



November 30, 2017

Honorable Tammy Baldwin
United States Senate
709 Hart Senate Office Building
Washington DC 20510

Dear Senator Baldwin:

I am pleased to respond to your letter, dated November 16, 2017, to Bill Demchak regarding the financing provided by PNC Bank, National Association ("PNC Bank") to Appleton Coated, LLC (the "Appleton"). PNC Bank provides a wide range of banking and credit products to consumers, municipalities and small businesses in Wisconsin and we are an active lender across the state. As of October 31, 2017, we had more than \$2 billion in loans outstanding to businesses and municipalities in Wisconsin. We also had more than \$425 million in loans outstanding to consumers in Wisconsin as of the same date, including residential mortgage, home equity, credit card, auto, student and unsecured loans and lines of credit.

In addition to these lending activities, PNC Bank provides other forms of valuable support to communities across Wisconsin. For example, we have invested more than \$300 million in Low-Income Housing Tax Credits and New Market Tax Credits to support affordable housing and community development in Wisconsin in the last seven years. And we have provided more than \$5.8 million in donations and sponsorships in our Wisconsin community since 2012.

Appleton is a paper manufacturer with a production facility located in Combined Locks, Wisconsin. As discussed with your staff, due to a substantial decline in sales and materially worsening financial prospects, the owner-managers of Appleton voluntarily elected to file for receivership under Chapter 128 of Wisconsin law on August 17, 2017. Chapter 128 receiverships are frequently a faster and less costly way for a company to be restructured or sold than a Chapter 11 bankruptcy under Federal law. The owner-managers of Appleton made the decision to enter Chapter 128 receivership after consulting with their financial consultant (Silverman Consulting) and legal counsel (Michael Best & Friedrich LLP). PNC Bank did not force Appleton to enter a Chapter 128 receivership, nor did it require the company to retain Silverman Consulting. Those decisions were made by the Appleton's owner-managers. Silverman Consulting is a well-known Chicago-based restructuring firm and is not affiliated with PNC Bank.

In accordance with Chapter 128, a judge appointed a trustee to act as a fiduciary for all creditors of the Company and oversee development and execution of a plan that would allow Appleton to repay its debts. The trustee decided to conduct a public auction for the company, a process that would allow all interested parties, including those interested in maintaining Appleton as a going concern, to bid for the company. The auction was advertised, and multiple parties did, in fact, conduct due diligence regarding Appleton and attend the auction. Only one party, Industrial

Assets Corp. ("Industrial Assets"), however, submitted a bid during the auction. On September 25, 2017, the presiding judge, after multiple days of hearings that included testimony, extensive oral argument, and open bidding, selected the bid by Industrial Assets for Appleton's assets. This bid was supported by Appleton's owner-managers.

After completion of this public auction process, and as an accommodation to the interests of the workers at Appleton, Industrial Assets and the judge allowed Appleton to continue to seek, for a period of an additional 60 days, a different buyer that would keep the company operating as a going concern. These provisions were negotiated directly by the employees' representatives and approved by the judge. We understand that to date these efforts to locate another buyer have been unsuccessful.

PNC Bank was a lender to Appleton at the time it entered receivership and cooperated with the judge, the trustee and the company throughout the receivership process. In fact, the judge publicly commended PNC Bank for its cooperation during the process. Contrary to some reports, PNC Bank did not "call" its loan to Appleton and demand full repayment of the loan. PNC Bank continued to provide millions in additional, new funding to Appleton both prior to and during its receivership. This funding allowed the company to continue to meet payroll and seek a buyer that would operate the company as a going concern. We fully funded all required advances to Appleton prior to, and during, the receivership process.

To facilitate the Chapter 128 process and a sale of Appleton, PNC Bank agreed to modify its loan and waive certain contractual fees provided for in its original loan agreement. In return, the company agreed to pay PNC Bank certain funding fees while the company was in the Chapter 128 receivership. These fees were agreed to by Appleton and approved by the court. PNC Bank did not charge the company a "penalty" because it breached a covenant in its loan agreement with PNC Bank. Ultimately, PNC Bank, with the judge's knowledge, sold its loan Industrial Assets on October 9, 2017 as part of the court-approved sale of Appleton. We did not receive any other written offers to acquire the loan prior to this sale.

PNC Bank respects the confidentiality of its customer information and, accordingly, we are limited in our ability to provide confidential customer information without the consent of the customer. Nevertheless, substantial additional information regarding Appleton's receivership process is publicly available from the records of the Section 128 receivership proceedings.

We hope this information is helpful and we look forward to continuing to help meet the credit needs of businesses, municipalities and consumers within the great State of Wisconsin.

Sincerely,



Christopher G Goller
Regional President, Wisconsin