)			
				Six Months			
				Ended	Year Ended		
				June 30,	December 31		
				2013	2012		
	Year Ended	Year Ended	Year Ended	Six Months	Six Months		
	December 31,	December 31,	December 31,	Ended	Ended		
	2012	2011	2010	June 30,	December 31		
	2012	2011	2010	2013	2012		
<i>(Dollars in millions)</i>							
Consolidated Statement of Income Data:							
Sales	\$ 2,860.8	\$ 2,709.4	\$ 2,506.2	\$ 1,838.7	\$ 1,502.1	\$ 2,056.7	\$ 4,006.9
Cost of sales	2,329.7	2,280.1	2,096.1	1,472.7	1,225.8	1,663.7	3,364.7
Gross margin	531.1	429.3	410.1	366.0	276.3	393.0	642.2
Selling and administrative expense	417.0	378.3	292.9	244.9	196.0	261.7	508.1
Income related to previously owned equity affiliates	23.4	152.0	42.0	0.1	0.4	0.1	23.4
Operating income	137.5	203.0	159.2	121.2	80.7	131.4	157.5
Interest expense, net	(50.8)	(33.7)	(31.5)	(32.2)	(24.7)	(35.1)	(66.1)
Premium on early extinguishment of long-term debt		(0.9)	(29.5)	(10.6)		(10.6)	
Other (expense) income, net	(3.4)	0.5	(2.4)	0.2	(2.2)	0.2	(3.4)
Income from continuing operations, before income taxes	83.3	168.9	95.8	78.6	53.8	85.9	88.0
Income tax (expense) benefit	(30.1)	(15.5)	56.7	(29.3)	(20.1)	(34.8)	(31.5)
Net income from continuing operations	53.2	153.4	152.5	49.3	33.7	\$ 51.1	\$ 56.5
Income from discontinued operations, net of income taxes	18.6	19.2	10.1	146.4	11.1		
Net income	71.8	172.6	162.6	195.7	44.8		
Less: Net loss attributable to noncontrolling interests	0.1			0.5			
Net income from continuing operations attributable to PolyOne common shareholders	\$ 71.9	\$ 172.6	\$ 162.6	\$ 196.2	\$ 44.8		

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<i>(Dollars in millions)</i>	Actual				
	Year Ended December 31,			Six Months	
	2012	2011	2010	Ended June 30,	2012
Consolidated Balance Sheet Data (at period end):					
Cash and cash equivalents	\$ 210.0	\$ 191.9	\$ 378.1	\$ 392.4	\$ 209.3
Working capital ⁽¹⁾	262.2	268.2	233.6	474.0	307.4
Total assets	2,128.0	2,078.1	1,671.9	3,073.4	2,144.2
Total debt	706.9	707.0	452.9	1,031.2	705.8
Pension benefits	182.8	203.6	154.5	118.2	194.6
Shareholders' equity	631.4	588.3	516.0	995.7	606.7
Consolidated Cash Flow Data:					
Net cash provided (used) by:					
Operating activities	\$ 106.9	\$ 72.5	\$ 140.8	\$ (25.2)	\$ 32.3
Investing activities	(72.3)	(422.5)	(1.7)	(12.0)	2.2
Financing activities	(17.5)	163.9	15.7	219.7	(16.6)
Capital expenditures	(57.4)	(54.1)	(39.5)	(26.7)	(16.7)
Other Financial Data:					
Adjusted EBITDA ⁽²⁾	\$ 255.0	\$ 202.0	\$ 179.1	\$ 178.2	\$ 132.4
Ratio of Adjusted EBITDA to Interest Expense, net ⁽²⁾	5.0x	6.0x	5.7x	5.5x	5.4x
Ratio total debt to Adjusted EBITDA ⁽²⁾	2.8x	3.5x	2.5x	5.8x	5.3x
Ratio of net debt to Adjusted EBITDA ⁽²⁾⁽³⁾	1.9x	2.6x	0.4x	3.6x	3.8x

(1) Working capital is defined as accounts receivable plus inventory less accounts payable.

(2) We define EBITDA as earnings from continuing operations before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted to add back the special items indicated in the table below. EBITDA and Adjusted EBITDA are not measures of performance or liquidity under generally accepted accounting principles (GAAP), and we caution investors that amounts presented in accordance with our definitions of EBITDA and Adjusted EBITDA may not be comparable to similar measures disclosed by other companies, because not all companies calculate EBITDA and Adjusted EBITDA in the same manner. We present EBITDA because we consider it an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. We present Adjusted EBITDA because we believe that it is a further supplemental measure of our performance and liquidity. In addition, the instruments governing our indebtedness use EBITDA (with additional adjustments) to measure our compliance with covenants such as interest coverage and debt incurrence. EBITDA and Adjusted EBITDA should not be considered in isolation or as substitutes for operating income, net income or cash flow statement data prepared in accordance with GAAP. Please see the table below for the reconciliation of EBITDA and Adjusted EBITDA to the comparable GAAP measure of net income.

Actual

<i>(Dollars in millions)</i>	Actual				
	Year Ended December 31,			Six Months	
	2012	2011	2010	Ended June 30,	2012
Reconciliation of Adjusted EBITDA:					
Net income from continuing operations	\$ 53.2	\$ 153.4	\$ 152.5	\$ 49.3	\$ 33.7
Interest expense, net	50.8	33.7	31.5	32.2	24.7
Income tax expense (benefit)	30.1	15.5	(56.7)	29.3	20.1
Depreciation and amortization	65.8	53.2	50.7	44.9	33.6
EBITDA	\$ 199.9	\$ 255.8	\$ 178.0	\$ 155.7	\$ 112.1
Environmental remediation costs (net of reimbursements) ^(a)	\$ 12.8	\$ 6.4	\$ 3.8	\$ (16.8)	\$ 4.5
Employee separation and plant phase out costs ^(b)	11.5	2.8	3.1	14.8	9.2
Mark-to-market pension and OPEB adjustments ^(c)	42.0	83.8	9.6		
Acquisition-related costs, including inventory fair value adjustments ^(d)	9.3	6.6		13.6	6.6
Gain on sale of equity investments ^(e)	(23.4)	(146.3)	(16.3)	(0.1)	(0.4)
Equity income from previously owned equity affiliates ^(f)		(5.7)	(23.1)		
Premium on early extinguishment of long-term debt ^(g)		0.9	29.5	10.6	
Other ^(h)	2.9	(2.3)	(5.5)	0.4	0.4

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Adjusted EBITDA	\$ 255.0	\$ 202.0	\$ 179.1	\$ 178.2	\$ 132.4
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- (a) Insurance reimbursements were less than \$0.1 million, \$3.3 million and \$16.7 million for the years-ended 2012, 2011 and 2010, respectively. Insurance reimbursements were \$20.1 million and less than \$0.1 million for the six month period ended June 30, 2013 and 2012, respectively.

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- (b) During 2012, we undertook actions to realign production capacities and improve return on invested capital. These actions were primarily in response to weak demand in Europe and represent the majority of the 2012 expense.
During 2013, employee separation and plant phase-out costs related primarily to Spartech severance and plant exit costs.
- (c) We have elected to immediately recognize actuarial gains and losses, after consideration of inventory capitalization, in our operating results in the year in which the gains or losses occur related to our pension and other post-retirement benefit plans. Amounts represent such losses.
- (d) Reflects non-recurring acquisition-related costs, including inventory fair value adjustments.
- (e) On February 28, 2011, we sold our 50% equity interest in SunBelt to Olin. We had gains of \$146.3 million related to this sale, including an \$18.1 million earn-out for 2011 performance. In 2012, we recorded a \$23.4 million gain primarily related to the second of three potential earn-outs. On November 30, 2010, we sold our 50% interest in BayOne, and recognized a \$16.3 million gain related to this sale.
- (f) Equity affiliate earnings recorded by us in relation to its previous equity investment in SunBelt.
- (g) Debt extinguishment costs for 2010 include costs related to the repurchase of our 8.875% senior notes due 2012 in a tender offer and costs associated with the repayment of our \$40 million credit facility. We incurred \$25.7 million of premiums related to our tender offer from which we extinguished \$257.1 million aggregate principal amount of our 8.875% senior notes. In addition, we wrote off \$1.7 million of deferred financing fees and incurred other extinguishment costs of \$0.7 million. In connection with the repayment of our \$40 million credit facility, we incurred extinguishment costs of \$1.4 million. Debt extinguishment costs for 2013 relate to the early retirement of \$297 million of outstanding principal of our senior secured term loan.
- (h) In 2010, we recognized \$4.7 million of insurance recoveries, unrelated to environmental remediation costs.
- (3) Net debt is defined as total debt less cash and cash equivalents at period end.

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Effective November 4, 2012, Spartech adopted the Financial Accounting Standards Board's Accounting Standards Update, or ASU, No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, as amended by ASU 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. These pronouncements require, among other things, retrospective application in the reporting of components of net income and other comprehensive income in either a single continuous financial statement, a statement of comprehensive income, or in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. The following selected financial information revises historical information to illustrate the new presentation required by these pronouncements for the periods presented.

<i>(Dollars in millions)</i>	Year Ended⁽¹⁾		
	2012	2011	2010
Net earnings	\$ 2.6	\$ (21.1)	\$ (50.4)
Other comprehensive income:			
Translation adjustments	(1.5)	0.6	3.6
Other comprehensive income	(1.5)	0.6	3.6
Total comprehensive earnings	\$ 1.1	\$ (20.5)	\$ (46.8)

- (1) Spartech's fiscal year ends on the Saturday closest to October 31. Because of this convention, every fifth or sixth fiscal year has an additional week, and 2012 was reported as a 53-week year.

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RISK FACTORS

The terms of the Exchange Notes are identical in all material respects to those of the corresponding series of Original Notes, except for the transfer restrictions and registration rights and related special interest provisions relating to the Original Notes that will not apply to the Exchange Notes. You should carefully consider the risks described below and all of the information contained or incorporated by reference in this prospectus before making a decision regarding the Exchange Offer. If any of those risks actually occurs, our business, financial condition and results of operations could suffer. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See Disclosure Regarding Forward-looking Statements in this prospectus.

Risks Relating to Our Debt, Including the Notes

Our debt could impair our financial health and prevent us from fulfilling our obligations under the Notes.

At June 30, 2013, we had total indebtedness of approximately \$1,031.2 million. Our debt and our debt service obligations could:

make it more difficult for us to satisfy our obligations with respect to the Notes;

reduce the amount of funds available to finance our operations, capital expenditures and other activities;

increase our vulnerability to economic downturns and industry conditions;

limit our flexibility in responding to changing business and economic conditions, including increased competition and demand for new products and services;

place us at a disadvantage when compared to our competitors that have less debt;

increase our cost of borrowing; and

limit our ability to borrow additional funds.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the indenture governing the Notes contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. At June 30, 2013, we had approximately \$309.9 million in available capacity to be drawn from our secured credit facility. If new debt is added to our and our subsidiaries' existing debt levels, the risks associated with such debt that we currently face would increase. In addition, the indenture governing the Notes does not prevent us from incurring obligations that do not constitute indebtedness under that agreement. See *Description of Notes*.

Holders of any secured debt would be paid first and would receive payments from assets used as security before you receive payments if we were to become insolvent.

The Notes will not be secured by any of our assets or the assets of our subsidiaries. The indenture governing the Notes permits us to incur secured debt up to specified limits. If we were to become insolvent, lenders under our revolving credit facility, which is secured, and holders of any future secured debt would be paid first and would receive payments from the assets used as security before you receive any payments. You may therefore not be fully repaid if we become insolvent.

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On March 1, 2013, we amended and restated our revolving credit facility to increase the commitments by \$100.0 million to \$400.0 million, with an option to increase the commitments to \$450.0 million. At June 30, 2013, we had approximately \$309.9 million in available capacity to be drawn under our revolving credit facility. At June 30, 2013, we had total secured debt of \$8.3 million.

We may be unable to generate sufficient cash to service all of our indebtedness, including the Notes, and meet our other ongoing liquidity needs and may be forced to take other actions to satisfy our obligations under our indebtedness, which may be unsuccessful.

Our ability to make scheduled payments or to refinance our debt obligations, including the Notes, and to fund our planned capital expenditures and other ongoing liquidity needs depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that borrowings will be available to us to pay the principal, premium, if any, and interest on our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our debt, including the Notes, on or before maturity. We may be unable to refinance any of our debt on commercially reasonable terms or at all.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the Notes. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture governing the Notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

The terms of our debt impose restrictions on our operations.

The indenture governing the Notes includes a number of significant restrictive covenants. These covenants could adversely affect us by limiting our ability to plan for or react to market conditions or to meet our capital needs. These covenants, among other things, restrict our ability to:

incur more debt;

pay dividends and make distributions or repurchase shares;

make investments;

create liens;

enter into restrictions on the ability of our restricted subsidiaries to make distributions, loans or advances to us;

sell assets;

enter into certain types of transactions with affiliates;

engage in certain sale and leaseback transactions; and