

Write Your Exam Code Here: _____

Return this exam question paper to your invigilator at the end of the exam before you leave the classroom.

Attachments:

1. Annex A (1 page)
2. Thunderbird Performance Tires Inc. Financial Statements (4 pages)

THIS EXAMINATION CONSISTS OF 12 PAGES (INCLUDING THIS PAGE)
PLEASE ENSURE THAT YOU HAVE A COMPLETE PAPER

THE UNIVERSITY OF BRITISH COLUMBIA
FACULTY OF LAW

FINAL EXAMINATION – APRIL 2019

LAW 467C.002
Topics in Corporate Law: Financial Accounting in Legal Practice

Professor Jawanda

TOTAL MARKS: 70
TIME ALLOWED: 3 HOURS

NOTES:

1. This is a closed book examination, except that students may bring (a) two pages of notes (one double-sided page or two single-sided pages) and (b) a calculator.
2. ANSWER ALL QUESTIONS

THIS EXAMINATION CONSISTS OF THE FOLLOWING PARTS:

Part 1 – Multiple Choice (20 Questions for 20 Marks)

Part 2 – Short Answers (5 Questions for 20 Marks)

Part 3 – Case Analysis (9 Questions for 30 Marks)

Total – 70 Marks

PART 1 – MULTIPLE CHOICE (20 QUESTIONS – 1 MARK EACH)

Record your answers in Exemplify or, if hand-writing, in your exam answer booklet. Select only one answer for each question. If more than one answer is selected for a question, no marks for that question will be awarded.

1. Buying equipment needed to operate a business is an example of a(n)?
 - a. purchasing activity
 - b. financing activity
 - c. investing activity
 - d. operating activity
 - e. ordinary activity

2. On January 1, 2017, two individuals invested \$150,000 each to form Thunderbird Corporation. Thunderbird had total revenues of \$15,000 during 2017 and \$40,000 during 2018. Total expenses for the same periods were \$8,000 and \$22,000, respectively. Cash dividends paid out to shareholders totaled \$6,000 in 2017 and \$12,000 in 2018. What was the ending balance in Thunderbird's retained earnings account at the end of 2017 and 2018?
 - a. \$1,000 and \$6,000 respectively
 - b. \$1,000 and \$7,000, respectively
 - c. \$7,000 and \$19,000 respectively
 - d. \$301,000 and \$306,000 respectively
 - e. None of the above

3. Which of the following liability accounts is usually not satisfied by payment of cash?
 - a. Accounts payable
 - b. Deferred revenues
 - c. Taxes payable
 - d. Current portion of long term debt
 - e. Wages payable

4. In which of the following circumstances is the market approach to valuation typically used?
 - a. Value is closely related to the company's assets
 - b. Comparable data for other companies/transactions is readily available
 - c. Company specific financial information is readily available
 - d. Where the underlying asset being valued is very unique
 - e. (a) and (b)

5. A company receives a \$25,000 cash deposit from a customer on March 15 but will not deliver the goods until April 20. Which of the following statements is false?
 - a. Cash will be reported on the statement of cash flows for the month of March.
 - b. Revenue will be recorded and reported on the income statement for April.
 - c. A liability will be reported on the balance sheet at the end of March.

- d. Revenue will be recorded and reported on the income statement for March.
 - e. Inventory assets will be reduced from the balance sheet in April
6. Which key line item is reduced from an enterprise value of a company to arrive at its equity value?
 - a. Indebtedness, net of cash
 - b. Mostly recently paid dividends
 - c. Property, plant and equipment
 - d. Wages payable
 - e. Unusual expenses
7. Which of the following is not considered a liquidity ratio?
 - a. Current ratio
 - b. Quick ratio
 - c. Gross profit margin
 - d. Inventory turnover
 - e. Receivables turnover
8. Based on the balance sheet of Thunderbird Microprocessors Inc. in Annex A, what is the total net book value of its property, plant and equipment?
 - a. \$300,000
 - b. \$400,000
 - c. \$700,000
 - d. \$800,000
 - e. \$825,000
9. Based on the balance sheet of Thunderbird Microprocessors Inc. in Annex A, what is its quick ratio (rounded if necessary)?
 - a. 0.29
 - b. 0.71
 - c. 1.41
 - d. 1.61
 - e. 1.71
10. On November 1, 2017, Thunderbird Manufacturing signed a one year lease and paid \$20,000 to its landlord, representing the first two months of rent for November and December (monthly rent of \$10,000). Thereafter, it will pay rent on the first of each month for the following month (i.e., it will pay rent on January 1 for the month of January, it will pay rent on February 1 for the month of February and so on). The accounting period ends December 31. At December 31, 2017, the financial statements should report which of the following?

	<u>Balance Sheet</u>	<u>Income Statement</u>
A.	Prepaid rent, \$0	Rent expense, \$20,000
B.	Prepaid rent, \$10,000	Rent expense, \$10,000
C.	Prepaid rent, \$20,000	Rent expense, \$0
D.	Prepaid rent, \$0	Rent expense, \$0

- a. Choice A
- b. Choice B
- c. Choice C
- d. Choice D
- e. None of the above

11. For an investment to qualify as a short-term investment, which of the following is correct?

- a. It must be identified as a cash equivalent
- b. It must mature between 120 days and 1 year
- c. The investment must have a known foreign exchange rate
- d. It must be sufficiently close to its maturity date so that its market value is relatively insensitive to interest rate changes
- e. It must mature within 120 days

12. Which of the following is not in accordance with the requirements for revenue recognition?

- a. Recording the sale of merchandise on credit in sales revenue
- b. Recording rent received in advance as rent revenue
- c. Recording accrued interest revenue on a loan made to another party
- d. Recording the sale of merchandise for cash in sales revenue
- e. Recording a portion of revenue under a long-term construction contract upon a proportionate percentage of completion under that contract

13. Thunderbird Manufacturing had the following activity during 2018:

Proceeds from sale of long-term investments	\$156,000
Gain on the sale of long-term investments	\$16,000
Loss on the disposal of equipment (\$0 proceeds from disposal)	\$17,000
Proceeds from sale of preferred shares	\$182,000
Repayment of long-term debt	\$30,000

What is the cash flow from investing activities?

- a. \$16,000
 - b. \$156,000
 - c. \$173,000
 - d. \$189,000
 - e. \$140,000
14. If a business declared a \$120,000 dividend on December 23, 2017 but did not pay the dividend until January 5, 2018, it would be disclosed and recorded in which of the following financial statements for financial year 2017?
- a. Income statement only
 - b. Income statement and balance sheet
 - c. Retained earnings statement and the cash flow statement
 - d. Retained earnings statement and balance sheet
 - e. None of the above
15. Which of the following earnings management practices during an accounting period would result in a decrease in a company's net income?
- a. Premature revenue recognition at the end of a period
 - b. Early delivery of goods at the end of a period
 - c. Big bath accounting
 - d. Channel stuffing
 - e. Capitalizing ordinary operating expenses
16. Which of the following is not an accepted source of accounting standards?
- a. International Financial Reporting Standards
 - b. Professional judgment
 - c. Industry practices
 - d. Accounting Standards for Private Enterprises
 - e. Past accounting practices of a company
17. Thunderbird Media Ltd. had net income before interest and taxes of \$250,000. Interest expense for the period was \$45,000 and income taxes amounted to \$70,000. The average shareholders' equity during the year was \$800,000. What is Thunderbird's return on equity?
- a. 15.15%
 - b. 16.88%
 - c. 22.50%
 - d. 25.63%
 - e. 31.25%
18. Thunderbird Appliances sells new and reconditioned kitchen and laundry appliances. Thunderbird sold a reconditioned refrigerator for \$1,100 on October 31, 2017, with a one-year warranty covering parts and labour. Warranty expense is estimated at 10% of the selling price and the appropriate warranty reserve is recorded at December 31, 2017. On January 6, 2018, the refrigerator is returned for warranty repairs. This cost Thunderbird \$40

in parts and \$50 in labour. When recording the January 6, 2018 transaction, Thunderbird would record warranty expense of:

- a. \$90
- b. \$0
- c. \$40
- d. \$50
- e. \$200

19. In the example in #18 above, which of the following accounting principles is applied to come to your conclusion?

- a. Conservatism
- b. Materiality
- c. Accrual basis accounting
- d. Lower of cost and market
- e. Historical cost

20. Which of the following is a requirement of audit committee members under applicable securities laws and regulations in Canada?

- a. Each member must not be paid any remuneration for being part of the audit committee
- b. Each member must be a financial expert
- c. Each member must be independent
- d. Each member must have a professional accounting designation
- e. Each member must pass a background check by the relevant provincial securities regulator

PART 2 – SHORT ANSWERS (5 QUESTIONS FOR 20 MARKS)

Provide your written answer in the exam booklet accompanying this examination.

MARKS

4

Question 1

Describe the criteria for revenue recognition. Use an example to illustrate the application of the criteria.

4

Question 2

Thunderbird Properties is in the business of commercial real estate development and is a reporting issuer with its shares listed on the TSX. On November 15, 2018, it completed an acquisition of West Mall Developments, a smaller real estate developer focused on the development of shopping centres in the Maritime provinces. West Mall is a private company. Each company has a calendar year-end (December 31) for its financial reporting. As a reporting issuer, Thunderbird also reports on a quarterly basis each March 31, June 30 and September 30.

If the acquisition was considered a “significant” acquisition under applicable securities laws and regulations, what would Thunderbird’s financial statement filing obligations be with respect to the acquisition? Use specific dates in your answers.

4

Question 3

Describe four key basic constraints with respect to accounting and provide examples to illustrate each.

4

Question 4

Thunderbird Software Inc., a reporting issuer whose shares are listed on the TSX, is noticing a trend of increasing disclosure of financial and operational projections by its peers. These projections have proven to be useful to analysts as they form their consensus estimates for key financial metrics of companies. Thunderbird has also noticed that its peers that provide projections trade at a higher price-to-earnings multiple than Thunderbird.

As a result, Thunderbird’s CFO wants to disclose Thunderbird’s EBITDA and free cash flow projections for the next two years in its next annual MD&A filing. You are counsel to Thunderbird. Describe the key conditions to disclosing such information under applicable securities legislation and any additional information that it would be required to include in the disclosure.

4

Question 5

LSAT Linus is a shareholder in Thunderbird Metals, a copper mining company headquartered in Vancouver. He acquired the shares on the open market

through his broker after seeing Thunderbird's impressive second quarter financial statements and news release. The second quarter results far exceeded the expectations of stock market analysts.

However, the price of the company's shares plummeted after Thunderbird recently had to restate its second quarter financial statements due to certain revenue recognition errors, which LSAT Linus believes were the result of aggressive accounting practices. LSAT Linus sold his shares at a considerable loss and is considering commencing legal proceedings against Thunderbird.

What is the test in order for a plaintiff to bring an action for secondary market liability under provincial securities legislation? What policy objectives does having a leave test serve?

PART 3 – CASE ANALYSIS (9 QUESTIONS FOR 30 MARKS)

Provide your written analysis in the exam booklet accompanying this examination.

Refer to the Thunderbird Performance Tires Inc. financial statements handout accompanying this examination for the financial statements to be used for this Case Analysis. Show your work for all calculations.

Thunderbird Performance Tires Inc. designs and manufactures performance tires for high-end luxury vehicles and sports cars. Its customers include luxury vehicle and sports car manufacturers and retail tire resellers. Its sales are global and it is headquartered in Vancouver.

MARKS**3 Question 1**

Thunderbird's key shareholders want liquidity and have enforced their rights under a registration rights agreement to require Thunderbird to file a prospectus for a secondary offering of their shares. Thunderbird's largest shareholder, a large private equity firm that has the ability to nominate a majority of Thunderbird's board of directors, is adamant about disclosing Thunderbird's EBITDA and Adjusted EBITDA, particularly given that Thunderbird's net income based on IFRS is quite unfavourable compared to its competitors.

- A. What is your calculation of Thunderbird's EBITDA for the 2017 financial year?
- B. Provide a proposed definition and calculation (for the 2017 financial year) for Adjusted EBITDA for Thunderbird to use in the prospectus (be sure to consider the supplemental break-down of general and administrative expenses for additional details). Provide an explanation as to why your proposed definition is useful to readers. What are the limitations imposed by Canadian securities laws?

3 Question 2

Thunderbird is also considering a concurrent bond offering. The bonds would be "bullet" bonds that mature in 10 years with the entire principal to be repaid at maturity (during the 10 year term preceding maturity, only interest coupon payments are made on a semi-annual basis). However, potential bond investors are very focused on whether Thunderbird has sufficient resources to service its debt obligations during the 10 year term.

- A. Provide a proposed definition for an interest coverage ratio that bondholders could request in a bond indenture. How can this definition be used within the indenture in ways that can protect the bondholders' interests (i.e., what types of terms and conditions could this definition be used in)?

- B. Based on your proposed definition, provide a calculation for your ratio for the 2017 financial year.

3 **Question 3**

Calculate the following ratios for Thunderbird for fiscal 2017 (show your work) and provide an explanation as to their purpose for readers:

1. Quick ratio
2. Gross profit margin
3. Return on equity (assume a simple average equity between years)

3 **Question 4**

Thunderbird's notes to the financial statements contain the following note in respect of the Commitments and Contingencies line item on the balance sheet.

"As of December 31, 2017, Thunderbird was named as a defendant or was otherwise involved in numerous legal proceedings and governmental examinations, in connection with the conduct of its business activities, in various jurisdictions, both in Canada and internationally. On the basis of information currently available to it, management does not believe that existing proceedings and investigations will have a material impact on Thunderbird's consolidated financial condition or liquidity if determined in a manner adverse to Thunderbird. However, such matters are unpredictable, and we could incur judgments or enter into settlements for current or future claims that could materially and adversely affect our financial statements."

Discuss why Thunderbird presumably has not recorded a liability for these legal proceedings on its balance sheet (with reference to any applicable accounting criteria).

6 **Question 5**

Marine Drive Automotive, a diversified automotive parts multi-national company, has signed a letter of intent to acquire Thunderbird's shares. Marine is trying to value Thunderbird as of December 31, 2017 and its valuation methodology ascribes an enterprise value for Thunderbird of 5x (five times) the Adjusted EBITDA of Thunderbird for financial year 2017.

Additional costs to be incurred in connection with the transaction are as follows:

- Thunderbird has certain interest rate hedges that will need to be terminated as part of the closing of the acquisition. The termination penalty is \$1,000,000.

- Thunderbird's C-suite executives have employment contracts that contain change of control bonuses. The total bonuses payable under the contracts amount to \$2,000,000.
- Thunderbird engaged a team of professional advisors to assist it with the sale transaction (including lawyers and financial advisors). The total fees through closing were \$1,250,000 and remain unpaid at closing.

Thunderbird's average working capital during 2017 was \$250,000,000.

Thunderbird has an existing agreement with Marine Drive under which Thunderbird supplies Marine Drive with its performance tires. That contract generated \$3,000,000 in sales revenue for Thunderbird in 2017. However, as a result of the acquisition, that contract would be terminated at closing.

Prepare an enterprise value to equity value bridge on behalf of Marine to arrive at a final equity value for Thunderbird.

Hint: Start with your Adjusted EBITDA from Question #1 above.

4 **Question 6**

Marine Drive is considering whether to use a working capital based closing accounts purchase mechanism or a locked box mechanism in the purchase and sale agreement for the acquisition of Thunderbird.

- A. What is your calculation of Thunderbird's working capital as at December 31, 2017? Show your calculation.
- B. What are the key differences between the closing accounts and locked box closing mechanisms? Under the locked box mechanism, provide two examples of potential "leakage" from Thunderbird and how the purchase and sale agreement can be drafted to address such leakage.

3 **Question 7**

Thunderbird's share price closes at \$17.25 on December 31, 2017. What is its price-to-earnings ratio as of that date?

Thunderbird's closest industry competitor trades at a price-to-earnings ratio of 12.3x. What are some potential reasons for the difference compared to your calculation of Thunderbird's ratio?

2 **Question 8**

Thunderbird's intangible assets on the balance sheet consist of the costs it incurred to obtain, record and register its patents (for its proprietary

manufacturing technologies) and trademarks (for its brand names). How will such costs affect the income statement of Thunderbird (if at all)?

4 **Question 9**

Thunderbird is considering an acquisition of Kits Alignment, a chain of wheel alignment and tire servicing locations. Kits' 2017 financial year results were as follows:

Revenue for year ended December 31, 2017:	\$435 million
Net income for year ended December 31, 2017:	\$32 million
Assets at December 31, 2017:	\$173 million
Liabilities at December 31, 2017:	\$129 million
Shareholders' Equity at December 31, 2017:	\$45 million

- A. If Thunderbird was a reporting issuer and its shares were listed on the Toronto Stock Exchange, would Thunderbird be required to prepare pro forma financial statements under applicable securities laws? Make reference to the specific tests under applicable securities law and provide your calculations.
- B. Assuming the acquisition of Kits is significant, what would Thunderbird's financial statement filing obligations be under a business acquisition report?

END OF EXAMINATION

ANNEX A

**THUNDERBIRD MICROPROCESSORS INC.
Balance Sheet
December 31, 2017**

Cash	\$30,000	Accounts payable	\$100,000
Accounts receivable	70,000	Salaries payable	40,000
Inventory	125,000	Bank loan (matures in 3 years with interest payable at maturity)	<u>200,000</u>
Prepaid insurance	15,000	Total liabilities	<u>340,000</u>
Land	400,000		
Building	400,000	Common shares	250,000
Accumulated depreciation	(100,000)	Retained earnings	<u>400,000</u>
Trademark net of amortization	<u>50,000</u>		
		Total shareholders' equity	<u>650,000</u>
Total Assets	<u>990,000</u>	Total liabilities and shareholders' equity	<u>990,000</u>

THUNDERBIRD PERFORMANCE TIRES INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	December 31,	
	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 191,521	\$ 163,467
Accounts receivable	146,836	153,634
Inventories	180,735	139,953
Prepaid expenses and other	57,299	24,351
Total current assets	\$ 576,391	\$ 481,405
PROPERTY, PLANT AND EQUIPMENT	195,363	134,138
DEFERRED INCOME TAXES	-	20,343
GOODWILL	317,464	148,367
INTANGIBLE ASSETS	237,030	94,405
OTHER ASSETS	25,265	20,075
	\$ 1,351,513	\$ 898,733
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 46,020	\$ 2,468
Current portion of capital lease obligations	290	494
Accounts payable	108,448	71,338
Other accrued liabilities	128,910	92,314
Total current liabilities	\$ 283,668	\$ 166,614
LONG-TERM DEBT	504,091	233,465
CAPITAL LEASE OBLIGATIONS	1,012	1,409
DEFERRED INCOME TAXES	36,955	499
OTHER NONCURRENT LIABILITIES	19,724	24,355
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock 200,000,000 shares authorized, \$0.01 par value, 57,564,493 and 60,129,631 shares outstanding, respectively	737	725
Additional paid-in capital	653,435	640,883
Retained earnings	98,728	3,591
Accumulated other comprehensive loss	(2,385)	(2,847)
Treasury stock at cost, 16,207,740 and 12,474,109 common shares, respectively	(244,452)	(169,961)
Total stockholders' equity	\$ 506,063	\$ 472,391
	\$ 1,351,513	\$ 898,733

THUNDERBIRD PERFORMANCE TIRES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

	Year Ended December 31,		
	2017	2016	2015
NET SALES	\$ 1,767,161	\$ 1,845,444	\$ 2,027,489
COST OF SALES	<u>1,506,286</u>	<u>1,519,910</u>	<u>1,724,046</u>
Gross profit	\$ 260,875	\$ 325,534	\$ 303,443
GENERAL AND ADMINISTRATIVE EXPENSES	77,825	74,129	73,495
SELLING EXPENSES	25,588	27,270	27,233
AMORTIZATION OF INTANGIBLES	17,041	19,940	21,259
ACQUISITION EXPENSES	9,605	-	-
OTHER OPERATING EXPENSES	<u>-</u>	<u>1,663</u>	<u>1,087</u>
Income from operations	\$ 130,816	\$ 202,532	\$ 180,369
OTHER INCOME (EXPENSE):			
Interest expense	(16,400)	(15,663)	(19,548)
Other, net	<u>8,122</u>	<u>(1,452)</u>	<u>2,490</u>
Income before income taxes	\$ 122,538	\$ 185,417	\$ 163,311
INCOME TAX EXPENSE	<u>11,116</u>	<u>65,984</u>	<u>59,022</u>
Net income	<u>\$ 111,422</u>	<u>\$ 119,433</u>	<u>\$ 104,289</u>
DIVIDENDS DECLARED PER SHARE	<u>\$ 0.255</u>	<u>\$ 0.060</u>	<u>\$ -</u>
BASIC NET INCOME PER SHARE	<u>\$ 1.88</u>	<u>\$ 1.87</u>	<u>\$ 1.55</u>
DILUTED NET INCOME PER SHARE	<u>\$ 1.78</u>	<u>\$ 1.82</u>	<u>\$ 1.50</u>

THUNDERBIRD PERFORMANCE TIRES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Years Ended December 31,		
	2017	2016	2015
Cash flows from operating activities			
Net income	\$ 111,422	\$ 119,433	\$ 104,289
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	18,012	16,830	16,739
Amortization of intangibles	17,041	19,940	21,259
Net (gain) loss on sale of property, plant and equipment	(8,046)	101	(8,299)
Loss on debt extinguishment	799	1,895	5,808
Deferred income taxes	(14,682)	4,044	(7,749)
Stock-based compensation	10,429	12,038	10,010
Non-cash interest expense	2,258	3,475	5,222
Impairment of goodwill and other intangibles	-	1,663	1,087
Changes in operating assets and liabilities			
Accounts receivable	31,943	(809)	(17,618)
Inventories	(13,158)	24,969	10,162
Prepaid expenses and other	(2,014)	(10,147)	1,786
Accounts payable and accrued liabilities	(963)	(13,002)	(12,243)
Other, net	(8,662)	(1,680)	1,342
Net cash provided by operating activities	<u>\$ 144,379</u>	<u>\$ 178,750</u>	<u>\$ 131,795</u>
Cash flows from investing activities			
Capital expenditures	(26,056)	(20,342)	(20,847)
Proceeds from sale of property, plant and equipment	10,860	19	13,203
Acquisitions, net of cash acquired	(323,487)	-	-
Other, net	<u>6,443</u>	<u>3,014</u>	<u>-</u>
Net cash used in investing activities	<u>\$ (332,240)</u>	<u>\$ (17,309)</u>	<u>\$ (7,644)</u>
Cash flows from financing activities			
Proceeds from exercise of stock options	5,790	4,831	2,012
Borrowings under senior notes	325,000	-	-
Dividends paid	(15,315)	-	-
Borrowings under revolving credit facilities	713	618	1,134
Payments under revolving credit facilities	(713)	(618)	(1,134)
Principal payments under capital lease obligations	(600)	(779)	(4,201)
Proceeds from issuance of term loan credit facility	377,519	-	192,845
Principal payments under term loan credit facility	(386,577)	(1,928)	(194,291)
Principal payments under industrial revenue bond	(583)	(473)	(496)
Debt issuance costs paid	(6,783)	-	(2,587)
Convertible senior notes repurchase	(8,045)	(98,922)	(22,936)
Stock repurchase	<u>(74,491)</u>	<u>(79,556)</u>	<u>(61,757)</u>
Net cash provided by (used in) financing activities	<u>\$ 215,915</u>	<u>\$ (176,827)</u>	<u>\$ (91,411)</u>
Net increase (decrease) in cash and cash equivalents	\$ 28,054	\$ (15,386)	\$ 32,740
Cash and cash equivalents at beginning of year	<u>163,467</u>	<u>178,853</u>	<u>146,113</u>
Cash and cash equivalents at end of year	<u>\$ 191,521</u>	<u>\$ 163,467</u>	<u>\$ 178,853</u>
Supplemental disclosures of cash flow information			
Cash paid during the period for			
Interest	\$ 8,394	\$ 12,656	\$ 14,578
Income taxes	\$ 41,391	\$ 68,870	\$ 66,283

THUNDERBIRD PERFORMANCE TIRES INC.

SUPPLEMENTAL BREAK-DOWN OF GENERAL AND ADMINISTRATIVE EXPENSES

(Dollars in thousands, except per share amounts)

	Year Ended December 31,		
	2017	2016	2015
RENT EXPENSE	20,000	19,500	19,500
OFFICE SALARIES AND COMPENSATION	46,575	44,299	45,233
LEGAL FEES TO DEFEND AGAINST CLASS ACTION LAWSUIT	1,059	-	-
PLANT CLOSURE COSTS AND EXPENSES	6,089	-	1,059
UTILITIES	2,008	1,980	1,958
REQUIRED PENALTY PAYMENT FOR EARLY TERMINATION OF CONTRACT	525	-	-
OTHER	1,569	8,350	5,745
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	77,825	74,129	73,495