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As filed with the Securities and Exchange Commission on February 14, 2005

Registration No. 333-

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

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

KI HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Pennsylvania	2491	20-1878963
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
(412) 227-2001
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Steven R. Lacy
Senior Vice President, Administration, General Counsel and Secretary
KI Holdings Inc.
436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
(412) 227-2001
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of communications to:
Richard E. Farley, Esq.
Cahill Gordon & Reindel LLP
80 Pine Street
New York, New York 10005
(212) 701-3000

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

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: ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed Maximum Price Per Note	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (2)
Series B 9 7/8% Senior Discount Notes due 2014	$203,000,000	61.808%	$125,470,240	$14,768

(1) Estimated solely for the purpose of computing the registration fee in accordance with Rule 457(f)(2) under the Securities Act of 1933, as amended (the "Securities Act").

(2) Calculated pursuant to Rule 457(f)(2) under the Securities Act.

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 the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not consummate the exchange offer until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell or exchange these securities and it is not soliciting an offer to acquire or exchange these securities in any jurisdiction where the offer, sale or exchange is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 14, 2005

DATED FEBRUARY , 2005

PROSPECTUS
$203,000,000
Principal Amount at Maturity
($125,470,240 in Gross Proceeds)

KI Holdings Inc.

Exchange Offer for All Outstanding
9 7/8% Senior Discount Notes Due 2014

The Exchange Notes

- The terms of the notes that we are issuing (the "Exchange Notes") will be substantially identical to the outstanding notes that we issued on November 18, 2004 (the "Old Notes" and, collectively with the Exchange Notes, the "Notes"), except for the elimination of some transfer restrictions, registration rights and additional interest payments relating to the Old Notes.
- Unlike the Old Notes, the Exchange Notes will have been registered under the Securities Act and will not bear legends restricting their transfer.
- The Exchange Notes will have an initial issue price of $618.08 per $1,000 stated principal amount at maturity.
- The Exchange Notes will have an initial accreted value of $618.08 per $1,000 stated principal amount at maturity. Prior to November 15, 2009, interest will accrue on the Exchange Notes in the form of an increase in the accreted value of the Exchange Notes. The accreted value of each Exchange Note will increase from the date of issuance until November 15, 2009, at a rate of 9 7/8% per annum such that the accreted value will equal the stated principal amount at maturity on November 15, 2009. No cash interest will accrue on the Exchange Notes prior to November 15, 2009. Thereafter, cash interest on the Exchange Notes will accrue at a rate of 9 7/8% per annum and be payable semiannually in arrears on May 15 and November 15, commencing on May 15, 2010. The Exchange Notes will mature on November 15, 2014.
- As of September 30, 2004, the subsidiaries of KI Holdings had approximately $605.3 million of liabilities recorded on their balance sheets that are structurally senior to the Exchange Notes (consisting of approximately $376.2 million of indebtedness, approximately $70.0 million of trade payables and approximately $159.1 million of other liabilities).

Material Terms of the Exchange Offer

- The exchange offer expires at 5:00 p.m., New York City time, on , 2005, unless extended.
- The exchange offer is not conditioned on any minimum principal amount of outstanding Old Notes being tendered.
- Our completion of the exchange offer is subject to customary conditions, which we may waive.
- Upon our completion of the exchange offer, all outstanding Old Notes that are validly tendered and not withdrawn will be exchanged for an equal principal amount of Exchange Notes that are registered under the Securities Act.
- Tenders of outstanding Old Notes may be withdrawn at any time before the expiration of the exchange offer.
- The exchange of Exchange Notes for outstanding Old Notes will not be a taxable exchange for U.S. Federal income tax purposes.
- We will not receive any proceeds from the exchange offer.

For a discussion of factors that you should consider before participating in this exchange offer, see " Risk Factors" beginning on page 10 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities.

In addition, this prospectus incorporates important business and financial information about us that is not included in or delivered with the document; this information is available without charge to security holders upon written or oral request. Requests for such additional information should be addressed to Steven R. Lacy, Senior Vice President, Administration, General Counsel and Secretary, KI Holdings Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219, or you may call (412) 227-2001. **To obtain timely delivery, security holders must request such additional information no later than , 2005**.

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information appearing elsewhere in this prospectus and the financial statements and other information included in this prospectus. In this prospectus, unless otherwise indicated or the context requires otherwise, when we use the terms "Koppers," the "Company," "we," "our" or "us," we mean Koppers Inc., formerly known as Koppers Industries, Inc., and its subsidiaries on a consolidated basis for periods up until November 18, 2004 and KI Holdings Inc. ("KI Holdings") and its subsidiaries on a consolidated basis for periods from and including November 18, 2004, when KI Holdings became the parent of Koppers. The use of these terms is not intended to imply that KI Holdings and Koppers are not separate and distinct legal entities. KI Holdings is the sole obligor on the Notes, and its subsidiaries do not have any obligation with respect to the Notes.

KI Holdings

KI Holdings is a recently formed Pennsylvania corporation principally owned by Saratoga Partners III, L.P. and certain members of management and our Board of Directors in the same proportion as their prior ownership of Koppers. The capital stock of Koppers was converted into shares of common and preferred stock of KI Holdings prior to consummation of the offering of the outstanding notes. KI Holdings does not have, apart from the outstanding notes, any independent operations. Accordingly, no separate historical financial statements of KI Holdings on a stand-alone basis are included in this prospectus.[1] KI Holdings is the sole obligor on the outstanding notes and will be the sole obligor on the exchange notes. Koppers and its subsidiaries do not have any obligation with respect to the outstanding notes and will not have any obligation with respect to the exchange notes.

Our Company

We are a leading integrated producer of carbon compounds and treated wood products. Our chemical products, which primarily consist of carbon pitch, creosote and phthalic anhydride, are used in a wide variety of end markets and applications in the aluminum, railroad, specialty chemical, utility, rubber and steel industries. For the year ended December 31, 2003, we held approximately 21% of the world market share for carbon pitch and approximately 17% of the U.S. market share for phthalic anhydride, in each case based on net sales. In 2003, we generated approximately 60% of our net sales from carbon pitch, carbon black, creosote, railroad crossties and utility poles, in which we believe we held the number one or two market share position by volume. The "Koppers" brand name has been associated with the carbon compounds and wood treating businesses for many years and is well recognized as a leader in these industries. Our reputation has enabled us to establish strong relationships with numerous companies preeminent in their respective markets, including Alcoa Inc., CSX Transportation, Inc., Burlington Northern Santa Fe Railway, Union Pacific Railroad Company and Hydro Aluminum.

We operate two principal businesses, Carbon Materials & Chemicals and Railroad & Utility Products. Through our Carbon Materials & Chemicals business, we process coal tar into a variety of products, including carbon pitch, creosote and phthalic anhydride, which are intermediate materials necessary in the production of aluminum, the pressure treatment of wood and the production of plasticizers and specialty chemicals, respectively. Through our Railroad & Utility Products business, we are the largest North American supplier of treated wood products, such as railroad crossties and utility poles, to railroads and the electric and telephone utility industries.

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[1] Additional financials may be added prior to effectiveness.

We operate 37 facilities located in the United States, Australasia, China, Europe and South Africa. We also maintain an indirect ownership interest in an additional facility in the United States through our domestic joint venture, KSA Limited Partnership.

Industry Overview

We believe that our two principal businesses are substantially affected by demand for aluminum and railroad track maintenance. Worldwide aluminum production increased 7.2% to 25.4 million metric tons in 2003 from 23.7 million metric tons in 2002, and is estimated to grow to 26.9 million metric tons in 2004 and 28.4 million metric tons in 2005, for a compound annual growth rate of 6.2% since 2002. Carbon pitch requirements for the aluminum industry are estimated to be approximately 2.5 million metric tons in 2004, up from 2.4 million metric tons in 2003.

The North American railroad crosstie market is a mature market. Historically, investment trends in track maintenance by domestic railroads have been linked to general economic conditions in the railroad industry. During the past several years, domestic railroads have underinvested in track maintenance due to the recession and a focus on capital equipment programs, such as investments in locomotives. Recently, the seven largest railroads in North America (the "Class 1 railroads") have increased their spending on track maintenance, which has caused an increase in demand for railroad crossties. We believe this increase in demand will continue for the near term.

Key Competitive Strengths

We believe that we are distinguished by the following key competitive strengths:

- ***Leading Market Positions Across Business Segments.*** We are a leading integrated distiller of coal tar and supplier of treated wood products with operations strategically located around the world.
- ***Strong Customer Relationships Under Contract Arrangements.*** The "Koppers" name has been associated with quality and reliability for over 70 years. We sell our products to approximately 2,300 customers across 69 countries.
- ***Vertical Integration.*** Our ability to utilize products produced in our Carbon Materials & Chemicals business in our manufacturing processes provides us with significant cost savings.
- ***Diversified Supply Base.*** Our leading position in coal tar distillation capacity enhances our ability to source high-quality coal tar from multiple suppliers.
- ***Global and Diverse Product Markets.*** We sell our carbon materials and treated wood products to diverse markets across all major regions of the world.
- ***Experienced and Incentivized Management Team.*** Our senior management team has an average of 25 years of industry experience.

Our Business Strategy

The key elements of our strategy are to:

- ***Increase Market Penetration.*** We believe we have opportunities to increase sales of our products to our existing customers.
- ***Expand Our Product Portfolio and Customer Base.*** We expect to expand many of our product lines through the development of related products to meet new end-use applications.
- ***Continue to Enhance Productivity and Implement Cost Reduction Initiatives.*** We continue to focus on productivity and cost reduction initiatives to improve our profitability.

Principal Stockholder

Saratoga Partners III, L.P. has informed us that it is a New York based investment firm making private equity investments in partnership with management in the business services and manufacturing industries. Saratoga Partners III, L.P. was founded in 1984 as the corporate buyout group of Dillon, Read & Co. Inc. Now independent, Saratoga Partners III, L.P. is an experienced firm, having led buyout investments in 33 companies.

Corporate Information

We are a Pennsylvania corporation incorporated in November 2004. Our principal offices are located at 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219-1800. Our telephone number is (412) 227-2001.

The Exchange Offer

The following is a brief summary of certain terms of this exchange offer. For a more complete description of the terms of the exchange offer, see "The Exchange Offer" in this prospectus.

The Exchange Offer	The exchange offer relates to the exchange of up to $203.0 million in stated aggregate principal amount at maturity (including accreted amounts) of our 9 7/8% Senior Discount Notes due 2014 that have been registered under the Securities Act for an equal stated aggregate principal amount at maturity (including accreted amounts) of our outstanding unregistered 9 7/8% Senior Discount Notes due 2014. On November 18, 2004, we issued and sold $203.0 million in stated aggregate principal amount at maturity (including accreted amounts) of these Old Notes in a private placement. The form and terms of the Exchange Notes are substantially the same as the form and terms of the Old Notes, except that the Exchange Notes have been registered under the Securities Act and will not bear legends restricting their transfer. We issued the Old Notes under an indenture which grants you a number of rights. The Exchange Notes also will be issued under that indenture and you will have the same rights under the indenture as the holders of the Old Notes. See "Description of Exchange Notes." We are offering to exchange $1,000 principal amount of our Exchange Notes for each $1,000 principal amount of Old Notes.
Accrued Interest on the Exchange Notes	Interest on the Exchange Notes will accrue from the last interest payment date on which interest accreted on the Old Notes or, if no interest was accreted on the Old Notes, from the date of issuance of the Old Notes, which was November 18, 2004. Holders whose Old Notes are accepted for exchange will be deemed to have waived the right to receive any interest accrued on the Old Notes.
No Minimum Condition	We are not conditioning the exchange offer on the tender of any minimum principal amount of Old Notes.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2005 unless we decide to extend the exchange offer.

Withdrawal Rights

You may withdraw your tender at any time before the exchange offer expires.

Conditions to the Exchange Offer

The exchange offer is subject to customary conditions, which we may waive. We currently anticipate that each of the conditions will be satisfied and that we will not need to waive any conditions. We reserve the right to terminate or amend the exchange offer at any time before the expiration date if any of the conditions occurs. See "The Exchange Offer—Conditions to the Exchange Offer."

Procedures for Tendering Old Notes

If you are a holder of Old Notes who wishes to accept the exchange offer, you must:

- complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, and mail or otherwise deliver the letter of transmittal, together with your Old Notes, to the exchange agent at the address provided in the section "The Exchange Offer—Exchange Agent"; or
- arrange for The Depository Trust Company to transmit certain required information, including an agent's message forming part of a book-entry transfer in which you agree to be bound by the terms of the letter of transmittal, to the exchange agent in connection with a book-entry transfer.

Resale Without Further Registration

We believe that you may resell or otherwise transfer the Exchange Notes that you receive in the exchange offer without complying with the registration and prospectus delivery provisions of the Securities Act so long as you are not a broker-dealer and you meet the following conditions:

- you are not an "affiliate" of ours within the meaning of Rule 405 of the Securities Act;
- you are acquiring the Exchange Notes issued in the exchange offer in the ordinary course of your business; and
- you have no arrangement or understanding with any person to participate in the distribution of the Exchange Notes.

By signing the letter of transmittal and tendering your Old Notes or making arrangements with The Depository Trust Company as described above, you will be making representations to this effect. You may incur liability under the Securities Act if:

- any of the representations listed above are not true; and
- you transfer any Exchange Note issued to you in the exchange offer without complying with the registration and prospectus delivery requirements of the Securities Act, unless the transfer otherwise is exempt from the registration requirements under the Securities Act.

	We do not assume, or indemnify you against, liability under these circumstances, which means that we will not protect you from any loss you incur as a result of this liability.
Restrictions on Resale by Broker-Dealers	Each broker-dealer that has received Exchange Notes for its own account in exchange for Old Notes that were acquired as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the Exchange Notes. A broker-dealer may use this prospectus in connection with any resale for a period of 180 days after the end of the exchange offer.
Special Procedures for Beneficial Owners	If you beneficially own Old Notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your Old Notes in the exchange offer, you should contact the registered holder promptly and instruct it to tender on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your Old Notes, either arrange to have your Old Notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.
Guaranteed Delivery Procedures	If you wish to tender your Old Notes and time will not permit your required documents to reach the exchange agent by the expiration date, or the procedures for book-entry transfer cannot be completed on time, you may tender your Old Notes according to the guaranteed delivery procedures described in the section “The Exchange Offer—Procedures for Tendering Old Notes.”
Acceptance of Old Notes; Delivery of Exchange Notes	We will accept for exchange all Old Notes which are properly tendered in the exchange offer prior to 5:00 p.m., New York City time, on the expiration date. The Exchange Notes issued in the exchange offer will be delivered promptly following the expiration date. See “The Exchange Offer—Acceptance of Old Notes for Exchange; Delivery of Exchange Notes.”
Use of Proceeds	We will not receive any proceeds from the issuance of Exchange Notes in the exchange offer. We will pay for our expenses incident to the exchange offer.
Federal Income Tax	The exchange of Exchange Notes for Old Notes in the exchange offer will not be a taxable event for federal income tax purposes. See “Material United States Federal Income Tax Considerations.”
Effect on Holders of Old Notes	As a result of this exchange offer, we will have fulfilled a covenant contained in the registration rights agreement dated as of November 18,

2004 by and among KI Holdings and each of the initial purchasers named in the agreement. If you do not tender your Old Notes in the exchange offer:

- you will continue to hold the Old Notes and will be entitled to all the rights and limitations applicable to the Old Notes under the indenture governing the Old Notes, except for any rights under the registration rights agreement that terminate as a result of the completion of the exchange offer; and
- you generally will not have any further registration or exchange rights and your Old Notes will continue to be subject to restrictions on transfer. Accordingly, the trading market for untendered Old Notes could be adversely affected.

Exchange Agent The Bank of New York is serving as exchange agent in connection with the exchange offer.

The Exchange Notes

Issuer	KI Holdings Inc.
Exchange Notes Offered	$203.0 million in stated aggregate principal amount at maturity (including accreted amounts) of 9 7/8% Senior Discount Notes Due 2014. • the Exchange Notes will have been registered under the Securities Act, will not contain transfer restrictions and will not bear legends restricting their transfer; • the Exchange Notes will not contain terms providing for the payment of additional interest under circumstances relating to our obligation to file and cause to be effective a registration statement; • the Exchange Notes will be represented by one or more global notes in book-entry form; and • the Exchange Notes will be issuable in denominations of $1,000 and multiples thereof.
Issue Price	$618.08 per $1,000 stated principal amount at maturity.
Maturity Date	November 15, 2014.
Accretion; Interest	This prospectus relates to an offering of $203.0 million stated aggregate principal amount at maturity (including accreted amounts) of our 9 7/8% Senior Discount Notes Due 2014. The Exchange Notes will have an initial accreted value of $618.08 per $1,000 stated principal amount at maturity. Prior to November 15, 2009, interest will accrue on the Exchange Notes in the form of an increase in the accreted value of the Exchange Notes. The accreted value of each Exchange Note will increase from the date of issuance until November 15, 2009, at a rate of 9 7/8% per annum such that the accreted value will equal the stated principal amount at maturity on November 15, 2009. No cash interest will accrue on the Exchange Notes prior to November 15, 2009. Thereafter, cash interest on the Exchange Notes will accrue at a rate of 9 7/8% per annum and be payable semiannually in arrears on May 15 and November 15, commencing on May 15, 2010.
Guarantees	The Exchange Notes will not be guaranteed by any of our subsidiaries.
Ranking	The Exchange Notes will be unsecured senior obligations of KI Holdings. They will rank: • senior in right of payment to all of our future subordinated indebtedness; • equally in right of payment to our existing and future unsecured senior indebtedness;

- effectively subordinated to our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness; and
- structurally subordinated to all of the existing and future indebtedness and other liabilities and preferred equity of our subsidiaries.

As of September 30, 2004, the subsidiaries of KI Holdings had approximately $605.3 million of liabilities recorded on their balance sheets that are structurally senior to the Exchange Notes (consisting of approximately $376.2 million of indebtedness, approximately $70.0 million of trade payables and approximately $159.1 million of other liabilities).

Optional Redemption

We may redeem some or all of the Exchange Notes beginning on November 15, 2009 at the redemption prices listed under "Description of the Exchange Notes—Optional Redemption," plus accrued and unpaid interest, if any, to the date of redemption.

In addition, at any time prior to November 15, 2007, we may redeem up to 35% of the Exchange Notes at a redemption price (expressed as a percentage of the accreted value thereof at the redemption date) of 109 7/8%, plus accrued and unpaid interest, if any, to the redemption date, with the net proceeds of certain equity offerings. See "Description of the Exchange Notes—Optional Redemption."

Change of Control

If we experience a change of control at any time, we will be required to make an offer to repurchase the Exchange Notes at a price equal to 101% of their accreted value, plus accrued and unpaid interest, if any, to the date of repurchase.

Restrictive Covenants

The terms of the Exchange Notes place certain limitations on our ability and, in certain instances, the ability of our restricted subsidiaries to, among other things:

- incur or guarantee additional debt and issue certain types of preferred stock;
- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated debt;
- make investments;
- create liens on our assets;
- enter into sale and leaseback transactions;
- sell assets;
- engage in transactions with our affiliates;
- create restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;

- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries; and
- transfer or issue shares of stock of subsidiaries.

These covenants are subject to important exceptions and qualifications which are described under "Description of the Exchange Notes—Certain Covenants."

Original Issue Discount

For U.S. federal income tax purposes the Exchange Notes will be treated as a continuation of the Old Notes, and thus will be treated as having been issued at a discount from their principal amount at maturity for U.S. federal income tax purposes. Consequently, original issue discount will be included in the gross income of a U.S. holder of Exchange Notes for U.S. federal tax purposes in advance of the receipt of cash payments on the Exchange Notes. See "Material United States Federal Income Tax Considerations."

RISK FACTORS

You should consider carefully each of the risks described below, together with all of the other information contained in this prospectus, before deciding to invest in the Exchange Notes.

Risks Relating to the Exchange Notes

KI Holdings is a holding company and therefore depends on its subsidiaries to pay interest on the Exchange Notes and its other obligations.

KI Holdings has no direct operations and no significant assets other than the stock of its subsidiary, Koppers. None of KI Holdings' subsidiaries will guarantee its obligations under the Exchange Notes. Because KI Holdings conducts its operations through its operating subsidiaries, KI Holdings depends on the dividends from the earnings of those entities to generate the funds necessary to meet its financial obligations, including payments of principal, interest and other amounts on the Exchange Notes.

The terms of Koppers' indebtedness currently prohibit it from paying dividends to KI Holdings to satisfy its obligations under the Exchange Notes and applicable corporate law may restrict the ability to pay dividends or otherwise redeem the Exchange Notes.

The terms of Koppers' senior secured credit facility fully prohibit Koppers from paying dividends and otherwise transferring assets except for certain limited dividends and future lenders may restrict such dividends in full. Further, the terms of the indenture governing Koppers Inc.'s $320.0 million 9 7/8% Senior Secured Notes due 2013 (the "Koppers Senior Secured Notes") significantly restrict Koppers from paying dividends and otherwise transferring assets to KI Holdings. For example, Koppers' ability to make such payments under its indenture is governed by a formula based, in part, on 50% of its consolidated net income. In addition, as a condition to making such payments based on such formula, Koppers must have a ratio of EBITDA (as defined in the indenture governing Koppers' Senior Secured Notes) to interest expense of at least 2.0 to 1, after giving effect to any such payments, and must not be in default under that indenture. Koppers does have current availability to make payments under this formula but is limited by covenants in its bank agreement from making such payments at present. As a result, we currently anticipate that, in order to pay the principal amount at maturity of the Exchange Notes or to repurchase the Exchange Notes upon a change of control as defined in the indenture governing the Exchange Notes, we will be required to adopt one or more alternatives, such as refinancing all of our indebtedness, selling our equity securities or the equity securities or assets of Koppers or seeking capital contributions or loans from our affiliates. None of our affiliates is required to make any capital contributions, loans or other payments to us with respect to our obligations on the Exchange Notes. The foregoing actions may not be effected on satisfactory terms, if at all. The foregoing actions may not enable us to refinance our indebtedness or pay the principal amount of the Exchange Notes and such actions may not be permitted by the terms of the indenture governing the Exchange Notes or any other debt or stock instruments of us or our subsidiaries then in effect. If we were unable to obtain the required consents or repay the indebtedness, we would remain effectively prohibited from repurchasing, redeeming or repaying the Exchange Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Other Indebtedness."

Because KI Holdings is the sole obligor of the Exchange Notes, and its subsidiaries will not guarantee KI Holdings' obligations under the Exchange Notes or have any obligation with respect to the Exchange Notes, the Exchange Notes are structurally subordinated to the debt and liabilities of our subsidiaries. In addition, the Exchange Notes are effectively subordinated to any of our present and future secured debt.

KI Holdings has no direct operations of its own and derives all of its revenues and cash flow from its subsidiaries. KI Holdings' subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay amounts due under the Exchange Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payments.

None of our subsidiaries or future subsidiaries will guarantee our obligations under the Exchange Notes. The Exchange Notes are structurally subordinated to any existing and future indebtedness and other liabilities of any of our subsidiaries, even if these obligations do not constitute indebtedness. As of September 30, 2004, the subsidiaries of KI Holdings had approximately $605.3 million of liabilities recorded on their balance sheets that are structurally senior to the Exchange Notes (consisting of approximately $376.2 million of indebtedness as of September 30, 2004, approximately $70.0 million of trade payables and approximately $159.1 million of other liabilities). Holders of the Exchange Notes will not have any claim as creditors against our subsidiaries. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding, the Exchange Notes will be effectively subordinated to the claims of the creditors of KI Holdings' subsidiaries, including the lenders under Koppers' senior secured credit facility, holders of Koppers' Senior Secured Exchange Notes, trade creditors and holders of other indebtedness of those subsidiaries. Accordingly, there might only be a limited amount of assets available to satisfy your claims as a holder of the Exchange Notes upon an acceleration of the maturity of the Exchange Notes. If KI Holdings' subsidiaries have their debt accelerated, KI Holdings may not be able to repay the indebtedness contemplated hereby. In addition, KI Holdings' assets and its subsidiaries' assets may not be sufficient to fully repay the Exchange Notes and its other indebtedness. See "Description of Other Indebtedness."

In addition, the Exchange Notes are effectively subordinated to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness.

We have a substantial amount of indebtedness following the offering of the Old Notes, which could harm our ability to operate our business, remain in compliance with debt covenants and make payments on our debt, including the Exchange Notes.

As of September 30, 2004, on an adjusted basis to reflect the offering of the Old Notes and the application of the net proceeds of that offering:

- KI Holdings, excluding its subsidiaries, would have had approximately $125.5 million of senior indebtedness represented by the Notes; and
- Koppers and its subsidiaries would have had approximately $376.2 million of indebtedness (excluding trade payables and intercompany indebtedness), consisting primarily of the Koppers Senior Secured Notes and $42.0 million of indebtedness under its senior secured credit facilities.

The degree to which we are leveraged could have important consequences to the holders of the Exchange Notes, including:

- our ability to satisfy our obligations under the Exchange Notes or other debt could be affected and any failure to comply with the requirements, including financial and other restrictive covenants, of any of our debt agreements could result in an event of default under the indenture governing the Exchange Notes and the agreements governing such other indebtedness;
- a substantial portion of our cash flow from operations will be required to make interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- our ability to obtain additional financing in the future may be impaired;
- we may be more highly leveraged than our competitors, which may place us at a competitive disadvantage;
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited; and
- our degree of leverage may make us more vulnerable in the event of a downturn in our business, our industry or the economy in general.

The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations, cash flows and business prospects.

We are able to incur more indebtedness, which may intensify the risks associated with our substantial leverage, including our ability to service our indebtedness.

The indentures governing the Exchange Notes and the Koppers Senior Secured Notes and the credit agreement governing Koppers' existing bank debt permit us, subject to specified conditions, to incur a significant amount of additional indebtedness, including indebtedness under Koppers' $100.0 million revolving credit facility. If we incur additional indebtedness, the risks associated with our substantial leverage, including our ability to service our debt, would increase.

To service our indebtedness, we will require a significant amount of cash and we cannot assure you that we will be able to generate sufficient cash or refinance our existing credit facility on favorable terms.

Our ability to make payments on and to refinance our indebtedness, including the Exchange Notes, and to fund planned capital expenditures and research and development efforts will depend on our ability to generate cash from operations in the future.

We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized on schedule or that future borrowings will be available to us under our senior secured credit facilities in an amount sufficient to enable us to pay our indebtedness, including the Exchange Notes, or to fund our other liquidity needs. Furthermore, our revolving credit facility matures on May 12, 2007. We cannot assure that we will able to enter into a new credit facility or, if we are able to enter into a new credit facility, that the terms of such new credit facility will not be less favorable to us than those of our current revolving credit facility. If we cannot service our debt, we will have to take actions such as reducing or delaying investments, joint ventures and potential acquisitions, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We cannot assure you that any of these remedies could, if necessary, be effected on commercially reasonable terms, or at all. In addition, the terms of our debt instruments, including the indenture governing the Exchange Notes and the credit agreement governing our bank indebtedness, may restrict us from adopting any of these alternatives. We may be unable to pay the principal, premium, if any, interest or other amounts on the Exchange Notes.

Restrictions in our debt agreements could limit our growth and our ability to respond to changing conditions and, in the event of a default, all of these borrowings become immediately due and payable.

Our senior secured credit facilities and the indenture governing the Exchange Notes contain a number of significant covenants in addition to covenants restricting the incurrence of additional debt. These covenants limit our ability, among other things, to:

- incur or guarantee additional debt and issue certain types of preferred stock;
- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated debt;
- make investments;
- create liens on our assets;
- enter into sale and leaseback transactions;
- sell assets;
- engage in transactions with our affiliates;
- create restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us;
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries; and
- transfer or issue shares of stock of subsidiaries.

In addition, our senior secured credit facilities contain other and more restrictive covenants. Additionally, they require us to maintain certain financial ratios and satisfy certain financial condition tests and require us to take action to reduce our debt or take some other action to comply with them.

These restrictions could limit our ability to obtain future financings, make needed capital expenditures, withstand a future downturn in our business or the economy in general or otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations that the restrictive covenants under our senior secured credit facilities and the indenture governing the Exchange Notes impose on us.

A breach of any of these covenants would result in a default under the applicable debt agreement. A default, if not waived, could result in acceleration of the debt outstanding under the agreement and in a default with respect to, and acceleration of, the debt outstanding under our other debt agreements and the indenture governing the Exchange Notes. The accelerated debt would become immediately due and payable. If that should occur, we may not be able to pay all such debt or to borrow sufficient funds to refinance it. Even if new financing were then available, it may not be on terms that are acceptable to us. See "Description of Other Indebtedness" and "Description of the Exchange Notes—Defaults."

Our financial failure may hinder the receipt of payment on the Exchange Notes.

If we become debtors subject to insolvency proceedings under any applicable bankruptcy law, the proceedings are likely to result in delays in the payment of the Exchange Notes and in the exercise of enforcement remedies under the Exchange Notes. Provisions under bankruptcy law or general principles of equity that could result in the impairment of rights of the holders of the Exchange Notes include the automatic stay, avoidance of preferential transfers by a trustee or debtor-in-possession, substantive consolidation, limitations on collectibility of unmatured interest or attorneys' fees and forced restructuring of the Exchange Notes. In addition, the right of the collateral agent to repossess and dispose of the pledged assets upon the occurrence of an event of default under the indenture governing the Exchange Notes is likely to be significantly impaired by applicable bankruptcy law if a bankruptcy case were to be commenced by or against us.

Our financial failure or the financial failure of any of our subsidiaries may result in our assets and the assets of any or all of our subsidiaries becoming subject to the claims of our creditors and the creditors of all of our subsidiaries.

A financial failure by us or our subsidiaries could affect payment of the Exchange Notes if a bankruptcy court were to "substantively consolidate" us and our subsidiaries. If a bankruptcy court substantively consolidated us and our subsidiaries, the assets of each entity would be subject to the claims of creditors of all entities so consolidated. This would expose holders of the Exchange Notes not only to the usual impairments arising from bankruptcy, but also to potential dilution of the amount ultimately recoverable because of the larger creditor base. Furthermore, forced restructuring of the Exchange Notes could occur through the "cram-down" provision of the bankruptcy code. Under this provision, the Exchange Notes could be restructured over the objections of the holders of the Exchange Notes as to their general terms, including interest rate and maturity.

Because a portion of the proceeds from the Old Notes were used in part to pay a dividend, a court could deem the obligations evidenced by the Exchange Notes a fraudulent conveyance.

Proceeds from the Old Notes were used in part to pay a dividend. Under the fraudulent conveyance statutes, if a court were to find that at the time the Old Notes were issued:

- we issued the Old Notes with the intent to hinder, delay or defraud any present or future creditor, or contemplated insolvency with a design to favor one or more creditors to the exclusion of others; or
- we did not receive fair consideration or reasonably equivalent value for issuing the Old Notes and, at the time we issued the Old Notes, we:
    - were insolvent or became insolvent as a result of issuing the Old Notes;

- were engaged or about to engage in a business or transaction for which our remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that we would incur, debts beyond our ability to pay those debts as they matured (as all of the foregoing terms are defined or interpreted under the relevant fraudulent transfer or conveyance statutes);

the court could void or subordinate the obligations evidenced by the Notes in favor of our other obligations.

We have substantial negative net worth.

At September 30, 2004, on an adjusted basis to reflect the offering of the Old Notes and the application of the net proceeds of that offering, we had negative net worth of approximately $177.4 million. Our negative net worth may make it difficult for us to obtain credit from suppliers, vendors and other parties. In addition, some of our suppliers and vendors may require us to prepay for services or products or may impose less advantageous terms on timing of payment. Our ability to enter into hedging transactions may also be limited by our negative net worth. As a result, we may require additional working capital, which may negatively affect our cash flow and liquidity.

We may not be able to repurchase the Exchange Notes or the Koppers Senior Secured Notes or repay debt under our credit facility upon a change of control.

Upon the occurrence of a change of control, we will be required to make an offer to holders of the Exchange Notes and the Koppers Senior Secured Notes to repurchase all or any part of their Exchange Notes. We may not have sufficient funds at the time of the change of control to make the required repurchases, or restrictions under our senior secured credit facilities may not allow such repurchases. Additionally, an event constituting a “change of control” (as defined in the indenture governing the Exchange Notes) could be an event of default under our senior secured credit facilities that would, if it should occur, permit the lenders to accelerate that debt and that, in turn, would cause an event of default under the indenture governing the Exchange Notes and the Koppers Senior Secured Notes.

The source of funds for any repurchase required as a result of any change of control will be our available cash or cash generated from our business operations or other sources, including borrowings, sales of assets, sales of equity or funds provided by a new controlling entity. We cannot assure you, however, that sufficient funds would be available at the time of any change of control to make any required repurchases of the Exchange Notes and the Koppers Senior Secured Notes tendered and to repay debt under our credit facility. Furthermore, using available cash to fund the potential consequences of a change of control may impair our ability to obtain additional financing in the future. Any of our future credit agreements or other agreements relating to debt will most likely contain similar restrictions and provisions. See “Description of the Exchange Notes—Change of Control.”

The definition of “change of control” under the indentures governing the Exchange Notes and the Koppers Senior Secured Notes includes a disposition of all or substantially all of our assets to any person. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of our assets. As a result, it may be unclear as to whether a change of control has occurred and whether a holder of the Exchange Notes may require us to make an offer to repurchase the Exchange Notes.

The holders of the Exchange Notes may not be protected in the event of a highly leveraged transaction that does not constitute a change of control under the indenture.

We could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a change of control under the indenture, but that could increase the

amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Although such transactions might adversely impact the holders of the Exchange Notes, they may not trigger the obligation to repurchase the Exchange Notes. Such transaction would be subject to the restrictions on our ability to incur additional indebtedness. See "Description of the Exchange Notes—Certain Covenants—Limitation on Indebtedness," "—Limitation on Liens" and "—Limitation on Sale/Leaseback Transactions." Such restrictions can only be waived with the consent of the holders of a majority in principal amount of the Exchange Notes then outstanding. Except for the limitations contained in such covenants, however, the indenture does not contain any covenants or provisions that may afford holders of the Exchange Notes protection in the event of a highly leveraged transaction.

You will be required to pay U.S. federal income tax on the accrual of original issue discount on the Exchange Notes even if KI Holdings does not pay cash interest.

For U.S. federal income tax purposes the Exchange Notes will be treated as a continuation of the Old Notes, and thus will be treated as having been issued at a substantial discount from their principal amount at maturity. Although cash interest will not accrue on the Exchange Notes prior to November 15, 2009, and there will be no periodic payments of cash interest on the Exchange Notes prior May 15, 2010, original issue discount (the excess of the stated redemption price at maturity over the issue price of the Old Notes) has accrued and will accrue from the issue date of the Old Notes. Holders of the Exchange Notes generally will be required to include these accruals in gross income for U.S. federal income tax purposes in advance of the receipt of the cash payments to which this income is attributable. See "Material United States Federal Income Tax Considerations."

The Exchange Notes will be applicable high yield discount obligations for U.S. federal income tax purposes.

The Exchange Notes will constitute "applicable high yield discount obligations" for U.S. federal income tax purposes. Consequently, we will not be allowed a deduction for original issue discount ("OID") accrued on the Exchange Notes for U.S. federal income tax purposes until such time as we actually pay such OID in cash or in other property (other than our stock or debt issued by us or by a person deemed to be related to us under Section 453(f)(1) of the Code). See "Material United States Federal Income Tax Considerations."

The deferral of deductions for payments of OID on the Exchange Notes described above will reduce the amount of cash available to us to meet our obligations under the Exchange Notes.

Your ability to sell the Exchange Notes may be limited by the absence of an active trading market, and there is no assurance that an active trading market will develop for the Exchange Notes.

The Exchange Notes are a new issue of securities for which there is no established public market. The initial purchasers have advised us that they intend to make a market in the Exchange Notes, as permitted by applicable laws and regulations. However, the initial purchasers are not obligated to make a market in the Exchange Notes, and they may discontinue their market-making activities at any time without notice. Therefore, we cannot assure you that an active market for the Exchange Notes will develop or, if developed, that it will continue. We do not intend to apply for listing of the Exchange Notes on any securities exchange.

The trading price of the Exchange Notes may be volatile.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Exchange Notes. We cannot assure holders of the Exchange Notes that the market, if any, for the Exchange Notes will be free from similar disruptions or that any such disruptions may not adversely affect the prices at which the holders of the Exchange Notes may sell their Exchange Notes. In addition, subsequent to their initial issuance, the Exchange Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

Risks Relating to the Exchange

The Old Notes will be subject to restrictions on transfer and the trading market for the Old Notes may be limited for a holder of the Old Notes that does not tender.

We did not register the Old Notes, nor do we intend to do so following the exchange offer. Old Notes that are not tendered will therefore continue to be subject to the existing transfer restrictions and may be transferred only in limited circumstances under the securities laws. If a holder of the Old Notes does not exchange the Old Notes, such holder will lose the right to have the Old Notes registered under the federal securities laws. As a result, if a holder holds Old Notes after the exchange offer, such holder may be unable to sell the Old Notes.

If a holder of the Old Notes does not properly tender the Old Notes, we may not accept such Old Notes and the trading market for them may be limited.

We will issue new Exchange Notes under this exchange offer only after a timely receipt of a holder's Old Notes, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, if a holder of the Old Notes wants to tender the Old Notes, please allow sufficient time to ensure timely delivery. If we do not receive such Old Notes, letter of transmittal and other required documents by the expiration date of the exchange offer, we will not accept such Old Notes for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of Old Notes for exchange. If there are defects or irregularities with respect to the tender of Old Notes, we will not accept such Old Notes for exchange.

Risks Relating to Our Business

We may not be able to compete successfully in any or all of the industry segments in which we operate.

The markets in which we operate are highly competitive, and this competition could harm our business, results of operations, cash flow and financial condition. If we are unable to respond successfully to changing competitive conditions, the demand for our products could be affected. We believe that the most significant competitive factor for our products is selling price. Additionally, some of the purchasers of our coke are capable of supplying a portion of their needs from their own coke production as well as from suppliers outside the United States who are able to import coke into the United States and sell it at prices competitive with those of U.S. suppliers. Some of our competitors have greater financial resources and larger capitalization than we do.

We are subject to extensive environmental laws and regulations and may incur costs that have a material adverse effect on our financial condition as a result of violations of or liabilities under environmental laws and regulations.

Like other companies involved in environmentally sensitive businesses, our operations and properties are subject to extensive federal, state, local and foreign environmental laws and regulations, including those concerning, among other things:

- the treatment, storage and disposal of wastes;
- the investigation and remediation of contaminated soil and groundwater;
- the discharge of effluents into waterways;
- the emission of substances into the air; and
- other matters relating to environmental protection and various health and safety matters.

We have incurred, and expect to continue to incur, significant costs to comply with environmental laws and as a result of remedial obligations. We could incur material costs, including cleanup costs, fines, civil and criminal sanctions and claims by third parties for property damage and personal injury, as a result of violations of or liabilities under environmental laws and regulations. For instance, contamination has been identified and is

being investigated and remediated at many of our sites by us or other parties. Actual costs and liabilities to us may exceed forecasted amounts. Moreover, currently unknown environmental issues, such as the discovery of additional contamination or the imposition of additional cleanup obligations with respect to our sites or third party sites, may result in significant additional costs, and potentially significant expenditures could be required in order to comply with future changes to environmental laws and regulations or the interpretation or enforcement thereof. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Environmental Matters."

Beazer East and Beazer Limited may not continue to meet their obligations to indemnify us.

Under the terms of the asset purchase agreement between us and Koppers Company, Inc. (now known as Beazer East, Inc.) upon the formation of our company in 1988, subject to certain limitations, Beazer East assumed the liability for and indemnified us against (among other things) certain clean-up liabilities for contamination occurring prior to the purchase date at sites acquired from Beazer East and third-party claims arising from such contamination (the "Indemnity"). Beazer East's performance under the Indemnity is unconditionally guaranteed by Beazer Limited. Contamination has been identified and is being investigated and remediated under federal and state programs at many of the sites owned or operated by us, including most of the 18 sites acquired from Beazer East. Currently, at the sites acquired from Beazer East, substantially all investigation and remediation activities are being conducted and paid for by Beazer East pursuant to the terms of the Indemnity, including recent amendments thereto. There can be no assurance, however, that Beazer East and Beazer Limited will continue to meet their obligations. In addition, Beazer East could in the future choose to challenge its obligations under the Indemnity or our satisfaction of the conditions imposed on us thereunder. In addition, the government and other third parties also have the right under applicable environmental laws to seek relief directly from us for any and all such costs and liabilities. In July 2004, we entered into an agreement with Beazer East to amend the December 29, 1988 asset purchase agreement to provide, among other things, for the continued tender of pre-closing environmental liabilities to Beazer East under the Indemnity through July 2019. As consideration for the agreement, we will pay Beazer East four installments over three years totaling $7 million and share toxic tort litigation costs arising from any sites acquired from Beazer East. The first payment of $2 million was made in July 2004.

Without reimbursement under the Indemnity, the obligation to pay such costs and assume such liabilities would have a material adverse effect on our business, financial condition, cash flow and results of operations. Furthermore, without reimbursement, we could be required to record a contingent liability on our balance sheets with respect to environmental matters covered by the Indemnity, which could result in our having significant additional negative net worth. Finally, the Indemnity does not afford us indemnification against environmental costs and liabilities attributable to acts or omissions occurring after the closing of the acquisition of assets from Beazer East under the asset purchase agreement, nor is the Indemnity applicable to liabilities arising in connection with other acquisitions by us after that closing. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Environmental Matters."

Demand for our products is cyclical and we may experience prolonged depressed market conditions for our products, which may adversely affect our ability to make payments on the Exchange Notes.

Our products are sold primarily in mature markets which historically have been cyclical.

- The principal consumers of our carbon pitch are U.S. primary aluminum smelters. Although the aluminum industry has experienced growth on a long-term basis, there may be cyclical periods of weak demand which could result in decreased primary aluminum production. Our pitch sales have historically been affected adversely by weakness in the global demand for aluminum.
- The principal use of our phthalic anhydride is in the manufacture of flexible vinyl, which is used mainly in the automobile industry. Therefore, fluctuations in domestic and international automobile production could adversely affect the demand for phthalic anhydride.

- The principal customers for our coke are U.S. integrated steel producers. The prices at which we will be able to sell our coke in the future will be greatly affected by the demand for coke from the iron and steel industries and the supply of coke from the U.S. integrated steel producers' own coke production and from foreign sources.
- Over the last several years, utility pole demand has declined as utilities in the United States and Australia have reduced spending due to competitive pressures arising from deregulation. Deregulation may continue to negatively affect both the new and replacement pole installation markets.

We are dependent on major customers for a significant portion of our net sales, and the loss of one or more of our major customers could have a materially adverse effect on the results of our operations.

For the year ended December 31, 2003, our top ten customers accounted for approximately 47% of our net sales. During this period, our two largest customers, Alcoa Inc. and CSX Transportation, Inc., each accounted for approximately 9% of our total net sales. Additionally, an integrated steel company is the only customer for our furnace coke, with a contract to take 100% of our coke production in 2004. The permanent loss of, or a significant decrease in the level of purchases by, one or more of our major customers could have a material adverse effect on our results of operations.

We are at risk from fluctuations in the price and availability of our primary raw materials.

Our inability to source quality raw materials in a timely fashion and pass through price increases to our customers could have a material adverse impact on our financial condition and results of operations.

- The primary raw material used by our Carbon Materials & Chemicals business is coal tar, a by-product of coke production. Following the Clean Air Act Amendments of 1990 and other environmental regulations, there have been significant reductions in U.S. coking capacity. Due to potential additional reductions in U.S. and Australian coking capacity, future coal tar availability is a concern for us. A shortage in the supply of domestic coal tar could require us to increase imports of coal tar and carbon pitch, as well as the use of petroleum substitutes to meet future carbon pitch demand, which could have a material adverse effect on our financial condition and results of operations.
- The availability and cost of softwood and hardwood lumber are critical elements in our production of pole products and railroad crossties, respectively. The supply of trees of acceptable size for the production of utility poles has decreased in recent years in relation to the demand, and we accordingly have been required to pay a higher price for these materials. Historically, the supply and cost of hardwood for railroad crossties have also been subject to availability and price pressures. There can be no assurance that we will be able to source wood raw materials at economical prices in the future.
- Metallurgical coal is the primary raw material used in the production of coke. An increase in the price of metallurgical coal, or a prolonged interruption in supply, could have a material adverse effect on us.
- Our price realizations and profit margins for phthalic anhydride have historically fluctuated with the price of orthoxylene and its relationship to our cost to produce naphthalene; however, due to excess supplies of phthalic anhydride during the past several years, margins did not change proportionally despite high levels for orthoxylene prices.

Our ability to sell carbon pitch may be adversely affected by the development of new technology.

There are currently no known viable substitutes for carbon pitch in the production of carbon anodes. However, in 2000 our largest carbon pitch customer announced that it was actively pursuing alternative anode technology that would eliminate the need for carbon pitch as an anode binder. The potential development and implementation of this new technology could seriously impair our ability to profitably market carbon pitch and related co-products. Over 75% of our carbon pitch is sold to the aluminum industry under long-term contracts typically ranging from three to four years.

We depend on our senior management team and the loss of any member could adversely affect our operations.

Our success is dependent on the management and leadership skills of our senior management team. The loss of any of these individuals or an inability to attract, retain and maintain additional personnel could prevent us from implementing our business strategy. We cannot assure you that we will be able to retain our existing senior management personnel or to attract additional qualified personnel when needed.

If we are unable to successfully negotiate with the labor unions representing our employees, we may experience a material work stoppage.

As of December 31, 2003, approximately 60% of our 1,975 employees were represented by 24 different labor unions and covered under numerous separate labor contracts. Labor negotiations are conducted on a plant-by-plant basis and a number of the outstanding contracts are renegotiated each year. Labor contracts that expired and were renegotiated in 2004 cover approximately 20% of our total employees. There can be no assurance that new agreements will be reached without union action or on terms satisfactory to us. A material work stoppage or union dispute could adversely affect our results of operations.

Our plant operations may be adversely affected by weather conditions.

Our quarterly operating results fluctuate due to a variety of factors that are outside our control, including inclement weather conditions, which in the past have affected negatively our operating results. Operations at several of our facilities have been halted for short periods of time during the winter months. Moreover, demand for many of our products declines during periods of inclement weather.

We are subject to risks associated with extended interruptions in marine transportation services.

Our operations in Australia and Europe are highly dependent on a relatively small number of marine transportation services. Our operating results may decline if there are extended interruptions in freight services. Interruptions in freight services could impair our ability to receive raw materials and ship finished products in a timely manner.

We are subject to risks inherent in foreign operations, including changes in social, political and economic conditions.

We, both directly and indirectly, have operations in the United States, Australasia, China, Europe and South Africa, and sell our products in many foreign countries. In 2002 and 2003, net sales from our products sold by Koppers Europe ApS and Koppers Australia Pty Ltd. accounted for approximately 31% and 34%, respectively, of our total net sales. Like other global companies, we are exposed to market risks relating to fluctuations in interest rates and foreign currency exchange rates. Our international revenues could be materially affected by currency fluctuations or devaluations. Changes in currency exchange rates could adversely affect our reported revenues and could require us to reduce our prices to remain competitive in foreign markets, which could also have a material adverse effect on our results of operations. We have not historically hedged our financial statement exposure and, as a result, we could incur unanticipated losses. We are also exposed to risks associated with changes in the laws and policies governing foreign investments in countries where we have operations as well as, to a lesser extent, changes in U.S. laws and regulations relating to foreign trade and investment. While such changes in laws, regulations and conditions to date have not had a material adverse effect on our business or financial condition, there can be no assurance as to the future effect of any such changes.

Terrorist attacks may negatively affect our operations, financial condition, results of operations and prospects.

Future terrorist attacks against U.S. targets may adversely affect our operations, financial condition, results of operations and prospects. Chemical-related assets may be at greater risk of future terrorist attacks than other possible targets in the United States. A direct attack on our assets or assets used by us could have a material

adverse effect on our operations, financial condition, results of operations and prospects. Insurance that provides adequate coverage against terrorist attacks has become increasingly expensive and difficult to obtain. Therefore, it is possible that we will not be able to purchase this coverage in the future or afford it if it remains available.

We have entered into a joint venture agreement for operations in China which may require continued investment and which may adversely affect our ability to make payments on the Exchange Notes.

In 1999, we entered into a joint venture agreement with Tangshan Iron & Steel Co. to rehabilitate and operate a tar distillation facility in China. The joint venture agreement also includes a tar supply contract with Tangshan Iron & Steel Co. We participate in the international marketing of carbon pitch products for the joint venture. Koppers (China) Carbon and Chemical Co., Limited is 60% owned by us and began production of coal tar products in 2001. Tangshan Iron & Steel Co. has guaranteed a bank loan of Koppers (China) Carbon and Chemical Co., Limited, and we have issued a cross-guarantee to it in the amount of approximately $1.5 million, representing 60% of the loan amount. This joint venture may require continued investment or credit support, which may adversely affect our ability to make payments on the Exchange Notes.

In June 2001, we entered into an agreement with Tangshan Iron & Steel Co. whereby it assumed control of Koppers (China) Carbon and Chemical Co., Limited through December 31, 2003. We chose to delay development of the carbon pitch export market due to the restructuring of the North American aluminum smelting capacity. In the interim, Tangshan Iron & Steel Co. assumed responsibility for the joint venture to develop the domestic Chinese market. During this period Tangshan Iron & Steel Co. bore all responsibility for the operations and management of the facility, as well as the net income or loss, except for our pro rata share of depreciation, amortization and income taxes of the joint venture. Accordingly, we changed our method of accounting from consolidation to the equity method effective June 2001 to reflect this change in our ability to control Koppers (China) Carbon and Chemical Co., Limited. On January 1, 2004, we assumed control of Koppers (China) Carbon and Chemical Co., Limited, which has resulted in a consolidation of Koppers (China) Carbon and Chemical Co., Limited in our financial statements in 2004. For the nine months ended September 30, 2004, sales and net income for Koppers (China) Carbon and Chemical Co. Limited amounted to $20.2 million and $2.3 million, respectively.

We are the subject of ongoing investigations regarding our competitive practices, which may result in a material adverse effect on our business, financial condition, cash flows or results of operations.

We are the subject of an ongoing investigation by the New Zealand Commerce Commission (the “NZ Commerce Commission”) regarding industry competitive practices. Koppers Arch New Zealand manufactures and markets wood preservative products throughout New Zealand. Koppers Arch New Zealand is cooperating with the NZ Commerce Commission’s investigation. The NZ Commerce Commission has the authority to penalize companies that have violated New Zealand’s competition laws. Such penalties, if assessed against Koppers Arch New Zealand, could have a material adverse effect on its business, financial condition, cash flows and results of operations. For example, the NZ Commerce Commission has the authority to assess fines equal to the higher of (i) $NZ10,000,000, (ii) three times the commercial gain from the contravention or (iii) 10% of the turnover of Koppers Arch New Zealand and all interconnected companies. Similarly, Koppers Arch Australia, an affiliate of Koppers Arch New Zealand, has made an application for leniency under the Australian Competition and Consumer Commission’s (“ACCC”) policy for cartel conduct. ACCC has confirmed that Koppers Arch Australia satisfies the requirements of its leniency program and the conditions attaching to Koppers Arch Australia’s leniency application are expected to be determined shortly. In the event leniency is ultimately not provided, the ACCC may penalize Koppers Arch Australia for any violations of the competition laws of Australia. Such penalties, if assessed against Koppers Arch Australia, could have a material adverse effect on its business, financial condition, cash flows and results of operations. Koppers Arch New Zealand and Koppers Arch Australia are wholly-owned subsidiaries of Koppers Arch Investments Pty Ltd, which is an Australian joint venture owned 51% by Worldwide Ventures Corporation and 49% by Hickson Nederland BV.

We are not currently aware of any other government investigations or other claims related to these investigations of industry competitive practices.

Our principal stockholder is in a position to affect our ongoing operations, corporate transactions and other matters.

Under our stockholders' agreement, Saratoga Partners III, L.P. has the right to elect a majority of our Board of Directors. Consequently, Saratoga Partners III, L.P. will have the ability to control the election of our Board of Directors and the outcome of some other issues submitted to the stockholders for approval. See "Security Ownership of Certain Beneficial Owners and Management." We cannot assure the holders of the Exchange Notes that Saratoga Partners III, L.P.'s interests will not conflict with the interests of the holders of the Exchange Notes. In particular, Saratoga Partners III, L.P. may cause a change of control at a time when we do not have sufficient funds to repurchase the Exchange Notes as described under "Description of the Exchange Notes—Change of Control."

USE OF PROCEEDS

We will not receive any proceeds from the exchange of the Exchange Notes for the Old Notes pursuant to the exchange offer.

We used a portion of the net cash proceeds after expenses from the offering of the Old Notes to pay a dividend of $95.0 million to our stockholders. The approximately $25.5 million remaining was retained for general corporate purposes, including dividends, acquisitions or working capital requirements.

CAPITALIZATION

The following table sets forth our cash and capitalization as of September 30, 2004, on an actual and as adjusted basis to give effect to the offering of the Old Notes and the application of proceeds as described under "Use of Proceeds." The adjusted information is unaudited and presented for informational purposes only and is not necessarily indicative of what our financial position would have been had the offering of the Old Notes actually occurred on September 30, 2004. The table below should be read in conjunction with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes included elsewhere in this prospectus.

	As of September 30, 2004	
	Actual	As Adjusted
	(in millions)	
Cash and cash equivalents	$ 9.4	$ 34.9
Long-term debt (including current portion):		
Revolving credit facility (1)	$ 40.5	$ 40.5
Term loan (2)	1.5	1.5
Other debt (3)	14.2	14.2
9 7/8% Senior Secured Notes due 2013	320.0	320.0
KI Holdings Exchange Notes offered hereby	—	125.5
Total debt including current portion	376.2	501.7
Stockholders' (deficit) (4)	(82.4)	(177.4)
Total capitalization	$293.8	$ 324.3

(1) Our revolving credit facility has a maximum amount available of $100.0 million, subject to a borrowing base. As of September 30, 2004, we had approximately $42.1 million of additional availability under our revolving credit facility. At October 31, 2004, $62.0 million was outstanding on the revolving credit facility and borrowing availability was $20.4 million.

(2) Term loan was repaid in full on November 1, 2004.

(3) Other debt consists of $3.8 million related to the tax credits for our Monessen, Pennsylvania facility, $7.8 million of debt of Koppers-Arch Investments Pty Ltd., and $2.6 million of debt for Koppers China.

(4) Stockholder's (deficit) refers to total assets less total liabilities less minority interest.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

Set forth below is summary historical consolidated financial, operating and other data of Koppers at the dates and for the periods indicated. KI Holdings is a recently formed Pennsylvania corporation and does not have, apart from its ownership of Koppers, the outstanding notes and this exchange offer, any independent operations. Accordingly, no separate historical financial statements of KI Holdings on a stand-alone basis are included or incorporated by reference in this prospectus.[2]

The following table contains our summary consolidated historical financial data for the five years ended December 31, 2003 and the nine months ended September 30, 2003 and 2004. The selected financial data as of and for each of the years ended December 31, 1999, 2000, 2001, 2002 and 2003 have been derived from our audited consolidated financial statements. The selected financial data as of and for the nine months ended September 30, 2003 and 2004 have been derived from our unaudited consolidated condensed financial statements. In our opinion, the information for the nine months ended September 30, 2003 and 2004 reflects all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the results of operations and financial condition for such periods. Results for interim periods should not be considered indicative of results of any other periods or for the year. This is only a summary and should be read in conjunction with our historical consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
Income Statement Data:							
Net sales (1)	$708.7	$770.6	$753.7	$776.5	$842.9	$624.8	$720.7
Cost of sales (1)	593.5	645.9	631.4	659.5	726.0	530.3	604.0
Depreciation and amortization (2)	27.1	30.0	30.4	28.7	33.7	25.3	24.3
Selling, general and administrative	37.4	45.4	46.3	44.0	55.6	40.5	41.7
Restructuring and impairment charges (3)	—	—	3.3	—	8.5	1.3	—
Operating profit	50.7	49.3	42.3	44.3	19.1	27.4	50.7
Equity in earnings (loss) of affiliates	1.7	2.2	0.3	—	(0.1)	(0.2)	0.1
Other income (expense) (4)	0.8	8.6	8.2	9.8	0.1	0.1	—
Interest expense (5)	28.1	28.0	24.5	22.9	37.7	16.0	26.6
Income (loss) before income tax provision (benefit) and minority interest	25.1	32.1	26.3	31.2	(18.6)	11.3	24.2
Income tax provision (benefit) (4)	0.2	16.6	12.1	13.8	(1.3)	7.5	13.2
Minority interest	0.7	0.8	0.9	0.9	1.7	1.2	2.8
Income (loss) before cumulative effect of accounting change	24.2	14.7	13.3	16.5	(19.0)	2.6	8.2
Cumulative effect of change in accounting principle (6)	—	—	—	—	(18.1)	(18.1)	—
Net income (loss)	$ 24.2	$ 14.7	$ 13.3	$ 16.5	$ (37.1)	$ (15.5)	$ 8.2
Balance Sheet Data (end of period):							
Working capital	$ 97.3	$107.4	$ 89.2	$ 63.5	$ 86.3	$ 92.6	$110.5
Total assets	477.7	483.9	455.2	463.8	514.0	492.7	533.0
Total debt	309.8	291.5	269.0	261.7	340.7	278.5	376.2
Common stock subject to redemption (7)	25.6	30.9	22.3	23.1	13.2	21.6	—
Common equity (deficit) (8)	7.8	3.7	(1.9)	(0.8)	(89.1)	(13.2)	(82.4)
Other Data:							
Cash dividends paid (9)	$ —	$ —	$ 14.6	$ 9.8	$ 48.1	$ 3.1	$ 33.4
Ratio of earnings to fixed charges (10)	1.71x	1.92x	1.79x	1.99x	0.56x	1.45x	1.64x
Capital expenditures	22.5	14.8	14.6	19.7	19.3	9.9	12.8
Acquisitions and related capital expenditures (11)	1.7	15.3	6.4	—	—	—	—

[2] Additional financials may be added prior to effectiveness.

(1) In accordance with EITF 00–10, *Accounting for Shipping and Handling Fees and Costs*, we have revised net sales to reflect freight and related costs as components of cost of sales rather than as reductions to net sales as previously reported. The effect of this change was to increase net sales and cost of sales for the years ended December 31, 1999, 2000, 2001 and 2002 by $44.6 million, $47.1 million, $46.1 million and $46.2 million, respectively.

(2) The 2002, 2003 and 2004 amounts do not include goodwill amortization as a result of the adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. Goodwill amortization amounted to $1.5 million, $1.3 million and $1.5 million for 1999, 2000 and 2001, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) The 2003 charges were related to (i) the curtailment of production at our carbon materials facility in Woodward, Alabama; (ii) the impairment of our carbon materials port facility in Portland, Oregon as the result of negotiations with a significant customer; (iii) the impairment of certain storage tanks which have been permanently idled; and (iv) the closure of our wood treating facility in Logansport, Louisiana. The 2001 charges were related to the closure of our facility in Feather River, California.

(4) Other income consists primarily of proceeds from the monetization of tax credits relating to coke production and sales at our facility in Monessen, Pennsylvania. In December 1999, we entered into an agreement with a third party to transfer substantially all of the energy tax credits from our facility in Monessen, Pennsylvania for cash. In 1999, the tax benefits to us from the credits amounted to $10.2 million. In 2000, 2001, 2002 and 2003, we earned $8.6 million, $8.2 million, $9.8 million and $0.1 million, respectively, for the transfer of tax credits. These tax credits expired on December 31, 2002; the 2003 amount is a retroactive inflation adjustment.

(5) For 2003, includes call premium of $5.8 million, write-off of deferred financing costs of $6.4 million related to refinancing activities, and additional interest of $2.0 million for the period between the receipt of proceeds from the Koppers Senior Secured Notes and the redemption of the 9 7/8% Subordinated Exchange Notes due 2007. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

(6) Effective January 1, 2003, we changed our method of accounting for asset retirement obligations in accordance with Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*. Previously, we had not been recognizing amounts related to asset retirement obligations. Under the new accounting method, we now recognize asset retirement obligations in the period in which they are incurred if a reasonable estimate of a fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The cumulative effect of the change on prior years resulted in a charge to income of $18.1 million net of income taxes of $11.7 million in 2003.

(7) Represented the amount necessary to redeem stock held by management investors upon termination of their employment with us pursuant to our stockholders' agreement. On February 27, 2004 the Company's Stockholder's Agreement was amended to make the redemption of common stock at the Company's option.

(8) Common stockholders' equity (deficit) refers to total assets less total liabilities less common stock subject to redemption less minority interest.

(9) A dividend of $25.0 million was declared in December 2003 and paid in January 2004.

(10) The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. For this purpose, "earnings" include income (loss) from continuing operations before income taxes, cumulative effect of accounting change and fixed charges (adjusted for interest capitalized during the period). "Fixed charges" include interest, whether expensed or capitalized, and the portion of rental expense (which we have calculated to be 31% of total rental expense) that is representative of the interest factor in these rentals.

(11) Significant acquisitions include the purchase of the remaining 50% of our equity ownership in the European operations of Tarconord A/S ("Tarconord," now known as "Koppers Europe") in May 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We are a leading integrated producer of carbon compounds and treated wood products. Our chemical products, which primarily consist of carbon pitch, creosote and phthalic anhydride, are used in a wide variety of end markets and applications in the aluminum, railroad, specialty chemical, utility, rubber and steel industries. For the year ended December 31, 2003, we held approximately 21% of the world market share for carbon pitch and approximately 17% of the U.S. market share for phthalic anhydride, in each case based on net sales. In 2003, we generated approximately 60% of our net sales from carbon pitch, carbon black, creosote, railroad crossties and utility poles, in which we believe we held the number one or two market share position by volume. The "Koppers" brand name has been associated with the carbon compounds and wood treating businesses for many years and is well recognized as a leader in these industries. Our reputation has enabled us to establish strong relationships with numerous companies preeminent in their respective markets, including Alcoa Inc., CSX Transportation, Inc., Burlington Northern Santa Fe Railway, Union Pacific Railroad Company and Hydro Aluminum.

We operate two principal businesses, Carbon Materials & Chemicals and Railroad & Utility Products. Through our Carbon Materials & Chemicals business, we process coal tar into a variety of products, including carbon pitch, creosote and phthalic anhydride, which are intermediate materials necessary in the production of aluminum, the pressure treatment of wood and the production of plasticizers and specialty chemicals, respectively. Through our Railroad & Utility Products business, we are the largest North American supplier of treated wood products, such as railroad crossties and utility poles, to railroads and the electric and telephone utility industries.

We operate 37 facilities located in the United States, Australasia, China, Europe and South Africa. We also maintain an indirect ownership interest in an additional facility in the United States through our domestic joint venture, KSA Limited Partnership.

Our businesses and results of operations are impacted by various competitive and other factors including (i) raw materials availability, in particular the amount and quality of coal tar available in global markets; (ii) global restructuring in the Carbon Materials & Chemicals business including the curtailment of aluminum production in the Pacific Northwest in part as a result of historically high energy prices; (iii) competitive conditions in global carbon pitch markets, particularly the United States and European carbon pitch markets; (iv) reductions in naphthalene pricing in Europe and China for at least the remainder of 2004; and (v) low margins in the utility pole business.

Trend Overview. Over the past several years, our gross margins, operating margins, net income and operating cash flows have deteriorated. This deterioration has resulted primarily from changes in the U.S. economy that have negatively affected our business, including (i) excess capacity in the U.S. carbon materials and chemicals businesses, due in part to the idling of aluminum smelters in the Northwestern U.S.; (ii) an increase in imports of furnace coke resulting in reduced pricing and profitability for our coke business; and (iii) highly competitive conditions in the utility pole business partly as the result of deregulation, resulting in reduced margins for us.

Although there can be no assurances, we believe these trends have begun to reverse during 2004 and will continue to do so in the future due to certain factors we believe have enhanced our profitability, including (i) the rationalization of capacity in our U.S. carbon materials facilities, which has resulted in lower operating costs; (ii) a new contract with International Steel Group for 100% of our coke production for a three-year term, resulting in substantially higher pricing for furnace coke in 2004, which has resulted in increased profitability in our coke business; (iii) the exit from the wood treating business of our largest competitor in the railroad crosstie business, which has resulted in increased volumes of railroad crossties for us in 2004 and has provided us with higher profits; and (iv) increases in volumes and pricing for phthalic anhydride in the U.S.

Results of Operations

The following table sets forth certain sales and operating data, net of all inter-segment transactions, for our businesses for the periods indicated:

	Nine Months Ended September 30,	
	2003	2004
	(Dollars in millions)	
Net sales:		
Carbon Materials & Chemicals	$357.0	$418.4
Railroad & Utility Products	267.8	302.3
Total	$624.8	$720.7
Percentage of net sales:		
Carbon Materials & Chemicals	57.1%	58.1%
Railroad & Utility Products	42.9	41.9
Total	100.0%	100.0%
Gross margin (after depreciation and amortization):		
Carbon Materials & Chemicals	13.1%	15.2%
Railroad & Utility Products	9.1%	9.6%
Total	11.1%	12.8%
Operating profit:		
Carbon Materials & Chemicals	$ 18.8	$ 35.2
Railroad & Utility Products	10.5	15.5
All other	(1.9)	—
Total	$ 27.4	$ 50.7

Comparison of Results of Operations for the Nine Months Ended September 30, 2004 and 2003.

Net Sales. Net sales for the nine months ended September 30, 2004 were higher than 2003 as both business segments reported sales increases. Net sales for Carbon Materials & Chemicals increased due in part to approximately $25.7 million in sales from Australian and European operations as a result of the strength of these foreign currencies relative to the dollar. Also, the consolidation of Koppers China as of January 1, 2004 resulted in incremental sales of $20.2 million compared to the prior year. Additionally, sales volumes and pricing for phthalic anhydride increased by 5% and 21%, respectively, and sales prices for furnace coke and carbon pitch increased by 21% and 6%, respectively. Net sales for Railroad & Utility Products increased compared to the prior year due primarily to increases of 5% and 7% in volumes and prices, respectively, for railroad crossties. The increase in volumes for railroad crossties was due in part to the exit from the wood treating business of our largest competitor.

Gross Margin After Depreciation and Amortization. As a percent of net sales, gross profit after depreciation and amortization increased for both Carbon Materials & Chemicals and Railroad & Utility Products. Gross margin for Carbon Materials & Chemicals increased due to the increases in volumes and pricing for phthalic anhydride and the increases in pricing for furnace coke and carbon pitch noted above. These increases more than offset a $0.5 million charge for the settlement of a contract dispute with a customer. Gross margin for Railroad & Utility Products increased due primarily to higher volumes for railroad crossties.

Depreciation and Amortization. Depreciation and amortization for 2004 decreased compared to the prior year due primarily to restructuring activities in 2003 which reduced depreciation expense by approximately $0.9 million in the first nine months of 2004.

Selling, General and Administrative Expense. Selling, general and administrative expense as a percent of net sales decreased primarily as a result of higher sales in the current year, $1.2 million of bad debt write-offs and $0.7 million of severance charges in the prior year, which offset an increase of $1.3 million of management incentive and restricted stock compensation expense in the U.S. in the current year.

Restructuring Charges. In September 2003 we closed our Logansport, Louisiana wood treating plant due to deteriorating local market conditions and their impact on volumes and profitability. The closure resulted in a $1.3 million restructuring charge in the third quarter of 2003.

Interest Expense. Interest expense increased due to the refinancing of our debt in 2003 which resulted in significantly higher debt levels.

Income Taxes. Our effective income tax rate for the nine months ended September 30, 2004 decreased due primarily to the composition of earnings among U.S. and foreign operations.

Cumulative Effect of Accounting Change. Effective January 1, 2003, we changed our method of accounting for asset retirement obligations in accordance with FASB Statement No. 143, *Accounting for Asset Retirement Obligations*. Previously, we had not been recognizing amounts related to asset retirement obligations. Under the new accounting method, we now recognize asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The cumulative effect of the change on prior years resulted in a charge to income of $18.1 million, net of income taxes of $11.7 million.

Net Income. Net income for 2004 compared to the same period last year increased due primarily to the January 1, 2003 adoption of SFAS No. 143, *Accounting for Asset Retirement Obligations*, which resulted in a cumulative effect adjustment for 2003. Additionally, higher volumes and pricing in certain products, $2.3 million of net income from the consolidation of China, and lack of restructuring charges in 2004 more than offset higher interest expense in 2004.

The following table sets forth certain sales and operating data, net of all inter-segment transactions, for our businesses for the periods indicated:

	Years Ended December 31,		
	2003	2002	2001
Net sales (in millions):			
Carbon Materials & Chemicals	$484.1	$438.4	$454.2
Railroad & Utility Products	358.8	338.1	299.5
Total	$842.9	$776.5	$753.7
Segment sales as percent of total net sales:			
Carbon Materials & Chemicals	57.4%	56.5%	60.3%
Railroad & Utility Products	42.6	43.5	39.7
Total	100.0%	100.0%	100.0%
Gross margin by segment (after depreciation and amortization):			
Carbon Materials & Chemicals	10.9%	13.4%	14.2%
Railroad & Utility Products	8.9%	9.2%	9.8%
Total	9.9%	11.4%	12.2%
Operating margin by segment:			
Carbon Materials & Chemicals	1.6%	6.7%	7.1%
Railroad & Utility Products	3.6%	5.0%	3.9%
Total	2.3%	5.7%	5.6%

Comparison of Results of Operations for the Years Ended December 31, 2003 and 2002.

Net Sales. Net sales for the year ended December 31, 2003 were higher than 2002 as both business segments reported sales increases. Net sales for Carbon Materials & Chemicals increased due primarily to approximately $39.8 million in sales from Australian and European operations as a result of the strength of these foreign currencies relative to the dollar. Additionally, sales volumes and pricing for phthalic anhydride increased by 7% and 8%, respectively, while a reduction in volumes for furnace coke of 11% more than offset an increase in pricing for furnace coke of 8%. Net sales for Railroad & Utility Products increased compared to the prior year due primarily to a 12% increase in prices for railroad crossties which more than offset a 5% reduction in volumes for railroad crossties.

Gross Margin After Depreciation and Amortization. As a percent of net sales, gross profit after depreciation and amortization decreased for both segments. Gross margin for Carbon Materials & Chemicals decreased primarily as a result of approximately $3.1 million of accelerated asset retirement obligations and $1.4 million for the settlement of a lease obligation, all related to the restructuring of the U.S. Carbon Materials & Chemicals operations (see "—Restructuring and Impairment Charges"). These items more than offset the profit realized as a result of the pricing increase for furnace coke noted above and a reversal to profit of approximately $0.7 million of environmental reserves as a result of a reassessment of exposure at one of our facilities. Gross margin as compared to the prior year was also impacted by an increase of approximately $1.7 million in insurance expense for Carbon Materials & Chemicals as a result of lower expense in the prior year due to favorable loss experience. Gross margin for Railroad & Utility Products decreased due to $1.6 million of accelerated asset retirement obligations related to the closure of the Logansport facility. Additionally, insurance expense for Railroad & Utility Products increased approximately $1.7 million as a result of lower expense in the prior year due to favorable loss experience. These additional costs more than offset the effect of the increase in prices for railroad crossties noted above.

Depreciation and Amortization. Depreciation and amortization for 2003 increased compared to the prior year due to the adoption of SFAS 143, "*Accounting for Asset Retirement Obligations*," which resulted in an increase of $3.3 million, and an additional $1.3 million as a result of higher foreign exchange rates which resulted in higher depreciation expense in Australian and European operations.

Selling, General and Administrative Expense. Selling, general and administrative expense as a percent of net sales increased primarily as a result of approximately $1.3 million in severance charges, $1.4 million of bad debt expense, $2.0 million of higher legal and consulting costs, and $1.5 million of reduced expense in the prior year as a result of retiree health insurance settlements.

Restructuring and Impairment Charges. During the fourth quarter of 2003 we determined that capacity rationalization was required in our U.S. Carbon Materials & Chemicals business to increase competitiveness. Accordingly, in December 2003 we ceased production at our carbon materials facility in Woodward, Alabama, resulting in a restructuring charge to fourth quarter pre-tax income of $3.1 million. We anticipate annual cash savings of approximately $1.9 million as a result of this curtailment. The Woodward facility generated approximately $27.5 million of revenue during 2003. Additionally, during the fourth quarter of 2003 we concluded that our carbon materials port operation in Portland, Oregon is an impaired facility based on its current and long-term economic prospects as a result of recent negotiations with a significant customer. The impairment charge for this facility resulted in a charge to fourth quarter pre-tax income of $3.1 million. We also incurred a $1.0 million charge for the impairment of certain storage tanks which have been permanently idled due to reduced demand for carbon materials products in U.S. markets. In September 2003, we closed our Logansport, Louisiana wood treating plant due to deteriorating local market conditions and their impact on volumes and profitability. The closure resulted in a $1.3 million restructuring charge in the third quarter. We believe the U.S. market for wood treated utility poles suffers from over-capacity, and will continue to evaluate future productivity and cost reduction initiatives in this business. We anticipate annual cash savings of approximately $0.7 million as a result of this closure. Our Logansport facility generated approximately $2.0 million of revenue during 2003.

Other Income. Other income consists of the energy tax credits as a result of the transaction at our Monessen, Pennsylvania facility. The reduction for 2003 was due to the expiration of the tax credits at the end of 2002.

Interest Expense. Interest expense increased due to a call premium of $5.8 million on our old bonds, the write-off of deferred financing charges of $6.4 million, and additional interest of $2.0 million for the period between the receipt of proceeds from the new bonds and the redemption of the old bonds. (See "—Liquidity and Capital Resources.")

Income Taxes. Our effective income tax rate for the year ended December 31, 2003 decreased due primarily to domestic pre-tax losses, which resulted in an increase in foreign tax expense as a percentage of total taxes. Due to our legal structure, foreign tax credits are not fully available to offset taxable income generated by Australian operations.

Cumulative Effect of Accounting Change. Effective January 1, 2003, we changed our method of accounting for asset retirement obligations in accordance with FASB Statement No. 143, *Accounting for Asset Retirement Obligations*. Previously, we had not been recognizing amounts related to asset retirement obligations. Under the new accounting method, we now recognize asset retirement obligations in the period in which they are incurred if a reasonable estimate of a fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The cumulative effect of the change on prior years resulted in a charge to income of $18.1 million, net of income taxes of $11.7 million.

Net Income. Net income for 2003 compared to the same period last year decreased due to (i) restructuring, impairment and capacity rationalization charges in the U.S. segments as a result of weakened business conditions in the carbon materials and utility pole businesses; (ii) the write-off of deferred financing charges and the payment of a call premium due to the refinancing of our debt; (iii) an increase in bad debt expense; (iv) a decrease in other income due to the expiration of the energy tax credits; and (v) the adoption of SFAS No. 143, *Accounting for Asset Retirement Obligations*, which resulted in a cumulative effect adjustment.

Comparison of Results of Operations for the Years Ended December 31, 2002 and 2001

Net Sales. Net sales for the year ended December 31, 2002 were higher than 2001 as higher sales for Railroad & Utility Products more than offset lower sales for Carbon Materials & Chemicals. Net sales for Carbon Materials & Chemicals decreased due to reductions in volume and pricing for phthalic anhydride of 2% and 5%, respectively, and a 3% reduction in volumes for carbon pitch. An increase of 9% in creosote volumes was largely offset by a reduction of 25% in sales of carbon black feedstock, and sales of furnace coke increased as a 20% increase in volumes more than offset a 6% reduction in pricing. Net sales for Railroad & Utility Products increased compared to the prior year due primarily to a 12% increase in volumes for railroad crossties coupled with a 6% increase in prices for railroad crossties, which more than offset a 5% reduction in volumes for utility poles.

Gross Margin After Depreciation and Amortization. As a percent of net sales, gross profit after depreciation and amortization decreased for both segments. Gross margin for Carbon Materials & Chemicals decreased primarily as a result of lower volumes and pricing for phthalic anhydride and lower volumes for carbon pitch in the United States as noted above, coupled with profit of $2.6 million from liquidation of last-in, first-out inventory in the prior year, which more than offset reductions to insurance expense of approximately $1.0 million related to favorable loss experience resulting in a reduction in loss reserves in 2002. Gross margin for Railroad & Utility Products decreased due primarily to charges of $2.7 million related to a legal settlement, partially offset by higher volumes and prices for railroad crossties as noted above, along with reductions to insurance expense of approximately $0.8 million as a result of favorable loss experience.

Depreciation and Amortization. Depreciation and amortization for 2002 decreased compared to the prior year due primarily to the non-amortization of goodwill in 2002 pursuant to Financial Accounting Standards No. 141 and 142. See "—Recently Issued Accounting Standards."

Selling, General and Administrative Expense. Selling, general and administrative expense as a percent of net sales decreased due to $1.5 million of reduced expense as a result of retiree health insurance settlements, lower bad debt expense due to the bankruptcy of a significant customer in 2001 (resulting in bad debt expense of $2.1 million), and $1.4 million of lower legal and consulting costs as compared to the prior year.

Equity in Earnings of Affiliates. Equity earnings for 2002 were lower than the prior year due primarily to $0.7 million of depreciation charges incurred for Koppers (China) Carbon and Chemical Co., Limited.

Other Income. Other income consists of the energy tax credits as a result of the Monessen Transaction. The increase for 2002 was due to an increase in sales as a result of liquidating inventory that was produced in 2001.

Income Taxes. Our effective income tax rate for the year ended December 31, 2002 decreased due primarily to an increase in domestic pre-tax earnings, which resulted in a reduction in foreign tax expense as a percentage of total taxes.

Net Income. Net income for 2002 compared to the same period last year increased due to a reduction in bad debt expense and an increase in other income.

Liquidity and Capital Resources

On November 12, 2004, KI Holdings Inc. was incorporated. On November 18, 2004, all of the common and preferred stock of Koppers Inc. was converted into shares of common and preferred stock of KI Holdings Inc.

On November 18, 2004, KI Holdings Inc. issued and sold $203.0 million aggregate principal amount at maturity ($125.5 million gross proceeds) 9 7/8% Senior Discount Notes due 2014. A portion of the cash proceeds was used to pay a $95 million dividend to KI Holdings' stockholders. The approximately $25.5 million remainder was retained for general corporate purposes, which could include dividends, acquisitions, or working capital requirements. KI Holdings Inc. has no direct operations and no significant assets other than the stock of Koppers Inc. It depends on the dividends from the earnings of Koppers and its subsidiaries to generate the funds necessary to meet its financial obligations, including payments of principal, interest and other amounts on the Exchange Notes. The terms of Koppers' senior secured credit facility fully prohibit Koppers from paying dividends and otherwise transferring assets except for certain limited dividends. Further, the terms of the indenture governing the Koppers' Senior Secured Notes significantly restrict Koppers from paying dividends and otherwise transferring assets to KI Holdings. For example, Koppers' ability to make such payments under its indenture is governed by a formula based, in part, on 50% of its consolidated net income. In addition, as a condition to making such payments based, in part, on such formula, Koppers must have a ratio of EBITDA (as defined in the indenture governing Koppers Inc.'s Senior Secured Notes) to interest expense of at least 2.0 to 1, after giving effect to any such payments, and must not be in default under that indenture. Koppers does have current availability to make payments under this formula but is limited by covenants in its bank agreements from making such payments at present.

KI Holdings Inc. does not have, apart from its ownership of Koppers, the outstanding notes and this exchange offer, any independent operations. Accordingly, KI Holdings Inc.'s financial statements for fiscal years 2003, 2002, and 2001 and the nine months ended September 30, 2004 and 2003 would have been substantially identical to the historical financial statements of Koppers Inc.

Koppers' liquidity needs are primarily for debt service, working capital, capital maintenance and acquisitions. Koppers believes that its cash flow from operations and available borrowings under its bank credit facilities will be sufficient to fund its anticipated liquidity requirements for at least the next twelve months. In the event that the foregoing sources are not sufficient to fund its expenditures and service its indebtedness, Koppers would be required to raise additional funds. See "Description of Other Indebtedness."

As of September 30, 2004, we had $9.4 million of cash and cash equivalents and $42.1 million of unused revolving credit availability for working capital purposes after restrictions by various debt covenants and letter of credit commitments. As of September 30, 2004, $17.4 million of commitments were utilized by outstanding standby letters of credit.

Net cash provided by operating activities increased compared to the prior year as higher net income and an increase in the utilization of deferred taxes were partially offset by an increase in working capital in the first nine months of 2004 ($16.7 million) compared to the first nine months of 2003 ($16.3 million), a $7.3 million increase in pension funding in 2004 for U.S. pension benefits, a $2.0 million payment for the extension of the indemnity agreement with Beazer (see "—Environmental and Other Liabilities Retained or Assumed by Others") and an increase of $1.0 million in expenditures for asset retirement obligations.

Capital expenditures were higher than the prior year due primarily to capital expenditures to increase capacity in the U.S. railroad crossties business as a result of increased demand.

Net cash used in financing activities in 2004 related to revolver borrowings of $39.4 million to provide for the payment of $33.4 million in dividends, the repayment of $6.5 million of the term loan and the purchase of $2.2 million of common stock. Net cash provided by financing activities in the prior year related to net borrowings of term debt to finance an increase in working capital, payment of a dividend and purchases of stock from retirees.

9 7/8% Senior Secured Notes due 2013 of Koppers

Koppers has issued and outstanding $320.0 million aggregate principal amount of 9 7/8% Senior Secured Notes due 2013. Interest is payable semiannually in arrears on April 15 and October 15 of each year. The Koppers Senior Secured Notes are guaranteed, jointly and severally, on a senior secured basis by some of our current and future subsidiaries.

The Koppers Senior Secured Notes and subsidiary guarantees are senior obligations of Koppers and its subsidiary guarantors, respectively, and are secured by a second priority lien on and security interest in substantially all of the assets owned by Koppers and its subsidiary guarantors that secure Koppers' obligations under its senior secured credit facilities.

The Koppers Senior Secured Notes include customary covenants that restrict, among other things, the ability to incur additional debt, pay dividends or make certain other restricted payments, incur liens, merge or sell all or substantially all of the assets or enter into various transactions with affiliates. Prior to October 15, 2006, Koppers may redeem up to 35% of the aggregate principal amount of the Koppers Senior Secured Notes at a redemption price of 109.875% of the principal amount thereof, plus accrued and unpaid interest to the date of such redemption, with funds raised in specified equity offerings. On or after October 15, 2008, Koppers may redeem some or all of the Koppers Senior Secured Notes at a redemption prices specified in the indenture governing such notes, plus accrued and unpaid interest to the date of such redemption.

The terms of the indenture governing the Koppers Senior Secured Notes significantly restrict Koppers from paying dividends and otherwise transferring assets to KI Holdings. For example, Koppers' ability to make such payments is governed by a formula based on 50% of its consolidated net income. In addition, as a condition to making such payments based on such formula, Koppers Inc. must have an EBITDA (as defined in the indenture governing the Koppers Senior Secured Notes) to consolidated interest expense ratio of at least 2.0 to 1. Notwithstanding such restrictions, the indenture permits an aggregate of $7.5 million of such payments to be made whether or not there is availability under the formula or conditions to its use are met, *provided* that at the time of such payment, no default shall have occurred and be continuing under that indenture.

The indenture governing the Koppers Senior Secured Notes has a covenant that limits the incurrence of additional indebtedness unless on the date of the incurrence of additional indebtedness the Consolidated

Coverage Ratio (defined therein) will be, after giving effect to the incurrence thereof and the application of the proceeds thereof, greater than 2.0 to 1.0. The indenture defines Consolidated Coverage Ratio as the ratio of (a) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters ending at least 45 days prior to the date of such determination to (b) Consolidated Interest Expense (defined therein) for such four fiscal quarters.

We are currently in compliance with all covenants in the indenture governing the Koppers Senior Secured Notes. Koppers anticipates continued compliance with these covenants. Failure to comply with the covenants contained in the indenture governing the Koppers Senior Secured Notes may result in an event of default. The indenture governing the Koppers Senior Secured Notes also contains various other events of default, including but not limited to those related to non-payment of principal, interest or fees; certain bankruptcy-related events; invalidity of liens; non-payment of certain legal judgments; and cross defaults with certain other indebtedness.

The covenants related to the term loan and the revolving credit facility also include financial covenants that require Koppers to maintain certain financial ratios, including the following:

- the Fixed Charge Coverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, shall not be less than 1.05 to 1.0. The Fixed Charge Coverage Ratio at September 30, 2004 was 1.35 to 1.00.
- the Total Leverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, shall not exceed the ratios set forth below for the periods specified below:

Fiscal Quarters Ended	Ratio
September 30, 2004 through December 31, 2004	5.00 to 1.00
March 31, 2005 through September 30, 2005	4.75 to 1.00
December 31, 2005 through September 30, 2006	4.50 to 1.00
December 31, 2006 and thereafter	4.25 to 1.00

- the Total Leverage Ratio at September 30, 2004 was 4.51 to 1.00.
- the Senior Leverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, shall not exceed 1.50 to 1.00.
- the Senior Leverage Ratio at September 30, 2004 was .70 to 1.00.

Subsidiary Pledges. The terms of the Koppers Senior Secured Notes provide that the collateral securing the Koppers Senior Secured Notes will never include the securities of any subsidiary to the extent the par value, book value as carried by us or the market value of the securities (the “Applicable Value”) is equal to or greater than 20% of the aggregate principal amount of the Koppers Senior Secured Notes outstanding (the “Collateral Threshold”). Rule 3-16 of Regulation S-X under the Securities Act of 1933 requires the presentation of a subsidiary’s stand-alone, audited financial statements if the subsidiary’s capital stock secures an issuer’s notes and the par value, book value or market value of the securities equals or exceeds the Collateral Threshold. The indenture governing the Koppers Senior Secured Notes and the security documents provide that the collateral will never include the capital stock of any subsidiary to the extent the Applicable Value of the securities is equal to or greater than the Collateral Threshold. As a result, we will not be required to present separate financial statements of any of its subsidiaries under Rule 3-16.

As a result of the provisions in the indenture and security documents relating to subsidiary securities, holders of the Koppers Senior Secured Notes may at any time in the future lose a portion of their security interest in the securities of any of our other subsidiaries if the Applicable Value of that stock were to become equal to or greater than the Collateral Threshold. As stated above, Applicable Value is defined as the greatest of book value, par value and market value of a subsidiary’s securities. Currently, all of the capital stock of all of our domestic subsidiaries other than Worldwide Ventures Corp. and all of our subsidiaries other than 35% of the voting capital stock of Koppers Europe ApS constitute collateral for the Koppers Senior Secured Notes.

We have based our determination of which subsidiary's capital stock currently constitutes collateral upon the book value, par value and estimated market value of the capital stock of each of its subsidiaries as of September 30, 2004 and the operations of these subsidiaries since that date. The Applicable Value for the capital stock of each of our subsidiaries is the greater of the book value and estimated market value, as the value of each subsidiary's capital stock is nominal and therefore has not impacted our calculation of Applicable Value. The Net Fair Value and Net Book Value calculations each include an allocation of corporate debt to the subsidiaries. Set forth in the table below is the Applicable Value of each subsidiary's capital stock as of September 30, 2004:

Subsidiary	Applicable Value as of September 30, 2004	Net Fair Value as of September 30, 2004	Net Book Value as of September 30, 2004
		(in millions)	
Worldwide Ventures Corp. (1)	$ 77.0	$ 77.0	$ 20.8
Koppers Australia Holding Company Pty Ltd. (2)	54.9	54.9	18.8
Koppers Australia Pty Ltd.	54.9	54.9	18.8
Koppers Redemption Inc.	—	—	—
Koppers Industries of Delaware	22.6	16.2	22.6
Koppers Assurance Inc.	(20.8)	(20.8)	(36.3)
Concrete Products	—	(0.1)	—
Concrete Partners	2.2	(4.9)	2.2
Koppers Europe ApS	12.3	12.3	(5.8)

(1) The assets of Worldwide Ventures Corp. include the stock of Koppers Europe ApS and Koppers Australia Holding Company Pty Ltd. and, therefore, include the Applicable Value, net fair value and net book value of Koppers Europe ApS and Koppers Australia Holding Company Pty Ltd.

(2) The assets of Koppers Australia Holding Company Pty Ltd. include the stock of Koppers Australia Pty Ltd. and, therefore, the Applicable Value, net fair value and net book value of Koppers Australia Holding Company Pty Ltd. include the Applicable Value, net fair value and net book value of Koppers Australia Pty Ltd.

Based upon the foregoing, the Applicable Value of the capital stock of Worldwide Ventures Corp. exceeded the Collateral Threshold of $64.0 million as of September 30, 2004. Further, we believe that, based upon the significant differences between the Applicable Value of the capital stock of Worldwide Ventures Corp. and the Collateral Threshold as of September 30, 2004 (there have been no significant changes in the operations of Worldwide Ventures Corp. since that date), we have determined that the Applicable Value of the capital stock of Worldwide Ventures Corp. currently exceeds the Collateral Threshold. As a result, the pledge of capital stock of Worldwide Ventures Corp. is automatically reduced to the extent that the Applicable Value exceeds the Collateral Threshold.

The Applicable Value of the capital stock of our other subsidiaries did not exceed the Collateral Threshold as of September 30, 2004. Further, as there have been no significant changes in the operations of each of these subsidiaries since September 30, 2004, we have determined that the Applicable Value of the capital stock of each of these subsidiaries currently remains below the Collateral Threshold.

In respect of Koppers Industries of Delaware, Concrete Products and Concrete Partners, the Applicable Value of their common stock was based upon book value. Book value of a subsidiary's capital stock is calculated as of each preceding period end and represents the original purchase price of the subsidiary's capital stock plus any income earned less any losses and any transfers of assets.

In respect of Worldwide Ventures Corp., Koppers Australia Holding Company Pty Ltd., Koppers Australia Pty Ltd., Koppers Redemption Inc., Koppers Assurance Inc. and Koppers Europe ApS, the Applicable Value of their common stock was based upon estimated market value. We have calculated the estimated market value of its subsidiaries' capital stock by determining the earnings before interest, taxes, depreciation and amortization, or EBITDA, of each subsidiary for the twelve months ended September 30, 2004, and multiplying this EBITDA by

a multiple we used for purposes of valuing its common stock. We retain an independent appraisal firm for purposes of calculating the market value of our common stock annually on a going concern basis, as provided for in the Stockholders' Agreement, and in connection with determining equity-based compensation, and we have used the midpoint of the range used by such firm. We determined that using this multiple is a reasonable and appropriate means for determining fair value of its subsidiaries' capital stock.

As described above, we have used EBITDA of each of its subsidiaries solely for purposes of determining the estimated market value of their capital stock to determine whether that capital stock is included in the collateral. EBITDA is not a recognized financial measure under U.S. GAAP and does not purport to be an alternative to operating income as an indicator of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our consolidated results as reported under U.S. GAAP. Because not all companies use identical calculations, the presentation of EBITDA also may not be comparable to other similarly titled measures of other companies. An evaluation should be made of the adjustments and the reasons we consider them appropriate for analysis for determining estimated market value of the capital stock of our subsidiaries.

A change in the Applicable Value of the capital stock of any of our subsidiaries could result in a subsidiary's capital stock that was previously excluded from collateral becoming part of the collateral or a subsidiary's capital stock that was previously included in collateral being excluded. The following table reflects the amount by which the Applicable Value of each subsidiary's capital stock as of September 30, 2004 would have to increase in order for a portion of that subsidiary's capital stock to no longer constitute collateral or, in the case of Worldwide Ventures Corp., would have to decrease in order for the capital stock of Worldwide Ventures Corp. which is currently not collateral to become collateral:

Subsidiary	Change in Applicable Value
	(in millions)
Worldwide Ventures Corp.	$ (13.0)
Koppers Australia Holding Company Pty Ltd.	9.1
Koppers Australia Pty Ltd.	9.1
Koppers Redemption Inc.	64.0
Koppers Industries of Delaware	41.4
Koppers Assurance Inc.	84.8
Concrete Products	64.0
Concrete Partners	61.8
Koppers Europe ApS	51.7

Legal Matters

We are involved in litigation and various proceedings relating to antitrust matters, environmental laws and toxic tort matters, including two cases pending in Texas and several cases pending in Pennsylvania alleging personal injuries from exposure to coal tar pitch.

Government Investigation. On December 4, 2002 European Commission ("EC") representatives visited the offices of our subsidiaries located in Nyborg, Denmark and Scunthorpe, England and obtained documents pursuant to legal process as part of an investigation of industry competitive practices concerning pitch, creosote and naphthalene. The United States Department of Justice ("DOJ") also served a subpoena for similar documents at our headquarters in Pittsburgh, Pennsylvania. We also contacted and coordinated with the Canadian Competition Bureau ("CCB"). We have cooperated with the EC, DOJ and CCB in their respective investigations. In 2004, the DOJ returned the documents which we had produced. The return of such documents indicates that the DOJ's investigation has been terminated. We have had no recent communications with the CCB. As a result of our cooperation, (i) in February 2003, the EC granted our request for exemption from penalties for any infringement the EC may have found as a result of its investigation concerning pitch; (ii) in April 2003, DOJ granted our request for exemption from prosecution for any infringement DOJ may have found as a result of imports of pitch, creosote and naphthalene,

or the purchase for export of coal tar used to produce these products; and (iii) in April 2003, the CCB granted us a provisional guarantee of immunity from fines under the Canadian Competition Act with respect to the supply and sale of tar pitch, naphthalene, creosote oil and carbon black feedstock prior to 2001. These grants of immunity by the EC, DOJ and CCB apply to any government fine or penalty related to each country's investigation of industry competitive practices. Our failure to comply with the applicable conditions that were attached to these grants of immunity, could have subjected us to fines if (and to the extent that) the investigations continued. Such fines, if assessed against us, could have had a material adverse effect on our business, financial condition, cash flows and results of operations. For example, the EC has the authority to assess fines in an amount up to 10% of a company's worldwide sales. The DOJ and CCB also have the authority to assess significant fines.

In January 2005, the EC advised us that it had closed its investigation without prejudice to its right to re-open such investigation if new facts come to light.

We are also the subject of an ongoing investigation by the NZ Commerce Commission regarding industry competitive practices. Koppers Arch New Zealand manufactures and markets wood preservative products throughout New Zealand. Koppers Arch New Zealand is cooperating with the NZ Commerce Commission's investigation. The NZ Commerce Commission has the authority to penalize companies that have violated New Zealand's competition laws. Such penalties, if assessed against Koppers Arch New Zealand, could have a material adverse effect on its business, financial condition, cash flows and results of operations. For example, the NZ Commerce Commission has the authority to assess fines equal to the higher of (i) $NZ10,000,000, (ii) three times the commercial gain from the contravention or (iii) 10% of the turnover of Koppers Arch New Zealand and all interconnected companies. Similarly, Koppers Arch Australia, an affiliate of Koppers Arch New Zealand, has made an application for leniency under the Australian Competition and Consumer Commission's ("ACCC") policy for cartel conduct. ACCC has confirmed that Koppers Arch Australia satisfies the requirements of its leniency program and the conditions attaching to Koppers Arch Australia's leniency application are expected to be determined shortly. In the event leniency is ultimately not provided, the ACCC may penalize Koppers Arch Australia for any violations of the competition laws of Australia. Such penalties, if assessed against Koppers Arch Australia, could have a material adverse effect on its business, financial condition, cash flows and results of operations. Koppers Arch New Zealand and Koppers Arch Australia are wholly-owned subsidiaries of Koppers Arch Investments Pty Ltd, which is an Australian joint venture owned 51% by Worldwide Ventures Corporation and 49% by Hickson Nederland BV.

We are not currently aware of any other government investigations or other claims related to these investigations of industry competitive practices.

Pacific Century. A subsidiary of Koppers Australia has been named as a defendant in a breach of contract and negligence lawsuit filed by Pacific Century in Queensland, Australia related to the sale of approximately 127,000 vineyard trellis posts. The complaint claims that certain posts were defective in that they either had decay, excessive bark or were less than the minimum specified size. In addition, plaintiff alleges violations of the Australian Timber Utilization and Marketing Act. Plaintiff is seeking damages in the amount of AU$6.6 million (approximately US$5.1 million) for, among other things, the costs of removing and replacing such trellis posts. Plaintiff has also filed a lawsuit against the constructor of the vineyard trellises, which lawsuit has been consolidated with its claim against us. Discovery in the case is ongoing and there can be no assurance that an unfavorable resolution of this matter will not have a material adverse effect on our business, financial condition, cash flows and results of operations.

Product Liability Cases

We, along with other defendants, have been named as a defendant in eleven cases in Pennsylvania and three cases in Texas in which the plaintiffs claim they suffered a variety of illnesses as a result of exposure to one or more of the defendants' products, including coal, coke and coal tar pitch. The cases are in the early stages of discovery, and therefore no determination can currently be made as to the likelihood or extent of any liability to us. Although we intend to vigorously defend these cases, there can be no assurance that an unfavorable resolution of these matters will not have a material adverse effect on our business, financial condition, cash flows and results of operations.

Other Matters

Dividend Payments and Stock Redemption. In November 2004 we declared and paid a dividend totaling $95.0 million ($30.99 per share to common and preferred). In July 2004 we declared and paid a dividend totaling $8.5 million ($2.86 per share to common and preferred). We paid a $25 million dividend ($8.00 per share to common and preferred) in January 2004 which had been declared in December 2003. Additionally, pursuant to a redemption offer we repurchased approximately 45,000 shares of common stock in April 2004 for a total of approximately $0.7 million.

Stock Purchases by Directors/Restricted Stock Grants to Senior Management. In August 2004 three members of our Board of Directors each purchased 5,000 shares of Koppers common stock at the current fair value. Additionally, in August 2004 we granted 135,000 restricted stock units to certain officers, of which 20% vested August 31, 2004. The remaining units will vest annually at a rate of 20% per year. We recorded $0.4 million of compensation expense for the vesting of restricted stock grants during the third quarter. In November 2004 we granted 8,000 shares of common stock of KI Holdings Inc. to certain officers and recorded $0.2 million of compensation expense.

Pension Funding. We contributed approximately $13.1 million to our U.S. defined benefit pension plans in 2004. Our estimates of our defined benefit pension plan contributions reflect the provisions of the Pension Funding Equity Act of 2004, which was enacted in April 2004. Of the $13.1 million contributed to our defined benefit pension plans in 2004, we contributed a total of $10.5 million through the nine months ended September 30, 2004.

Restructuring Reserves. During 2003 we incurred restructuring and impairment charges of $8.5 million, of which $0.7 were cash charges for severance and related charges. At September 30, 2004 all of the cash charges have been paid and there are no remaining reserves.

Consolidation of Koppers China. In 1999 we entered into a joint venture agreement with TISCO to rehabilitate and operate a tar distillation facility in China. Koppers China is 60% owned by us and began production of coal tar products in 2001. Contributions of cash, engineering services and acquisition costs for the joint venture total $10.5 million to date. In June 2001, we entered into an agreement with TISCO whereby TISCO assumed control of Koppers China through December 31, 2003. We chose to delay development of the carbon pitch export market due to the restructuring of the North American aluminum smelting capacity. In the interim, TISCO assumed responsibility for the joint venture to develop the domestic Chinese market. During this period, TISCO bore all responsibility for the operations and management of the facility, as well as the net income or loss, except for our pro rata share of depreciation, amortization and income taxes of the joint venture. Accordingly, we changed our method of accounting from consolidation to the equity method effective June 2001 to reflect this change in our ability to control Koppers China.

On January 1, 2004, we resumed control of Koppers China, which resulted in the consolidation of Koppers China in our financial statements beginning in the first quarter of 2004. For the nine months ended September 30, 2004 sales and net income for Koppers China were $20.2 million and $2.3 million, respectively. We anticipate that the profitability of Koppers China will be negatively impacted by the slowing of the Chinese economy and lower selling prices for certain products in the near term.

Interest Rate Swap. In January 2004 we entered into an interest rate swap agreement for $50 million of the Koppers Senior Secured Notes in order to protect a portion of the debt against changes in fair value due to changes in the benchmark interest rate. The agreement is designed to receive fixed 9.875% and pay floating six-month LIBOR rates plus a spread of 5.395% with semiannual settlements through October 2013. Changes in the fair value of the interest rate swap are expected to offset changes in the fair value of the Koppers Senior Secured Notes. The impact on the nine months ended September 30, 2004 was to lower interest expense by approximately $1.1 million. If no market rate changes occur for the remainder of 2004 the expected impact is to lower interest expense for year 2004 by a total of approximately $1.3 million. The fair value of the swap agreement at September 30, 2004 was a liability of $0.7 million.

Stock Redemptions. For the nine months ended September 30, 2004, stock redemptions for terminated management investors, including retirees, totaled $1.7 million. On February 27, 2004 the Stockholders' Agreement was amended to make the redemption of common stock from the Management Investors at our option after the effective date of the amendment. See "Certain Relationships and Related Party Transactions—Stockholders' Agreement."

Impact of Deferred Taxes. Based on our earnings history, along with the implementation of various tax planning strategies, we believe the deferred tax assets on our consolidated balance sheet at December 31, 2003 are realizable.

Foreign Operations and Foreign Currency Transactions. We are subject to foreign currency translation fluctuations due to our foreign operations. Exchange rate fluctuations for fiscal year 2003 resulted in an increase to comprehensive income of $22.6 million. Exchange rate fluctuations in 2002 resulted in an increase to comprehensive income of $9.7 million, while exchange rate fluctuations in 2001, resulted in a charge to comprehensive income of $4.2 million. We economically hedge certain firm commitments denominated in foreign currencies for periods up to twelve months, depending on the anticipated settlement dates of the related transactions. Forward exchange contracts are utilized to hedge these transactions, and all such contracts are marked to market with the recognition of a gain or loss at each reporting period. Therefore, at December 31, 2003 and 2002 there were no deferred gains or losses on hedging of foreign currencies. The fair value of derivatives at December 31, 2003 and 2002 was $0.3 million and ($0.3) million, respectively, and is included in Other Current Assets and Other Current Liabilities. For the years ended December 31, 2003, 2002 and 2001, $0.2 million, $0.0 million and $0.2 million, respectively, of losses on forward exchange contracts are included in cost of sales. Realized foreign exchange gains for the years ended December 31, 2003, 2002 and 2001 amounted to $0.3 million, $0.1 million and $0.0 million, respectively.

Seasonality; Effects of Weather. Our quarterly operating results fluctuate due to a variety of factors that are outside our control, including inclement weather conditions, which in the past have affected operating results. Operations at several facilities have been halted for short periods of time during the winter months. Moreover, demand for some of our products declines during periods of inclement weather. As a result of the foregoing, we anticipate that we may experience material fluctuations in quarterly operating results.

Schedule of Certain Contractual Obligations

The following table details our projected payments for our significant contractual obligations as of December 31, 2003. The table is based upon available information and certain assumptions we believe are reasonable.

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
			(in millions)		
Long Term Debt (1)	$ 340.7	$ 8.0	$ 3.8	$ 6.0	$322.9
Operating Leases	76.9	21.6	26.5	16.2	12.6
Environmental Fines	2.9	2.0	0.9	—	—
Interest on Debt	311.4	33.0	63.8	63.2	151.4
Pension Funding (2)	13.1	13.1	—	—	—
Purchase Commitments (3)	528.2	126.5	196.7	134.9	70.1
Common Stock Subject to Redemption (4)	13.2	2.5	1.0	—	9.7
Total Contractual Cash Obligations	$1,286.4	$ 206.7	$292.7	$220.3	$566.7

(1) Does not give effect to the offering of the Old Notes, which increased total long term debt by $125.5 million and resulted in an increase in interest expense.

(2) Based on expected contribution requirement for 2004 allowing for expected government funding relief. Future years' contributions not projected due to inherent uncertainties in amounts, which are impacted by, among other variables, the performance of U.S. and global equities markets.

(3) Consists primarily of raw materials purchase contracts. These are typically not fixed price arrangements; the prices are based on the prevailing market prices. As a result we generally expect to be able to hedge the purchases with sales at those future prices.

(4) Based on current fair value of common stock at December 31, 2003. On February 27, 2004 the Stockholders' Agreement was amended to make the redemption of common stock from the Management Investors at our option, after the effective date of the amendment.

Schedule of Certain Other Commercial Commitments

The following table details our projected payments for other significant commercial commitments as of December 31, 2003. The table is based upon available information and certain assumptions we believe are reasonable.

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
			(in millions)		
Lines of Credit (Unused)	$ 81.5	$ 76.4	$—	$—	$ 5.1
Standby Letters of Credit	17.6	17.6	—	—	—
Guarantees	1.5	—	1.5	—	—
Total Other Commercial Commitments	$100.6	$ 94.0	$ 1.5	$—	$ 5.1

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to use judgment in making estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and the disclosure of contingent liabilities. The following accounting policies are based on, among other things, judgments and assumptions made by management that include inherent risks and uncertainties. Our management's estimates are based on the relevant information available at the end of each period.

Long-Lived Assets. Our management periodically evaluates the net realizable value of long-lived assets, including property, plant and equipment, based on a number of factors including operating results, projected future cash flows and business plans. We record long-lived assets at the lower of cost or fair value, with fair value based on assumptions concerning the amount and timing of estimated future cash flows. Since judgment is involved in determining the fair value of fixed assets, there is a risk that the carrying value of our long-lived assets may be overstated.

Goodwill. Effective January 1, 2002, we adopted SFAS No. 142, Goodwill and Other Intangible Assets, under which goodwill is no longer amortized but is assessed for impairment at least on an annual basis. In making this assessment, management relies on various factors, including operating results, estimated future cash flows, and business plans. There are inherent uncertainties related to these factors and in our management's judgment in applying them to the analysis of goodwill impairment. Since management's judgment is involved in performing goodwill impairment analyses, there is risk that the carrying value of goodwill is overstated.

Goodwill valuations are performed using an average of actual and projected operating results of the relevant reporting units. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairments in future periods. Additionally, disruptions to our business such as prolonged recessionary periods or unexpected significant declines in operating results of the relevant reporting units could result in charges for goodwill and other asset impairments in future periods.

Revenue Recognition. We recognize revenue from product sales at the time of shipment or when title passes to the customer. We recognize revenue related to the procurement of certain untreated railroad crossties upon transfer of title, which occurs upon delivery to our plant and acceptance by the customer. Service revenue, consisting primarily of wood treating services, is recognized at the time the service is provided.

Inventories. In the United States, Carbon Materials & Chemicals (excluding furnace coke) and Railroad & Utility Products inventories are valued at the lower of cost, utilizing the last-in, first-out basis, or market. Inventories outside the United States are valued at the lower of cost, utilizing the first in, first-out basis, or market. Market represents replacement cost for raw materials and net realizable value for work in process and finished goods. Last-in, first-out inventories constituted approximately 55% and 59% of the first-in, first-out inventory value at December 31, 2003 and 2002, respectively.

Accrued Insurance. We are insured for property, casualty and workers' compensation insurance up to various stop loss amounts after meeting required retention levels. Losses are accrued based upon estimates of the liability for the related retentions for claims incurred using certain actuarial assumptions followed in the insurance industry and based on our experience. In the event we incur a significant number of losses beyond the coverage retention limits, additional expense beyond the actuarial projections would be required.

Pension and Postretirement Benefits. Accounting for pensions and other postretirement benefits involves estimating the cost of benefits to be provided far into the future and allocating that cost over the time period each employee works. This calculation requires extensive use of assumptions regarding inflation, investment returns, mortality, medical costs, employee turnover and discount rates. In determining the expected return on plan assets assumptions, we evaluate long-term actual return information, the mix of investments that comprise plan assets and estimates of future investment returns. In selecting rates for current and long-term health care assumptions, we take into consideration a number of factors including our actual health care cost increases, the design of our benefit programs, the characteristics of our active and retiree populations and expectations of inflation rates. Since these items require our management's judgment, the related liabilities currently recorded by us could be lower or higher than amounts ultimately required to be paid.

Accounts Receivable. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. In circumstances where we become aware of a specific customer's inability to meet its financial obligations, a specific reserve for bad debts is recorded against amounts due. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Environmental Liabilities. We are subject to federal, state, local and foreign laws and regulations and potential liabilities relating to the protection of the environment and human health and safety, including, among other things, the cleanup of contaminated sites, the treatment, storage and disposal of wastes, the discharge of effluent into waterways, the emission of substances into the air and various health and safety matters. We expect to incur substantial costs for ongoing compliance with such laws and regulations. We may also face governmental or third-party claims, or otherwise incur costs, relating to cleanup of, or for injuries resulting from, contamination at sites associated with past and present operations. We accrue for environmental liabilities when a determination can be made that they are probable and reasonably estimable. Total environmental reserves at September 30, 2004, December 31, 2003 and December 31, 2002 were approximately $4.8 million, $7.5 million and $11.3 million, respectively, which include provisions for environmental fines, soil remediation and the mandatory cleaning and disposal of residues from certain storage tanks.

Legal Matters. We record liabilities related to legal matters when an adverse outcome is probable and reasonably estimable. To the extent we anticipate favorable outcomes to these matters which ultimately result in adverse outcomes, we could incur material adverse impacts on earnings and cash flows. Since such matters require significant judgments on the part of management, the recorded liabilities could be lower than what is ultimately required.

Asset Retirement Obligations. We measure asset retirement obligations based upon the applicable accounting guidance, using certain assumptions including estimates regarding the recovery of residues in storage tanks. In the event that operational or regulatory issues vary from our estimates, we could incur additional significant charges to income and increases in cash expenditures related to the disposal of those residues.

Deferred Tax Assets. At September 30, 2004, our balance sheet includes $56.9 million of deferred tax assets. We have determined that no reserve is required for these deferred tax assets, based on future earnings projections. To the extent that we encounter unexpected difficulties in market conditions, adverse changes in regulations affecting our businesses and operations, adverse outcomes in legal and environmental matters, or any other unfavorable conditions, the projections for future taxable income may be overstated and we may be required to record a valuation allowance related to these deferred tax assets which could have a material adverse effect on income in the future.

Recently Issued Accounting Guidance

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), *Share-Based Payments* ("SFAS 123R"). SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. We are required to adopt the new standard in the first interim period beginning after June 15, 2005. We have not yet determined the impact, if any, of the adoption of SFAS 123R on our financial statements.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion 29* ("SFAS 153"). SFAS 153 requires that exchanges of nonmonetary assets be measured based on the fair values of the assets exchanged, and eliminates the exception to this principle under *APB Opinion 29* for exchanges of similar productive assets. We are required to adopt the new standard in the first interim period beginning after June 15, 2005. We have not yet determined the impact, if any, of the adoption of SFAS 153 on our financial statements.

In December 2004, the FASB issued SFAS No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* ("SFAS 151"). SFAS 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials should be recognized as current-period charges and requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. We are required to adopt the new standard in the fiscal year beginning after June 15, 2005. We have not yet determined the impact, if any, of the adoption of SFAS 151 on our financial statements.

In May 2004, the FASB issued Staff Position No. 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* ("FSP 106-2"). This Act was signed into law by the President on December 8, 2003 and introduces a prescription drug benefit plan under Medicare Part D as well as a federal subsidy to sponsors of retiree health benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP 106-2 provides guidance on how companies should account for the impact of the Act on their postretirement health care plans. To encourage employers to retain or provide postretirement drug benefits, beginning in 2006 the federal government will provide non-taxable subsidy payments to employers that sponsor prescription drug benefits to retirees that are actuarially equivalent to the Medicare benefit. FSP 106-2 is effective for interim or annual financial statements beginning after June 15, 2004. We have determined that the benefits provided under its plans are not likely to be actuarially equivalent to Medicare Part D. Therefore, the Act has been determined to have no impact on the net periodic postretirement benefit cost included in the financial statements.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), *Employers' Disclosures About Pensions and Other Postretirement Benefits*, an amendment of FASB Statements No. 87, 88 and 106, and a revision of FASB Statement No. 132. This statement requires additional disclosure about the assets, obligations, cash flow and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. This

statement also requires interim disclosure of the net periodic benefit cost and actual or expected employer contributions. The standard is effective for fiscal years ending after December 15, 2003 and interim periods beginning after December 15, 2003.

In May 2003, the Financial Accounting Standards Board issued Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, effective for the fiscal period beginning after December 15, 2003. Statement No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. To the extent that we are required to purchase shares of common stock, the adoption of Statement No. 150 requires us to classify common stock subject to redemption as a liability as of January 1, 2004. Prospectively, changes in the liability with the exception of redemptions will be included in pre-tax income.

Prior to February 27, 2004 the Stockholders' Agreement required us to redeem shares of common stock owned by officers, directors, and our current and former employees upon a Management Investor's ceasing for any reason to be employed by us. On February 27, 2004 the Stockholders' Agreement was amended to make the redemption of common stock from such Management Investors at our option.

The initial adoption of Statement No. 150 resulted in the recognition of a liability in the amount of $13.2 million for shares with a mandatory redemption requirement. At September 30, 2004 after giving effect to the amendment to the Stockholders' Agreement as noted above, the remaining liability was $1.5 million based on prior commitments to redeem shares. Due to the amendment, $11.2 million was reclassified to capital in excess of par value to reflect the elimination of the mandatory redemption requirement. There was no cumulative effect adjustment as a result of the adoption of Statement No. 150.

Effective January 1, 2003, we changed our method of accounting for asset retirement obligations in accordance with FASB Statement No. 143, *Accounting for Asset Retirement Obligations*. Previously, we had not been recognizing amounts related to asset retirement obligations. Under the new accounting method, we now recognize asset retirement obligations in the period in which they are incurred if a reasonable estimate of a fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

The cumulative effect of the change on prior years resulted in a charge to income of $18.1 million, net of income taxes of $11.7 million.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* ("FIN No. 46"). FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. In December 2003, FASB issued a revision to FIN No. 46; for us, the revised provisions of FIN No. 46 must be applied for the first interim or annual period beginning after December 15, 2004. We do not expect that the adoption of FIN No. 46 will have a material impact on our financial position, cash flows or results of operations.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, *Guarantors' Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN No. 45"). FIN No. 45 clarifies and expands on existing disclosure requirements for guarantees, including loan guarantees. It also requires that, at the inception of certain guarantees, we must recognize a liability for the fair value of our obligations under those guarantees. The initial fair value recognition and measurement provisions will be applied on a prospective basis to certain guarantees issued or modified after December 31, 2002. We have adopted FIN No. 45 and the effect of adoption did not have a material impact on our financial position, cash flows or results of operations.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 00-21 ("Issue 00-21"), *Revenue Arrangements with Multiple Deliverables*. Issue 00-21 provides guidance on how to account for arrangements that involve delivery or performance of multiple products, services and/or rights to use assets. The adoption of Issue 00-21 in July 2003 had no impact on our consolidated financial position or results of operations.

In July 2002, the Financial Accounting Standards Board issued Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. Effective January 1, 2003, we adopted the provisions of Statement No. 146, and the related provisions have been applied to the capacity rationalization activities at our Woodward, Alabama and Portland, Oregon carbon materials facilities during the fourth quarter of 2003, and the closure of our Logansport, Louisiana wood treating facility on September 30, 2003.

In April 2002, the Financial Accounting Standards Board issued Statement No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections*, effective for fiscal years beginning after June 15, 2002. For most companies, Statement No. 145 will require gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under Statement No. 4. Extraordinary treatment will be required for certain extinguishments as provided in APB Opinion No. 30. Statement No. 145 also amends Statement No. 13 to require that certain modifications to capital leases be treated as a sale-leaseback and modifies the accounting for subleases when the original lessee remains a secondary obligor (or guarantor). In addition, the FASB rescinded Statement No. 44, which addressed the accounting for intangible assets of motor carriers and made numerous technical corrections. Our adoption of Statement No. 145 resulted in charges of $12.2 million during 2003 to income from continuing operations for costs related to extinguishment of debt rather than as an extraordinary item.

In October 2001, the Financial Accounting Standards Board issued Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, effective for fiscal years beginning after December 15, 2001. The new rules on asset impairment supersede FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, and provide a single accounting model for long-lived assets to be disposed of. We have applied the provisions of Statement No. 144 to our carbon materials facilities in Woodward, Alabama and Portland, Oregon and our wood treating facility in Logansport, Louisiana in 2003.

In June 2001, the Financial Accounting Standards Board issued Statements No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill is no longer amortized but is subject to annual impairment tests in accordance with the Statements. Other intangible assets continue to be amortized over their useful lives. We have applied the new rules on accounting for goodwill beginning in the first quarter of 2002. If Statement No. 142 had been adopted January 1, 2001 the increase to net income would have been $0.8 million for 2001. During 2003, we performed the required impairment tests of goodwill as of November 30, 2003 and determined that there is no impairment.

Environmental and Other Liabilities Retained or Assumed by Others

We have agreements with former owners of certain of our operating locations under which the former owners retained or assumed and agreed to indemnify us against certain environmental and other liabilities. The most significant of these agreements was entered into at our formation on December 28, 1988 (the

"Acquisition"). Under the related asset purchase agreement between us and Beazer East, subject to certain limitations, Beazer East retained the responsibility for and agreed to indemnify us against certain liabilities, damages, losses and costs, including, with certain limited exceptions, liabilities under and costs to comply with environmental laws to the extent attributable to acts or omissions occurring prior to the Acquisition (the "Indemnity"). Beazer Limited unconditionally guaranteed Beazer East's performance of the Indemnity pursuant to a guarantee (the "Guarantee"). Beazer Limited became a wholly owned indirect subsidiary of Hanson PLC on December 4, 1991. In 1998, Hanson PLC purchased an insurance policy under which the funding and risk of certain environmental and other liabilities relating to the former Koppers Company, Inc. operations of Beazer East (which includes locations purchased from Beazer East by us) are underwritten by Centre Solutions (a member of the Zurich Group) and Swiss Re.

The Indemnity provides different mechanisms, subject to certain limitations, by which Beazer East is obligated to indemnify us with regard to certain environmental and other liabilities and imposes certain conditions on us before receiving such indemnification, including certain limitations regarding the time period as to which claims for indemnification can be brought. In July 2004, we entered into an agreement with Beazer East to amend the December 29, 1988 asset purchase agreement to provide, among other things, for the continued tender of pre-closing environmental liabilities to Beazer East under the Indemnity through July 2019. As consideration for the agreement, we will pay Beazer East four installments over three years totaling $7 million and share toxic tort litigation costs arising from any sites acquired from Beazer East. The first payment of $2 million was made in July 2004.

Contamination has been identified at most of our manufacturing and other sites. Three sites owned and operated by us in the United States, as well as one former site, are listed on the National Priorities List promulgated under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"). The sites include our Gainesville, Florida wood treating facility; our Galesburg, Illinois wood treating facility; our Florence, South Carolina wood treating facility; and our former Feather River facility. Currently, at the properties acquired from Beazer East (which include all of the National Priorities List sites and all but one of the Resource Conservation and Recovery Act ("RCRA")-permitted sites), substantially all investigative, cleanup and closure activities are being conducted and paid for by Beazer East pursuant to the terms of the Indemnity. In addition, other of our sites are or have been operated under RCRA and various other environmental permits, and remedial and closure activities are being conducted thereat.

To date, the parties that retained, assumed or agreed to indemnify us against the liabilities referred to above have performed their obligations in all material respects. We believe that for the last three years amounts paid by Beazer East as a result of its environmental remediation obligations under the Indemnity have averaged in total approximately $8.3 million per year. If for any reason (including disputed coverage or financial incapability) one or more of such parties fail to perform their obligations and we are held liable for or otherwise required to pay all or part of such liabilities without reimbursement, the imposition of such liabilities on us could have a material adverse effect on our business, financial condition, cash flows and results of operations. In addition, if we were required to record a liability with respect to all or a portion of such matters on our balance sheet, the amount of our total liabilities could exceed the book value of our assets by an additional amount that could be significant.

Also, contamination has been detected at certain of our Australian facilities. These sites include our tar distillation facility in Mayfield, NSW, Australia and our wood protection chemicals facility in Trentham, Victoria, Australia, which has been listed on the Victorian register of contaminated sites. Our total reserves include $1 million for the estimated remediation costs at these sites.

Grenada. We, together with various co-defendants (including Beazer East), have been named as a defendant in four toxic tort lawsuits in various state courts in Mississippi and in two toxic tort lawsuits in federal court in Mississippi arising from the operation of Grenada. The complaints allege that plaintiffs were exposed to harmful levels of various toxic chemicals, including creosote, pentachlorophenol and dioxin, as a result of soil, surface water and groundwater contamination and air emissions from the Grenada facility and, in the state court cases, from an

adjacent manufacturing facility operated by Heatcraft, Inc. In the state court actions, which include a total of approximately 115 plaintiffs, each plaintiff seeks compensatory damages from the defendants of at least $5 million for each of seven counts and punitive damages of at least $10 million for each of three counts. In the federal case action referred to as the Beck case, there are a total of approximately 110 plaintiffs. Each plaintiff in the Beck case seeks compensatory damages from the defendants in an unspecified amount and punitive damages of $20 million for each of four counts. In the federal case action referred to as the Ellis case, there are approximately 1,130 plaintiffs. Each plaintiff in the Ellis case seeks compensatory damages from the defendants of at least $5 million for each of seven counts and punitive damages of at least $10 million for each of three counts. Based on our experience in defending previous toxic tort cases (including our victory in similar litigation involving Green Spring and our recent dismissal without prejudice from similar litigation involving Somerville, as noted below), we do not believe that the damages sought by the plaintiffs in the state court and federal court actions are supported by the facts of the cases. We are seeking to transfer venue of the state court cases to Grenada County, Mississippi. The venue issue is currently on appeal to the Mississippi Supreme Court. During the pendency of the appeal, discovery in the state court cases has been stayed. Discovery in the federal court cases has also been stayed. However, discovery with respect to 12 plaintiffs is proceeding in the Beck federal case. The trials of the 12 Beck plaintiffs are currently scheduled to commence in October 2005. Although we intend to vigorously defend these cases, there can be no assurance that an unfavorable resolution of this matter will not have a material adverse effect on our business, financial condition, cash flows and results of operations.

Somerville. We, along with Burlington Northern and Santa Fe Rail Way Company and Solvents and Chemicals, Inc., were named in a total of 11 toxic tort lawsuits by a total of approximately 30 plaintiffs that were filed in various state courts in Texas by individuals claiming to be residents of Somerville, Texas. The complaints alleged that plaintiffs suffered personal injuries resulting from exposure to chemicals used at Somerville. The plaintiffs sought actual damages and punitive damages in an unspecified amount from the defendants. We have been voluntarily dismissed without prejudice by the plaintiffs from all of the Somerville lawsuits. The lawsuits are proceeding against the remaining defendants.

Other Environmental Matters

In October 1996, we received a Clean Water Act information request from the U.S. Environmental Protection Agency (“EPA”). This information request asked for comprehensive information on discharge permits, applications for discharge permits, discharge monitoring reports and the analytical data in support of the reports and applications. EPA subsequently alleged that we violated various provisions of the Clean Water Act. We subsequently agreed, among other things, to a $2.9 million settlement, payable in three annual installments. The first two payments, totaling $1 million each, were made in April 2004 and 2003, respectively.

Additionally, during an investigation we initiated at our Woodward Coke facility prior to its closure in January 1998, it was discovered that certain environmental records and reports related to the discharge of treated process water contained incomplete and inaccurate information. Corrected reports were submitted to the State of Alabama and EPA, which resulted in a complaint against us by EPA alleging certain civil and criminal violations of applicable environmental laws. We subsequently entered into a plea agreement and a related compliance agreement addressing this matter, which together provide, among other things, for the payment by us of a $2.1 million fine payable to the government and $0.9 million in restitution payable to the Black Warrior-Cahaba Rivers Land Trust in three equal annual installments beginning in December 2002. Our plea was entered in August 2002 and the sentencing occurred in December 2002. At the sentencing, the court, among other things, approved the terms of the plea agreement previously negotiated between us and EPA. The first two payments, totaling $1.0 million each, were made in December 2003 and 2002, respectively. The final payments of $0.4 million and $0.6 million were made in December 2004 and January 2005, respectively. A failure on our part to comply with the terms of the compliance agreement, plea agreement and probation could lead to significant additional costs and sanctions, including the potential for our suspension or debarment from governmental contracts.

Other Matters

There are currently no known viable substitutes for carbon pitch in the production of carbon anodes. However, in 2000, our largest carbon pitch customer announced that it was actively pursuing alternative anode

technology that would eliminate the need for carbon pitch as an anode binder. Although management does not believe that this alternative technology will be developed and used widely within the next five years, the potential development and implementation of this new technology could seriously impair our ability to profitably market carbon pitch and related co-products. Approximately 75% of our carbon pitch is sold to the aluminum industry under long-term contracts typically ranging from three to four years.

Global restructuring in the electrode and aluminum markets has resulted in reduced volumes of carbon pitch in domestic markets. As a result, during 2003 we ceased production at our carbon materials facility in Woodward, Alabama and also determined that our port facility in Portland, Oregon is an impaired facility. As a result, restructuring and impairment charges of $7.2 million and related charges of $4.9 million were recorded to pre-tax income in the fourth quarter of 2003 for the Carbon Materials and Chemicals segment.

Because of the Clean Air Act Amendments of 1990 and other environmental laws, future coal tar availability from domestic coke production is expected to decline. Management believes that our ability to source coal tar and carbon pitch from overseas markets through our foreign operations, as well as our research of petroleum feedstocks, will assist in securing an uninterrupted supply of carbon pitch feedstocks.

Over the last several years, utility pole demand has dropped as utilities in the United States and Australia have reduced spending due to competitive pressures arising from deregulation. It is expected that deregulation will continue to negatively affect both new and replacement pole installation markets.

Quantitative and Qualitative Disclosures About Market Risk

Like other global companies, we are exposed to market risks relating to fluctuations in interest rates and foreign currency exchange rates. The objective of our financial risk management is to minimize the negative impact of interest rate and foreign exchange rate fluctuations on our earnings, cash flows and equity.

To manage the interest rate risks, we use a combination of fixed and variable rate debt. This reduces the impact of short-term fluctuations in interest rates. To manage foreign currency exchange rate risks, we enter into foreign currency debt instruments that are held by our foreign subsidiaries. This reduces the impact of fluctuating currencies on net income and equity. We also use forward exchange contracts to hedge firm commitments up to twelve months. Forward exchange contracts are utilized to hedge these transactions, and all such contracts are marked to market with the recognition of a gain or loss at each reporting period.

As required by the Securities and Exchange Commission (“SEC”) rules, the following analyses present the sensitivity of the market value, earnings and cash flows of our financial instruments and foreign operations to hypothetical changes in interest and exchange rates as if these changes occurred at December 31, 2003 and 2002. The range of changes chosen for these analyses reflects our view of changes which are reasonably possible over a one-year period. Market values are the present values of projected future cash flows based on the interest rate and exchange rate assumptions. These forward-looking statements are selective in nature and only address the potential impacts from financial instruments and foreign operations. They do not include other potential effects that could impact our business as a result of these changes.

Interest Rate and Debt Sensitivity Analysis. Our exposure to market risk for changes in interest rates relates primarily to our debt obligations. As described in Note 3 of our Notes to Consolidated Financial Statements, we have both fixed and variable rate debt to manage interest rate risk and to minimize borrowing costs. In January 2004, we also entered into an interest rate swap arrangement with respect to $50 million of the $320 million 9 7/8% Senior Secured Notes due 2013. (See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”)

At December 31, 2003, we had $323.8 million of fixed rate debt and $16.9 million of variable rate debt. At December 31, 2002 we had $179.1 million of fixed rate debt and $82.6 million of variable rate debt. Our ratio of fixed to variable rate debt at December 31, 2003, including the $50 million interest rate swap referred to above,

was approximately 20%, reflecting a reduction in the ratio from 32% in the previous period. This change in strategy reflects the refinancing of our debt structure during 2003 to take advantage of the favorable climate in the corporate bonds markets and to provide a long-term debt structure to help facilitate our long-term cash requirements. For fixed rate debt, interest rate changes affect the fair market value but do not impact earnings or cash flows. For variable rate debt, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are held constant.

Holding other variables constant (such as debt levels and foreign exchange rates), a one percentage point decrease in interest rates at December 31, 2003 and 2002 would have increased the unrealized fair market value of the fixed rate debt by approximately $19.4 million and $10.7 million, respectively. The earnings and cash flows for the next year assuming a one percentage point increase in interest rates would decrease approximately $0.2 million, holding other variables constant.

Exchange Rate Sensitivity Analysis. Our exchange rate exposures result primarily from our investment and ongoing operations in Australia, Denmark and the United Kingdom. Holding other variables constant, if there were a ten percent reduction in all relevant exchange rates, the effect on our earnings, based on actual earnings from foreign operations for the years ended December 31, 2003 and 2002, would be reductions of approximately $1.5 million for both years.

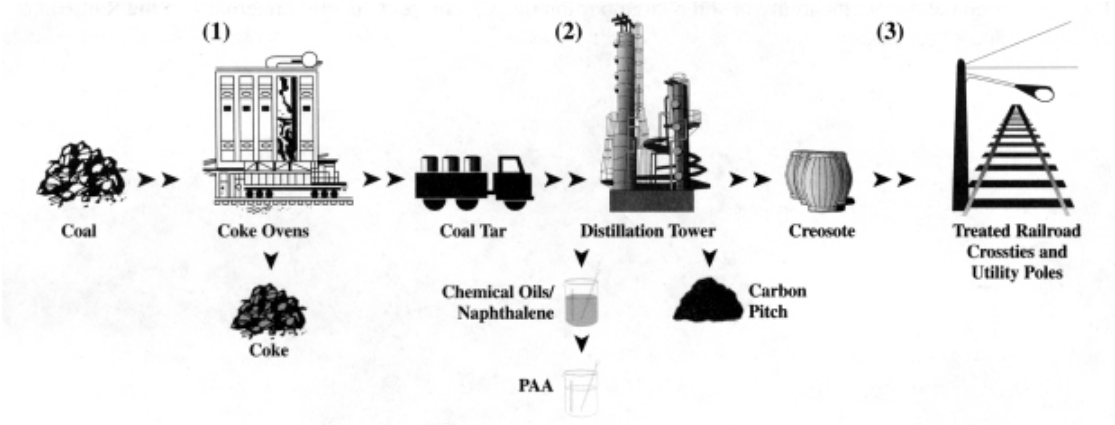
BUSINESS

General

We are a global integrated producer of carbon compounds and treated wood products. Our chemical products are used in a wide variety of end markets with applications in the aluminum, railroad, specialty chemical, utility, rubber and steel industries. In 2003, we generated approximately 60% of our net sales from products in which we believe we held the number one or two market share position by volume. The "Koppers" brand name has been associated with the carbon compounds and wood treating businesses for many years, and is well-recognized as a leader in these industries. We sell our products to approximately 2,300 customers across 69 countries. Our reputation has enabled us to establish strong relationships with numerous companies preeminent in their respective markets, including Alcoa Inc., CSX Transportation, Inc., Burlington Northern Santa Fe Railway, Union Pacific Railroad Company and Hydro Aluminum. Nine out of our top ten customers are served under long-term contracts with an average length of five years. During 2003, North America, Australasia and Europe represented 66%, 19% and 15% of our net sales, respectively.

We operate two principal businesses, Carbon Materials & Chemicals and Railroad & Utility Products. During 2003, our Carbon Materials & Chemicals business and Railroad & Utility Products business accounted for approximately 57% and 43% of net sales, respectively. Our Carbon Materials & Chemicals business processes coal tar into a variety of products, including carbon pitch, creosote and phthalic anhydride, which are intermediate materials necessary in the production of aluminum, the pressure treatment of wood and the production of plasticizers and specialty chemicals, respectively. We believe that our primary carbon materials and chemicals products are essential components used in our customers' production processes. For example, carbon pitch is necessary for the production of aluminum and the electric arc furnace steel-making process. Our Railroad & Utility Products business is the largest North American supplier of treated wood products, such as railroad crossties and utility poles, to railroads and the electric and telephone utility industries. In 2003, railroad crosstie and related products sales comprised approximately 81% of the net sales of our Railroad & Utility Products business. Treated wood creates more durable structures that resist decay and reduce replacement costs.

Our operations are, to a substantial extent, vertically integrated and employ a variety of processes, as illustrated in the following flow diagram:



We operate 37 facilities located in the United States, the South Pacific (primarily Australia and New Zealand), Europe and South Africa. We also maintain an indirect ownership interest in an additional facility in the United States through our domestic joint venture, KSA Limited Partnership.

Industry Overview

Coal tar is a by-product generated through the processing of coal into coke for use in steel and iron manufacturing. We produce and distribute a variety of intermediate chemical products derived from the coal tar distillation process, including the co-products of the distillation process. During the distillation process, heat and vacuum are utilized to separate coal tar into three primary components: carbon pitch (approximately 50%), creosote oils (approximately 30%) and chemical oils (approximately 20%). Because all coal tar products are produced in relatively fixed proportion to carbon pitch, the level of carbon pitch consumption generally determines the level of production of other coal tar products. Three major markets served by our Carbon Materials & Chemicals business are the aluminum, wood preservation and chemical industries.

We believe that our two principal businesses are substantially affected by demand for aluminum and railroad track maintenance. Worldwide aluminum production increased 7.2% to 25.4 million metric tons in 2003 from 23.7 million metric tons in 2002, and is estimated to continue to grow to 26.9 million metric tons in 2004 and 28.4 million metric tons in 2005, for a compound annual growth rate of 6.2% since 2002. Carbon pitch requirements for the aluminum industry are estimated to be approximately 2.5 million metric tons in 2004, up from 2.4 million metric tons in 2003.

For the nine months ended September 30, 2004, approximately 87% of our U.S. creosote production is supplied to our Railroad & Utility Products business. Management estimates the North American market for creosote to be approximately 400 million pounds. Growth in this market is directly linked to the track maintenance programs of the Class 1 railroads. In 2005, we expect the total market for creosote to remain consistent with 2004 levels. The North American phthalic anhydride industry has production capacity of approximately 1.0 billion pounds and is a feedstock for plasticizers, unsaturated polyester resins, alkyd resins and other miscellaneous chemicals.

The North American railroad crosstie market is a mature market with approximately 17 million replacement crossties purchased during 2003, representing an estimated $577 million in sales. Historically, investment trends in track maintenance by domestic railroads have been linked to general economic conditions in the railroad industry. During the past several years, domestic railroads have underinvested in track maintenance due to the recession and a focus on capital equipment programs, such as investments in locomotives. Recently, the Class 1 railroads have increased their spending on track maintenance, which has caused an increase in demand for railroad crossties. We believe this increase in demand will continue for the near term.

The U.S. market for treated wood utility pole products is characterized by a large number of small producers selling into a price-sensitive industry. The utility pole market is highly fragmented domestically with over 200 investor-owned electric and telephone utilities and 2,800 smaller municipal utilities and rural electric associations.

Key Competitive Strengths

Leading Market Positions Across Business Segments. We are a leading integrated distiller of coal tar and supplier of treated wood products with operations strategically located around the world. We believe that our coal tar distillation capacity accounts for approximately 65% of North American coal tar distillation capacity. In 2003, we generated approximately 60% of our net sales from products in which we held the number one or two market share position by volume. We believe our leading market positions and strong reputation provide us with improved opportunities to gain new business, source appropriate quantities of raw materials and reliably provide products to our customers.

Strong Customer Relationships Under Contract Arrangements. The “Koppers” name has been associated with quality and reliability for over 70 years. We sell our products to approximately 2,300 customers across 69 countries. Our reputation has enabled us to establish strong relationships with numerous companies preeminent in their respective markets, including Alcoa Inc., CSX Transportation, Inc., Burlington Northern and Santa Fe

Railway, Union Pacific Railroad Company and Hydro Aluminum. Nine out of our top ten customers are served under long-term contracts with an average length of five years. For the twelve months ended December 31, 2003, approximately 50% of our net sales were made to customers with whom we have contract arrangements of two or more years. In 2003 net sales to these customers totaled approximately $420.2 million. Our global presence and strategically located facilities make us a preferred provider of our customers' requirements. For example, for our top ten customers with whom we have long-term contract arrangements we have provided an average of approximately 60% of their carbon materials and treated wood product requirements during 2004.

Vertical Integration. Our ability to utilize products produced in our Carbon Materials & Chemicals business in our manufacturing processes provides us with significant cost savings. We use approximately 70% of our creosote, a major co-product of the coal tar distillation process, as a raw material in the treatment of wood by our Railroad & Utility Products business. We also believe that we have a significant cost advantage over our competitors as a result of our ability to use internally generated naphthalene as a primary feedstock in the production of phthalic anhydride. All of our domestic competitors currently use orthoxylene, which is generally a higher-cost feedstock than naphthalene, in the production of phthalic anhydride.

Diversified Supply Base. Our leading position in coal tar distillation capacity complements our ability to source high-quality coal tar from multiple suppliers. In turn, this provides us with a significant competitive advantage in meeting customer requirements in a timely and economically advantageous manner. In addition, we believe our ability to source coal tar globally is critical to obtaining the quality of coal tar needed to satisfy our global customers' needs.

Global and Diverse Product Markets. We sell our carbon materials and treated wood products to diverse markets across all major regions of the world. During 2003, North America, Australasia and Europe represented 66%, 19% and 15% of our net sales, respectively. Our approximately 2,300 customers operate in diverse end markets such as aluminum, railroads, specialty chemicals, including polyester resins, paints, coatings and plasticizers, steel, utilities, rubber tires, wood preservation, roofing and pavement sealers. We believe that our broad product line and end markets allow us to reduce our exposure to any one market segment.

Experienced and Incentivized Management Team. Our senior management team has an average of 25 years of industry experience. Our president and chief executive officer, Walter W. Turner, has been in the business since our formation and was named chief executive officer in 1998. Our directors, management team and employees own approximately 25% of our fully diluted common equity (collectively referred to herein as our "management investors").

Our Business Strategy

Increase Market Penetration. We believe we have opportunities to increase sales of our products to our existing customers. For example, in 2003, our largest competitor in the railroad wood treating industry exited the business. As a result of this exit, we have entered into new long-term contracts with the Burlington Northern and Santa Fe Railway and Union Pacific Railroad Company, both existing customers. In addition to strong market positions in North America and Australia, we believe we have opportunities to further penetrate the Asian and European markets. Due to increased availability of renewable plantation forests throughout Australasia we expect to see increasing demand for wood treatment capabilities. We expect to capitalize on our established geographic presence throughout this region to expand our treated wood products business and our treatment chemicals business. With our extensive production capabilities, product breadth, reputation in the industries we serve and global distribution capabilities, we are well positioned to take advantage of market opportunities as they arise.

Expand Our Product Portfolio and Customer Base. We expect to expand many of our product lines through the development of related products to meet new end-use applications. For instance, we have introduced a coal tar and petroleum pitch blend that results in up to a 60% reduction in the regulated constituents in air emissions from aluminum smelters utilizing the Soderberg process. Additionally, we have patents pending for,

and we are in the developmental stage of, new pitch products to be used in friction materials (brakes), carbon/graphite and rubber products. A number of trials are in progress with aircraft and automotive brake manufacturers to replace higher-cost, less effective additives currently in use with our coal tar products.

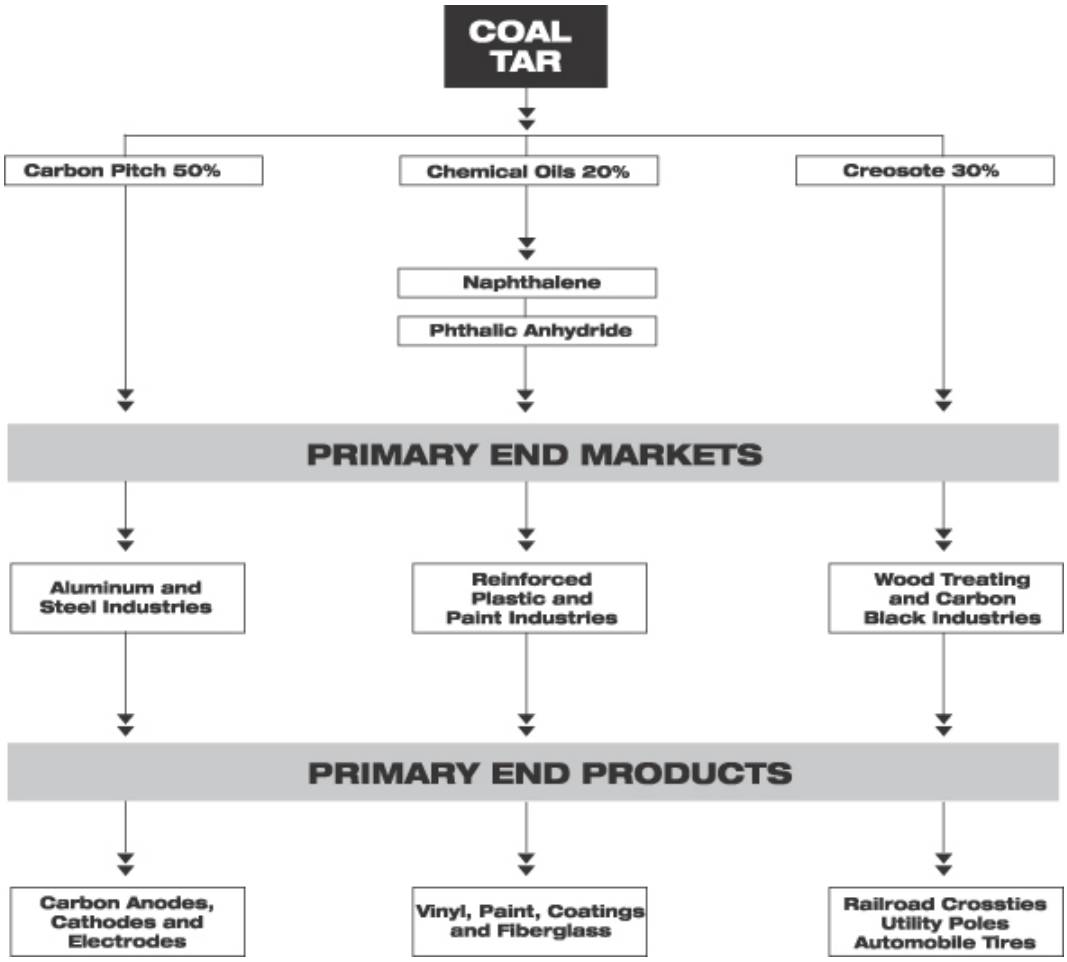
Continue to Enhance Productivity and Implement Cost Reduction Initiatives. We continue to focus on productivity and cost reduction initiatives to improve our profitability. We continually evaluate our operations for potential improvements in productivity and cost reduction initiatives.

Carbon Materials & Chemicals

Our Carbon Materials & Chemicals business manufactures five principal products: (a) carbon pitch, used in the production of aluminum and steel; (b) phthalic anhydride, used in the production of plasticizers and polyester resins; (c) creosote, used in the treatment of wood; (d) carbon black (and carbon black feedstock), used in the manufacture of rubber tires; and (e) furnace coke, used in steel production. Carbon pitch, phthalic anhydride, creosote and carbon black feedstock are produced through the distillation of coal tar, a by-product of the transformation of coal into coke. The Carbon Materials & Chemicals business' profitability is impacted by its cost to purchase coal tar in relation to its prices realized for carbon pitch, phthalic anhydride, creosote and carbon black. We have three tar distillation facilities in the United States, one in Australia, one in China, one in Denmark and two in the United Kingdom, strategically located to provide access to coal tar and to facilitate better service to our customers with a consistent supply of high-quality products. For 2003, 2002 and 2001, respectively, principal products comprised the following percentages of net sales for Carbon Materials & Chemicals (excluding intercompany sales): (i) carbon pitch, 38%, 39% and 38%; (ii) phthalic anhydride, 12%, 12% and 12%; (iii) carbon black (and carbon black feedstock), 10%, 9% and 9%; (iv) furnace coke, 8%, 9% and 8%; and (v) creosote, 4%, 5% and 6%.

We believe we have a strategic advantage over our competitors based on our ability to access coal tar from many global suppliers and subsequently blend such coal tars to produce carbon pitch with the consistent quality important in the manufacturing of quality anodes for the aluminum industry. Our eight coal tar distillation facilities, four of which have port access, and two carbon pitch terminals give us the ability to offer customers multiple sourcing and a consistent supply of high quality products. In anticipation of potential reductions of U.S. coke capacity, we have secured coal tar supply through long-term contracts and acquisitions.

Coal tar distillation involves the conversion of coal tar into a variety of intermediate chemical products in processes beginning with distillation. During the distillation process, heat and vacuum are utilized to separate coal tar into three primary components: carbon pitch (approximately 50%), creosote oils (approximately 30%) and chemical oils (approximately 20%).



Over 75% of our carbon pitch is sold to the aluminum industry under long-term contracts typically ranging from three to four years, many with provisions for periodic pricing reviews. Demand for carbon pitch generally has fluctuated with production of primary aluminum. However, global restructuring in the electrode and aluminum markets during the past several years has resulted in reduced volumes in domestic markets. Because all coal tar products are produced in relatively fixed proportion to carbon pitch, the level of carbon pitch consumption generally determines the level of production of other coal tar products. The commercial carbon industry, the second largest user of carbon pitch, uses carbon pitch to produce electrodes and other specialty carbon products for the steel industry. There are currently no known viable substitutes for carbon pitch in the production of carbon anodes used in the aluminum production process.

Creosote is used in the wood preservation industry as a preservative for railroad crossties and lumber, utility poles and piling. To the extent that creosote cannot be sold for use in treating wood products, distillate oils are sold into the carbon black market rather than being blended to creosote specifications.

Approximately 59% of our total creosote production was sold to our Railroad & Utility Products business in 2003. Railroad & Utility Products purchases substantially all of its creosote from the Carbon Materials & Chemicals business. We are the only competitor in this market that is integrated in this fashion. The remainder of our creosote is sold to railroads or to other wood treaters. We have one principal competitor in the creosote market.

We are also a 51% owner of a timber preservation chemicals business that operates throughout Australia, New Zealand, Southeast Asia, Japan and South Africa. Timber preservation chemicals are used to impart durability to timber products used in building/construction, agricultural and heavy-duty industrial markets. The most commonly used chemicals are creosote, copper chrome arsenates, copper co-biocides, sapstain control products and light organic solvent preservatives.

Roofing pitch and refined tars are also produced in smaller quantities and are sold into the commercial roofing and pavement sealer markets, respectively.

Carbon black is manufactured in Australia at a carbon black facility using both petroleum oil and coal tar based feedstocks, which are subjected to heat and rapid cooling within a reactor. Additionally, tar-based carbon black feedstock is manufactured as a co-product of the tar distillation process and can be produced at our three domestic, one Australian and three European tar distillation facilities. The tar distillation plant in Australia provides our carbon black business with approximately 40% of its total feedstock needs.

Chemical oils resulting from the distillation of coal tars are further refined by us into naphthalene, which is the primary feedstock used by us for the production of phthalic anhydride. The primary markets for phthalic anhydride are in the production of plasticizers, unsaturated polyester resins and alkyd resins. Naphthalene is also sold into the industrial sulfonate market for use as dispersants in the concrete additive and gypsum board markets. Additional end uses include oil field additives, agricultural emulsifiers, synthetic tanning agents and dyestuffs.

On a worldwide basis, naphthalene and orthoxylene, a refined petroleum derivative, are both used as feedstock for the production of phthalic anhydride. We are the only North American phthalic anhydride producer capable of utilizing both orthoxylene and naphthalene for this production. Our ability to utilize naphthalene as a by-product of coal tar distillation gives us a stable feedstock cost that is not subject to volatile pricing experienced recently in petroleum-based feedstocks, as our cost to produce naphthalene is driven primarily by our cost to procure and distill coal tar. We believe that our ability to utilize naphthalene gives us a lower-cost feedstock for the production of phthalic anhydride since historically our cost to produce naphthalene has been lower than our cost to purchase orthoxylene. Phthalic anhydride pricing has historically been based on orthoxylene values in combination with a “plus” factor. However, for the past three years there have been difficult market conditions and corresponding low operating rates for most producers. The result has been a depressed “plus” factor to levels which have resulted in reduced profitability. Market conditions for phthalic anhydride have improved significantly in 2004.

Furnace coke is a carbon and fuel source required in the manufacturing of steel. Coal, the primary raw material, is carbonized in oxygen-free ovens to obtain the finished product. Coke manufacturers are either an integrated part of a steel company or, as in our case, operate independently and are known as “merchant producers.”

Our coke business consists of one production facility located in Monessen, Pennsylvania, which produces furnace coke. The plant consists of two batteries with a total of 56 ovens and has a total capacity of approximately 350,000 tons of furnace coke per year. All of the ovens were rebuilt in 1980 and 1981, which, together with recent improvements, make our Monessen facility one of the most modern coking facilities in the United States.

Before the expiration of the related tax law at December 31, 2002, our Monessen facility qualified for a tax credit based on its production of coke as a non-conventional fuel and the sale thereof to unrelated third parties. The tax credit generated per ton of coke was tied to a per-barrel of oil equivalent determined on a British Thermal Unit basis and adjusted annually for inflation. The value of this tax credit per ton of coke was approximately $28.00 in 2002. In December 1999 we entered into an agreement with a third party which resulted in substantially all tax credits generated as a result of the production and sale of coke at our Monessen facility being transferred to the third party. In 2003, 2002 and 2001, we earned $0.1 million, $9.8 million and $8.2 million, respectively, for the transfer of tax credits (the 2003 amount was a retroactive inflation adjustment). The tax credits expired at the end of 2002. Prior to the Monessen transaction, we earned these credits.

The Carbon Materials & Chemicals business' ten largest customers represented approximately 44%, 47% and 44% of the business' net sales for 2003, 2002 and 2001, respectively. We have one primary global competitor in the carbon pitch market.

Coal tar is purchased from a number of outside sources as well as from our Monessen facility. Primary suppliers are United States Steel Corporation, International Steel Group, China Steel Chemical Corporation, Bluescope Steel (AIS) Pty. Limited, OneSteel Manufacturing Pty. Ltd., Corus Group PLC and Wheeling-Pittsburgh Steel Corporation.

Because of the Clean Air Act Amendments of 1990 and other environmental laws, future coal tar availability from domestic coke production is expected to decline. Management believes that our ability to source coal tar and carbon pitch from overseas markets through our foreign operations, as well as our research of petroleum feedstocks, will assist in securing an uninterrupted supply of carbon pitch feedstocks.

In 1999, we entered into a joint venture agreement with Tangshan Iron & Steel Co. to rehabilitate and operate a tar distillation facility in China. The joint venture, Koppers (China) Carbon and Chemical Co., Limited, is 60% owned by us and began production of coal tar products in 2001. On January 1, 2004, we resumed operating control of Koppers (China) Carbon and Chemical Co., Limited and began to consolidate its results in the first quarter of 2004. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Matters."

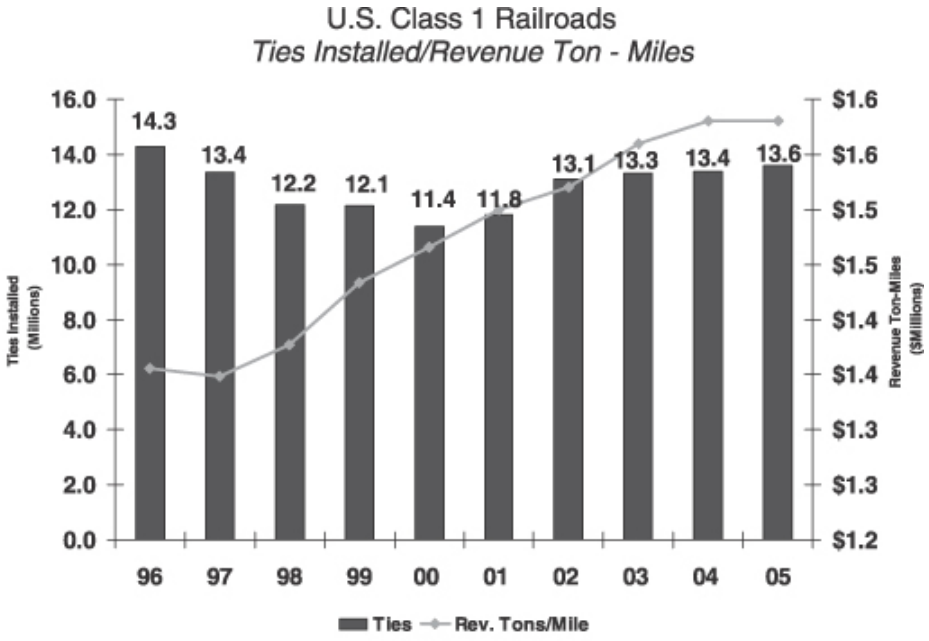
Railroad & Utility Products

We market treated wood products primarily to the railroad and public utility markets, primarily in the United States and Australasia. The Railroad & Utility Products business' profitability is influenced by the demand for railroad products and services by Class 1 railroads, demand for transmission and distribution poles by electric and telephone utilities and its cost to procure wood. For the nine months ended September 30, 2004, sales of railroad products and services represented approximately 80% of the Railroad & Utility Products business' net sales. Railroad products include items such as crossties, switch ties and various types of lumber used for railroad bridges and crossings. Utility products include transmission and distribution poles for electric and telephone utilities and piling used in industrial foundations, beach housing, docks and piers. The Railroad & Utility Products business operates 19 wood treating plants, one specialty trackwork facility, one co-generation facility and pole distribution yards located throughout the United States and Australia. Our network of plants is strategically located near timber supplies to enable us to access raw materials and service customers effectively. In addition, our crosstie treating plants typically abut railroad customers' track lines, and our pole distribution yards are typically located near our utility customers.

The Railroad & Utility Products business' largest customer base is the Class 1 railroad market, which buys 85% of all crossties produced in the United States. We have also been expanding key relationships with some of the approximately 550 short-line and regional rail lines. The railroad crosstie market is a mature market with approximately 17 million replacement crossties purchased during 2003, representing an estimated $461 million in sales. We currently have contracts with six of the seven North American Class 1 railroads and have enjoyed long-standing relationships with this important customer base. These relationships, coupled with a growing interest on the part of railroads to outsource non-core activities and consolidate their supplier base, have enabled

us to position our company for growth by offering certain products and services to railroads at a cost lower than the railroads' internal cost. Such new services include assembling track sections and affixing fastening devices at the treating plant rather than field locations; fabricating specialty track items such as turnouts; and disposing of discarded ties in an environmentally safe manner in a high temperature boiler. In 2003, approximately 10% of Railroad & Utility Products' net sales were derived from these types of services to railroads. We intend to capitalize on our relationships with railroads by expanding current service offerings, including track panels, specialty track components and railroad tie disposal.

Historically, investment trends in track maintenance by domestic railroads have been linked to general economic conditions in the country. During recessions, the railroads have typically deferred track maintenance until economic conditions improve. Recently, however, the Class 1 railroads have increased their spending on track maintenance, which has caused an increase in demand for railroad crossties. Management believes this increase in demand will continue for the near term.



Source: American Association of Railroads & Management Estimates

Hardwoods, such as oak and other species, are the major raw materials in wood crossties. Hardwood prices, which account for approximately 68% of a finished crosstie's cost, fluctuate with the demand from competing hardwood lumber markets, such as oak flooring, pallets and other specialty lumber products. Normally, raw material price fluctuations are passed through to the customer according to the terms of the applicable contract. Weather conditions can be a factor in the supply of raw material, as unusually wet conditions may make it difficult to harvest timber.

In the United States, hardwood lumber is procured by us from hundreds of small sawmills throughout the northeastern, midwestern, and southern areas of the country. The crossties are shipped via rail car or trucked directly to one of our twelve crosstie treating plants, all of which are on line with a major railroad. The crossties are either air-stacked for a period of six to twelve months or artificially dried by a process called boultonizing. Once dried, the crossties are pressure treated with creosote, a product of our Carbon Materials & Chemicals business.

Our top ten Railroad & Utility Products accounts comprised approximately 70%, 66% and 61% of Railroad & Utility Products' net sales for 2003, 2002 and 2001, respectively, and many are serviced through long-term contracts ranging from one to seven years on a requirements basis. Our sales to the railroad industry are coordinated through our office in Pittsburgh, Pennsylvania. There are several principal regional competitors in this market.

We believe that the threat of substitution for the wood crosstie is low due to the higher cost of alternative materials. Concrete crossties, however, have been identified by the railroads as a feasible alternative to wood crossties in limited circumstances. In 1991, we acquired a 50% partnership interest in KSA Limited Partnership, a concrete crosstie manufacturing facility in Portsmouth, Ohio, in order to take advantage of this growth opportunity. In 2003, an estimated 0.7 million concrete crossties, or 3.5% of total tie insertions, were installed by Class 1 railroads. We believe that concrete crossties will continue to command approximately this level of market share. KSA produced approximately 100,000 concrete crossties in 2003, or 14% of the Class 1 estimated concrete tie market. While the cost of material and installation of a concrete crosstie is much higher than that of a wood crosstie, the average lives of wood and concrete crossties are similar, although concrete generally performs better in high weight-bearing, high traffic areas and is attractive to railroads for these purposes.

Utility poles are produced mainly from softwoods such as pine and fir in the United States and from hardwoods of the eucalyptus species in Australia. Most of these poles are purchased from large timber owners and individual landowners and shipped to one of our pole-peeling facilities. While crossties are treated exclusively with creosote, we treat poles with a variety of preservatives, including pentachlorophenol, copper chrome arsenates, creosote and antisapstains.

In the United States the market for utility pole products is characterized by a large number of small, highly competitive producers selling into a price-sensitive industry. The utility pole market is highly fragmented domestically, with over 200 investor-owned electric and telephone utilities and 2,800 smaller municipal utilities and rural electric associations. Approximately 2.6 million poles are purchased annually in the United States, with a smaller market in Australia. In recent years we have seen our utility pole volumes decrease due to industry deregulation and its impact on maintenance programs. We expect demand for utility poles to remain at low levels. In Australia, in addition to utility poles, we market smaller poles to the agricultural, landscape and vineyard markets.

During the period from 2001 to 2003, sales of pole products have accounted for approximately 21% of Railroad & Utility Products' net sales. We have nine principal competitors in the utility products market. There are few barriers to entry in the utility products market, which consists of regional wood treating companies operating small to medium-size plants and serving local markets.

Equity Investments and Related Parties

Domestic Joint Venture: KSA Limited Partnership

KSA Limited Partnership, located in Portsmouth, Ohio, produces concrete crossties, a complementary product to our treated wood crosstie business. Other interests are held by Sherman International Corp. (24%), Abetong America, Inc. (24%) and Sherman Abetong, Inc. (2%). KSA Limited Partnership entered into a contract with its major customer in 2000 to supply a minimum of 450,000 concrete ties over a period of five years. KSA Limited Partnership also provides concrete turnouts, used in rail traffic switching, and used crosstie rehabilitation.

Foreign Joint Venture: Koppers (China) Carbon and Chemical Co., Limited

In 1999, we entered into a joint venture agreement with Tangshan Iron & Steel Co. to rehabilitate and operate a tar distillation facility in China. Koppers (China) Carbon and Chemical Co., Limited is 60% owned by us and began production of coal tar products in 2001. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Matters."

Research and Development

As of December 31, 2003, we had 11 full-time employees engaged in research and development and technical service activities. Our research efforts are directed toward new product development regarding alternate uses for coal tar and technical service efforts to promote the use of creosote. We believe the research and technical efforts provided in these areas are adequate to maintain a leadership position in the technology related to these products. Expenditures for research and development for 2003, 2002 and 2001 were $2.3 million, $2.9 million and $2.7 million, respectively.

Technology and Licensing

In 1988, we acquired certain assets from Koppers Company, Inc., including the patents, patent applications, trademarks, copyrights, transferable licenses, inventories, trade secrets and proprietary processes used in the businesses acquired. The most important trademark acquired was the name “Koppers.” The association of the name with the chemical, building, wood preservation and coke industries is beneficial to our company, as it represents longstanding, high-quality products.

Environmental Matters

Our operations and properties are subject to extensive federal, state, local and foreign environmental laws and regulations relating to protection of the environment and human health and safety, including those concerning the treatment, storage and disposal of wastes, the investigation and remediation of contaminated soil and groundwater, the discharge of effluents into waterways, the emission of substances into the air, as well as various health and safety matters. Environmental laws and regulations are subject to frequent amendment and have historically become more stringent. We have incurred and could incur in the future significant costs as the result of our failure to comply with, and liabilities under, environmental laws and regulations, including cleanup costs, civil and criminal penalties, injunctive relief and denial or loss of, or imposition of significant restrictions on, environmental permits. In addition, we have been and could in the future be subject to suit by private parties in connection with alleged violations of or liabilities under environmental laws and regulations.

We accrue for environmental liabilities when a determination can be made that they are probable and reasonably estimable. Total environmental reserves at September 30, 2004, December 31, 2003 and December 31, 2002 were approximately $4.8 million, $7.5 million and $11.3 million, respectively, which include provisions for environmental fines, soil remediation and the mandatory cleaning and disposal of residues from certain storage tanks. For the last three years, our annual capital expenditures in connection with environmental control facilities averaged approximately $5.8 million, and annual operating expenses for environmental matters, excluding depreciation, averaged approximately $9.1 million. Management estimates that capital expenditures in connection with matters relating to environmental control facilities will be approximately $9 million for 2004. We believe that we will have continuing significant expenditures associated with compliance with environmental laws and regulations and, to the extent not covered by insurance or available recoveries under third-party indemnification arrangements, for present and future remediation efforts at plant sites and third-party waste sites and other liabilities associated with environmental matters. There can be no assurance that these expenditures will not exceed current estimates and will not have a material adverse effect on our business, financial condition, cash flow and results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Environmental Matters.”

Employees and Employee Relations

As of December 31, 2003, we employed 670 salaried employees and 1,305 non-salaried employees. Listed below is a breakdown of employees by our businesses, including administration.

Business	Salaried	Non-Salaried	Total
Carbon Materials & Chemicals	343	592	935
Railroad & Utility Products	246	713	959
Administration	81	0	81
Total Employees	670	1,305	1,975

Of our employees, approximately 60% are represented by 24 different labor unions and covered under numerous labor contracts. The United Steelworkers of America, covering workers at six facilities, accounts for the largest membership, with more than 300 employees. Another significant affiliation is the Paper, Allied-Industrial, Chemical & Energy Workers' International Union, with more than 200 employees at four facilities. Labor contracts that expired and were renegotiated in 2004 covered approximately 20% of total employees. Our relationships with our hourly employees and the labor unions that represent them are satisfactory.

Properties

Our principal fixed assets consist of our production, treatment, and storage facilities and our transportation and plant vehicles. Our production facilities consist of 17 Carbon Materials & Chemicals facilities and 20 Railroad & Utility Products facilities. As of December 31, 2003, the net book value of vehicles, machinery and equipment represented approximately 28% of our total assets, as reflected in our consolidated balance sheet. The following chart sets forth information regarding our production facilities:

Primary Product Line	Location	Acreage	Description of Property Interest
Carbon Materials & Chemicals			
Wood Preservation Chemicals	Auckland, New Zealand	1	Leased
Carbon Pitch	Clairton, Pennsylvania	17	Owned
Carbon Pitch, Creosote, Naphthalene	Pt. Clarence, United Kingdom	120	Owned
Wood Preservation Chemicals	Lautoka, Fiji	1	Owned
Carbon Pitch	Follansbee, West Virginia	32	Owned
Carbon Black	Kurnell, New South Wales, Australia	20	Leased
Carbon Pitch	Newcastle, New South Wales, Australia	27	26 Owned, 1 Leased
Furnace Coke	Monessen, Pennsylvania	45	Owned
Carbon Pitch	Nyborg, Denmark	36	26 Owned, 10 Leased
Wood Preservation Chemicals	Kuala Lumpur, Malaysia	3	Leased
Carbon Pitch	Portland, Oregon	6	Leased
Carbon Pitch	Scunthorpe, United Kingdom	27	Owned
Wood Preservation Chemicals	Port Shepstone, South Africa	1	Leased
Carbon Pitch	Tangshan, China	9	Leased
Carbon Pitch, Phthalic Anhydride	Stickney, Illinois	38	Owned
Wood Preservation Chemicals	Trentham, Victoria, Australia	24	Owned
Carbon Pitch	Woodward, Alabama	23	Owned
Railroad & Utility Products			
Specialty Trackwork	Alorton, Illinois	12	6 Owned, 6 Leased
Utility Poles, Railroad Crossties	Bunbury, Western Australia, Australia	41	26 Owned, 15 Leased

Primary Product Line	Location	Acreage	Description of Property Interest
Utility Poles, Railroad Crossties	Denver, Colorado	64	Owned
Utility Poles, Railroad Crossties	Florence, South Carolina	200	Owned
Utility Poles	Gainesville, Florida	86	Owned
Railroad Crossties	Galesburg, Illinois	125	Leased
Utility Poles	Grafton, New South Wales, Australia	100	Owned
Railroad Crossties	Green Spring, West Virginia	98	Owned
Utility Poles, Railroad Crossties	Grenada, Mississippi	154	Owned
Railroad Crossties	Guthrie, Kentucky	122	Owned
Pine Products	Hume, Australia Capital Territory, Australia	5	Leased
Utility Poles	Longford, Tasmania	17	Owned
Railroad Crossties	Montgomery, Alabama	84	Owned
Railroad Crossties	N. Little Rock, Arkansas	148	Owned
Railroad Crossties	Roanoke, Virginia	91	Owned
Railroad Crossties	Somerville, Texas	244	Owned
Railroad Crossties	Superior, Wisconsin	120	Owned
Railroad Crossties	Muncy, Pennsylvania	109	Owned
Pine Products	Takura, Queensland, Australia	77	Leased
Utility Poles	Thornton, New South Wales, Australia	15	Owned

Our corporate offices are located in approximately 60,000 square feet of leased office space in the Koppers Building, Pittsburgh, Pennsylvania. The office space is leased from Axiom Real Estate Management, Inc. with the lease term expiring on December 31, 2010.

Legal Proceedings

We are involved in litigation and various proceedings relating to antitrust matters, environmental laws and regulations and toxic tort matters. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Environmental Matters.”

Pacific Century. A subsidiary of Koppers Australia Pty Ltd. has been named as a defendant in a breach of contract and negligence lawsuit related to the sale of vineyard trellis posts.

Government Investigations. We are involved in an investigation initiated by the NZ Commerce Commission related to competitive practices by Koppers Arch New Zealand regarding industry competitive practices. We are also involved in investigations initiated by the EC, the United States Department of Justice and the Canadian Competition Bureau related to competitive practices for some of its products.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for additional information regarding these matters.

We are involved in various other proceedings incidental to the ordinary conduct of our business. We believe that none of these other proceedings will have a material adverse effect on our business, financial condition, cash flows and results of operations.

THE EXCHANGE OFFER

As of the date of this prospectus, $125,470,240 in aggregate principal amount of Old Notes is outstanding from an offering $203.0 million in stated aggregate principal amount of Old Notes at maturity (including accreted amounts). This prospectus, together with the letter of transmittal, is first being sent to holders on , 2005.

Purpose of the Exchange Offer

We issued the Old Notes on November 18, 2004 in a transaction exempt from the registration requirements of the Securities Act. Accordingly, the Old Notes may not be reoffered, resold, or otherwise transferred unless so registered or unless an applicable exemption from the registration and prospectus delivery requirements of the Securities Act is available.

In connection with the sale of the Old Notes, we entered into a registration rights agreement, which requires us to:

- within 90 days after the date of issuance of the Old Notes, file a registration statement with the SEC with respect to a registered offer to exchange the Old Notes for new notes of the Company having terms substantially identical in all material respects to the Old Notes (except that the Exchange Notes will not contain terms with respect to transfer restrictions);
- use our commercially reasonable efforts to cause the exchange offer registration statement to be declared effective under the Securities Act within 210 days after the date of issuance of the Old Notes;
- as soon as practicable after the effectiveness of the exchange offer registration statement, offer the Exchange Notes in exchange for surrender of the Old Notes; and
- keep the exchange offer open for not less than 20 Business Days (or longer if required by applicable law) after the date notice of the exchange offer is mailed to the holders of the Old Notes.

We are making the exchange offer to satisfy our obligations under the registration rights agreement dated as of November 18, 2004. Other than pursuant to the registration rights agreement, we are not required to file any registration statement to register any outstanding Old Notes. Holders of Old Notes who do not tender their Old Notes or whose Old Notes are tendered but not accepted in the exchange offer must generally rely on an exemption from the registration requirements under the securities laws, including the Securities Act, if they wish to sell their Old Notes.

We are making the exchange offer in reliance on the position of the staff of the SEC as set forth in interpretive letters addressed to third parties in other transactions. However, we have not sought our own interpretive letter and we can provide no assurance that the staff would make a similar determination with respect to the exchange offer as it has in interpretive letters to third parties. Based on these interpretations by the staff, we believe that the Exchange Notes issued in the exchange offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by a holder other than any holder who is a broker-dealer or an “affiliate” of ours within the meaning of Rule 405 of the Securities Act, without further compliance with the registration and prospectus delivery requirements of the Securities Act, provided that:

- the Exchange Notes are acquired in the ordinary course of the holder’s business;
- the holder has no arrangement or understanding with any person to participate in the distribution of the Exchange Notes; and
- the holder is not engaged in, and does not intend to engage in, a distribution of the Exchange Notes.

For additional information, see “—Resale of Exchange Notes.”

If you tender in the exchange offer for the purpose of participating in a distribution of the Exchange Notes, or if you are a broker-dealer who purchased the Old Notes from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act, you cannot rely on the interpretations by the staff of the SEC stated in these no-action letters. Instead, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer, unless an exemption from these requirements is otherwise available.

Further, each broker-dealer that receives the Exchange Notes for its own account in exchange for the Old Notes, where the broker-dealer acquired the Old Notes as a result of market-making or other trading activities, must acknowledge in a letter of transmittal that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of those Exchange Notes. The letter of transmittal states that by making this acknowledgment and delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. We have agreed that this prospectus may be used by a broker-dealer for any resale of Exchange Notes issued to it in the exchange offer for a period of 180 days after the expiration date of the exchange offer. See "Plan of Distribution."

Terms of the Exchange

We are offering to exchange, subject to the conditions described in this prospectus and in the letter of transmittal accompanying this prospectus, to $203.0 million in stated aggregate principal amount at maturity (including accreted amounts) of our 9 7/8% Senior Discount Notes due 2014 that have been registered under the Securities Act for a like principal amount of our outstanding unregistered 9 7/8% Senior Discount Notes due 2014. The terms of the Exchange Notes are identical in all material respects to the terms of the Old Notes, except that:

- the Exchange Notes will have been registered under the Securities Act, will not contain transfer restrictions, and will not bear legends restricting their transfer;
- the Exchange Notes will not contain terms providing for the payment of additional interest under circumstances relating to our obligation to file and cause to be effective a registration statement;
- the Exchange Notes will be represented by one or more global notes in book entry form unless exchanged for Old Notes in definitive certificated form under the limited circumstances described under "Description of the Exchange Notes—Global Notes and Book-Entry System"; and
- the Exchange Notes will be issuable in denominations of $1,000 and integral multiples thereof.

The Exchange Notes generally will be freely transferable by holders of the Exchange Notes and will not be subject to the terms of the registration rights agreement. The Exchange Notes will evidence the same indebtedness as the Old Notes exchanged therefor and will be entitled to the benefits of the indenture. For additional information, see "Description of the Exchange Notes."

The exchange offer is not conditioned upon the tender of any minimum principal amount of Old Notes.

The Exchange Notes will accrue interest from the last interest payment date on which interest was accreted on the Old Notes or, if no interest was accreted on the Old Notes, from the date of issuance of the Old Notes, which was on November 18, 2004. Holders whose Old Notes are accepted for exchange will be deemed to have waived the right to receive any interest accrued on the Old Notes.

Tendering holders of the Old Notes will not be required to pay brokerage commissions or fees or transfer taxes, except as specified in the instructions in the letter of transmittal, with respect to the exchange of the Old Notes in the exchange offer.

Expiration Date; Extension; Termination; Amendment

The exchange offer will expire at 5:00 p.m., New York City time, on , 2005, unless we, in our sole discretion, have extended the period of time for which the exchange offer is open. The time and date, as it

may be extended, is referred to herein as the "expiration date." The expiration date will be at least 20 business days after the commencement of the exchange offer in accordance with Rule 14e-1(a) under the Exchange Act. We expressly reserve the right, at any time or from time to time, to extend the period of time during which the exchange offer is open, and thereby delay acceptance for exchange of any Old Notes. We may extend the expiration date by giving oral or written notice of the extension to the exchange agent and by timely public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. During the extension, all Old Notes previously tendered will remain subject to the exchange offer unless properly withdrawn.

We expressly reserve the right to:

- terminate or amend the exchange offer and not to accept for exchange any Old Notes upon the occurrence of any of the events specified in "— Conditions to the Exchange Offer" which have not been waived by us; and
- amend the terms of the exchange offer in any manner which, in our good faith judgment, is advantageous to the holders of the Old Notes, whether before or after any tender of the Old Notes.

If any termination or amendment occurs, we will notify the exchange agent and will either issue a press release or give oral or written notice to the holders of the Old Notes as promptly as practicable. In addition, we will extend this exchange offer for an additional five to ten business days as required by the Exchange Act depending on the significance of the amendment, if the exchange offer would otherwise expire during that period.

For purposes of the exchange offer, a "business day" means any day other than Saturday, Sunday or a date on which banking institutions are required or authorized by New York State law to be closed, and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time. Unless we terminate the exchange offer prior to 5:00 p.m., New York City time, on the expiration date, we will exchange the Exchange Notes for the Old Notes promptly following the expiration date.

Procedures for Tendering Old Notes

Our acceptance of Old Notes tendered by a holder will constitute a binding agreement between the tendering holder and us upon the terms and subject to the conditions described in this prospectus and in the accompanying letter of transmittal. All references in this prospectus to the letter of transmittal are deemed to include a facsimile of the letter of transmittal.

A holder of Old Notes may tender the Old Notes by:

- properly completing and signing the letter of transmittal;
- properly completing any required signature guarantees;
- properly completing any other documents required by the letter of transmittal; and
- delivering all of the above, together with the certificate or certificates representing the Old Notes being tendered, to the exchange agent at its address set forth below at or prior to 5:00 p.m., New York City time, on the expiration date; or
- complying with the procedure for book-entry transfer described below; or
- complying with the guaranteed delivery procedures described below.

The method of delivery of Old Notes, letters of transmittal and all other required documents is at the election and risk of the holders. If the delivery is by mail, it is recommended that registered mail properly insured, with return receipt requested, be used. In all cases, sufficient time should be allowed to ensure timely delivery. Holders should not send Old Notes or letters of transmittal to us.

The signature on the letter of transmittal need not be guaranteed if:

- tendered Old Notes are registered in the name of the signer of the letter of transmittal; and
- the Exchange Notes to be issued in exchange for the Old Notes are to be issued in the name of the holder; and
- any untendered Old Notes are to be reissued in the name of the holder.

In any other case, the tendered Old Notes must be:

- endorsed or accompanied by written instruments of transfer in form satisfactory to us;
- duly executed by the holder; and
- the signature on the endorsement or instrument of transfer must be guaranteed by a bank, broker, dealer, credit union, savings association, clearing agency or other institution, each an "eligible institution" that is a member of a recognized signature guarantee medallion program within the meaning of Rule 17Ad-15 under the Exchange Act.

If the Exchange Notes and/or Old Notes not exchanged are to be delivered to an address other than that of the registered holder appearing on the note register for the Old Notes, the signature in the letter of transmittal must be guaranteed by an eligible institution.

The exchange agent will make a request within two business days after the date of receipt of this prospectus to establish accounts with respect to the Old Notes at The Depository Trust Company ("DTC"), the "book-entry transfer facility," for the purpose of facilitating the exchange offer. Subject to establishing the accounts, any financial institution that is a participant in the book-entry transfer facility's system may make book-entry delivery of Old Notes by causing the book-entry transfer facility to transfer the Old Notes into the exchange agent's account with respect to the Old Notes in accordance with the book-entry transfer facility's procedures for the transfer. Although delivery of Old Notes may be effected through book-entry transfer into the exchange agent's account at the book-entry transfer facility, an appropriate letter of transmittal with any required signature guarantee and all other required documents, or an agent's message, must in each case be properly transmitted to and received or confirmed by the exchange agent at its address set forth below under "—Exchange Agent" prior to the expiration date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under such procedures.

The exchange agent and DTC have confirmed that the exchange offer is eligible for the DTC Automated Tender Offer Program. We refer to the Automated Tender Offer Program in this prospectus as "ATOP." Accordingly, DTC participants may, in lieu of physically completing and signing the letter of transmittal and delivering it to the exchange agent, electronically transmit their acceptance of the exchange offer by causing DTC to transfer Old Notes to the exchange agent in accordance with DTC's ATOP procedures for transfer. DTC will then send an agent's message.

The term "agent's message" means a message which:

- is transmitted by DTC;
- received by the exchange agent and forming part of the book-entry transfer;
- states that DTC has received an express acknowledgment from a participant in DTC that is tendering Old Notes which are the subject of the book-entry transfer;
- states that the participant has received and agrees to be bound by all of the terms of the letter of transmittal; and
- states that we may enforce the agreement against the participant.

If a holder desires to accept the exchange offer and time will not permit a letter of transmittal or Old Notes to reach the exchange agent before the expiration date or the procedure for book-entry transfer cannot be completed on a timely basis, the holder may effect a tender if the exchange agent has received at its address set forth below on or prior to the expiration date, a letter, telegram or facsimile transmission, and an original delivered by guaranteed overnight courier, from an eligible institution setting forth:

- the name and address of the tendering holder;
- the names in which the Old Notes are registered and, if possible, the certificate numbers of the Old Notes to be tendered; and
- a statement that the tender is being made thereby and guaranteeing that within three business days after the expiration date, the Old Notes in proper form for transfer, or a confirmation of book-entry transfer of such Old Notes into the exchange agent's account at the book-entry transfer facility and an agent's message, will be delivered by the eligible institution together with a properly completed and duly executed letter of transmittal and any other required documents.

Unless Old Notes being tendered by the above-described method are deposited with the exchange agent, a tender will be deemed to have been received as of the date when:

- the tendering holder's properly completed and duly signed letter of transmittal, or a properly transmitted agent's message, accompanied by the Old Notes or a confirmation of book-entry transfer of the Old Notes into the exchange agent's account at the book-entry transfer facility is received by the exchange agent; or
- a notice of guaranteed delivery or letter, telex or facsimile transmission to similar effect from an eligible institution is received by the exchange agent.

Issuances of Exchange Notes in exchange for Old Notes tendered pursuant to a notice of guaranteed delivery or letter, telex or facsimile transmission to similar effect by an eligible institution will be made only against deposit of the letter of transmittal and any other required documents and the tendered Old Notes or a confirmation of book-entry and an agent's message.

All questions as to the validity, form, eligibility, including time of receipt, and acceptance of Old Notes tendered for exchange will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any and all tenders of any Old Notes not properly tendered or not to accept any Old Notes which acceptance might, in our judgment or the judgment of our counsel, be unlawful. We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any Old Notes prior to the expiration date, except that we may not waive any condition to the extent such waiver would be prohibited by law or rule of the SEC. Any condition we waive for any holder will be waived for all holders. The interpretation of the terms and conditions of the exchange offer, including the letter of transmittal and the instructions contained in the letter of transmittal, by us will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes for exchange must be cured within such reasonable period of time as we determine. Neither we, the exchange agent nor any other person has any duty to give notification of any defect or irregularity with respect to any tender of Old Notes for exchange, nor will any of us incur any liability for failure to give such notification.

If the letter of transmittal is signed by a person or persons other than the registered holder or holders of Old Notes, the Old Notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered holder or holders appear on the Old Notes.

If the letter of transmittal or any Old Notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by us, such persons must submit proper evidence satisfactory to us of their authority to so act.

By tendering, each holder represents to us that, among other things:

- the Exchange Notes acquired pursuant to the exchange offer are being acquired in the ordinary course of business of the holder;
- the holder is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the Exchange Notes; and
- the holder is not an "affiliate" of ours within the meaning of Rule 405 of the Securities Act.

Each broker-dealer that receives Exchange Notes for its own account in exchange for Old Notes, where the broker-dealer acquired the Old Notes as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the Exchange Notes. See "Plan of Distribution."

Terms and Conditions of the Letter of Transmittal

The letter of transmittal contains, among other things, the following terms and conditions, which are part of the exchange offer.

The party tendering Old Notes for Exchange Notes exchanges, assigns and transfers the Old Notes to us and irrevocably constitutes and appoints the exchange agent as the party's agent and attorney-in-fact to cause the Old Notes to be assigned, transferred and exchanged. We refer to the party tendering Old Notes herein as the "transferor." The transferor represents and warrants that the transferor has full power and authority to tender, exchange, assign and transfer the Old Notes and to acquire Exchange Notes issuable upon the exchange of the tendered Old Notes, and that, when the same are accepted for exchange, we will acquire good and unencumbered title to the tendered Old Notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The transferor also warrants that the transferor will, upon request, execute and deliver any additional documents deemed by the exchange agent or us to be necessary or desirable to complete the exchange, assignment and transfer of tendered Old Notes or transfer ownership of the Old Notes on the account books maintained by a book-entry transfer facility. The transferor further agrees that the acceptance of any tendered Old Notes by us and the issuance of Exchange Notes in exchange for Old Notes will constitute performance in full by us of various of our obligations under the registration rights agreement. All authority conferred by the transferor will survive the death or incapacity of the transferor and every obligation of the transferor will be binding upon the heirs, legal representatives, successors, assigns, executors and administrators of the transferor.

The transferor certifies that the transferor: is not an "affiliate" of ours within the meaning of Rule 405 under the Securities Act; is acquiring the Exchange Notes offered hereby in the ordinary course of the transferor's business; and has no arrangement with any person to participate in the distribution of the Exchange Notes.

Each holder, other than a broker-dealer, must acknowledge that the holder is not engaged in, and does not intend to engage in, a distribution of the Exchange Notes. Each transferor which is a broker-dealer receiving the Exchange Notes for its own account must acknowledge that it will deliver a prospectus in connection with any resale of the Exchange Notes. 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.

Withdrawal Rights

Tenders of Old Notes may be withdrawn at any time before 5:00 p.m., New York City time, on the expiration date.

For a withdrawal to be effective, a written notice of withdrawal sent by telex, facsimile transmission, or letter must be received by the exchange agent at the address set forth in this prospectus before 5:00 p.m., New York City time, on the expiration date. Any notice of withdrawal must:

- specify the name of the person having tendered the Old Notes to be withdrawn;
- identify the Old Notes to be withdrawn, including the certificate number or numbers and principal amount of such Old Notes;

- include a statement that the holder is withdrawing the holder's election to have the Old Notes exchanged;
- be signed by the holder in the same manner as the original signature on the letter of transmittal by which the Old Notes were tendered or as otherwise described above, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee under the indenture register the transfer of the Old Notes into the name of the person withdrawing the tender; and
- specify the name in which any such Old Notes are to be registered, if different from that of the person who tendered the Old Notes.

The exchange agent will return the properly withdrawn Old Notes promptly following receipt of the notice of withdrawal. If Old Notes have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn Old Notes or otherwise comply with the book-entry transfer facility procedure. All questions as to the validity of notices of withdrawals, including time of receipt, will be determined by us and our determination will be final and binding on all parties.

Any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder without cost to the holder. In the case of Old Notes tendered by book-entry transfer into the exchange agent's account at the book-entry transfer facility pursuant to the book-entry transfer procedures described above, the Old Notes will be credited to an account with the book-entry transfer facility specified by the holder. In either case, the Old Notes will be returned promptly after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn Old Notes may be re-tendered by following one of the procedures described in "—Procedures for Tendering Old Notes" at any time before the expiration date.

Acceptance of Old Notes for Exchange; Delivery of Exchange Notes

Upon satisfaction or waiver of all the conditions to the exchange offer, we will accept, on the expiration date, all Old Notes properly tendered and not validly withdrawn and will issue or cause to be issued the Exchange Notes promptly after such acceptance. See the discussion under "—Conditions to the Exchange Offer" for more detailed information. For purposes of the exchange offer, we will be deemed to have accepted properly tendered Old Notes for exchange when, and if, we have given oral or written notice of our acceptance to the exchange agent.

For each Old Note accepted for exchange, the holder of the Old Note will receive an Exchange Note having a principal amount equal to that of the surrendered Old Note.

In all cases, issuance of Exchange Notes for Old Notes that are accepted for exchange pursuant to the exchange offer will be made only after:

- timely receipt by the exchange agent of certificates for the Old Notes or a timely book-entry confirmation of the Old Notes into the exchange agent's account at the book-entry transfer facility;
- a properly completed and duly executed letter of transmittal, or a properly transmitted agent's message; and
- timely receipt by the exchange agent of all other required documents.

If any tendered Old Notes are not accepted for any reason described in the terms and conditions of the exchange offer or if Old Notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged Old Notes will be returned without expense to the tendering holder of the Old Notes. In the case of Old Notes tendered by book-entry transfer into the exchange agent's account at the book-entry transfer facility pursuant to the book-entry transfer procedures described above, the non-exchanged Old Notes will be credited to an account maintained with the book-entry transfer facility. In either case, the Old Notes will be returned promptly after the expiration of the exchange offer.

Conditions to the Exchange Offer

Notwithstanding any other provision of the exchange offer, or any extension of the exchange offer, we will not be required to accept for exchange, or to issue Exchange Notes in exchange for, any Old Notes and may terminate or amend the exchange offer, by oral or written notice to the exchange agent or by a timely press release, if, at any time before expiration of the exchange offer, in our reasonable judgment, any of the following conditions exists:

- any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer; or
- the exchange offer, or the making of any exchange by a holder, violates applicable law or any applicable interpretation of the staff of the SEC.

Regardless of whether any of the conditions has occurred, we may amend the exchange offer in any manner which, in our good faith judgment, is advantageous to holders of the Old Notes. In addition, we will extend this exchange offer for an additional five to ten business days as required by the Exchange Act depending on the significance of the amendment, if the exchange offer would otherwise expire during that period.

The conditions described above are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to the condition or we may waive any condition in whole or in part at any time prior to the expiration of the exchange offer in our sole discretion, except that we may not waive any condition to the extent such waiver would be prohibited by law or rule of the SEC. Our failure at any time to exercise any of the rights described above will not be deemed a waiver of the right and each right will be deemed an ongoing right which we may assert at any time prior to expiration of the exchange offer.

If we waive or amend the conditions above prior to expiration of the exchange offer, we will, if required by law, extend the exchange offer for a minimum of five business days from the date that we first give notice, by public announcement or otherwise, of the waiver or amendment, if the exchange offer would otherwise expire within the five-business-day period. Any determination by us concerning the events described above will be final and binding upon all parties.

The exchange offer is not conditioned upon any minimum principal amount of Old Notes being tendered.

Exchange Agent

The Bank of New York has been appointed as the exchange agent for the exchange offer. All executed letters of transmittal should be directed to the exchange agent at one of the addresses set forth below:

By Registered or Certified Mail:

The Bank of New York
Corporate Trust Operations
Reorganization Unit
101 Barclay Street - 7E
New York, NY 10286
Attn: Carolle Montreuil

Facsimile Transactions:
(Eligible Institutions Only)

The Bank of New York
Attn: Carolle Montreuil
Fax: (212) 298-1915

By Hand:

The Bank of New York
Corporate Trust Operations
Reorganization Unit
101 Barclay Street - 7E
New York, NY 10286
Attn: Carolle Montreuil

By Courier:

The Bank of New York
Corporate Trust Operations
Reorganization Unit
101 Barclay Street - 7E
New York, NY 10286
Attn: Carolle Montreuil

To Confirm by Telephone
or for Information Call:

(212) 815-3687

You should direct questions, requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery to the exchange agent at the address and telephone number set forth in the letter of transmittal.

Delivery to an address other than as set forth on the letter of transmittal, or transmission of instructions via a facsimile number other than the one set forth on the letter of transmittal, will not constitute a valid delivery.

Solicitation of Tenders; Fees and Expenses

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. We, however, will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith. We will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this and other related documents to the beneficial owners of the Old Notes and in handling or forwarding tenders for their customers.

The principal solicitation is being made by mail; however, additional solicitations may be made in person or by telephone by our officers and employees.

We will pay the expenses incurred in connection with the exchange offer. Such expenses include, among others, the fees and expenses of the exchange agent and trustee, registration fees, and accounting, legal, printing and related fees and expenses.

No person has been authorized to give any information or to make any representations in connection with the exchange offer other than those contained in this prospectus. If given or made, such information or representations should not be relied upon as having been authorized by us. Neither the delivery of this prospectus nor any exchange made pursuant to this prospectus, under any circumstances, creates any implication that there has been no change in our affairs since the respective dates as of which information is given in this prospectus. The exchange offer is not being made to, and tenders will not be accepted from or on behalf of, holders of Old Notes in any jurisdiction in which the making of the exchange offer or the acceptance of the exchange offer would not be in compliance with the laws of the jurisdiction. However, we may, at our discretion, take such action as we may deem necessary to make the exchange offer in the jurisdiction and extend the exchange offer to holders of Old Notes in the jurisdiction. In any jurisdiction the securities laws or blue sky laws of which require the exchange offer to be made by a licensed broker or dealer, the exchange offer is being made on our behalf by one or more registered brokers or dealers which are licensed under the laws of the jurisdiction.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of Old Notes pursuant to the exchange offer. However, the transfer taxes will be payable by the tendering holder if:

- certificates representing Exchange Notes or Old Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the Old Notes tendered; or
- tendered Old Notes are registered in the name of any person other than the person signing the letter of transmittal; or
- a transfer tax is imposed for any reason other than the exchange of Old Notes pursuant to the exchange offer.

We will bill the amount of the transfer taxes directly to the tendering holder if satisfactory evidence of payment of the taxes or exemption therefrom is not submitted with the letter of transmittal.

Accounting Treatment

For accounting purposes, we will not recognize gain or loss upon the exchange of the Exchange Notes for Old Notes. We will amortize costs incurred in connection with the issuance of the Exchange Notes over the term of the Exchange Notes.

Consequences of Failure To Exchange

Holders of Old Notes who do not exchange their Old Notes for Exchange Notes pursuant to the exchange offer will continue to be subject to the restrictions on transfer of the Old Notes as described in the legend on the Old Notes. Old Notes not exchanged pursuant to the exchange offer will continue to remain outstanding in accordance with their terms. In general, the Old Notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently anticipate that we will register the Old Notes under the Securities Act.

Participation in the exchange offer is voluntary, and holders of Old Notes should carefully consider whether to participate. Holders of Old Notes are urged to consult their financial and tax advisors in making their own decision on what action to take.

As a result of the making of, and upon acceptance for exchange of all validly tendered Old Notes pursuant to the terms of, this exchange offer, we will have fulfilled a covenant contained in the registration rights agreement. Holders of Old Notes who do not tender their Old Notes in the exchange offer will continue to hold the Old Notes and will be entitled to all the rights and subject to the limitations applicable to the Old Notes under the indenture, except that we will have complied with our covenant under the registration rights agreement to make an exchange offer for the Old Notes. See “Risk Factors—The Old Notes will be subject to restrictions on transfer and the trading market for the Old Notes may be limited for a holder of the Old Notes that does not tender.” All untendered Old Notes will continue to be subject to the restrictions on transfer described in the indenture. To the extent that Old Notes are tendered and accepted in the exchange offer, the trading market for untendered Old Notes could be adversely affected.

We may in the future seek to acquire, subject to the terms of the indenture, untendered Old Notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plan to acquire any Old Notes which are not tendered in the exchange offer.

Resale of Exchange Notes

We are making the exchange offer in reliance on the position of the staff of the SEC as set forth in interpretive letters addressed to third parties in other transactions. However, we have not sought our own interpretive letter and we can provide no assurance that the staff would make a similar determination with respect to the exchange offer as it has in such interpretive letters to third parties. Based on these interpretations by the staff, we believe that the Exchange Notes issued pursuant to the exchange offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by a holder, other than any holder who is a broker-dealer or an “affiliate” of ours within the meaning of Rule 405 of the Securities Act, without further compliance with the registration and prospectus delivery requirements of the Securities Act, provided that:

- the Exchange Notes are acquired in the ordinary course of the holder’s business; and
- the holder is not participating, and has no arrangement or understanding with any person to participate, in a distribution of the Exchange Notes.

However, any holder who:

- is an “affiliate” of ours;

- has an arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the exchange offer; or
- is a broker-dealer who purchased Old Notes from us to resell pursuant to Rule 144A or any other available exemption under the Securities Act,

cannot rely on the applicable interpretations of the staff and must comply with the registration and prospectus delivery requirements of the Securities Act. A broker-dealer who holds Old Notes that were acquired for its own account as a result of market-making or other trading activities may be deemed to be an "underwriter" within the meaning of the Securities Act and must, therefore, deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of Exchange Notes. Each such broker-dealer that receives Exchange Notes for its own account in exchange for Old Notes, where the broker-dealer acquired the Old Notes as a result of market-making activities or other trading activities, must acknowledge, as provided in the letter of transmittal, that it will deliver a prospectus in connection with any resale of such Exchange Notes. For more detailed information, see "Plan of Distribution."

Shelf Registration Statement

In the event that:

(1) any change in law or in applicable interpretations thereof by the staff of the SEC does not permit us to effect the exchange offer;

(2) for any other reason we do not consummate the exchange offer within 240 days after the original issuance of the Old Notes;

(3) an initial purchaser notifies us following consummation of the exchange offer that Old Notes held by it are not eligible to be exchanged for Exchange Notes in the exchange offer; or

(4) any holder, other than a participating broker-dealer, is not eligible to participate in the exchange offer or, in the case of any holder, other than a participating broker-dealer, that participates in the exchange offer, such holder does not receive freely tradeable Exchange Notes on the date of the exchange and such holder so requests,

then, we will, subject to certain exceptions:

(1) as promptly as practicable (but in no event more than 30 days after so required or requested) file a shelf registration statement covering resales of the Old Notes or the Exchange Notes, as the case may be;

(2) (A) in the case of clause (1) above, use our commercially reasonable efforts to cause the shelf registration statement to be declared effective under the Securities Act on or prior to the 210th day following the date of issuance of the Old Notes and (B) in the case of clause (2), (3) or (4) above, use our commercially reasonable efforts to cause the shelf registration statement to be declared effective under the Securities Act on or prior to the 90th day after the date on which the shelf registration statement is required to be filed; and

(3) keep the shelf registration statement effective until the earliest of (A) the time when the Old Notes covered by the shelf registration statement can be sold under Rule 144 without any limitations under clauses (c), (e), (f) and (h) of Rule 144, (B) two years from the effective date of the shelf registration statement and (C) the date on which all Old Notes registered thereunder are disposed of in accordance therewith.

We will, in the event that a shelf registration statement is filed, among other things, provide to each holder for whom such shelf registration statement was filed copies of the prospectus which is a part of the shelf registration statement, notify each such holder when the shelf registration statement has become effective and take certain other actions as are required to permit unrestricted resales of the Old Notes or the Exchange Notes,

as the case may be. A holder selling such Old Notes or Exchange Notes pursuant to the shelf registration statement generally would be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement that are applicable to such holder (including certain indemnification obligations).

Additional Interest

The registration rights agreement states that if a Registration Default (as defined below) occurs, then we will be required to pay additional interest on the Accreted Value of the Notes to each holder of the Notes. During the first 90-day period that a Registration Default occurs and is continuing, we will pay additional interest on the Notes at a rate of 0.50% per annum. The additional interest rate shall increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum additional interest rate of 1.5% per annum. Such additional interest will accrue only for those days that a Registration Default occurs and is continuing. All accrued additional interest will be paid to the holders of the Notes on the regular interest payment dates. Following the cure of all Registration Defaults, no more additional interest will accrue unless a subsequent Registration Default occurs.

A “Registration Default” shall occur if:

- we fail to file any of the registration statements required by the registration rights agreement on or before the date specified for such filing; or
- any of such registration statements is not declared effective by the SEC on or before the date specified for such effectiveness; or
- we fail to complete the exchange offer on or before the date specified for such completion; or
- any of such registration statements is declared effective but thereafter ceases to be effective or usable in connection with resales of the Old Notes during the period specified in the registration rights agreement.

MANAGEMENT

Executive Officers and Directors

The following table sets forth the names and ages of our directors and executive officers and Koppers' executive officers as of the date of this prospectus and the positions that they hold. Directors hold their positions until the annual meeting of the stockholders at which their term expires or until their respective successors are elected and qualified. Executive officers hold their positions until the annual meeting of the Board of Directors or until their respective successors are elected and qualified.

Name	Age	Position
Robert Cizik	73	Non-Executive Chairman and Director of KI Holdings Inc. and Koppers Inc.
Walter W. Turner	57	President and Chief Executive Officer of KI Holdings Inc. and Koppers Inc. and Director of KI Holdings Inc. and Koppers Inc.
Clayton A. Sweeney	73	Director of KI Holdings Inc. and Koppers Inc.
Christian L. Oberbeck	44	Director of KI Holdings Inc. and Koppers Inc.
David M. Hillenbrand	57	Director of KI Holdings Inc. and Koppers Inc.
Brian H. McCurrie	44	Vice President and Chief Financial Officer, KI Holdings Inc. and Koppers Inc.
Steven R. Lacy	49	Senior Vice President, Administration, General Counsel and Secretary, KI Holdings Inc. and Koppers Inc.
Thomas D. Loadman	50	Vice President and General Manager, Railroad Products & Services Division, Koppers Inc.
Kevin J. Fitzgerald	51	Vice President and General Manager, Carbon Materials & Chemicals Division, Koppers Inc.
Ernest S. Bryon	59	Vice President, Australasian Operations and Managing Director, Koppers Australia Pty Ltd.
David Whittle	62	Vice President, European Operations, Koppers Inc.
David T. Bryce	57	Vice President and General Manager, Utility Poles & Piling Products, Koppers Inc.
Mark R. McCormack	45	Vice President and General Manager, Global Marketing, Sales and Development Group, Koppers Inc.
Robert H. Wombles	52	Vice President, Technology, Koppers Inc.
M. Claire Schaming	51	Treasurer and Assistant Secretary, KI Holdings Inc. and Koppers Inc.

Mr. Cizik was elected Non-Executive Chairman of KI Holdings in November 2004. He has served as Non-Executive Chairman of Koppers since July 1999 and has been a director of Koppers since January 1999. Mr. Cizik retired from Cooper Industries, Inc. where he served as President, Chief Executive Officer and Chairman of the Board from 1973 to 1996. He is currently Non-Executive Chairman of Advanced Lighting Technologies, Inc. which he assumed in June 2004.

Mr. Turner was elected President and Chief Executive Officer and director of KI Holdings in November 2004. He has been President and Chief Executive Officer and director of Koppers since February 1998. Mr. Turner was appointed Vice President and General Manager, Carbon Materials & Chemicals business of Koppers in early 1995. Mr. Turner was elected Vice President and Manager, Marketing & Development, Industrial Pitches and Related Products in February 1992. Mr. Turner was Marketing Manager, Industrial Pitches and Creosote Oils of Koppers prior to that time.

Mr. Sweeney has been a director of KI Holdings since November 2004 and a director of Koppers since January 1989. Mr. Sweeney has been counsel to Schnader Harrison Segal & Lewis LLP since 2000. Mr. Sweeney was the President and a member of Sweeney Metz Fox McGrann & Schermer L.L.C. from 1998 to 2000. Mr. Sweeney was a shareholder and director of Dickie, McCamey & Chilcote, P.C. from 1987 to 2000 and served as Managing Director from 1988 to September 1993.

Mr. Oberbeck has been a director of KI Holdings since November 2004 and director of Koppers since October 1997. Mr. Oberbeck is one of the founders of Saratoga Partners III, L.P. where he has been a Managing Director since its formation as an independent entity in September 1998. Prior to that time Mr. Oberbeck was a Managing Director of Warburg Dillon Read Inc. and its predecessor entity Dillon, Read & Co. Inc. where he was responsible for the management of the Saratoga funds. Mr. Oberbeck is also a director of Advanced Lighting Technologies, Inc., Data Return, LLC, EUR Systems, Inc., NAT, Inc. and Wireless Services Holding Corporation.

Dr. Hillenbrand was elected as a director of KI Holdings in November 2004 and has been a director of Koppers since February 1999. Dr. Hillenbrand retired from Bayer AG in August 2003, where he was Executive Vice President, Bayer Polymers, since July 2002. Dr. Hillenbrand previously had been President and Chief Executive Officer of Bayer, Inc. for eight years. Prior to 1994, Dr. Hillenbrand was Senior Vice President and Elkhart General Site Manager, Miles Inc. (now Bayer Corporation).

Mr. McCurrie was elected Vice President and Chief Financial Officer of KI Holdings in November 2004 and has been Vice President and Chief Financial Officer of Koppers since October 2003. Mr. McCurrie, a Certified Public Accountant, was the Chief Financial Officer of Pittsburgh-based Union Switch & Signal, Inc. from 1996 to October 2003. Mr. McCurrie was employed by Union Switch & Signal, Inc. from 1992 to October 2003.

Mr. Lacy was elected Senior Vice President, Administration, General Counsel and Secretary of KI Holdings in November 2004 and has been Senior Vice President, Administration, General Counsel and Secretary of Koppers since January 2004. Mr. Lacy had previously been elected Vice President, Law and Human Resources and Secretary of Koppers in July 2002 and Vice President, General Counsel and Corporate Secretary of Koppers in July 2001. Mr. Lacy worked in the corporate legal department for Wheeling-Pittsburgh Steel Corporation from July 1998 through June 2001, most recently as Vice President, General Counsel and Secretary. Prior to that time, he was employed by the Bethlehem Lukens Plate Division of Bethlehem Steel Corporation as Division Counsel and Lukens Inc. as Assistant General Counsel.

Mr. Loadman was elected Vice President and General Manager, Railroad Products & Services of Koppers in November 1994. After serving as plant manager of the Susquehanna, Pennsylvania treating and cogeneration plants from 1985 to 1988, Mr. Loadman was appointed Railroad Plants Operations Manager of the Railroad & Utility Products business of Koppers in January 1989. Mr. Loadman is a member of the Railway Tie Association and American Wood Preservers Association.

Mr. Fitzgerald was elected Vice President and General Manager, Carbon Materials & Chemicals of Koppers in March 1998. After serving as plant manager of the Stickney, Illinois Carbon Materials & Chemicals plant in 1996 and 1997, Mr. Fitzgerald was appointed Vice President and Manager, Carbon Materials & Chemicals of Koppers in January 1998. He was Product Manager, Industrial Pitches of Koppers from 1991 to 1995. Mr. Fitzgerald is a director of the American Coke & Coal Chemicals Institute.

Mr. Bryon was elected Vice President, Australasian Operation of Koppers in October 1998. Mr. Bryon served as General Manager of Koppers Carbon & Chemicals Pty Ltd. (a subsidiary of Koppers Australia Pty Ltd. and previously known as Koppers Coal Tar Products Pty Ltd.) since 1993.

Dr. Whittle was elected Vice President, European Operations of Koppers in May 2000. Prior to May 2000, Dr. Whittle served as Managing Director of the United Kingdom operations of Tarconord since the acquisition of Bitmac, Ltd. by Tarconord in 1996. From 1986 until 1996, Dr. Whittle was Managing Director and Chief Executive Officer of Bitmac Ltd. Dr. Whittle is active in industry associations and has served as president of the International Tar Association and Lincolnshire Iron & Steel Institute. Dr. Whittle is currently Vice President of the CEFIC Coal Tar Sector Group.

Mr. Bryce was elected Vice President and General Manager, Utility Poles & Piling Products, of Koppers in February 2002. Prior to joining Koppers, Mr. Bryce worked for Atlantic Wood Industries and is a past chairman of the American Wood Preservers Institute and the Southern Pressure Treaters Association.

Mr. McCormack was elected Vice President and General Manager, Global Marketing, Sales and Development Group, Carbon Materials & Chemicals of Koppers, in February 2002. Mr. McCormack had been Vice President, Marketing and Corporate Development for Koppers Europe ApS since January 2001 and General Manager of Carbon Materials & Chemicals for Koppers Australia Pty Ltd. since 1998.

Mr. Wombles joined Koppers in June 1997, at which time he was elected Vice President, Technology. Prior to joining Koppers, Mr. Wombles was Vice President, Research, Applications and Development for Ashland Petroleum Company. Mr. Wombles' area of expertise is the chemistry and processing of high molecular weight hydrocarbons. Mr. Wombles is the author of several technical publications in this area and has been granted ten U.S. patents in the area of hydrocarbon processing.

Ms. Schaming was elected Treasurer and Assistant Secretary of KI Holdings in November 2004 and has been Treasurer and Assistant Secretary of Koppers since May 1992. Ms. Schaming's previous position was Assistant Treasurer and Manager of Cash Operations of Koppers. Ms. Schaming is a certified cash manager.

EXECUTIVE COMPENSATION

Summary of Cash and Certain Other Compensation

The following table sets forth information concerning the compensation for services in all capacities to us, including options and stock appreciation rights ("SARS"), for the years ended December 31, 2003, 2002 and 2001, of those persons who were at December 31, 2003 the current Chief Executive Officer and each of the other four most highly compensated executive officers who earned more than $100,000 in salary and bonus in 2003 (collectively, the "Named Executive Officers").

Summary Compensation Table

		Annual Compensation		Long-Term Compensation Awards	
(a)	(b)	(c)	(d)	(g)	(i)
Name and Principal Position	Year	Salary	Bonus	Securities Underlying Options/ SARS (#)	All Other Compensation (1)
Walter W. Turner	2003	$400,000	$344,000	—	$ 111,268
President and Chief	2002	381,250	175,000	15,000	133,259
Executive Office	2001	363,720	50,000	—	165,143
Steven R. Lacy	2003	250,020	157,000	—	71,798
Senior Vice President, Administration,	2002	237,315	82,500	10,000	73,600
General Counsel and Secretary	2001	88,523(2)	30,000	—	84,048
David Whittle	2003	235,289	127,073	—	36,621
Vice President, European Operations,	2002	209,880	145,890	—	22,264
Koppers Europe ApS	2001	192,240	147,000	—	16,458
Thomas D. Loadman	2003	202,440	92,125	—	59,276
Vice President and General Manager,	2002	196,140	72,809	3,000	71,849
Railroad Products & Services	2001	189,420	45,252	—	87,939
Kevin J. Fitzgerald	2003	200,400	88,000	—	58,739
Vice President and General Manager,	2002	190,500	40,706	3,000	69,527
Carbon Materials & Chemicals	2001	176,400	56,734	—	85,020

(1) With the exception of Dr. Whittle, all other compensation consists of regular and supplemental matches to our 401(k) plan and earned credit for our Supplemental Executive Retirement Plan ("SERP"). For Mr. Turner, 401(k) matches for 2003, 2002 and 2001 were $6,000, $6,000 and $5,154, respectively, and SERP credits for 2003, 2002 and 2001 were $105,268, $127,259 and $159,989, respectively. For Mr. Lacy, 401(k) matches for 2003, 2002 and 2001 were $6,000, $6,000 and $2,987, respectively, and SERP credits for 2003, 2002 and 2001 were $65,798, $67,600 and $81,061, respectively. For Mr. Loadman, 401(k) matches for 2003, 2002 and 2001 were $6,000, $6,000 and $5,154, respectively, and SERP credits for 2003, 2002 and 2001 were $53,276, $65,849 and $82,785, respectively. For Mr. Fitzgerald, 401(k) matches for 2003, 2002 and 2001 were $6,000, $6,000 and $5,154, respectively, and SERP credits for 2003, 2002 and 2001 were $52,739, $63,527 and $79,867, respectively. All other compensation for Dr. Whittle consists of automobile allowances.

(2) Consists of six months of salary for 2001.

Stock Options

There were no grants of SARs or stock options during 2003.

Option Exercises and Fiscal Year-End Values

Shown below is information with respect to stock options exercised during 2003 and unexercised options at the end of the fiscal year under our stock option plans. No SARS were granted to any of the Named Executive Officers and none of the Named Executive Officers held any unexercised SARS at the end of the fiscal year.

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

Name	Number of Securities Underlying Options/ SARS Exercised	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARS at FY-End (#)		Value of Unexercised In-the-money Options/ SARS at FY-End ($) (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Walter W. Turner	11,400	$ 86,550	3,000	14,000	$ —	$ —
Steven R. Lacy	2,000	5,700	—	8,000	—	—
David Whittle	—	—	1,800	1,200	—	—
Thomas D. Loadman	26,900	353,877	—	3,200	—	—
Kevin J. Fitzgerald	16,300	162,710	—	5,600	—	—

(1) The value of unexercised in-the-money options was calculated by subtracting the exercise price from the fair value as of December 31, 2003 as determined by the Board of Directors pursuant to the provisions of the Stockholders' Agreement. There were no unexercised in-the-money options held by any Named Executive Officer at December 31, 2003.

Benefit Plans

Pension Plan. All our executive officers located in the U.S. are covered by the Retirement Plan of Koppers Inc. and Subsidiaries for Salaried Employees (the "Salaried Plan"). Prior to June 1, 2004, annual retirement benefits were computed at the rate of 1.2% of Terminal Salary (as defined below) not in excess of $16,000, plus 1.6% of Terminal Salary in excess of $16,000, all multiplied by years of Credited Service (as defined below). Terminal Salary was determined based on the average annual salary (defined as salary plus 50% of any incentive payments) for the five highest consecutive years of the last ten years of credited service, or during all years of such credited service if less than five. Credited Service includes all accumulated service as a salaried employee except for any period of layoff or leave of absence. In 1998, we amended the Salaried Plan to provide a minimum pension equal to 1.2% of Terminal Salary multiplied by years of Credited Service up to 35 years reduced by any pension benefit paid by the pension plan of the former Koppers Company, Inc., now known as Beazer East, Inc. ("Old Koppers" for the period prior to December 29, 1988). For purposes of the minimum pension calculations, Terminal Salary was determined based on the average annual salary (defined as salary plus 75% of any incentive payments) for the five highest consecutive years of the last ten years of Credited Service, or during all years of Credited Service if less than five.

The following table contains approximate retirement benefits for Credited Service before June 1, 2004 payable under the Salaried Plan, assuming retirement at age 65, payments made on the straight-life annuity basis and no election of a co-annuitant option.

Estimated Annual Retirement Benefit Under the Salaried Retirement Plan for Post-May 31, 2004 Credited Service

Terminal Salary	Years of Credited Service at Retirement					
	5	10	15	20	25	30
$100,000	$ 5,000	$ 10,000	$ 15,000	$ 20,000	$ 25,000	$ 30,000
150,000	7,500	15,000	22,500	30,000	37,500	45,000
200,000	10,000	20,000	30,000	40,000	50,000	60,000
250,000	12,500	25,000	37,500	50,000	62,500	75,000
300,000	15,000	30,000	45,000	60,000	75,000	90,000
350,000	17,500	35,000	52,500	70,000	87,500	105,000
400,000	20,000	40,000	60,000	80,000	100,000	120,000
450,000	22,500	45,000	67,500	90,000	112,500	135,000

Effective June 1, 2004 we further amended the Salaried Plan. For Credited Service after May 31, 2004, annual retirement benefits are computed at the rate of 1.0% of Terminal Salary multiplied by years of Credited Service after May 31, 2004. Effective June 1, 2004 we also amended the definition of Terminal Salary to mean the average annual salary (defined as salary plus 100% of any incentive payments) for the five highest consecutive years of the last ten years of Credited Service or during all years of Credited Service if less than five.

The following table contains approximate retirement benefits for Credited Service after May 31, 2004 payable under the Salaried Plan, assuming retirement at age 65, payments made on the straight-life annuity basis and no election of a co-annuitant option.

Estimated Annual Retirement Benefit Under the Salaried Retirement Plan for Pre-June 1, 2004 Credited Service

Terminal Salary	Years of Credited Service at Retirement					
	5	10	15	20	25	30
$100,000	$ 7,680	$ 15,360	$ 23,040	$ 30,720	$ 38,400	$ 46,080
150,000	11,680	23,360	35,040	46,720	58,400	70,080
200,000	15,680	31,360	47,040	62,720	78,400	94,080
250,000	19,680	39,360	59,040	78,720	98,400	118,080
300,000	23,680	47,360	71,040	94,720	118,400	142,080
350,000	27,680	55,360	83,040	110,720	138,400	166,080
400,000	31,680	63,360	95,040	126,720	158,400	190,080
450,000	35,680	71,360	107,040	142,720	178,400	214,080

The following describes the Terminal Salary and Years of Service, respectively, accrued as of December 31, 2003 for each participating Named Executive Officer: Walter W. Turner, $413,184 and 15 years of service; Steven R. Lacy, $250,235 and three years of service; Thomas D. Loadman, $211,691 and 15 years of service; and Kevin J. Fitzgerald, $185,205 and 15 years of service.

Effective December 1, 1997, the Board of Directors established a Supplemental Executive Retirement Plan for each participating Named Executive Officer and all our other participating elected officers. The SERP will pay an annual benefit equal to 2% of final pay multiplied by years of service up to 35 years, reduced by the sum of: i) pension benefits received from us; ii) pension benefits received from Old Koppers; iii) one half of any Social Security benefits; and iv) the value of our paid common stock in the individual's Employee Savings Plan account.

Employment Agreements

Employment Agreement with Steven R. Lacy. We entered into an employment agreement with Mr. Lacy in April 2002 that contains the terms of Mr. Lacy's employment with Koppers. The employment agreement provides that Mr. Lacy will serve as Vice President, General Counsel and Corporate Secretary. The term of the agreement commenced on April 5, 2002 and continued until April 4, 2004; thereafter, on April 4 of each year the term is automatically extended for one additional year unless notice is given 180 days in advance by us or Mr. Lacy that such party does not wish to extend the term. Neither Mr. Lacy nor we provided timely notice of termination 180 days in advance of April 4, 2005. Therefore, Mr. Lacy's agreement has been automatically extended until at least April 4, 2006. The employment agreement provides that Mr. Lacy will receive a base salary at an annual rate of no less than $250,000, and that such base salary will be subject to periodic review by the Chief Executive Officer. The employment agreement provides for participation in our corporate senior management incentive pool with an annual incentive target of 40% of base salary, and provides for a stock option grant to purchase a total of 7,500 shares of our common stock. The employment agreement also provides for participation in all of our benefits plans. In the event of termination by us other than for cause, Mr. Lacy is entitled to receive the following payments: (i) 104 weeks of salary and benefits continuation; (ii) an additional number of weeks of salary and benefits continuation equal to the number of full years of service with us; (iii) a lump sum severance payment equal to one-half of the sum of the amounts awarded to him under the applicable incentive plan and bonus plans in respect of each of the two calendar years preceding that in which occurs the date of termination; and (iv) a lump sum severance payment equal to the value of certain payments he is entitled to receive in the event of a change of control, whether or not a change of control occurs.

Employment Agreement with David Whittle. We entered into an employment agreement with Dr. Whittle in August 2000 that contains the terms of Dr. Whittle's employment with Koppers. The employment agreement provides that Dr. Whittle will serve as Vice President and General Manager of Koppers Europe at a beginning annual salary of 131,000 pounds sterling, subject to annual adjustments. The agreement also provides for participation in our incentive plan based on the attainment of certain operating results for Koppers Europe. The agreement provides that in the event of termination for any reason other than gross misconduct, Dr. Whittle shall be given twelve months' notice of termination or, at our option, pay in lieu of notice. The agreement provides that in exchange for the terms of the employment agreement, Dr. Whittle agrees to an immediate termination of the service agreement entered into with Bitmac Limited (predecessor company to the United Kingdom operations of Koppers Europe ApS).

Director Compensation

We do not pay compensation to Directors who are also employees. In 2003, each Director who is not an employee was paid a retainer fee of $35,000 per year plus $5,000 for each Board Committee chaired, except the Saratoga Partners III, L.P. Director is paid under the advisory services agreement between Koppers and Saratoga Partners III, L.P. in lieu of Director's fees. See "Certain Relationships and Related Transactions." Effective January 1, 2004 each Director who is not an employee, except the Saratoga Director, is paid a retainer fee of $40,000. Additionally the fee for the Chairman of the Audit Committee has been increased from $5,000 to $10,000.

Compensation Committee Interlocks and Insider Participation

Mr. Oberbeck, a principal for Saratoga Partners III, L.P., serves on and is chairman of the Human Resources and Compensation Committee of the Board of Directors, which, among other things, establishes compensation levels for our five most highly paid executive officers. We also have an advisory services agreement with Saratoga Partners III, L.P. pursuant to which we pay a management fee of $150,000 per quarter to Saratoga in lieu of Director's fees to Mr. Oberbeck. In addition, Saratoga Partners III, L.P. may provide us with financial advisory services in connection with significant business transactions, such as acquisitions, for which we will pay Saratoga Partners III, L.P. compensation comparable to compensation paid for such services by similarly situated companies. During 2004 and 2003 we paid Saratoga Partners III, L.P. $0.5 million and $1.6 million, respectively, for advisory services in connection with refinancing activities.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

In November 2004, KI Holdings was created to be the direct parent company of Koppers. KI Holdings has no material assets or operations other than its 100% ownership of Koppers. Pursuant to an agreement and plan of merger, stockholders and option holders of Koppers became stockholders and option holders of KI Holdings on November 18, 2004 and are no longer stockholders and option holders of Koppers Inc.

The following table sets forth certain information regarding the beneficial ownership of the common stock and preferred stock of KI Holdings as of January 15, 2005 by (i) each person known to us to beneficially own more than 5% of the outstanding shares of either common stock or preferred stock; (ii) each of KI Holdings' directors; (iii) each of the Named Executive Officers; and (iv) all of KI Holdings' directors and executive officers as a group.

Except as otherwise indicated, the address for each of the named individuals is c/o KI Holdings, Inc., 436 Seventh Avenue, Pittsburgh, PA 15219.

	Voting Common Stock		Senior Convertible Preferred Stock (2)	
Name of Beneficial Owner	Shares Beneficially Owned (1)	Percentage Beneficially Owned (1)	Shares Beneficially Owned	Percentage Beneficially Owned
Saratoga Partners III, L.P. (3)			2,288,481	100.0%
Walter W. Turner (4)	712,491	92.2%		
Clayton A. Sweeney (5)	28,934	3.7%		
Christian L. Oberbeck (3)			2,288,481	100.0%
Robert Cizik (6)	60,294	7.8%		
David M. Hillenbrand (7)	20,000	2.6%		
Steven R. Lacy (8)	34,000	4.4%		
David Whittle	—	*		
Thomas D. Loadman (9)	31,499	4.1%		
Kevin J. Fitzgerald (10)	20,925	2.7%		
All directors and officers as a group (14 persons) (4)	772,785	100.0%		
Total shares outstanding, including vested options	772,785	100.0%	2,288,481	100.0%

* 1% or less.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and/or investment power with respect to the shares shown as beneficially owned.

(2) On December 1, 1997, 2,117,952 shares of voting common stock and 27,672 shares of non-voting common stock held by Saratoga Partners III, L.P. were converted into 2,145,624 shares of preferred stock, entitling Saratoga Partners III, L.P. to elect a majority of our Board of Directors and to exercise a majority of the voting power over all of our outstanding stock with respect to all matters subject to a stockholder vote. The preferred stock has voting (except as described below) and dividend rights equal to voting common stock and has a liquidation preference equal to par value. The preferred stock is convertible into common stock at any time on a one-for-one basis. The holders of the preferred stock vote as a separate series from all other classes of stock and are entitled to elect a majority of our Board of Directors.

(3) With respect to 142,857 of these shares, Saratoga Partners III, L.P. has voting power with respect to such shares and we have been informed that Brown University Third Century Fund has dispositive directive power with respect to such shares subject to the terms of the stockholders' agreement. Saratoga Partners III, L.P. is a private investment fund. The address for Saratoga Partners III, L.P. is 535 Madison Avenue, New York, NY 10022. Saratoga Partners III, L.P. has generally authorized Mr. Oberbeck, a director, to vote the shares of Koppers Inc. held by Saratoga Partners III, L.P. Mr. Oberbeck disclaims beneficial ownership of the preferred stock owned by Saratoga Partners III, L.P. Saratoga Partners III, L.P. is entitled to elect a majority of the Board of Directors and to exercise a majority of the voting power of all of our outstanding stock.

(4) Pursuant to the stockholders' agreement, Mr. Turner and Randall D. Collins, Vice President, Regulatory Affairs of Koppers, were appointed as representatives of the approximately 120 management investors and granted irrevocable proxies to vote the 712,491 shares of common stock owned by the management investors, including 64,646 shares directly owned by Mr. Turner and 23,013 shares directly owned by Mr. Collins, for the term of the stockholders' agreement.

(5) Pursuant to the stockholders' agreement, Mr. Sweeney has granted an irrevocable proxy to the representatives to vote the shares owned by him. In 2003, 2002 and 2001, we purchased a total of 74,945 shares owned by Mr. Sweeney for a total of $2.1 million.

(6) Mr. Cizik financed the purchase of 35,294 of his shares in 1999 through a loan from Koppers. The financed shares vest at a rate of 20% per year according to Mr. Cizik's compensation arrangement, and are 100% vested. See "Certain Relationships and Related Transactions—Consulting Agreements."

(7) Pursuant to the stockholders' agreement, Dr. Hillenbrand has granted an irrevocable proxy to the representatives to vote the shares owned by him.

(8) Pursuant to the stockholders' agreement, Mr. Lacy has granted an irrevocable proxy to the representatives to vote the shares owned by him.

(9) Pursuant to the stockholders' agreement, Mr. Loadman has granted an irrevocable proxy to the representatives to vote the shares owned by him.

(10) Pursuant to the stockholders' agreement, Mr. Fitzgerald has granted an irrevocable proxy to the representatives to vote the shares owned by him.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon vesting	Weighted-average price of outstanding non-vested shares	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders (1)	108,000	$ —	15,000

(1) Includes our Restricted Stock Unit Plan.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Relationship with Legal Counsel

Schnader Harrison Segal & Lewis LLP provided counsel to us during 2004 and 2003. Clayton A. Sweeney, a shareholder and director, is also counsel to Schnader Harrison Segal & Lewis LLP. During 2004 and 2003, we paid a total of $0.2 million and $0.3 million, respectively, in legal fees to this firm. Additionally, in 2003, 2002 and 2001 we redeemed from Mr. Sweeney 25,116 shares at $29.00 per share, 23,913 shares at $28.00 per share, and 25,116 shares at $28.00 per share, respectively. The prices at which we redeemed shares of common stock from Mr. Sweeney in 2003, 2002 and 2001 were based on the fair value of such stock upon the respective redemption dates. The Board of Directors (with Mr. Sweeney abstaining) determined the fair value of the our stock based on annual valuations performed by a third party valuation firm. Beginning with the year 2002, the fair value was reduced dollar-for-dollar by the amount of any dividends paid between valuation periods.

Consulting Agreements

Consulting Agreement with Robert Cizik. Koppers entered into a consulting agreement with Robert Cizik in 1999 in which it pays a fee of $12,500 per month to Mr. Cizik for consulting services. The agreement also includes a provision which allowed Mr. Cizik to purchase 20,000 shares of common stock for $17.00 per share, which purchase was made in October 1999 when the fair value per share was $17.25. Additionally, the agreement provides for a $0.6 million interest-free loan from Koppers for the purchase of 35,294 shares of restricted common stock at a price of $17.00 per share. Mr. Cizik purchased these shares in October 1999 by signing a promissory note to Koppers for $0.6 million. The note, which is 70% collateralized by the value of the related shares and 30% by Mr. Cizik's personal assets, is due in 2009, or immediately in the event Mr. Cizik is no longer Non-Executive Chairman of our Board of Directors. The shares were initially restricted, with a vesting period of five years; at December 31, 2003, all the shares were vested. In the event Mr. Cizik is no longer Non-Executive Chairman of Koppers' Board of Directors, Koppers will redeem any non-vested shares at cost and all other shares at fair value.

Advisory Services Agreement with Saratoga Partners III, L.P. Koppers has an advisory and consulting agreement with Saratoga Partners III, L.P. pursuant to which Koppers pays a management fee of $150,000 per quarter to Saratoga Partners III, L.P. in lieu of Director's fees to Mr. Oberbeck. In addition, Saratoga Partners III, L.P. may provide Koppers with financial advisory services in connection with significant business transactions, including, but not limited to: (i) identification, negotiation and analysis of acquisitions and dispositions by Koppers or its subsidiaries; (ii) negotiations and analysis of financing alternatives, including in connection with acquisitions, capital expenditures and refinancing of indebtedness; (iii) finance functions, including assistance in financial projections; (iv) human resource functions, including searching and hiring of executives; and (v) such other services as Koppers' Board of Directors and Saratoga Partners III, L.P. shall agree. For such services, Koppers will pay Saratoga Partners III, L.P. a compensation comparable to compensation paid for such services by similarly situated companies. During 2004 and 2003, Koppers paid Saratoga $0.5 million and $1.6 million, respectively, related to advisory services related to refinancing activities.

Mr. Oberbeck has served as a director of Koppers since October 1997. Mr. Oberbeck is one of the founders of Saratoga Partners III, L.P., where he has been a Managing Director since its formation as an independent entity in September 1998. Prior to that time, Mr. Oberbeck was a Managing Director of Warburg Dillon Read Inc. and its predecessor entity Dillon, Read & Co. Inc. from 1995 to September 1998, where he was responsible for the management of the Saratoga Funds, and Managing Director of Castle Harlan, Inc., a corporate buyout firm, where he worked from 1987 to 1995.

Saratoga Partners III, L.P. has informed us that it is an independent New York based investment firm making private equity investments in partnership with management in the business services and manufacturing

industries. Saratoga Partners III, L.P. was founded in 1984 as the corporate buyout group of Dillon, Read & Co. Inc. and is an experienced firm, having led buyout investments in 33 companies.

Stockholders' Agreement

We are a party to a stockholders' agreement. The management investors are a group of approximately 120 individual stockholders with various ownership interests in the common stock and collectively comprising 100% of the total outstanding shares of our common stock. Each management investor is an officer, director, or current or former employee of ours or one of our subsidiaries. Pursuant to the stockholders' agreement, Walter W. Turner and Randall D. Collins have been appointed as the representatives of the management investors and have been granted irrevocable proxies for the term of the stockholders' agreement to vote in excess of 90% of the management investors' shares as of December 31, 2003. During 2002, we redeemed all terminated employee shares held by the 401(k) plan and established a policy of redeeming all such shares when an employee leaves our employment. In May 2003, we redeemed all active employee shares held by the 401(k) plan and eliminated our stock as an available investment option under the 401(k) plan. Therefore no shares of our stock are held in our 401(k) plan. Prior to February 27, 2004, the Stockholders' Agreement required us to redeem shares upon a Management Investor's ceasing for any reason to be employed by us. On February 27, 2004 the Stockholders' Agreement was amended to make the redemption of common stock from such Management Investors at our option after the effective date of the amendment. Based on currently available information, as of September 30, 2004, 0.1 million shares of common stock owned by management investors were subject to such redemption obligation.

The stockholders' agreement sets forth supermajority voting requirements for the Board of Directors for certain matters, including the issuance of additional stock, mergers, consolidations, acquisitions, significant asset sales, and the incurrence of material indebtedness. Saratoga Partners III, L.P. is entitled to nominate a majority of the Board of Directors.

DESCRIPTION OF OTHER INDEBTEDNESS

Senior Secured Credit Facilities of Koppers

In connection with the offering of the Old Notes and the related transactions, we requested an amendment to our senior secured credit facilities to allow the formation of KI Holdings and the subsequent merger resulting in KI Holdings becoming the parent of Koppers Inc. As a condition of this amendment, certain changes were made to the terms of the borrowing base calculation. The description below gives effect to the terms of the amendment.

The following sets forth a description of some of the terms of Koppers' senior secured credit facilities:

- provide for a revolving credit facility of $100.0 million, of which $40.5 million was outstanding on September 30, 2004;
- provide for a borrowing base for loans under the revolving credit facility limited to the sum of 85% of qualified accounts plus 50% of qualified inventory, provided that the portion of the borrowing base supported by qualified Australian accounts and qualified Australian inventory is limited to 25% of the aggregate borrowing base;
- bear interest, in the case of the revolving credit facility, on the outstanding unpaid principal amount, at our option, at either the base rate, plus an applicable margin of 0.50% to 1.25%, or the Eurorate, plus an applicable margin of 2.00% to 2.75% determined, in each case, pursuant to a performance-based pricing grid;
- be secured by substantially all of Koppers' assets;
- allow prepayment in whole or in part without premium or penalty;
- mature on May 12, 2007, in the case of the revolving credit facility; and
- provide for a term loan of which $1.5 million was outstanding at September 30, 2004, all of which was repaid on November 1, 2004.

Koppers' senior secured credit facilities contain representations and affirmative covenants customary for financings of this type. Koppers' senior secured credit facilities also contain negative covenants that limit our ability and the ability of Koppers' subsidiaries to, among other things:

- incur additional indebtedness or issue guarantees;
- grant liens;
- make fundamental changes in our business, corporate structure or capital structure, including, among other things, entering into any merger, consolidation or amalgamation or liquidating, winding up or dissolving;
- sell assets or subsidiaries;
- make capital expenditures;
- make investments, including the advancing of loans or extensions of credit, enter into joint ventures or make acquisitions of assets constituting a business unit or the capital stock of another entity;
- prepay, redeem or repurchase subordinated indebtedness, including the Exchange Notes, or amend documents relating to other existing indebtedness, including the Exchange Notes, or amend documents relating to other existing indebtedness or other material documents; and
- enter into transactions with affiliates.

The negative covenants also include financial covenants that require us to maintain certain financial ratios, including the following:

- The Fixed Charge Coverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, shall not be less than 1.05 to 1.0.

- The Total Leverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, shall not exceed the ratios set forth below for the periods specified below:

Fiscal Quarters Ended	Ratio
September 30, 2004 through December 31, 2004	5.00 to 1.00
March 31, 2005 through September 30, 2005	4.75 to 1.00
December 31, 2005 through September 30, 2006	4.50 to 1.00
December 31, 2006 and thereafter	4.25 to 1.00

- The Senior Leverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, shall not exceed 1.50 to 1.0.

Koppers' senior secured credit facilities also contain events of default that are customary for financings of this type, including, without limitation, and subject to certain exceptions, those related to:

- default in payment of principal and interest;
- materially incorrect representations or warranties;
- default in observance or performance of any of the affirmative or negative covenants included in our credit agreement or related security documents;
- cross-default in the payment of other indebtedness of more than $5.0 million in the aggregate;
- specified events of bankruptcy;
- specified ERISA events;
- specified judgments or decrees involving more than $5.0 million in the aggregate;
- failure of the applicable senior secured credit facilities documents or any material provisions thereof, the guarantees, security documents or any related documents to be enforceable and in full force and effect;
- certain change of control events; and
- certain failures by Beazer East to comply with its indemnity obligations under the terms of the asset purchase agreement between us and Koppers Company, Inc. (now known as Beazer East, Inc.).

DESCRIPTION OF THE EXCHANGE NOTES

KI Holdings Inc. will issue the Exchange Notes under an Indenture (the "Indenture") between itself and The Bank of New York, as Trustee. The terms of the Exchange Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act.

Certain terms used in this description are defined under the subheading "—Certain Definitions." In this description, the terms "Company," "we," "us" and "our" refer only to KI Holdings Inc. and not to any of its Subsidiaries.

The following description is only a summary of the material provisions of the Indenture and the Registration Rights Agreement. We urge you to read the Indenture and the Registration Rights Agreement because they, not this description, define your rights as holders of these Exchange Notes. You may request copies of these agreements at our address set forth under the heading "Where You Can Find More Information."

Brief Description of the Exchange Notes

These Exchange Notes:

- are unsecured senior obligations of the Company;
- are senior in right of payment to all future Subordinated Obligations of the Company;
- are structurally subordinated to all existing and future Indebtedness and other liabilities of the Company's Subsidiaries;
- are effectively subordinated in right of payment to all future secured obligations of the Company, to the extent of the value of the assets securing such Indebtedness;
- are pari passu in right of payment with any existing and future unsecured, unsubordinated Indebtedness of the Company; and
- are subject to the provisions of the Registration Rights Agreement.

Principal, Maturity and Interest

The Company will issue the Exchange Notes initially with a stated aggregate principal amount at maturity of $203.0 million. The Company will issue the Exchange Notes in denominations of $1,000 principal amount at maturity and any integral multiple of $1,000 principal amount at maturity. The Exchange Notes will mature on November 15, 2014. Subject to our compliance with the covenant described under the subheading "—Certain Covenants—Limitation on Indebtedness," we are entitled, without the consent of the holders, to issue an unlimited amount of additional Notes under the Indenture (the "Additional Notes") on the same terms and conditions as the those under which the Old Notes were offered. The Exchange Notes and the Additional Exchange Notes, if any, will be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of the Indenture and this "Description of the Exchange Notes," references to the Exchange Notes include any Additional Exchange Notes actually issued.

No cash interest will accrue on the Exchange Notes prior to November 15, 2009, although for U.S. federal income tax purposes a significant amount of original issue discount, taxable as ordinary income, will be recognized by a holder as such discount accretes. See "Material United States Federal Income Tax Considerations" for a discussion regarding the taxation of such original issue discount. The Accreted Value of each Exchange Note will increase from the date of issuance until November 15, 2009 at a rate of 9 7/8% per annum, reflecting the accrual of non-cash interest, such that the Accreted Value will equal the stated principal amount at maturity on November 15, 2009. Cash interest on the Exchange Notes will accrue at the rate of 9 7/8%

per annum from November 15, 2009, or from the most recent date to which interest has been paid or provided for, and will be payable semiannually in arrears on May 15 and November 15 of each year, commencing on May 15, 2010. We will make each interest payment to the holders of record of the Exchange Notes on the immediately preceding May 1 and November 1, respectively. We will pay interest on overdue principal at 1% per annum in excess of the above rate and will pay interest on overdue installments of interest at such higher rate to the extent lawful. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Additional Interest may accrue on the Exchange Notes in certain circumstances pursuant to the Registration Rights Agreement.

Optional Redemption

Except as set forth below, we will not be entitled to redeem the Exchange Notes at our option prior to November 15, 2009.

On and after November 15, 2009, we will be entitled at our option to redeem all or a portion of the Exchange Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of Accreted Value on the redemption date), plus accrued and unpaid interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on November 15 of the years set forth below:

Period	Redemption Price
2009	104.938%
2010	103.292%
2011	101.646%
2012 and thereafter	100.000%

Prior to November 15, 2007, we may at our option on one or more occasions redeem Notes (which includes Additional Notes, if any) in an aggregate principal amount at maturity not to exceed 35% of the aggregate principal amount at maturity of the Notes (which includes Additional Notes, if any) originally issued at a redemption price (expressed as a percentage of Accreted Value as of the date of redemption) of 109 7/8%, plus accrued and unpaid interest to the redemption date, if any, with the net cash proceeds from one or more Equity Offerings; *provided*, *however*, that

(1) at least 65% of such aggregate principal amount at maturity of Notes (which includes Additional Notes, if any) remains outstanding immediately after the occurrence of each such redemption (other than Notes held, directly or indirectly, by the Company or its Affiliates); and

(2) each such redemption occurs within 60 days after the date of the related Equity Offering.

Selection and Notice of Redemption

If we are redeeming less than all the Exchange Notes at any time, the Trustee will select Exchange Notes on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate.

We will redeem Exchange Notes with a principal amount at maturity of $1,000 or less in whole and not in part. We will cause notices of redemption to be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder of Exchange Notes to be redeemed at its registered address.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount at maturity thereof to be redeemed. We will issue a new Note in a principal amount at maturity equal at maturity to the unredeemed portion of the original Note in the name of the holder

upon cancelation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, Accreted Value ceases to accrete and interest ceases to accrue, in each case to the extent applicable, on Notes or portions of them called for redemption.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

We are not required to make any mandatory redemption or sinking fund payments with respect to the Exchange Notes. However, under certain circumstances, we may be required to offer to purchase Exchange Notes as described under the captions "—Change of Control" and "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock." We may at any time and from time to time purchase Exchange Notes in the open market or otherwise.

Ranking

Senior Indebtedness versus Exchange Notes

The indebtedness evidenced by these Exchange Notes will be senior unsecured indebtedness and will rank *pari passu* in right of payment to the Senior Indebtedness of the Company and will rank senior in right of payment to all future Subordinated Obligations of the Company.

As of September 30, 2004, on an as adjusted basis to reflect the offering of the Old Notes and the application of the net proceeds from that offering, we, excluding our subsidiaries, would have had approximately $125.5 million of senior indebtedness consisting of the Old Notes.

Liabilities of Subsidiaries versus Exchange Notes

The Company is a holding company with no revenue generating operations of its own. Its assets consist substantially of the capital stock of Koppers Inc.

All of our operations are conducted through our Subsidiaries. Claims of creditors of such Subsidiaries, including trade creditors and creditors holding Indebtedness or guarantees issued by such Subsidiaries, and claims of preferred stockholders of such Subsidiaries generally will have priority with respect to the assets and earnings of such Subsidiaries over the claims of our creditors, including holders of the Exchange Notes. Accordingly, the Exchange Notes will be effectively subordinated to creditors (including trade creditors) and preferred stockholders, if any, of our Subsidiaries. See "Risk Factors—KI Holdings is a holding company and therefore depends on its subsidiaries to pay interest on the Exchange Notes and its other obligations," "—The terms of Koppers' indebtedness currently prohibit it from paying dividends to KI Holdings to satisfy its obligations under the Exchange Notes and applicable corporate law may restrict the ability to pay dividends or otherwise redeem the Exchange Notes," and "—Because KI Holdings is the sole obligor of the Exchange Notes, and its subsidiaries will not guarantee KI Holdings' obligations under the Exchange Notes or have any obligation with respect to the Exchange Notes, the Exchange Notes are structurally subordinated to the debt and liabilities of our subsidiaries. In addition, the Exchange Notes are effectively subordinated to any of our present and future secured debt."

At September 30, 2004, the total liabilities of our Subsidiaries recorded on their balance sheets was approximately $605.3 million, including trade payables but excluding intercompany indebtedness. Although the Indenture limits the incurrence of Indebtedness and preferred stock of certain of our subsidiaries, such limitation is subject to a number of significant qualifications. Moreover, the Indenture does not impose any limitation on the incurrence by such subsidiaries of liabilities that are not considered Indebtedness under the Indenture. See "—Certain Covenants—Limitation on Indebtedness."

As of the Issue Date, the Company has designated Koppers Mauritius and Koppers (China) Carbon & Chemical Co. Ltd as Unrestricted Subsidiaries. Substantially all of the assets of Koppers Mauritius consist of a 60% joint venture interest in Koppers (China) Carbon & Chemical Co. Ltd. At September 30, 2004, the total

assets of our Unrestricted Subsidiaries recorded on their balance sheets were approximately $22.5 million and the total liabilities recorded on their balance sheets were approximately $5.5 million, including trade payables. In 2003, our Unrestricted Subsidiaries generated approximately $20.5 million of revenue.

Global Notes and Book-Entry System

The Global Securities

The Exchange Notes will be issued in the form of one or more registered notes in global form, without interest coupons. Such global notes will be deposited on the issue date with DTC and registered in the name of Cede & Co., as nominee of DTC, or will remain in the custody of the Trustee under the Indenture pursuant to the FAST Balance Certificate Agreement between DTC and the Trustee. Beneficial interests in the global notes may not be exchanged for certificated notes except in the circumstances described below. All interests in global notes may be subject to the procedures and requirements of DTC.

Exchanges of beneficial interests in one global security for interests in another global security will be subject to the applicable rules and procedures of DTC and its direct and indirect participants. Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global security will, upon transfer, cease to be an interest in that global security and become an interest in the global security to which the beneficial interest is transferred and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in the global security to which the beneficial interest is transferred for as long as it remains an interest in that global security.

Depository Procedures

The following description of the operations and procedures of DTC is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited-purpose trust company organized under the laws of the State of New York, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participating organizations (collectively, the “Participants”) and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the “Indirect Participants”). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised us that, pursuant to procedures established by it:

(1) upon deposit of the Global Exchange Notes, DTC will credit the accounts of Participants designated by the Initial Purchasers with portions of the principal amount at maturity of the Global Exchange Notes; and

(1) ownership of these interests in the Global Exchange Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Exchange Notes).

Investors in the Global Exchange Notes who are Participants in DTC's system may hold their interests therein directly through DTC. Investors in the Global Exchange Notes who are not Participants may hold their interests therein indirectly through organizations which are Participants in such system. All interests in a Global Exchange Note may be subject to the procedures and requirements of DTC. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Exchange Note to such Persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of a Person having beneficial interests in a Global Exchange Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of an interest in the Global Exchange Notes will not have Exchange Notes registered in their names, will not receive physical delivery of Exchange Notes in certificated form and will not be considered the registered owners or "Holders" thereof under the Indenture for any purpose.

Payments in respect of the principal of, and interest and premium and Additional Interest, if any, on a Global Exchange Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered Holder under the Indenture. Under the terms of the Indenture, the Company and the Trustee will treat the Persons in whose names the Exchange Notes, including the Global Exchange Notes, are registered as the owners of the Exchange Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Company, the Trustee nor any agent of the Company or the Trustee has or will have any responsibility or liability for:

(1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Exchange Notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Exchange Notes; or

(2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the Exchange Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount at maturity of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of Exchange Notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or the Company. Neither the Company nor the Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Exchange Notes, and the Company and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds.

DTC has advised the Company that it will take any action permitted to be taken by a Holder of Exchange Notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Exchange Notes and only in respect of such portion of the aggregate principal amount at maturity of the Exchange Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Exchange Notes, DTC reserves the right to exchange the Global Exchange Notes for legended Exchange Notes in certificated form, and to distribute such Exchange Notes to its Participants.

Neither the Company nor the Trustee nor any of their respective agents will have any responsibility for the performance by DTC or its Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Exchange Notes for Certificated Exchange Notes

A Global Exchange Note is exchangeable for Certificated Exchange Notes if:

(1) DTC (a) notifies the Company that it is unwilling or unable to continue as depositary for the Global Exchange Notes and DTC fails to appoint a successor depositary or (b) has ceased to be a clearing agency registered under the Exchange Act;

(2) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of the Certificated Exchange Notes; or

(3) there has occurred and is continuing a Default with respect to the Exchange Notes.

In addition, beneficial interests in a Global Exchange Note may be exchanged for Certificated Exchange Notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the Indenture. In all cases, Certificated Exchange Notes delivered in exchange for any Global Exchange Note or beneficial interests in Global Exchange Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by applicable law.

Exchange of Certificated Exchange Notes for Global Exchange Notes

Certificated Exchange Notes may not be exchanged for beneficial interests in any Global Exchange Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Exchange Notes. See "Transfer Restrictions."

Change of Control

Upon the occurrence of any of the following events (each a "Change of Control"), each Holder shall have the right to require that the Company repurchase such Holder's Exchange Notes at a purchase price in cash equal to 101% of the Accreted Value thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date):

(1) prior to the first public offering of common stock of the Company, the Permitted Holders cease to be the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of a majority in the aggregate of the total voting power of the Voting Stock of the Company, whether as a result of issuance of securities of the Company, any merger, consolidation, liquidation or dissolution of the Company, or any direct or indirect transfer of securities (for purposes of this clause (1) and clause (2) below, the Permitted Holders shall be deemed to beneficially own any Voting Stock of the Company (the "specified person") held by any other Person (the "parent entity") so long as the Permitted Holders beneficially own (as so defined), directly or indirectly, in the aggregate a majority of the voting power of the Voting Stock of the parent entity);

(2) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in clause (1) above, except that for purposes of this clause (2), (x) such person shall be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time and (y) such person shall not be deemed to have "beneficial ownership" of any shares solely as a result of a voting or similar agreement entered into in connection with a

merger agreement or asset sale agreement), directly or indirectly, of more than 35% of the total voting power of the Voting Stock of the Company; *provided*, *however*, that the Permitted Holders beneficially own (as defined in clause (1) above), directly or indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Stock of the Company than such other person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors (for the purposes of this clause (2), such other person shall be deemed to beneficially own any Voting Stock of a specified person held by a parent entity, if such other person is the beneficial owner (as defined in this clause (2)), directly or indirectly, of more than 35% of the voting power of the Voting Stock of such parent entity and the Permitted Holders beneficially own (as defined in clause (1) above), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent entity and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of such parent entity);

(3) individuals who on the Issue Date constituted the Board of Directors (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors of the Company then still in office who were either directors on the Issue Date or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office;

(4) the adoption by the Company of a plan relating to the liquidation or dissolution of the Company;

(5) the merger or consolidation of the Company with or into another Person or the merger of another Person with or into the Company, or the sale of all or substantially all the assets of the Company (determined on a consolidated basis) to another Person other than a transaction in which holders of securities that represented 100% of the Voting Stock of the Company immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) own directly or indirectly at least a majority of the voting power of the Voting Stock of the transferee Person or surviving Person in such merger or consolidation transaction immediately after such transaction;

(6) to the extent any Koppers Inc. Exchange Notes are outstanding, a "Change of Control," as defined in the Koppers Inc. Existing Indenture, shall have occurred; or

(7) the failure at any time by the Company to beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, 100% of the Voting Stock of Koppers Inc. (except to the extent Koppers Inc. is merged with and into the Company in accordance with the terms of the Indenture); *provided*, *however*, any issuance or transfer of Koppers Inc. stock to members of management or directors or employees of the Company and its Restricted Subsidiaries, in exchange for KI Holdings Inc. stock held by such members of management or directors or employees solely for purposes of redeeming such Koppers Inc. stock shall not constitute a Change of Control.

Within 30 days following any Change of Control, we will mail a notice to each Holder with a copy to the Trustee (the "Change of Control Offer") stating:

(1) that a Change of Control has occurred and that such Holder has the right to require us to purchase such Holder's Exchange Notes at a purchase price in cash equal to 101% of the Accreted Value thereof on the date of purchase, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts regarding such Change of Control (including, to the extent reasonably available, information with respect to pro forma historical income, cash flow and capitalization, in each case after giving effect to such Change of Control);

(3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(4) the instructions, as determined by us, consistent with the covenant described hereunder, that a Holder must follow in order to have its Exchange Notes purchased.

We will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by us and purchases all Exchange Notes validly tendered and not withdrawn under such Change of Control Offer.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Exchange Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, we will comply with the applicable securities laws and regulations and shall not be deemed to have breached our obligations under the covenant described hereunder by virtue of our compliance with such securities laws or regulations.

The Change of Control purchase feature of the Exchange Notes may in certain circumstances make more difficult or discourage a sale or takeover of the Company and, thus, the removal of incumbent management. The Change of Control purchase feature is a result of negotiations between the Company and the Initial Purchasers. We have no present intention to engage in a transaction involving a Change of Control, although it is possible that we could decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to Incur additional Indebtedness are contained in the covenants described under “—Certain Covenants—Limitation on Indebtedness,” “—Limitation on Liens” and “—Limitation on Sale/Leaseback Transactions.” Such restrictions can only be waived with the consent of the holders of a majority in principal amount at maturity of the Exchange Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford holders of the Exchange Notes protection in the event of a highly leveraged transaction.

The Existing Credit Agreement provides that the occurrence of certain change of control events with respect to the Company or its Restricted Subsidiaries would constitute a default thereunder.

Future indebtedness that we may incur may contain prohibitions on the occurrence of certain events that would constitute a Change of Control or require the repurchase of such Indebtedness upon a Change of Control. Moreover, the exercise by the holders of their right to require us to repurchase their Exchange Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on us. Finally, our ability to pay cash to the holders of Exchange Notes following the occurrence of a Change of Control may be limited by our then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The definition of “Change of Control” includes a disposition of all or substantially all of the assets of the Company to any Person. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of the Company. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder of Exchange Notes may require the Company to make an offer to repurchase the Exchange Notes as described above.

The provisions under the Indenture relative to our obligation to make an offer to repurchase the Exchange Notes as a result of a Change of Control may be waived or modified with the written consent of the holders of a majority in principal amount at maturity of the Exchange Notes.

Certain Covenants

The Indenture contains covenants including, among others, the following:

Limitation on Indebtedness

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur, directly or indirectly, any Indebtedness; *provided*, *however*, that (1) the Company and any of its Restricted Subsidiaries will be entitled to Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto on a *pro forma* basis, the Consolidated Coverage Ratio of the Company exceeds 2 to 1 and (2) notwithstanding that the Company and its Restricted Subsidiaries may not be entitled to Incur Indebtedness pursuant to clause (1) above, Koppers Inc. and any of its Restricted Subsidiaries will be entitled to Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto on a *pro forma* basis, the Consolidated Coverage Ratio of Koppers Inc. exceeds 2 to 1.

(b) Notwithstanding the foregoing paragraph (a), the Company and its Restricted Subsidiaries will be entitled to Incur any or all of the following Indebtedness:

(1) Indebtedness Incurred by the Company or any of its Restricted Subsidiaries pursuant to any Revolving Credit Facility; *provided*, *however*, that, immediately after giving effect to any such Incurrence, the aggregate principal amount of all Indebtedness Incurred under this clause (1) and clause (12) of this covenant and then outstanding does not exceed the greater of (A) $100.0 million less the sum of all principal payments with respect to such Indebtedness pursuant to paragraph (a)(3)(A) of the covenant described under "—Limitation on Sales of Assets and Subsidiary Stock" and (B) the sum of (i) 60% of the book value of the inventory of the Company and its Restricted Subsidiaries and (ii) 80% of the book value of the accounts receivable of the Company and its Restricted Subsidiaries;

(2) Indebtedness Incurred by the Company or any of its Restricted Subsidiaries pursuant to any Term Loan Facility; *provided*, *however*, that, after giving effect to any such Incurrence, the aggregate principal amount of all Indebtedness Incurred under this clause (2) and then outstanding does not exceed $40.0 million;

(3) Indebtedness owed to and held by the Company or any of its Restricted Subsidiaries; *provided*, *however*, that (A) any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary of the Company ceasing to be a Restricted Subsidiary of the Company or any subsequent transfer of such Indebtedness (other than to the Company or a Restricted Subsidiary of the Company) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereon and, (B) if the Company is the obligor on such Indebtedness, such Indebtedness (other than Indebtedness owed to any Restricted Subsidiary of the Company) is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Exchange Notes;

(4) the Old Notes and the Exchange Notes (other than any Additional Notes);

(5) Indebtedness outstanding on the Issue Date (other than Indebtedness described in clause (1), (2), (3) or (4) of this covenant);

(6) Indebtedness of a Restricted Subsidiary of the Company Incurred and outstanding on or prior to the date on which such Subsidiary was acquired by the Company (other than Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary or was acquired by the Company or a Restricted Subsidiary of the Company); *provided*, *however*, that on the date of such acquisition and after giving *pro forma* effect thereto, the Company would have been able to Incur at least $1.00 of additional Indebtedness pursuant to paragraph (a) of this covenant or, if such Restricted Subsidiary is a Subsidiary of Koppers Inc. or was acquired by Koppers Inc. or a Subsidiary of Koppers Inc., Koppers Inc. would have been able to Incur at least $1.00 of additional Indebtedness pursuant to paragraph (a) of this covenant;

(7) Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to paragraph (a) or pursuant to clause (4), (5) or (6) or this clause (7); *provided*, *however*, that to the extent such Refinancing Indebtedness directly or indirectly Refinances Indebtedness of a Subsidiary Incurred pursuant to clause (6), such Refinancing Indebtedness shall be Incurred only by such Subsidiary;

(8) Hedging Obligations consisting of (A) Interest Rate Agreements directly related to Indebtedness permitted to be Incurred by the Company and its Restricted Subsidiaries pursuant to the Indenture or (B) Currency Agreements entered into in the ordinary course of business;

(9) Indebtedness consisting of any Guarantee by a Restricted Subsidiary of the Company of Indebtedness Incurred pursuant to paragraph (a) or pursuant to clause (1), (2) or (5) or pursuant to clause (7) to the extent the Refinancing Indebtedness Incurred thereunder directly or indirectly Refinances Indebtedness Incurred pursuant to paragraph (a) or pursuant to clause (5);

(10) Indebtedness (including Capital Lease Obligations) Incurred by the Company or any of its Restricted Subsidiaries to finance the purchase, lease or improvement of property (real or personal) or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) within 180 days of such purchase, lease or improvement, and any Refinancing Indebtedness Incurred to Refinance such Indebtedness, in an aggregate principal amount which, when taken together with the amount of Indebtedness Incurred pursuant to this clause (10) and then outstanding, does not exceed $5.0 million;

(11) Indebtedness of Foreign Subsidiaries in an aggregate principal amount which, when taken together with all other Indebtedness of Foreign Subsidiaries Incurred pursuant to this clause (11) and then outstanding, does not exceed the greater of (A) $15.0 million and (B) the sum of 60% of the book value of the inventory of the Foreign Subsidiaries and (ii) 80% of the book value of the accounts receivable of the Foreign Subsidiaries;

(12) Non-Recourse Securitization Entity Indebtedness Incurred by a Securitization Entity in connection with a Qualified Securitization Transaction; *provided*, *however*, that at the time of such Incurrence, the Company or any Restricted Subsidiary of the Company would have been entitled to Incur the same amount of Indebtedness pursuant to clause (1) above; and

(13) Indebtedness of the Company or of any of its Restricted Subsidiaries in an aggregate principal amount which, when taken together with all other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the date of such Incurrence (other than Indebtedness permitted by clauses (1) through (12) above or paragraph (a)) does not exceed $30.0 million.

(c) Notwithstanding the foregoing, the Company will not be entitled to Incur any Indebtedness pursuant to the foregoing paragraph (b) if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations of the Company unless such Indebtedness shall be subordinated to the Exchange Notes to at least the same extent as such Subordinated Obligations.

(d) For purposes of determining compliance with this covenant:

(1) any Indebtedness Incurred or outstanding on the Issue Date under any Credit Agreement will be deemed to have been Incurred under clauses (1) and (2) of paragraph (b) above;

(2) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described above, the Company, in its sole discretion, will classify such item of Indebtedness (or any portion thereof) at the time of Incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses; and

(3) the Company will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described above.

(e) For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness where the Indebtedness Incurred is denominated in a different currency, the amount

of such Indebtedness will be the U.S. Dollar Equivalent determined on the date of the Incurrence of such Indebtedness; *provided*, *however*, that if any such Indebtedness denominated in a different currency is subject to a Currency Agreement with respect to U.S. dollars covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. dollars will be as provided in such Currency Agreement. The principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being Refinanced will be the U.S. Dollar Equivalent of the Indebtedness Refinanced, except to the extent that (1) such U.S. Dollar Equivalent was determined based on a Currency Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence, and (2) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the U.S. Dollar Equivalent of such excess will be determined on the date such Refinancing Indebtedness is Incurred.

Limitation on Restricted Payments

(a) The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to, make a Restricted Payment if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default shall have occurred and be continuing (or would result therefrom);

(2) if the Restricted Payment is made by the Company or any of its Restricted Subsidiaries (other than Koppers Inc. and any of its Restricted Subsidiaries), the Company is not entitled to Incur an additional $1.00 of Indebtedness pursuant to clause (1) of paragraph (a) of the covenant described under "—Limitation on Indebtedness"; or, if the Restricted Payment is made by Koppers Inc. or any of its Restricted Subsidiaries, Koppers Inc. is not entitled to Incur an additional $1.00 of Indebtedness pursuant to clause (2) of paragraph (a) of the covenant described under "—Limitation on Indebtedness"; or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments since October 15, 2003 would exceed the sum of (without duplication):

(A) 50% of the Consolidated Net Income of Koppers Inc. accrued during the period (treated as one accounting period) from January 1, 2004 to the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit); *plus*

(B) 100% of the aggregate Net Cash Proceeds received by Koppers Inc. from the issuance or sale of its Capital Stock (other than Disqualified Stock) after October 15, 2003 and on or prior to the Issue Date and by the Company from the issuance or sale of its Capital Stock (other than Disqualified Stock) subsequent to the Issue Date (other than, in each case, an issuance or sale to a Subsidiary of the Company and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees) and 100% of any cash capital contribution received by Koppers Inc. from its shareholders after October 15, 2003 and on or prior to the Issue Date and by the Company from its shareholders subsequent to the Issue Date; *plus*

(C) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's balance sheet upon the conversion or exchange subsequent to the Issue Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the fair value of any other property, distributed by the Company upon such conversion or exchange); *provided*, *however*, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any such Restricted Subsidiary from the sale of such Indebtedness (excluding Net Cash Proceeds from sales to a Subsidiary of the Company or to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees); *plus*

(D) an amount equal to the sum of (i) the net reduction in the Investments (other than Permitted Investments) made by the Company or any of its Restricted Subsidiaries in any Person resulting from repurchases, repayments or redemptions of such Investments by such Person, proceeds realized on the sale of such Investment and proceeds representing the return of capital, in each case received by the Company or any of its Restricted Subsidiaries, and (ii) to the extent such Person is an Unrestricted Subsidiary, the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary of the Company; *provided*, *however*, that the foregoing sum shall not exceed, in the case of any such Person or Unrestricted Subsidiary, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Person or Unrestricted Subsidiary.

(b) The preceding provisions will not prohibit:

(1) any Restricted Payment made out of the Net Cash Proceeds of the substantially concurrent sale of, or made by exchange for, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Company or an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees) or a substantially concurrent cash capital contribution received by the Company from its shareholders; *provided*, *however*, that (A) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale or such cash capital contribution (to the extent so used for such Restricted Payment) shall be excluded from the calculation of amounts under clause (3)(B) of paragraph (a) above;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Indebtedness which is permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness"; *provided*, *however*, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;

(3) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this covenant; *provided*, *however*, that such dividend shall be included in the calculation of the amount of Restricted Payments;

(4) so long as no Default has occurred and is continuing, the repurchase or other acquisition of shares of Capital Stock of the Company or any of its Subsidiaries from employees, former employees, directors or former directors of the Company or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell or are granted the option to purchase or sell, shares of such Capital Stock; *provided*, *however*, that the aggregate amount of such repurchases and other acquisitions (excluding amounts representing cancelation of Indebtedness) in any calendar year shall not exceed $3.0 million; *provided further*, *however*, that such repurchases and other acquisitions shall be excluded in the calculation of the amount of Restricted Payments;

(5) payments of dividends on Disqualified Stock issued pursuant to the covenant described under "—Limitation on Indebtedness"; provided, however, that such dividends shall be excluded in the calculation of the amount of Restricted Payments;

(6) repurchases and other acquisitions of Capital Stock deemed to occur upon exercise of stock options or to satisfy federal income tax obligations of option holders upon exercise of stock options if such Capital Stock represents a portion of the exercise price of such options; *provided*, *however*, that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;

(7) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided*, *however*, that any such cash payment shall not be for the purpose of evading the limitation of the covenant described under this subheading (as determined in good faith by the Board of Directors); *provided further*, *however*, that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(8) in the event of a Change of Control, and if no Default shall have occurred and be continuing, the payment, purchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations and Preferred Stock of the Company, at a purchase price not greater than 101% of the principal amount of such Subordinated Obligations or Preferred Stock, plus any accrued and unpaid interest or dividends thereon; *provided*, *however*, that prior to such payment, purchase, redemption, defeasance or other acquisition or retirement, the Company (or a third party to the extent permitted by the Indenture) has (A) made a Change of Control Offer with respect to the Exchange Notes as a result of such Change of Control and has repurchased all Exchange Notes validly tendered and not withdrawn in connection with such Change of Control Offer or (B) delivered a notice of optional redemption with respect to the Exchange Notes and has repurchased all the Exchange Notes; *provided further*, *however*, that such repurchase and other acquisitions shall be included in the calculation of the amount of Restricted Payments;

(9) payments of intercompany subordinated Indebtedness, the Incurrence of which was permitted under clause (3) of paragraph (b) of the covenant described under "—Limitation on Indebtedness"; *provided*, *however*, that no Default has occurred and is continuing or would otherwise result therefrom; *provided further*, *however*, that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(10) the declaration and payment of one or more dividends in an amount not to exceed the Net Cash Proceeds received by the Company from the sale of the Old Notes; *provided*, *however*, that such amount will be excluded in the calculation of the amount of Restricted Payments; or

(11) Restricted Payments in an amount which, when taken together with all other Restricted Payments made pursuant to this clause (11), does not exceed $12.5 million; provided, however, that (A) at the time of each such Restricted Payment, no Default shall have occurred and be continuing (or result therefrom) and (B) such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments.

(c) Any dividends or share repurchases effected prior to the Issue Date in an amount equal to the net cash proceeds of the offering of the Koppers Senior Secured Notes, not to exceed $79.8 million in the aggregate, shall be excluded in the calculation of the amount of Restricted Payments made since October 15, 2003.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary of the Company to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary of the Company to (a) pay dividends or make any other distributions on its Capital Stock to the Company or a Restricted Subsidiary of the Company or pay any Indebtedness owed to the Company, (b) make any loans or advances to the Company or (c) transfer any of its property or assets to the Company, except:

(1) with respect to clauses (a), (b) and (c),

(A) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the Issue Date, including the Existing Credit Agreement and the Koppers Inc. Existing Indenture;

(B) any encumbrance or restriction with respect to a Restricted Subsidiary of the Company pursuant to an agreement relating to any Indebtedness Incurred by such Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than

Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company) and outstanding on such date;

(C) any encumbrance or restriction pursuant to (i) an agreement relating to any Indebtedness permitted to be Incurred pursuant to the provisions of the covenant described under "—Limitation of Indebtedness" or (ii) an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (A) or (B) of clause (1) of this covenant or this clause (C) or contained in any amendment to an agreement referred to in clause (A) or (B) of clause (1) of this covenant or this clause (C); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary of Koppers Inc. contained in any such agreement or amendment are not materially more restrictive, taken as a whole, than encumbrances and restrictions with respect to such Restricted Subsidiary contained in agreements described in clause (A) or (B) of clause (1) of this covenant;

(D) any encumbrance or restriction with respect to a Restricted Subsidiary of the Company imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(E) any encumbrance or restriction existing under Indebtedness of Foreign Subsidiaries permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness"; and

(F) any encumbrance or restriction existing under Non-Recourse Securitization Entity Indebtedness or other contractual requirements of a Securitization Entity in connection with a Qualified Securitization Transaction; *provided*, *however*, that such restrictions apply only to such Securitization Entity;

(2) with respect to clause (c) only,

(A) any encumbrance or restriction consisting of customary nonassignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease or the property leased thereunder;

(B) any encumbrance or restriction contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary of the Company to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages;

(C) any encumbrance or restriction pursuant to purchase money obligations for property acquired in the ordinary course of business that impose restrictions on the property so acquired;

(D) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(E) any encumbrance or restriction contained in customary provisions in joint venture agreements or other similar agreements entered into in the ordinary course of business.

Limitation on Sales of Assets and Subsidiary Stock

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, consummate any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the fair market value (including as to the value of all non-cash consideration), as determined in good faith by the Board of Directors (or, in the case of any such Asset Disposition for aggregate consideration of less than $5.0 million, as determined in good faith by the Company's chief financial officer), of the shares and assets subject to such Asset Disposition;

(2) at least 80% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of cash or cash equivalents; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company (or such Restricted Subsidiary, as the case may be)

(A) to the extent the Company elects (or is required by the terms of any Indebtedness), to prepay, repay, redeem or purchase Indebtedness of the Company or a Restricted Subsidiary of the Company (in each case other than Indebtedness owed to the Company or an Affiliate of the Company) within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash;

(B) to the extent the Company or the relevant Restricted Subsidiary of the Company elects, to acquire Additional Assets within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; and

(C) to the extent of the balance of such Net Available Cash after application in accordance with clauses (A) and (B), to make an offer to the holders of the Exchange Notes (and to holders of other Senior Indebtedness of the Company or of a Restricted Subsidiary of the Company designated by the Company) to purchase Exchange Notes (and such other Senior Indebtedness of the Company or of a Restricted Subsidiary of the Company) pursuant to and subject to the conditions contained in the Indenture;

provided, *however*, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to clause (A) or (C) above, the Company or such Restricted Subsidiary shall permanently retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased.

Notwithstanding the foregoing provisions of this covenant, if at the time the Company would be required to make the offer required pursuant to clause (a)(3)(C) the Company does not have access to the applicable Net Available Cash as a result of a restriction permitted by the covenant described under "—Limitations on Restrictions on Distributions from Restricted Subsidiaries," then the Company shall have no obligation to make the offer to the holders of Exchange Notes as described in such clause (a)(3)(C) until such time as and to the extent such restriction no longer applies and, as a result of such lapse of such restriction, there is at least $10.0 million in Net Available Cash from all Asset Dispositions that has not been applied in accordance with this covenant as a result of the application of this paragraph.

Notwithstanding the foregoing provisions of this covenant, the Company and its Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance with this covenant except to the extent that the aggregate Net Available Cash from all Asset Dispositions which is not applied in accordance with this covenant exceeds $10.0 million. Pending application of Net Available Cash pursuant to this covenant, such Net Available Cash shall be invested in Temporary Cash Investments.

For the purposes of this covenant, the following are deemed to be cash or cash equivalents:

(1) the assumption of Indebtedness of the Company (other than obligations in respect of Disqualified Stock of the Company) or any Restricted Subsidiary of the Company and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition; and

(2) securities received by the Company or any Restricted Subsidiary of the Company from the transferee that are promptly converted by the Company or such Restricted Subsidiary into cash, to the extent of cash received in that conversion.

Notwithstanding the foregoing, the 80% limitation set forth in clause (a)(2) above will be deemed satisfied with respect to any Asset Disposition in which the cash or cash equivalents portion of the consideration received

therefrom, determined in accordance with the immediately preceding paragraph on an after-tax basis, is equal to or greater than what the after-tax proceeds would have been had such Asset Disposition complied with the aforementioned 80% limitation.

The requirement of clause (a)(3)(B) above will be deemed to be satisfied if an agreement (including a lease, whether a capital lease or an operating lease) committing to make the acquisitions or expenditures referred to therein is entered into by us or a Restricted Subsidiary of the Company within the time period specified in such clause and such Net Available Cash is subsequently applied in accordance with such agreement within six months following the date of such agreement.

(b) In the event of an Asset Disposition that requires the purchase of Exchange Notes (and other Senior Indebtedness of the Company or a Restricted Subsidiary of the Company) pursuant to clause (a)(3)(C) above, the Company will purchase Exchange Notes tendered pursuant to an offer by the Company or such Restricted Subsidiary for the Exchange Notes (and such other Senior Indebtedness of the Company or such Restricted Subsidiary) at a purchase price of 100% of their Accreted Value (or, if other than the Exchange Notes, 100% of their principal amount or, in the event such other Senior Indebtedness of the Company or such Restricted Subsidiary was issued with significant original issue discount, 100% of the accreted value thereof) without premium, plus accrued but unpaid interest (or, in respect of such other Senior Indebtedness of the Company or such Restricted Subsidiary, such lesser price, if any, as may be provided for by the terms of such Senior Indebtedness) in accordance with the procedures (including prorating in the event of oversubscription) set forth in the Indenture; *provided*, *however*, that the procedures for making an offer to holders of other Senior Indebtedness will be as provided for by the terms of such Senior Indebtedness. If the aggregate purchase price of the Indebtedness tendered exceeds the Net Available Cash allotted to their purchase, the Company will select the Indebtedness to be purchased on a pro rata basis but in round denominations, which in the case of the Exchange Notes will be denominations of $1,000 principal amount at maturity or multiples thereof. The Company shall not be required to make such an offer to purchase Exchange Notes (and other Senior Indebtedness of the Company or a Restricted Subsidiary of the Company) pursuant to this covenant if the Net Available Cash available therefor is less than $10.0 million (which lesser amount shall be carried forward for purposes of determining whether such an offer is required with respect to the Net Available Cash from any subsequent Asset Disposition). Upon completion of such an offer to purchase, Net Available Cash will be deemed to be reduced by the aggregate amount of such offer.

(c) The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Exchange Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue of its compliance with such securities laws or regulations.

(d) Notwithstanding the foregoing, to the extent that any or all of the Net Available Cash from Asset Dispositions is prohibited or delayed by applicable non-U.S. law from being repatriated to the United States, the portion of such Net Available Cash so affected will not be required to be applied as set forth in this covenant (other than to repay Indebtedness of the Subsidiary making such Asset Disposition as contemplated in clause (a)(3)(A) above) at the time provided above but may be retained by the applicable Subsidiary for so long as the applicable local law will not permit repatriation to the United States, and once such repatriation of any of such affected Net Available Cash is permitted under the applicable local law, such repatriation will be promptly effected and such repatriated Net Available Cash will be applied in the manner described above; *provided*, *however*, that to the extent that the Company has determined in good faith that repatriation of any or all of such Net Available Cash would have a material adverse tax consequence, such Net Available Cash may be retained by the applicable Subsidiary for so long as such material adverse tax consequence would continue.

Limitation on Affiliate Transactions

(a) The Company will not, and will not permit any Restricted Subsidiary of the Company to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Company (an "Affiliate Transaction") unless:

(1) the terms of the Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm's-length dealings with a Person who is not an Affiliate;

(2) if such Affiliate Transaction involves an amount in excess of $5.0 million, the terms of the Affiliate Transaction are set forth in writing and a majority of the non-employee directors of the Company disinterested with respect to such Affiliate Transaction have determined in good faith that the criteria set forth in clause (1) are satisfied and have approved the relevant Affiliate Transaction as evidenced by a resolution of the Board of Directors; and

(3) if such Affiliate Transaction involves an amount in excess of $10.0 million, the Board of Directors shall also have received a written opinion from an Independent Qualified Party to the effect that such Affiliate Transaction is fair, from a financial standpoint, to the Company and its Restricted Subsidiaries or is not less favorable to the Company and its Restricted Subsidiaries than could reasonably be expected to be obtained at the time in an arm's-length transaction with a Person who was not an Affiliate.

(b) The provisions of the preceding paragraph (a) will not prohibit:

(1) any Investment (other than a Permitted Investment) or other Restricted Payment, in each case permitted to be made pursuant to (but only to the extent included in the calculation of the amount of Restricted Payments made pursuant to paragraph (a)(3) of) the covenant described under "—Limitation on Restricted Payments";

(2) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors of the Company;

(3) loans or advances to employees in the ordinary course of business in accordance with the past practices of the Company or its Restricted Subsidiaries, but in any event not to exceed $2.0 million in the aggregate outstanding at any one time;

(4) the payment of reasonable fees to directors of the Company and its Restricted Subsidiaries who are not employees of the Company or its Restricted Subsidiaries;

(5) any transaction with a Restricted Subsidiary of the Company or joint venture or similar entity which would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary of the Company owns an equity interest in or otherwise controls such Restricted Subsidiary, joint venture or similar entity;

(6) the issuance or sale of any Capital Stock (other than Disqualified Stock) of the Company;

(7) any agreement as in effect on the Issue Date and described in the offering circular relating to the Old Notes or identified in an exhibit to the Indenture or any renewals or extensions of any such agreement (so long as such renewals or extensions are not less favorable to the Company or its Restricted Subsidiaries) and the transactions evidenced thereby;

(8) (A) the payment by the Company or any of its Restricted Subsidiaries of management, advisory or consulting fees to Saratoga Management Company LLC or its Affiliates in an amount not to exceed $600,000 in any year and (B) the payment of financial advisory, financing, underwriting or placement services fees or fees in respect of other investment banking activities, including in connection with

acquisitions or divestitures, to Saratoga Management Company LLC or its Affiliates, which payments described in this clause (B) are approved by a majority of the disinterested members of the Board of Directors of the Company;

(9) the sale to an Affiliate of the Company of Indebtedness (including Disqualified Stock) of the Company in connection with an offering of such Indebtedness in a market transaction and on terms substantially identical to those of other purchasers in such market transaction; and

(10) transactions effected as part of a Qualified Securitization Transaction.

Limitation on the Sale or Issuance of Common Stock of Restricted Subsidiaries

The Company

(1) will not, and will not permit any of its Restricted Subsidiaries (other than a Securitization Entity) to, sell, lease, transfer or otherwise dispose of any Common Stock of any Restricted Subsidiary to any Person (other than the Company or a Restricted Subsidiary of the Company), and

(2) will not permit any Restricted Subsidiary of the Company (other than a Securitization Entity) to issue any of its Common Stock (other than, if necessary, shares of its Common Stock constituting directors' or other legally required qualifying shares) to any Person (other than to the Company or a Restricted Subsidiary of the Company),

unless

(A) immediately after giving effect to such issuance, sale or other disposition and to any substantially concurrent redemption of such Common Stock from members of management, directors or employees of the Company and its Restricted Subsidiaries, (A) the Company is the beneficial owner of either (x) at least 80% or (y) less than 50% of the Common Stock of such Restricted Subsidiary and (B) any Investment in such Person remaining after giving effect thereto is treated as a new Investment by the Company and such Investment would be permitted to be made under the covenant described under "—Limitation on Restricted Payments" if made on the date of such issuance, sale or other disposition; and

(B) the Net Available Cash from such issuance, sale or other disposition is applied in the manner and to the extent required by the covenant described under "—Limitation on Sales of Assets and Subsidiary Stock."

Notwithstanding the foregoing, this covenant shall not apply to issuances, sales or other dispositions of any Common Stock of any Restricted Subsidiary that has a fair market value at the time of such disposition of less than $1.0 million.

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur or permit to exist any Lien (the "Initial Lien") of any nature whatsoever on any of its properties (including Capital Stock of a Restricted Subsidiary of the Company), whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the Exchange Notes shall be secured equally and ratably with (or prior to) the obligation so secured for so long as such obligation is so secured.

Any Lien created for the benefit of the holders of the Exchange Notes pursuant to the preceding sentence shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien.

Limitation on Sale/Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale/Leaseback Transaction with respect to any property unless:

(1) the Company or such Restricted Subsidiary would be entitled to (A) Incur Indebtedness in an amount equal to the Attributable Debt with respect to such Sale/Leaseback Transaction pursuant to the covenant described under "—Limitation on Indebtedness" and (B) create a Lien on such property securing such Attributable Debt without equally and ratably securing the Exchange Notes pursuant to the covenant described under "—Limitation on Liens";

(2) the net proceeds received by the Company or any Restricted Subsidiary in connection with such Sale/ Leaseback Transaction are at least equal to the fair market value (as determined by the Board of Directors) of such property; and

(3) the Company applies the proceeds of such transaction in compliance with the covenant described under "—Limitation on Sale of Assets and Subsidiary Stock."

Merger and Consolidation

The Company will not consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all its assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries) to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Company") shall be a Person organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Company) shall expressly assume, by an indenture supplemental thereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Exchange Notes and the Indenture;

(2) immediately after giving *pro forma* effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Subsidiary as a result of such transaction as having been Incurred by such Successor Company or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(3) immediately after giving *pro forma* effect to such transaction, the Successor Company would be able to Incur an additional $1.00 of Indebtedness pursuant to paragraph (a) of the covenant described under "—Limitation on Indebtedness";

(4) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture; and

(5) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for Federal income tax purposes as a result of such transaction and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such transaction had not occurred;

provided, *however*, that clause (3) will not be applicable to (A) a Restricted Subsidiary of the Company consolidating with, merging into or transferring all or part of its properties and assets to the Company or (B) the Company merging with an Affiliate of the Company solely for the purpose and with the sole effect of reincorporating the Company in another jurisdiction.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will be the successor to the Company and shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture, and the predecessor Company, except in the case of a lease, shall be released from the obligation to pay the principal of and interest on the Exchange Notes.

SEC Reports

Whether or not the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will file with the SEC (subject to the next sentence) and provide the Trustee and Noteholders with such annual and other reports as are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a U.S. corporation subject to such Sections, such reports to be so filed and provided at the times specified for the filings of such reports under such Sections and containing all the information, audit reports and exhibits required for such reports. If at any time the Company is not subject to the periodic reporting requirements of the Exchange Act for any reason, the Company will nevertheless continue filing the reports specified in the preceding sentence with the SEC within the time periods required unless the SEC will not accept such a filing. The Company agrees that it will not take any action for the purpose of causing the SEC not to accept any such filings. If, notwithstanding the foregoing, the SEC will not accept such filings for any reason, the Company will post the reports specified in the preceding sentence on its website within the time periods that would apply if the Company were required to file those reports with the SEC. Notwithstanding the foregoing, the Company may satisfy such requirements prior to the effectiveness of the Exchange Offer Registration Statement or the Shelf Registration Statement by filing with the SEC the Exchange Offer Registration Statement or Shelf Registration Statement, to the extent that any such Registration Statement contains substantially the same information (and at substantially the same time) as would be required to be filed by the Company if it were subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, and by providing the Trustee and Noteholders with such Registration Statement (and any amendments thereto) promptly following the filing thereof.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In addition, the Company will furnish to the Holders of the Exchange Notes and to prospective investors, upon the requests of such Holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Exchange Notes are not freely transferable under the Securities Act.

Defaults

Each of the following is an Event of Default:

(1) a default in the payment of interest on the Notes when due, continued for 30 days;

(2) a default in the payment of principal of any Note when due at its Stated Maturity, upon optional redemption, upon required purchase, upon declaration of acceleration or otherwise;

(3) the failure by the Company to comply with its obligations under "—Certain Covenants—Merger and Consolidation" above;

(4) the failure by the Company to comply for 30 days after notice with any of its obligations in the covenants described above under "Change of Control" (other than a failure to purchase Exchange Notes) or under "—Certain Covenants" under "—Limitation on Indebtedness," "—Limitation on Restricted Payments," "—Limitation on Restrictions on Distributions from Restricted Subsidiaries," "—Limitation on Sales of Assets and Subsidiary Stock" (other than a failure to purchase Exchange

Notes), "—Limitation on Affiliate Transactions," "—Limitation on the Sale or Issuance of Common Stock of Restricted Subsidiaries," "—Limitation on Liens," "—Limitation on Sale/Leaseback Transactions" or "—SEC Reports";

(5) the failure by the Company to comply for 60 days after notice with its other agreements contained in the Indenture;

(6) Indebtedness of the Company or any Significant Subsidiary is not paid within any applicable grace period after final maturity or the maturity of such Indebtedness is accelerated by the holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds $10.0 million (the "cross-acceleration provision");

(7) certain events of bankruptcy, insolvency or reorganization of the Company or any Significant Subsidiary (the "bankruptcy provisions"); or

(8) any judgment or decree for the payment of money in excess of $10.0 million (excluding the amount of any insurance proceeds or indemnification claims available to the obligor from insurance carriers and indemnitors who in the reasonable judgment of the Board of Directors of the Company are creditworthy and who have not disclaimed their liability with respect thereto) is entered against the Company or any Significant Subsidiary, remains outstanding for a period of 60 consecutive days following such judgment and is not discharged, waived or stayed within 10 days after notice (the "judgment default provision").

However, a default under clauses (4), (5) and (8) will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount at maturity of the outstanding Exchange Notes notify the Company of the default and the Company does not cure such default within the time specified after receipt of such notice.

If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount at maturity of the outstanding Exchange Notes may declare the Accreted Value of and accrued but unpaid interest on all the Exchange Notes to be due and payable. Upon such a declaration, such Accreted Value and interest shall be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Company occurs and is continuing, the Accreted Value of and interest on all the Exchange Notes will ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders of the Exchange Notes. Under certain circumstances, the holders of a majority in principal amount at maturity of the outstanding Exchange Notes may rescind any such acceleration with respect to the Exchange Notes and its consequences.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders of the Exchange Notes unless such holders have offered to the Trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of Accreted Value, premium (if any) or interest when due, no holder of an Exchange Note may pursue any remedy with respect to the Indenture or the Exchange Notes unless:

(1) such holder has previously given the Trustee notice that an Event of Default is continuing;

(2) holders of at least 25% in principal amount at maturity of the outstanding Exchange Notes have requested the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt thereof and the offer of security or indemnity; and

(5) holders of a majority in principal amount at maturity of the outstanding Exchange Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount at maturity of the outstanding Exchange Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder of a Note or that would involve the Trustee in personal liability.

If a Default occurs, is continuing and is known to the Trustee, the Trustee must mail to each holder of the Exchange Notes notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of principal of or interest on any Exchange Note, the Trustee may withhold notice if and so long as a committee of its Trust Officers determines that withholding notice is not opposed to the interest of the holders of the Notes. In addition, we are required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. We are required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute certain Defaults, their status and what action we are taking or propose to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Indenture may be amended with the consent of the holders of a majority in principal amount at maturity of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange for the Notes) and any past default or compliance with any provisions may also be waived with the consent of the holders of a majority in principal amount at maturity of the Notes then outstanding. However, without the consent of each holder of an outstanding Note affected thereby, an amendment or waiver may not, among other things:

(1) reduce the principal amount at maturity of Notes whose holders must consent to an amendment;

(2) reduce the rate of or extend the time for payment of interest on any Note;

(3) reduce the principal amount at maturity or Accreted Value of or change the Stated Maturity of any Note;

(4) change the calculation of Accreted Value so as to reduce the Accreted Value at any time or change the provisions applicable to the redemption of any Note as described under “—Optional Redemption” above;

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any holder of the Notes to receive payment of principal of or Accreted Value of and interest on such holder’s Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder’s Notes;

(7) make any change in the amendment provisions which require each holder’s consent or in the waiver provisions; or

(8) make any change in the ranking or priority of any Note that would adversely affect the Noteholders.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company and Trustee may amend the Indenture:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to provide for the assumption by a successor corporation of the obligations of the Company;

(3) to provide for uncertificated Notes in addition to or in place of certificated Exchange Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code);

(4) to add Guarantees with respect to the Notes, including any subsidiary guaranties, or to secure the Notes;

(5) to add to the covenants of the Company or any of its Restricted Subsidiaries for the benefit of the holders of the Notes or to surrender any right or power conferred upon the Company or any of its Restricted Subsidiaries;

(6) to make any change that does not adversely affect the rights of any holder of the Notes;

(7) to comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act; or

(8) to make any amendment to the provisions of the Indenture relating to the form, authentication, transfer and legending of Notes; provided, however, that (a) compliance with the Indenture as so amended would not result in Notes being transferred in violation of the Securities Act or any other applicable securities law and (b) such amendment does not materially affect the rights of Holders to transfer Notes.

The consent of the holders of the Exchange Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment under the Indenture becomes effective, we are required to mail to holders of the Exchange Notes a notice briefly describing such amendment. However, the failure to give such notice to all holders of the Exchange Notes, or any defect therein, will not impair or affect the validity of the amendment.

Neither the Company nor any Affiliate of the Company may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Exchange Notes unless such consideration is offered to be paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

Transfer

The Exchange Notes will be issued in registered form and will be transferable only upon the surrender of the Exchange Notes being transferred for registration of transfer. We may require payment of a sum sufficient to cover any tax, assessment or other governmental charge payable in connection with certain transfers and exchanges.

Satisfaction and Discharge

When we (1) deliver to the Trustee all outstanding Exchange Notes for cancelation or (2) all outstanding Exchange Notes have become due and payable, whether at maturity or on a redemption date as a result of the mailing of notice of redemption and, in the case of clause (2), we irrevocably deposit with the Trustee funds sufficient to pay at maturity or upon redemption all outstanding Exchange Notes, including interest thereon to maturity or such redemption date, and if in any case we pay all other sums payable under the Indenture by us, then the Indenture shall, subject to certain exceptions, cease to be of further effect.

Defeasance

At any time, we may terminate all our obligations under the Exchange Notes and the Indenture (“legal defeasance”), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Exchange Notes, to replace mutilated, destroyed, lost or stolen Exchange Notes and to maintain a registrar and paying agent in respect of the Exchange Notes.

In addition, at any time we may terminate our obligations under "—Change of Control" and under the covenants described under "—Certain Covenants" (other than the covenant described under "—Merger and Consolidation"), the operation of the cross acceleration provision, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision described under "—Defaults" above and the limitations contained in clause (3) of the first paragraph under "—Certain Covenants—Merger and Consolidation" above ("covenant defeasance").

We may exercise our legal defeasance option notwithstanding our prior exercise of our covenant defeasance option. If we exercise our legal defeasance option, payment of the Exchange Notes may not be accelerated because of an Event of Default with respect thereto. If we exercise our covenant defeasance option, payment of the Exchange Notes may not be accelerated because of an Event of Default specified in clause (4), (6), (7) (with respect only to Significant Subsidiaries) or (8) under "—Defaults" above or because of the failure of the Company to comply with clause (3) of the first paragraph under "—Certain Covenants—Merger and Consolidation" above.

In order to exercise either of our defeasance options, we must irrevocably deposit in trust (the "defeasance trust") with the Trustee money or U.S. Government Obligations for the payment of Accreted Value and interest on the Exchange Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel to the effect that holders of the Exchange Notes will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable Federal income tax law).

Concerning the Trustee

The Bank of New York is to be the Trustee under the Indenture. We have appointed The Bank of New York as Registrar and Paying Agent with regard to the Exchange Notes.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *provided*, *however*, if it acquires any conflicting interest it must either eliminate such conflict within 90 days, apply to the SEC for permission to continue or resign.

The Holders of a majority in principal amount at maturity of the outstanding Exchange Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. If an Event of Default occurs (and is not cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of his or her own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Exchange Notes, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense and then only to the extent required by the terms of the Indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Company or any of its Restricted Subsidiaries will have any liability for any obligations of the Company or any of its Restricted Subsidiaries under the Notes or the Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver and release may not be effective to waive liabilities under the U.S. Federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

Governing Law

The Indenture and the Exchange Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. You should refer to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Accreted Value*" means, as of any date (the "Specified Date"), the amount provided below for each $1,000 principal amount at maturity of Exchange Notes:

(1) if the Specified Date occurs on one of the following dates (each, a "Semi-Annual Accrual Date"), the Accreted Value will equal the amount set forth below for such Semi-Annual Accrual Date:

Semi-Annual Accrual Date	Accreted Value
Issue Date	$ 618.08
May 15, 2005	$ 648.08
November 15, 2005	$ 680.08
May 15, 2006	$ 713.66
November 15, 2006	$ 748.89
May 15, 2007	$ 785.87
November 15, 2007	$ 824.67
May 15, 2008	$ 865.39
November 15, 2008	$ 908.11
May 15, 2009	$ 952.95
November 15, 2009	$ 1,000.00

(2) if the Specified Date occurs between two Semi-Annual Accrual Dates, the Accreted Value will equal to the sum of (A) the Accreted Value for the Semi-Annual Accrual Date immediately preceding such Specified Date and (B) an amount equal to the product of (x) the Accreted Value for the immediately following Semi-Annual Accrual Date less the Accreted Value for the immediately preceding Semi-Annual Accrual Date multiplied by (y) a fraction, the numerator of which is the number of days elapsed from the immediately preceding Semi-Annual Accrual Date to the Specified Date, using a 360-day year of 12 30-day months, and the denominator of which is 180 (or, if the Semi-Annual Accrual Date immediately preceding the Specified Date is the Issue Date, the denominator of which is the number of days from and including the Issue Date to and excluding the next Semi-Annual Accrual Date); or

(3) if the Specified Date occurs after the last Semi-Annual Accrual Date, the Accreted Value will equal $1,000.

Notwithstanding the foregoing, if Additional Interest accrues on the Exchange Notes prior to November 15, 2009 as a result of a Registration Default under the Registration Rights Agreement, subject to the Company's option to pay Additional Interest on the Exchange Notes in cash, such Additional Interest will be added to the Accreted Value, and the Accreted Value as of any Specified Date will equal the sum of (A) the Accreted Value, as calculated above, as of the date such Additional Interest began to accrue, plus (B) the amount of interest that would otherwise accrue on the Accreted Value from time to time on a daily basis at a rate of interest per annum borne by the Exchange Notes plus the rate of such Additional Interest as applicable from time to time, compounded semi-annually on each Semi-Annual Accrual Date from the date such Additional Interest began to accrete through the Specified Date, computed on the basis of a 360-day year of twelve 30-day months. If such an event were to occur, the Accreted Value on and after the last Semi-Annual Accrual Date would exceed $1,000.

"*Additional Assets*" means:

(1) any property, plant or equipment used in a Related Business;

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary of the Company as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary of the Company; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company;

provided, *however*, that any such Restricted Subsidiary described in clause (2) or (3) above is primarily engaged in a Related Business.

"*Additional Interest*" has the meaning set forth in the Registration Rights Agreement.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of the covenants described under "—Certain Covenants—Limitation on Restricted Payments," "—Certain Covenants—Limitation on Affiliate Transactions" and "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" only, "Affiliate" shall also mean any beneficial owner of Capital Stock representing 10% or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Company or of rights or warrants to purchase such Capital Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"*Asset Disposition*" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "disposition"), of:

(1) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary);

(2) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary; or

(3) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary

(other than, in the case of clauses (1), (2) and (3) above,

(A) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(B) for purposes of the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" only, (i) a disposition that constitutes a Restricted Payment (or would constitute a Restricted Payment but for the exclusions from the definition thereof) and that is not prohibited by the covenant described under "—Certain Covenants—Limitation on Restricted Payments" and (ii) a disposition of all or substantially all the assets of the Specified Person in accordance with the covenant described under "—Certain Covenants—Merger and Consolidation," as applicable;

(C) a disposition of assets with a fair market value of less than $500,000;

(D) a disposition of cash or Temporary Cash Investments;

(E) the creation of a Lien (but not the sale or other disposition of the property subject to such Lien);

(F) any disposition of receivables and related assets (including contract rights of the type described in the definition of "Qualified Securitization Transaction") to a Securitization Entity pursuant to a Qualified Securitization Transaction for the fair market value thereof, including cash and Temporary Cash Investments in an amount at least equal to 80% of the fair market value thereof (for purposes of this clause (F), Purchase Money Notes will be deemed to be cash);

(G) any transfer of receivables and related assets (including contract rights of the type described in the definition of "Qualified Securitization Transaction"), or a fractional undivided interest therein, by a Securitization Entity in a Qualified Securitization Transaction; and

(H) any issuance of Common Stock of Koppers Inc. to members of management, directors or employees of the Company and its Restricted Subsidiaries, in exchange for shares of Capital Stock of the Company, solely in connection with the redemption of such Koppers Inc. Common Stock).

"*Attributable Debt*" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Koppers Inc. Exchange Notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended); *provided, however*, that if such Sale/ Leaseback Transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation."

"*Average Life*" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing:

(1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of or redemption or similar payment with respect to such Indebtedness multiplied by the amount of such payment by

(2) the sum of all such payments.

"*Board of Directors*" with respect to a Person means the Board of Directors of such Person or any committee thereof duly authorized to act on behalf of such Board.

"*Business Day*" means each day which is not a Legal Holiday.

"*Capital Lease Obligation*" means an obligation that is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. For purposes of the covenant described under "—Certain Covenants—Limitations on Liens," a Capital Lease Obligation will be deemed to be secured by a Lien on the property being leased.

"*Capital Stock*" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Commodity Agreement*" means any forward contracts, commodity swap, commodity option or other similar financial agreement or arrangement relating to, or the value of which is dependent upon, fluctuations in commodity prices.

"*Common Stock*" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents or interests in (however designated) equity of such Person, excluding any Preferred Stock and any debt securities convertible into such equity.

"*Consolidated Coverage Ratio*" means, with respect to any Person (the "Specified Person") as of any date of determination means the ratio of (a) the aggregate amount of EBITDA of the Specified Person and its Restricted Subsidiaries for the period of the most recent four consecutive fiscal quarters ending at least 45 days prior to the date of such determination to (b) Consolidated Interest Expense of the Specified Person and its Restricted Subsidiaries for such four fiscal quarters; *provided*, *however*, that:

(1) if the Specified Person or any of its Restricted Subsidiaries has Incurred any Indebtedness since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a *pro forma* basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period;

(2) if the Specified Person or any of its Restricted Subsidiaries has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, EBITDA and Consolidated Interest Expense for such period shall be calculated on a *pro forma* basis as if such discharge had occurred on the first day of such period and as if the Specified Person or such Restricted Subsidiary had not earned the interest income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness;

(3) if since the beginning of such period the Specified Person or any of its Restricted Subsidiaries shall have made any Asset Disposition, EBITDA for such period shall be reduced by an amount equal to EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to EBITDA (if negative), directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Specified Person or any of its Restricted Subsidiaries repaid, repurchased, defeased or otherwise discharged with respect to the Specified Person and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any of its Restricted Subsidiaries is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Specified Person and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(4) if since the beginning of such period the Specified Person or any of its Restricted Subsidiaries (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary of the Specified Person (or any Person which becomes a Restricted Subsidiary of the Specified Person) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period; and

(5) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary of the Specified Person or was merged with or into the Specified Person or any of its Restricted Subsidiaries since the beginning of such period) shall have made any Asset Disposition, any Investment or acquisition of assets that would have required an adjustment pursuant to clause (3) or (4) above if made by the Specified Person or a Restricted Subsidiary of the Specified Person during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Disposition, Investment or acquisition occurred on the first day of such period.

For purposes of this definition, whenever *pro forma* effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with

any Indebtedness Incurred in connection therewith, the *pro forma* calculations shall be determined in good faith by a responsible financial or accounting Officer of the Specified Person. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness to the extent such Interest Rate Agreement has a remaining term in excess of 12 months).

If any Indebtedness is incurred under a revolving credit facility and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated based on the average daily balance of such Indebtedness for the four fiscal quarters subject to the *pro forma* calculation to the extent that such Indebtedness was incurred solely for working capital purposes.

"*Consolidated Interest Expense*" means, with respect to any Person (the "Specified Person") for any period, the total interest expense of the Specified Person and its consolidated Restricted Subsidiaries, plus, to the extent not included in such total interest expense, and to the extent incurred by the Specified Person or its Restricted Subsidiaries, without duplication:

(1) interest expense attributable to Capital Lease Obligations;

(2) amortization of debt discount and debt issuance cost;

(3) capitalized interest;

(4) non-cash interest expense;

(5) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(6) net payments pursuant to Hedging Obligations;

(7) dividends accrued in respect of all Preferred Stock held by Persons other than the Specified Person or a Restricted Subsidiary of the Specified Person (other than dividends payable solely in Capital Stock (other than Disqualified Stock) of the Specified Person); *provided*, *however*, that such dividends will be multiplied by a fraction the numerator of which is one and the denominator of which is one minus the effective combined tax rate of the issuer of such Preferred Stock (expressed as a decimal) for such period (as estimated by the chief financial officer of the Specified Person in good faith);

(8) interest incurred in connection with Investments in discontinued operations;

(9) interest accruing on any Indebtedness of any other Person if such Indebtedness is in default to the extent such Indebtedness is Guaranteed by (or secured by the assets of) the Specified Person or any Restricted Subsidiary of the Specified Person; and

(10) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Specified Person) in connection with Indebtedness Incurred by such plan or trust.

"*Consolidated Net Income*" means, with respect to any Person (the "Specified Person") for any period, the net income of the Specified Person and its consolidated Subsidiaries; *provided*, *however*, that there shall not be included in such Consolidated Net Income:

(1) any net income of any Person (other than the Specified Person) if such Person is not a Restricted Subsidiary of the Specified Person, except that:

(A) subject to the exclusion contained in clause (4) below, the Specified Person's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Specified Person or a Restricted Subsidiary of the Specified Person as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary of the Specified Person, to the limitations contained in clause (3) below); and

(B) the Specified Person's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

(2) any net income (or loss) of any Person acquired by the Specified Person or a Subsidiary of the Specified Person in a pooling of interests transaction (or any transaction accounted for in a manner similar to a pooling of interests) for any period prior to the date of such acquisition;

(3) any net income of any Restricted Subsidiary of the Specified Person if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Specified Person, except that:

(A) subject to the exclusion contained in clause (4) below, the Specified Person's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash permitted at the date of determination to be distributed by such Restricted Subsidiary during such period to the Specified Person or another Restricted Subsidiary of the Specified Person as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary of the Specified Person, to the limitation contained in this clause); and

(B) the Specified Person's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(4) any gain (or loss) realized upon the sale or other disposition of any assets of the Specified Person, its consolidated Subsidiaries or any other Person (including pursuant to any sale-and-leaseback arrangement) which is not sold or otherwise disposed of in the ordinary course of business and any gain (or loss) realized upon the sale or other disposition of any Capital Stock of any Person;

(5) any gain or loss realized upon the discontinuation of the utility pole business of the Specified Person and its Restricted Subsidiaries up to a cumulative aggregate amount since October 15, 2003 of $13.0 million;

(6) extraordinary gains or losses; and

(7) the cumulative effect of a change in accounting principles;

in each case, for such period. Notwithstanding the foregoing, for the purposes of the covenant described under "—Certain Covenants—Limitation on Restricted Payments" only, there shall be excluded from Consolidated Net Income any repurchases, repayments or redemptions of Investments, proceeds realized on the sale of Investments or return of capital to the Specified Person or any of its Restricted Subsidiaries to the extent such repurchases, repayments, redemptions, proceeds or returns increase the amount of Restricted Payments permitted under such covenant pursuant to clause (a)(3)(D) thereof.

"*Credit Agreement*" means one or more debt facilities (including the Existing Credit Agreement) or other financing arrangements (including commercial paper facilities, revolving credit loans, term loans, receivables financings, letters of credit and any debt securities or other form of debt, convertible debt or exchangeable debt financing), in each case, as amended, supplemented, extended, replaced, renewed, restated or otherwise modified (in whole or in part and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, and any agreement (and related document) governing Indebtedness Incurred to Refinance, in whole or in part, the borrowings and commitments then outstanding or permitted to be outstanding under such debt facility or other financing arrangement or a successor debt facility or financing arrangement, whether by the same or any other lender or group of lenders or creditor or group of creditors.

"*Currency Agreement*" means any foreign exchange contract, currency swap agreement or other similar agreement with respect to currency values.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

(1) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable at the option of the holder for Indebtedness or Disqualified Stock; or

(3) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part;

in each case on or prior to the first anniversary of the Stated Maturity of the Exchange Notes; *provided*, *however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the first anniversary of the Stated Maturity of the Exchange Notes shall not constitute Disqualified Stock if:

(1) the "asset sale" or "change of control" provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the corresponding terms applicable to the Exchange Notes described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" and "Change of Control"; and

(2) any such requirement only becomes operative after compliance with such corresponding terms applicable to the Exchange Notes, including the purchase of any Exchange Notes tendered pursuant thereto.

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; *provided*, *however*, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

"*EBITDA*" with respect to any Person (the "Specified Person") for any period means the sum of Consolidated Net Income of the Specified Person, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) all income tax expense of the Specified Person and its consolidated Restricted Subsidiaries;

(2) Consolidated Interest Expense;

(3) depreciation and amortization expense of the Specified Person and its consolidated Restricted Subsidiaries (excluding amortization expense attributable to a prepaid operating activity item that was paid in cash in a prior period); and

(4) all other non-cash charges of the Specified Person and its consolidated Restricted Subsidiaries (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period);

in each case for such period. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and non-cash charges of, a Restricted Subsidiary of the Specified Person shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income or loss of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended or otherwise made available to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

"*Equity Offering*" means any public or private sale of the common stock of the Company, other than any public offering with respect to the Company's common stock registered on Form S-8 or other issuances upon exercise of options by employees of the Company or any of its Restricted Subsidiaries.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended.

"*Exchange Notes*" means the debt securities of the Company issued pursuant to the Indenture in exchange for, and in an aggregate principal amount at maturity equal to, the Exchange Notes, in compliance with the terms of the Registration Rights Agreement.

"*Existing Credit Agreement*" means the Credit Agreement dated as of May 12, 2003, by and among, the Company, certain of its Subsidiaries, the lenders referred to therein, PNC Bank, National Association, as Administrative Agent, National City Bank of Pennsylvania, as Syndication Agent, and Citizens Bank of Pennsylvania, Fleet National Bank and Wachovia Bank, National Association, as co-Documentation Agents, together with the related documents thereto (including the term loans and revolving loans thereunder, any guarantees and security documents), as amended, extended, replaced, renewed, restated, supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, and any agreement (and related document) governing Indebtedness incurred to Refinance, in whole or in part, the borrowings and commitments then outstanding or permitted to be outstanding under such Credit Agreement or a successor Credit Agreement.

"*Foreign Subsidiary*" means any Restricted Subsidiary of the Company that is not organized under the laws of the United States of America or any State thereof or the District of Columbia.

"*GAAP*" means generally accepted accounting principles in the United States of America as in effect as of the Issue Date, including those set forth in:

(1) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants;

(2) statements and pronouncements of the Financial Accounting Standards Board;

(3) such other statements by such other entity as approved by a significant segment of the accounting profession; and

(4) the rules and regulations of the SEC governing the inclusion of financial statements (including *pro forma* financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, *however*, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"*Holder*" or "*Noteholder*" means the Person in whose name a Note is registered on the Registrar's books.

"*Incur*" means issue, assume, Guarantee, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary of the Company (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Restricted Subsidiary of the Company. The term "Incurrence" when used as a noun shall have a correlative meaning. Solely for purposes of determining compliance with "—Certain Covenants—Limitation on Indebtedness":

(1) amortization of debt discount or the accretion of principal with respect to a non-interest bearing or other discount security;

(2) the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Capital Stock in the form of additional Capital Stock of the same class and with the same terms; and

(3) the obligation to pay a premium in respect of Indebtedness arising in connection with the issuance of a notice of redemption or making of a mandatory offer to purchase such Indebtedness will not be deemed to be the Incurrence of Indebtedness.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable, including, in each case, any premium on such indebtedness to the extent such premium has become due and payable;

(2) all Capital Lease Obligations of such Person and all Attributable Debt in respect of Sale/Leaseback Transactions entered into by such Person;

(3) all obligations of such Person issued or assumed as the deferred purchase price of property, which purchase price is due more than six months after the date of taking delivery of title to such property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business);

(4) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (1) through (3) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following payment on the letter of credit);

(5) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Capital Stock of such Person or any Subsidiary of such Person or that are determined by the value or liquidation preference of such Capital Stock, the principal amount of such Capital Stock to be determined in accordance with the Indenture;

(6) all obligations of the type referred to in clauses (1) through (5) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee;

(7) all obligations of the type referred to in clauses (1) through (6) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets and the amount of the obligation so secured; and

(8) to the extent not otherwise included in this definition, Hedging Obligations of such Person.

Notwithstanding the foregoing, in connection with the purchase by the Company or any Restricted Subsidiary of the Company of any business, the term "Indebtedness" will exclude post-closing payment adjustments to which

the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all obligations as described above; *provided*, *however*, that in the case of Indebtedness sold at a discount, the amount of such Indebtedness at any time will be the accreted value thereof at such time.

None of the following will constitute "Indebtedness":

(1) any trade payables or other similar liabilities to trade creditors and other accrued current liabilities Incurred in the ordinary course of business as the deferred purchase price of property;

(2) any liability for Federal, state, local or other taxes owed or owing by such Person;

(3) amounts due in the ordinary course of business to royalty and working interest owners;

(4) obligations arising from guarantees to suppliers, lessors, licensees, contractors, franchisees or customers Incurred in the ordinary course of business;

(5) obligations (other than express Guarantees of Indebtedness for borrowed money) in respect of Indebtedness of Persons arising in connection with (A) the sale or discount of accounts receivable, (B) trade acceptances and (C) endorsements of instruments for deposit in the ordinary course of business;

(6) obligations in respect of performance, bid and surety bonds and completion guarantees provided by the Company or any Restricted Subsidiary of the Company in the ordinary course of business;

(7) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within two Business Days of its Incurrence; and

(8) any obligations under workers' compensation laws and similar legislation.

"*Independent Qualified Party*" means an investment banking firm, accounting firm or appraisal firm of national standing; *provided*, *however*, that such firm is not an Affiliate of the Company.

"*Initial Purchasers*" means Credit Suisse First Boston LLC, Deutsche Bank Securities Inc., UBS Securities LLC and NatCity Investments, Inc.

"*Interest Rate Agreement*" means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement with respect to exposure to interest rates.

"*Investment*" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extensions of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. Except as otherwise provided for herein, the amount of an Investment shall be its fair value at the time the Investment is made and without giving effect to subsequent changes in value.

For purposes of the definition of "Unrestricted Subsidiary," the definition of "Restricted Payment" and the covenant described under "—Certain Covenants —Limitation on Restricted Payments":

(1) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a

permanent "Investment" in an Unrestricted Subsidiary equal to an amount (if positive) equal to (A) the Company's "Investment" in such Subsidiary at the time of such redesignation less (B) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

"*Issue Date*" means November 18, 2004, the date on which the Exchange Notes are originally issued.

"*Koppers Inc.*" means Koppers Inc., a Pennsylvania corporation, and its successors and assignees.

"*Koppers Inc. Existing Indenture*" means the Indenture dated as of September 30, 2003, among Koppers Inc., the Koppers Inc. Guarantors and JPMorgan Chase Bank, as trustee, together with the related collateral agreements, pledge agreements, security agreements and related agreements and documents.

"*Koppers Inc. Existing Exchange Notes*" means the Koppers 9 7/8% Senior Secured Exchange Notes Due 2013 issued pursuant to the Koppers Inc. Existing Indenture.

"*Koppers Inc. Guarantors*" means the Subsidiaries of Koppers Inc. that have guaranteed the Koppers Inc. Existing Exchange Notes pursuant to the terms of the Koppers Inc. Existing Indenture and each other Subsidiary of Koppers Inc. that thereafter guarantees the Koppers Inc. Existing Exchange Notes pursuant to the terms of the Koppers Inc. Existing Indenture.

"*Legal Holiday*" means a Saturday, a Sunday or a day on which banking institutions are not required to be open in the State of New York.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Investors*" means each member of the Company's management that is party to the Stockholders' Agreement among the Permitted Holders as of the Issue Date.

"*Moody's*" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"*Net Available Cash*" from an Asset Disposition means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to such properties or assets or received in any other non-cash form), in each case net of:

(1) all legal, title and recording tax expenses, commissions, financial, advisory and other fees and expenses incurred, and all Federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Restricted Subsidiaries of the Company as a result of such Asset Disposition;

(4) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed in such Asset Disposition and retained by the Company or any Restricted Subsidiary of the Company after such Asset Disposition; and

(5) any portion of the purchase price from an Asset Disposition placed in escrow, whether as a reserve for adjustment of the purchase price, for satisfaction of indemnities in respect of such Asset Disposition or otherwise in connection with that Asset Disposition; *provided*, *however*, that upon the termination of that escrow, Net Available Cash will be increased by any portion of funds in the escrow that are released to the Company or any Restricted Subsidiary of the Company.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Indebtedness, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"*Non-Recourse Securitization Entity Indebtedness*" has the meaning set forth in the definition of "Securitization Entity."

"*Obligations*" means, with respect to any Indebtedness, all obligations for principal, premium, interest, penalties, fees, indemnifications, reimbursements and other amounts payable pursuant to the documentation governing such Indebtedness.

"*Officer*" means the Chairman of the Board, the President, any Vice President, the Treasurer or the Secretary of the Company.

"*Officers' Certificate*" means a certificate signed by two Officers.

"*Opinion of Counsel*" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee."

"*Permitted Holders*" means (1) Saratoga Associates III LLC, a Delaware limited liability company, and its Affiliates, (2) the Management Investors and (3) any Related Party. Except for a Permitted Holder specifically identified by name, in determining whether Voting Stock is owned by a Permitted Holder, only Voting Stock acquired by a Permitted Holder in its described capacity will be treated as "beneficially owned" by such Permitted Holder.

"*Permitted Investment*" means an Investment by the Company or any Restricted Subsidiary of the Company in:

(1) the Company, a Restricted Subsidiary of the Company or a Person that will, upon the making of such Investment, become a Restricted Subsidiary of the Company;

(2) another Person if, as a result of such Investment, such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary of the Company;

(3) Temporary Cash Investments;

(4) receivables owing to the Company or any Restricted Subsidiary of the Company if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans or advances to employees made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary;

(7) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary of the Company or in satisfaction of judgments;

(8) any Person to the extent such Investment represents the non-cash portion of the consideration received for (A) an Asset Disposition as permitted pursuant to the covenant described under "—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock" or (B) a disposition of assets not constituting an Asset Disposition;

(9) any Person where such Investment was acquired by the Company or any of its Restricted Subsidiaries (A) in exchange for any other Investment or accounts receivable held by the Company or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (B) as a result of a foreclosure by the Company or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(10) any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Company or any Restricted Subsidiary;

(11) any Person to the extent such Investments consist of Hedging Obligations otherwise permitted under the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(12) any Person existing on the Issue Date, and any extension, modification or renewal of any such Investments existing on the Issue Date, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or other increases thereof (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investment as in effect on the Issue Date;

(13) Investments by the Company in a Securitization Entity or any Investment by a Securitization Entity in any other Person in connection with a Qualified Securitization Transaction which Investments consist of the transfer of receivables and related assets; *provided*, *however*, that any Investment in a Securitization Entity is in the form of (a) a Purchase Money Note, (b) an equity interest, (c) obligations of the Securitization Entity to pay the purchase price for assets transferred to it or (d) interests in accounts receivable generated by the Company or a Restricted Subsidiary of the Company and, in each case, transferred to such Securitization Entity or other Person in connection with a Qualified Securitization Transaction; and

(14) Persons to the extent such Investment, when taken together with all other Investments made pursuant to this clause (14) outstanding on the date such Investment is made, does not exceed $15.0 million.

"*Permitted Liens*" means, with respect to any Person:

(1) pledges or deposits by such Person under worker's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review and Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; *provided*, *however*, that (A) such deposit account is not a dedicated cash collateral account and is not subject to restrictions

against access by the Company in excess of those set forth by regulations promulgated by the Federal Reserve Board and (B) such deposit account is not intended by the Company or any Restricted Subsidiary of the Company to provide collateral to the depository institution;

(3) Liens for property taxes not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings;

(4) Liens in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business; *provided*, *however*, that such letters of credit do not constitute Indebtedness;

(5) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not Incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(6) Liens securing Indebtedness Incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, any property or assets of such Person; *provided*, *however*, that the Lien may not extend to any other property owned by such Person or any of its Restricted Subsidiaries at the time the Lien is Incurred (other than assets and property affixed or appurtenant thereto), and the Indebtedness (other than any interest thereon) secured by the Lien may not be Incurred more than 180 days after the later of the acquisition, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the Lien;

(7) Liens to secure Indebtedness under any Credit Agreement not to exceed the greater of (A) $140.0 million and (B) the sum of (i) 60% of the book value of the inventory of the Company and its Restricted Subsidiaries and (ii) 80% of the book value of the accounts receivable of the Company and its Restricted Subsidiaries, plus in the case of clauses (A) and (B) $20.0 million; *provided*, *however*, that such $20.0 million of Indebtedness or any portion thereof is issued to and held by the same lender or group of lenders providing the balance of the then outstanding Indebtedness under such Credit Agreement;

(8) Liens existing on the Issue Date (other than Liens subject to the clause (7) of this definition);

(9) Liens on property or shares of Capital Stock of another Person at the time such other Person becomes a Subsidiary of such Person; *provided*, *however*, that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (other than assets and property affixed or appurtenant thereto);

(10) Liens on property at the time such Person or any of its Subsidiaries acquires the property, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person; *provided*, *however*, that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (other than assets and property affixed or appurtenant thereto);\

(11) Liens securing Indebtedness or other obligations of a Subsidiary of such Person owing to such Person or a Restricted Subsidiary of such Person;

(12) Liens securing Hedging Obligations so long as such Hedging Obligations relate to Indebtedness that is, and is permitted to be under the Indenture, secured by a Lien on the same property securing such Hedging Obligations;

(13) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or any one of its Subsidiaries relating to such property or assets;

(14) Liens to secure any Refinancing (or successive Refinancings) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clause (6), (8), (9) or (10) or clause (15) or (16) below; *provided, however*, that:

(A) such new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(B) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (i) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clause (6), (8), (9), (10), (15) or (16) at the time the original Lien became a Permitted Lien and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;

(15) Liens under the Koppers Inc. Existing Indenture; and

(16) Liens to secure Indebtedness of any Foreign Subsidiary permitted to be Incurred under the covenant described under "—Certain Covenants—Limitation on Indebtedness."

Notwithstanding the foregoing, "Permitted Liens" will not include any Lien described in clause (6), (9) or (10) above to the extent such Lien applies to any Additional Assets acquired directly or indirectly from Net Available Cash pursuant to the covenant described under "—Certain Covenants—Limitation on Sale of Assets and Subsidiary Stock." For purposes of this definition, the term "Indebtedness" shall be deemed to include interest on such Indebtedness.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*principal*" of a Note means the principal of such Note including any amounts accreted thereon, plus the premium, if any, payable on the Note which is due or overdue or is to become due at the relevant time.

"*Purchase Money Note*" means a promissory note of a Securitization Entity evidencing a line of credit, which may be irrevocable, from the Company or any Subsidiary of the Company in connection with a Qualified Securitization Transaction to a Securitization Entity, which note shall be repaid from cash available to the Securitization Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts paid in connection with the purchase of newly generated receivables.

"*Qualified Securitization Transaction*" means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (1) a Securitization Entity, in the case of a transfer by the Company or any of its Subsidiaries, and (2) any other Person, in the case of a transfer by a Securitization Entity, or may grant a security interest in, any accounts receivable, whether now existing or arising or acquired in the future, of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and contract rights and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets, including contract rights, that are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable.

"*Refinance*" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

"*Refinancing Indebtedness*" means Indebtedness that Refinances any Indebtedness of the Company or any Restricted Subsidiary of the Company existing on the Issue Date or Incurred in compliance with the Indenture, including Indebtedness that Refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;

(2) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced;

(3) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding or committed (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; and

(4) if the Indebtedness being Refinanced is subordinated in right of payment to the Exchange Notes, such Refinancing Indebtedness is subordinated in right of payment to the Exchange Notes at least to the same extent as the Indebtedness being Refinanced;

provided further, *however*, that Refinancing Indebtedness shall not include (A) Indebtedness of a Subsidiary that Refinances Indebtedness of the Company or (B) Indebtedness of the Company or a Restricted Subsidiary of the Company that Refinances Indebtedness of an Unrestricted Subsidiary.

"*Registration Rights Agreement*" means the Registration Rights Agreement dated November 18, 2004, among the Company and the Initial Purchasers.

"*Related Business*" means any business in which the Company or any of the Restricted Subsidiaries was engaged on the Issue Date and any business related, ancillary or complementary to such business.

"*Related Party*" means (1) any majority owned Subsidiary, or spouse or immediate family member (in the case of an individual) of any Permitted Holder, (2) any estate, trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons holding a controlling interest of which consist solely of one or more Permitted Holders and/or such other Persons referred to in the immediately preceding clause (1) or (3) any executor, administrator, trustee, manager, director or other similar fiduciary of any Person referred to in the immediately preceding clause (2) acting solely in such capacity.

"*Restricted Payment*" with respect to any Person means:

(1) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than (A) dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock), (B) dividends or distributions payable solely to the Company or a Restricted Subsidiary of the Company and (C) pro rata dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation));

(2) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company held by any Person (other than by a Restricted Subsidiary of the Company) or of any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Company (other than by a Restricted

Subsidiary of the Company), including in connection with any merger or consolidation and including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Company that is not Disqualified Stock);

(3) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations or Disqualified Stock of the Company (other than (A) from the Company or a Restricted Subsidiary of the Company or (B) the purchase, repurchase, redemption, defeasance or other acquisition of Subordinated Obligations or Disqualified Stock purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition); or

(4) the making of any Investment (other than a Permitted Investment) in any Person.

"*Restricted Subsidiary*" of a Person means any Subsidiary of such Person that is not an Unrestricted Subsidiary of such Person.

"*Revolving Credit Facility*" means the revolving credit facility contained in a Credit Agreement and any other facility or financing arrangement that Refinances, in whole or in part, any such revolving credit facility.

"*Sale/Leaseback Transaction*" means an arrangement relating to property owned by the Company or a Restricted Subsidiary of the Company on the Issue Date or thereafter acquired by the Company or a Restricted Subsidiary of the Company whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or a Restricted Subsidiary of the Company leases it from such Person.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended.

"*Securitization Entity*" means a Wholly Owned Subsidiary of the Company (or a wholly owned Subsidiary of another Person in which the Company or any Subsidiary of the Company makes an Investment and in which the Company or any Subsidiary of the Company transfers accounts receivable) that engages in no activities other than in connection with the financing of accounts receivable and that is designated by the Board of Directors of the Company (as provided below) as a Securitization Entity and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(a) is guaranteed by the Company or any Restricted Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

(b) is recourse to or obligates the Company or any Restricted Subsidiary of the Company (other than such Securitization Entity) in any way other than pursuant to Standard Securitization Undertakings; or

(c) subjects any property or asset of the Company or any Restricted Subsidiary of the Company (other than such Securitization Entity), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings; (such Indebtedness described in this clause (1), "Non-Recourse Securitization Entity Indebtedness");

(2) with which neither the Company nor any Restricted Subsidiary of the Company (other than such Securitization Entity) has any material contract, agreement, arrangement or understanding other than those that might be obtained at the time from Persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing accounts receivable of such entity; and

(3) to which neither the Company nor any Restricted Subsidiary of the Company (other than such Securitization Entity) has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any designation of a Subsidiary as a Securitization Entity shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Company giving effect to the designation and an Officers' Certificate certifying that the designation complied with the preceding conditions and was permitted by the Indenture.

"*Senior Indebtedness*" means with respect to any Person:

(1) Indebtedness of such Person, whether outstanding on the Issue Date or thereafter Incurred; and

(2) all other Obligations of such Person (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to such Person whether or not post-filing interest is allowed in such proceeding) in respect of Indebtedness described in clause (1) above

unless, in the case of clauses (1) and (2), in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such Indebtedness or other Obligations are subordinate in right of payment to the Exchange Notes or the Subsidiary Guaranty of such Person, as the case may be; *provided*, *however*, that Senior Indebtedness shall not include:

(1) any obligation of such Person to the Company or any Subsidiary of the Company;

(2) any liability for Federal, state, local or other taxes owed or owing by such Person;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(4) any Indebtedness or other Obligation of such Person which is subordinate or junior in any respect to any other Indebtedness or other Obligation of such Person; or

(5) that portion of any Indebtedness which at the time of Incurrence is Incurred in violation of the Indenture.

"*Significant Subsidiary*" means any Restricted Subsidiary of the Company that would be a "significant subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"*Standard & Poor's*" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any successor to its rating agency business.

"*Standard Securitization Undertakings*" means representations, warranties, covenants and indemnities entered into by the Company or any Restricted Subsidiary of the Company that are customary in an accounts receivable securitization transaction, including servicing of the obligations thereunder.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"*Subordinated Obligation*" means, with respect to a Person, any Indebtedness of such Person (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Exchange Notes pursuant to a written agreement to that effect.

"*Subsidiary*" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by:

(1) such Person;

(2) such Person and one or more Subsidiaries of such Person; or

(3) one or more Subsidiaries of such Person.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in direct obligations of the United States of America or any agency thereof or obligations guaranteed by the United States of America or any agency thereof;

(2) investments in demand and time deposit accounts, certificates of deposit and money market deposits maturing within one year of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any State thereof or any foreign country recognized by the United States of America, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of $50.0 million (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money-market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above;

(4) investments in commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to Standard and Poor's;

(5) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by Standard & Poor's or "A" by Moody's; and

(6) investments in money market funds that invest substantially all their assets in securities of the types described in clauses (1) through (5) above.

"*Term Loan Facility*" means the term loan facility contained in a Credit Agreement and any other facility or financing arrangement that Refinances in whole or in part any such term loan facility.

"*Trust Indenture Act*" means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) as in effect on the Issue Date.

"*Trust Officer*" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of the Indenture.

"*Trustee*" means The Bank of New York until a successor replaces it and, thereafter, means the successor.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Company in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

On the Issue Date, (1) Koppers Mauritius and (2) Koppers (China) Carbon & Chemical Co., Ltd will be designated as Unrestricted Subsidiaries.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or holds any Lien on any property of, the Company or any other Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; *provided*, *however*, that either (A) the Subsidiary to be so designated has total assets of $1,000 or less or (B) if such Subsidiary has assets greater than $1,000, such designation would be permitted under the covenant described under "—Certain Covenants—Limitation on Restricted Payments."

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; *provided*, *however*, that immediately after giving effect to such designation, no Default shall have occurred and be continuing and either (x) in the case of any Subsidiary of the Company that is not also a Subsidiary of Koppers Inc., the Company could Incur $1.00 of additional Indebtedness under paragraph (a) of the covenant described under "—Certain Covenants—Limitation on Indebtedness" or (y) in the case of Koppers Inc. or any Restricted Subsidiary of Koppers Inc., Koppers Inc. could Incur $1.00 of additional Indebtedness under paragraph (a) of the covenant under "—Certain Covenants—Limitation on Indebtedness." Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"*U.S. Dollar Equivalent*" means with respect to any monetary amount in a currency other than U.S. dollars, at any time for determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as published in *The Wall Street Journal* in the "Exchange Rates" column under the heading "Currency Trading" on the date two Business Days prior to such determination.

Except as described under "—Certain Covenants—Limitation on Indebtedness," whenever it is necessary to determine whether the Company has complied with any covenant in the Indenture or a Default has occurred and an amount is expressed in a currency other than U.S. dollars, such amount will be treated as the U.S. Dollar Equivalent determined as of the date such amount is initially determined in such currency.

"*U.S. Government Obligations*" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the issuer's option.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

"*Wholly Owned Subsidiary*" of a Person means a Restricted Subsidiary of such Person all the Capital Stock of which (other than directors' qualifying shares) is owned by the Company or one or more other Wholly Owned Subsidiaries of such Person.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain United States federal income tax consequences relating to the exchange of Old Notes for Exchange Notes and the beneficial ownership and disposition of Exchange Notes. Except where noted, this summary deals only with Exchange Notes held as capital assets (generally, property held for investment). Additionally, this summary does not deal with special situations. For example, this summary does not address:

- tax consequences to holders that may be subject to special tax treatment, such as certain former citizens or residents of the United States, partnerships (or other entities classified as partnerships for United States federal income tax purposes) or other pass-through entities or investors in such entities, dealers in securities or currencies, banks or other financial institutions, insurance companies, tax-exempt entities, or traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- tax consequences to persons holding Exchange Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;
- tax consequences to U.S. holders (as defined below) whose "functional currency" is not the U.S. dollar;
- alternative minimum tax consequences, if any;
- any U.S. federal estate and gift tax; or
- any state, local or foreign tax consequences.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below.

If a partnership holds the Exchange Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Exchange Notes, you should consult your tax advisors.

The following discussion of the material United States federal income tax consequences of the acquisition, ownership and disposition of the Exchange Notes is for general information only and is not tax advice. If you are considering the exchange of Old Notes for Exchange Notes, you should consult your own tax advisors concerning the particular United States federal income, estate and other tax consequences to you of the ownership of the Exchange Notes, as well as the consequences to you arising under the laws of any state, local, or foreign taxing jurisdiction.

Exchange Offer

The exchange of Old Notes for Exchange Notes (see "The Exchange Offer") will not be a taxable event for U.S. federal income tax purposes. Consequently, no gain or loss will be recognized by a holder of an Old Note upon receipt of an Exchange Note. Your adjusted tax basis in the Old Notes will carry over to the Exchange Notes received and the holding period of the Exchange Notes will include the holding period of the Old Notes surrendered.

Applicable High-Yield Discount Obligations

Because the Old Notes have (and therefore the Exchange Notes will be treated as having) "significant" original issue discount ("OID") and the yield to maturity of the notes (as determined for United States federal income tax purposes) exceeds the "applicable federal rate" (as determined under Section 1274(d) of the Code) for the month in which the Old Notes were issued (the "AFR") by at least five percentage points, the Exchange Notes will be subject to the applicable high-yield discount obligation ("AHYDO") rules of the Code. As a result,

under the AHYDO rules, our deductions with respect to OID will be deferred until the amounts are actually paid in cash or in other property (other than stock or debt issued by Issuer or by a person deemed to be related to Issuer under Section 453(f)(1) of the Code).

This will reduce our after-tax cash flow and could negatively impact our ability to make interest and principal payments on the Exchange Notes.

In this case, the AHYDO rules will not affect the amount, timing, or character of a holder's income.

Federal Income Tax Consequences to U.S. Holders of the Exchange Notes

The following is a summary of the United States federal income tax consequences that will apply to you if you are a U.S. holder of the Exchange Notes. A "U.S. holder" is a beneficial owner of a note that is for United States federal income tax purposes:

- an individual that is a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision of the United States;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if (1) it is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) it has a valid election in effect under applicable United States Treasury regulations to be treated as a U.S. person.

Original Issue Discount

The Old Notes were issued, and therefore the Exchange Notes will be treated as issued, with OID for U.S. federal income tax purposes in an amount equal to the difference between their "stated redemption price at maturity" and their "issue price." The "issue price" of an Old Note (and therefore an Exchange Note) will be the first price at which a substantial amount of the Old Notes were sold for cash (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriter, placement agent or wholesaler). The "stated redemption price at maturity" of a note is the sum of all cash payments required to be made on a note other than payments of "qualified stated interest." The term "qualified stated interest" means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a fixed rate or (subject to certain conditions) based on one or more indices. None of the payments on the Exchange Notes will constitute qualified stated interest. You should be aware that you generally must include OID in gross income on a constant yield method in advance of the receipt of cash attributable to that income, regardless of your regular method of accounting. However, you generally will not be required to include again in income cash payments received in respect of previously accrued OID.

Subject to the discussion of acquisition premium below, the amount of OID includible in gross income by a U.S. holder of a note is the sum of the "daily portions" of OID with respect to the note for each day during the taxable year or portion of the taxable year in which such U.S. holder held such note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. The "accrual period" for a note may be of any length and may vary in length over the term of the note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the product of the note's "adjusted issue price" at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period). OID allocable to the final accrual period is the difference between the amount payable at maturity and the adjusted issue price at the beginning of the final accrual period. The "adjusted issue price" of a note at the beginning of any accrual period is equal to its issue price increased by

the accrued OID for each prior accrual period and reduced by any payments made on such note on or before the first day of the accrual period. The Issuers are required to provide information returns stating the amount of OID accrued on Exchange Notes held of record by persons other than corporations and other exempt holders.

The rules regarding OID are complex and the rules described above may not apply in all cases. Accordingly, you should consult your own tax advisor regarding their application.

Acquisition Premium

If a U.S. Holder purchased an Old Note at an "acquisition premium," the amount of OID that the U.S. Holder includes in gross income is reduced to reflect the acquisition premium. A note is purchased at an acquisition premium if its adjusted basis in the hands of the purchaser immediately after the purchase is (1) less than or equal to the sum of all amounts payable on the note after the purchase date other than payments of qualified stated interest and (2) greater than the note's adjusted issue price (as described above).

If a note is purchased at an acquisition premium, the U.S. Holder reduces the amount of OID otherwise includible in income during an accrual period by a fraction. The numerator of this fraction is the excess of the adjusted basis of the note immediately after its acquisition by the purchaser over the adjusted issue price of the note. The denominator of the fraction is the excess of the sum of all amounts payable on the note after the purchase date, other than payments of qualified stated interest, over the note's adjusted issue price.

As an alternative to reducing the amount of OID otherwise includible in income by this fraction, the U.S. Holder may elect to compute OID accruals by treating the purchase as a purchase at original issuance and applying the constant yield method described under "—Original Issue Discount" above.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of Exchange Notes

Subject to the market discount rules described below, you will generally recognize gain or loss upon the sale, exchange, redemption, retirement or other taxable disposition of an Exchange Note equal to the difference between the amount realized upon the sale, exchange, redemption, retirement or other disposition and your adjusted tax basis in the note. Your adjusted tax basis in an Exchange Note will generally be equal to the amount paid for the Old Note, increased by the amount of OID (net of any acquisition premium) and any market discount previously included in income with respect to the note and decreased by the amount of any cash payments previously received on the note. Generally, gain or loss upon a disposition will be capital gain or loss. If you are an individual and have held the notes for more than one year, such capital gain will generally be eligible for reduced rates of taxation. The deductibility of net capital losses is subject to limitations.

Market Discount

Under the market discount rules of the Code, a U.S. Holder who purchased an Old Note at a market discount will generally be required to treat any gain recognized on the sale, exchange, retirement or other taxable disposition of the Exchange Note received in exchange therefor as ordinary income to the extent of the accrued market discount (during the periods in which the holder held the Old Note and the Exchange Note) that has not been previously included in income. In this case, market discount is defined as the amount by which a U.S. Holder's purchase price for a note is less than the note's adjusted issue price on the date of purchase, subject to a statutory de minimis exception. In general, market discount accrues on a ratable basis over the remaining term of the note unless a U.S. Holder makes an irrevocable election to accrue market discount on a constant yield to maturity basis. A U.S. Holder of a note with market discount may be required to defer part or all of its interest deductions with respect to any debt issued by such U.S. Holder (unless the U.S. Holder elects to include market discount income on a current basis, as described below).

A U.S. Holder of a note may elect to report market discount as ordinary income as it accrues—on either a ratable or a constant yield basis. If a U.S. Holder makes this election, the rules regarding the treatment of gain

upon the disposition of the note and upon the receipt of certain cash payments as ordinary income and regarding the deferral of interest deductions will not apply. Currently, if the foregoing election is made by a U.S. Holder, the election will apply to all market discount obligations acquired by such holder during or after the first taxable year to which the election applies, and the election may not be revoked without the consent of the Internal Revenue Service.

Consequences to Non-U.S. Holders of the Exchange Notes

The following is a summary of the United States federal income tax consequences that will apply to you if you are a non-U.S. holder of Exchange Notes. The term "non-U.S. holder" means a beneficial owner of a note that is for U.S. federal income tax purposes a nonresident alien or a corporation, trust or estate that is not a U.S. holder. Special rules may apply to certain non-U.S. holders such as "controlled foreign corporations," "passive foreign investment companies" and "foreign personal holding companies." Such entities should consult their own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

United States Federal Withholding Tax

The 30% United States federal withholding tax will not apply to any payment of principal and, under the "portfolio interest rule," interest (including OID) on the Exchange Notes, *provided*, in the case of interest, that:

- such interest paid on the Exchange Notes is not effectively connected with your conduct of a trade or business in the United States;
- you do not actually (or constructively) own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and applicable United States Treasury regulations;
- you are not a controlled foreign corporation that is related to us through stock ownership;
- you are not a bank whose receipt of interest on the Exchange Notes is described in Section 881(c)(3)(A) of the Code; and
- either (a) you provide your name and address on an IRS Form W-8BEN (or other applicable form), and certify, under penalties of perjury, that you are not a United States person as defined under the Code or (b) you hold your Exchange Notes through certain foreign intermediaries and satisfy the certification requirements of applicable United States Treasury regulations.

Special rules apply to non-U.S. holders that are pass-through entities rather than corporations or individuals.

If you cannot satisfy the requirements described above, payments of interest (including OID) made to you will be subject to the 30% United States federal withholding tax, unless you provide the Issuers with a properly executed:

- IRS Form W-8BEN (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty; or
- IRS Form W-8ECI (or other applicable form) stating that interest paid on the Exchange Notes is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States (as discussed below under "United States Federal Income Tax").

The 30% United States federal withholding tax generally will not apply to any gain that you realize on the sale, exchange, redemption, retirement or other taxable disposition of a note.

United States Federal Income Tax

If you are engaged in a trade or business in the United States and interest (including OID) on the Exchange Notes is effectively connected with the conduct of that trade or business (and, if required by an applicable

income tax treaty, is attributable to a United States permanent establishment), then you will be subject to United States federal income tax on that interest on a net income basis (although you will be exempt from the 30% United States federal withholding tax, *provided* that certain certification requirements are satisfied) in the same manner as if you were a United States person as defined under the Code. In addition, if you are a foreign corporation, you may be subject to a branch profits tax equal to 30% (or lower applicable income tax treaty rate), subject to adjustments.

Any gain realized on the disposition of an Exchange Note generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment); or
- you are an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met.

If your gain is effectively connected with your conduct of a United States trade or business, you generally will be subject to U.S. federal income tax on the net gain derived from the sale in the same manner as if you were a U.S. person. If you are a corporation, you may also, under certain circumstances, be subject to a branch profits tax at a 30% rate (or lower applicable treaty rate). If you are subject to the 183-day rule described above, you generally will be subject to U.S. federal income tax at a rate of 30% (or a reduced rate under an applicable treaty) on the amount by which capital gains allocable to U.S. sources (including gains from the sale, exchange, retirement or other disposition of the Exchange Note) exceed capital losses allocable to U.S. sources.

Information Reporting and Backup Withholding

U.S. Holders

In general, information reporting requirements will apply to certain payments of principal and interest (including OID) paid on Exchange Notes and the proceeds of a sale (including a redemption) of an Exchange Note paid to you unless you are an exempt recipient (such as a corporation). Backup withholding tax will apply to such payments if you fail to provide a taxpayer identification number or certification of corporate or other exempt status or have been notified by the IRS that you are subject to backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the IRS in a timely manner.

Non-U.S. Holders

Generally, we must report to the IRS and to you the amount of interest (including OID) paid to you and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which you reside under the provisions of an applicable income tax treaty. In general, you will not be subject to backup withholding and additional information reporting with respect to interest payments on the Exchange Notes that we make to you, *provided* that we have received from you the statement described above in the fifth bullet point under “United States Federal Withholding Tax.”

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale (including a redemption) of the Exchange Notes within the United States or conducted through certain United States-related financial intermediaries, unless you certify under penalty of perjury that you are a non-U.S. holder or you otherwise establish an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the IRS in a timely manner.

PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Notes for its own account pursuant to this exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. 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 Old Notes where such Old Notes were acquired as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the expiration date, it will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until , 2005, all dealers effecting transactions in the Exchange Notes may be required to deliver a prospectus.

We will not receive any proceeds from any sale of Exchange Notes by broker-dealers. Exchange Notes received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such Exchange Notes. Any broker-dealer that resells Exchange Notes that were received by it for its own account pursuant to this exchange offer and any broker or dealer that participates in a distribution of such Exchange Notes may be deemed to be an “underwriter” within the meaning of the Securities Act and any profit on any such resale of Exchange Notes and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver 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.

For a period of 180 days after the expiration date we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the letter of transmittal. We have agreed to pay all expenses incident to this exchange offer (including the expenses of one counsel for the holders of the Notes) other than commissions or concessions of any brokers or dealers and will indemnify the holders of the Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

WHERE YOU CAN FIND MORE INFORMATION

Koppers files reports and other information with the SEC. You may read and, for a fee, copy any document that Koppers files with the SEC at the public reference facility maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of these documents may also be obtained at prescribed rates from the Public Reference Section of the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. You may also obtain the documents that Koppers files electronically from the SEC’s website at http://www.sec.gov. Our reports and other information that Koppers has filed, or that we may in the future file, with the SEC are not incorporated in and do not constitute part of this prospectus. While any Exchange Notes remain outstanding, we will make available, upon request, to any beneficial owner and any prospective purchaser of notes the information required pursuant to Rule 144A(d)(4) under the Securities Act during any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934. Any such request should be directed to KI Holdings’ Secretary at KI Holdings Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219-1800.

LEGAL MATTERS

Certain legal matters with respect to the Exchange Notes will be passed upon for us by Cahill Gordon & Reindel LLP, New York, New York, and by Reed Smith LLP, Pittsburgh, Pennsylvania.

EXPERTS

The consolidated financial statements of Koppers Inc. at December 31, 2003 and 2002, and for each of the three years in the period ended December 31, 2003, appearing in this Prospectus and Registration Statement, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Koppers Inc.

We have audited the accompanying consolidated balance sheet of Koppers Inc. as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Koppers Inc. at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

As explained in Note 1 to the consolidated financial statements, effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations. As explained in Note 1 to the consolidated financial statements, effective January 1, 2002 the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

/s/ ERNST & YOUNG LLP

Pittsburgh, Pennsylvania
February 6, 2004, except for Note 4, as to which the date is
February 27, 2004

KOPPERS INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(In millions except per share figures)

	Years Ended December 31,		
	2003	2002	2001
Net sales	$ 842.9	$776.5	$753.7
Operating expenses:			
Cost of sales	726.0	659.5	631.4
Depreciation and amortization	33.7	28.7	30.4
Selling, general and administrative	55.6	44.0	46.3
Restructuring and impairment charges	8.5	—	3.3
Total operating expenses	823.8	732.2	711.4
Operating profit	19.1	44.3	42.3
Equity in earnings of affiliates	(0.1)	—	0.3
Other income	0.1	9.8	8.2
Income before interest expense, income tax provision and minority interest	19.1	54.1	50.8
Interest expense	37.7	22.9	24.5
Income (loss) before income tax provision and minority interest	(18.6)	31.2	26.3
Income tax provision (benefit)	(1.3)	13.8	12.1
Minority interest	1.7	0.9	0.9
Income (loss) before cumulative effect of accounting change	$ (19.0)	$ 16.5	$ 13.3
Cumulative effect of accounting change:			
Asset retirement obligations, net of tax of $11.7	(18.1)	—	—
Net income (loss)	$ (37.1)	$ 16.5	$ 13.3
Numerators for basic and diluted:			
Income (loss) before cumulative effect of accounting change	$ (19.0)	$ 16.5	$ 13.3
Preferred stock dividend	(53.7)	(6.5)	(9.1)
Income (loss) to common stock before cumulative effect of accounting change	$ (72.7)	$ 10.0	$ 4.2
Cumulative effect of accounting change	(18.1)	—	—
Net income (loss) to common stock	$ (90.8)	$ 10.0	$ 4.2
Earnings (loss) per share of common stock:			
Basic earnings (loss) per share before cumulative effect of accounting change	$ (82.65)	$ 8.61	$ 3.15
Cumulative effect of accounting change	(20.59)	—	—
Basic earnings (loss) per share	$(103.24)	$ 8.61	$ 3.15
Diluted earnings (loss) per share before cumulative effect of accounting change	$ (82.65)	$ 4.72	$ 3.15
Cumulative effect of accounting change	(20.59)	—	—
Diluted earnings (loss) per share	$(103.24)	4.72	3.15

See accompanying notes.

KOPPERS INC.

CONSOLIDATED BALANCE SHEET

(In millions)

	December 31,	
	2003	**2002**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9.6	$ 9.5
Accounts receivable less allowance for doubtful accounts of $1.4 in 2003 and $0.9 in 2002	99.6	95.9
Inventories:		
Raw materials	58.1	54.4
Work in process	4.3	4.8
Finished goods	68.3	54.8
LIFO reserve	(13.2)	(10.4)
Total inventories	117.5	103.6
Deferred tax benefit	8.9	5.1
Other	8.1	5.5
Total current assets	243.7	219.6
Equity in non-consolidated investments	10.3	11.3
Fixed assets:		
Land	7.2	6.8
Buildings	18.2	15.5
Machinery and equipment	450.1	395.1
	475.5	417.4
Less: accumulated depreciation	(324.5)	(262.1)
Net fixed assets	151.0	155.3
Goodwill	36.5	31.6
Deferred tax benefit	54.9	35.2
Other assets	17.6	10.8
Total assets	$ 514.0	$ 463.8

See accompanying notes.

KOPPERS INC.

CONSOLIDATED BALANCE SHEET

(In millions except per share figures)

	December 31,	
	2003	**2002**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 63.8	$ 67.8
Accrued liabilities	60.6	35.2
Revolving credit	—	31.3
Dividend payable	25.0	—
Current portion of term loans	8.0	21.8
Total current liabilities	157.4	156.1
Long-term debt:		
Revolving credit	8.9	1.9
Term loans	3.8	31.7
Senior Secured Notes due 2013	320.0	—
Senior Subordinated Notes due 2007	—	175.0
Total long-term debt	332.7	208.6
Product warranty and insurance reserves	16.4	17.2
Accrued pension liabilities	29.4	32.5
Other long-term liabilities	47.9	21.7
Total liabilities	583.8	436.1
Commitments and contingencies-See Note 9		
Minority interest	6.1	5.4
Common stock subject to redemption	13.2	23.1
Senior convertible preferred stock, $.01 par value; 10.0 shares authorized; 2.3 shares issued in 2003 and 2002	—	—
Common stock, $.01 par value:		
37.0 shares authorized, 3.0 shares issued in 2003 and 2.8 shares issued in 2002	—	—
Capital in excess of par value	15.8	12.9
Receivable from Director for purchase of common stock	(0.6)	(0.6)
Retained earnings (deficit)	(53.7)	46.5
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	8.0	(14.6)
Minimum pension liability, net of tax	(14.5)	(12.4)
Total accumulated other comprehensive loss	(6.5)	(27.0)
Treasury stock, at cost, 2.1 shares in 2003 and 1.7 shares in 2002	(44.1)	(32.6)
Total liabilities and stockholders' equity	$514.0	$463.8

See accompanying notes.

KOPPERS INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions)

	Years Ended December 31,		
	2003	2002	2001
Cash provided by operating activities:			
Net income (loss)	$ (37.1)	$ 16.5	$ 13.3
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisitions:			
Depreciation and amortization	33.7	28.7	30.4
Bad debt expense	2.1	0.1	2.3
Deferred income taxes	(8.9)	6.2	4.8
Write-offs of deferred financing costs	6.4	—	—
Equity income of affiliated companies, net of dividends received	1.0	0.9	0.6
Cumulative effect of accounting changes	18.1	—	—
Restructuring and impairment	8.4	(3.4)	0.6
Change in reserves	(3.5)	(3.9)	0.4
Other	(0.3)	(0.1)	(1.7)
(Increase) decrease in working capital, net of acquisitions:			
Accounts receivable	2.3	(7.0)	11.2
Inventories	(4.2)	7.2	(2.3)
Accounts payable	(10.0)	7.1	4.0
Accrued liabilities	2.0	(5.3)	(3.5)
Other working capital items	2.4	(1.0)	(0.6)
Net cash provided by operating activities	12.4	46.0	59.5
Cash provided by (used in) investing activities:			
Acquisitions and related costs, net of cash acquired	—	—	(6.4)
Capital expenditures	(19.3)	(19.7)	(14.6)
Other	0.8	1.4	2.7
Net cash used in investing activities	(18.5)	(18.3)	(18.3)
Cash provided by (used in) financing activities, net of acquisitions:			
Borrowings of revolving credit	285.9	253.3	165.7
Repayments of revolving credit	(311.0)	(231.5)	(165.7)
Issuance of 9 7/8% Senior Secured Notes Due 2013	320.0	—	—
Redemption of 9 7/8% Senior Subordinated Notes Due 2007	(175.0)	—	—
Borrowings on long-term debt	75.0	—	—
Repayments on long-term debt	(116.7)	(30.4)	(21.1)
Purchases of common stock	(9.0)	(6.2)	(5.9)
Payment of deferred financing costs	(16.1)	—	—
Dividends paid	(48.1)	(9.8)	(14.6)
Net cash provided by (used in) financing activities	5.0	(24.6)	(41.6)
Effect of exchange rates on cash	1.2	1.2	(1.2)
Net increase (decrease) in cash and cash equivalents	0.1	4.3	(1.6)
Cash and cash equivalents at beginning of year	9.5	5.2	6.8
Cash and cash equivalents at end of year	$ 9.6	$ 9.5	$ 5.2
Supplemental disclosure of cash flows information:			
Cash paid during the year for:			
Interest	$ 20.3	$ 22.3	$ 25.0
Income taxes	$ 8.9	$ 7.0	$ 8.6

See accompanying notes.

KOPPERS INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(In millions except per share figures)

	Convertible Preferred Stock	Voting Common Stock	Capital In Excess of Par Value	Loan Receivable From Director
Balance at December 31, 2000	—	—	9.1	(0.6)
Net income for 2001	—	—	—	—
Foreign currency translation	—	—	—	—
Minimum pension liability adjustment, net of tax of $2.7	—	—	—	—
Comprehensive income				
Net change in common stock subject to redemption.	—	—	—	—
Options exercised, 0.2 shares	—	—	3.3	—
Treasury stock purchases, 0.3 shares	—	—	—	—
Dividends paid ($4.00 per share)	—	—	—	—
Balance at December 31, 2001	—	—	12.4	(0.6)
Net income for 2002	—	—	—	—
Foreign currency translation	—	—	—	—
Minimum pension liability adjustment, net of tax of $5.1	—	—	—	—
Comprehensive income				
Net change in common stock subject to redemption	—	—	—	—
Options exercised, 0.1 shares	—	—	0.5	—
Treasury stock purchases, 0.2 shares	—	—	—	—
Dividends paid ($2.85 per share)	—	—	—	—
Balance at December 31, 2002	$ —	$ —	$ 12.9	$ (0.6)
Net income (loss) for 2003	—	—	—	—
Foreign currency translation	—	—	—	—
Minimum pension liability adjustment, net of tax of $1.1	—	—	—	—
Comprehensive income				
Net change in common stock subject to redemption	—	—	—	—
Options exercised, 0.2 shares	—	—	2.9	—
Treasury stock purchases, 0.4 shares	—	—	—	—
Dividends declared ($23.46 per share)	—	—	—	—
Balance at December 31, 2003	$ —	$ —	$ 15.8	$ (0.6)

See accompanying notes.

KOPPERS INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(In millions except per share figures)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Compre-hensive Income	Treasury Stock
Balance at December 31, 2000	$ 33.3	$ (20.1)		$ (18.0)
Net income for 2001	13.3	—	$ 13.3	—
Foreign currency translation	—	(4.2)	(4.2)	—
Minimum pension liability adjustment, net of tax of $2.7	—	(4.1)	(4.1)	—
Comprehensive income			$ 5.0	
Net change in common stock subject to redemption.	8.6	—		—
Options exercised, 0.2 shares	—	—		—
Treasury stock purchases, 0.3 shares	—	—		(7.9)
Dividends paid ($4.00 per share)	(14.6)	—	—	—
Balance at December 31, 2001	40.6	(28.4)		(25.9)
Net income for 2002	16.5	—	$ 16.5	—
Foreign currency translation	—	9.7	9.7	—
Minimum pension liability adjustment, net of tax of $5.1	—	(8.3)	(8.3)	—
Comprehensive income			$ 17.9	
Net change in common stock subject to redemption	(0.8)	—		—
Options exercised, 0.1 shares	—	—		—
Treasury stock purchases, 0.2 shares	—	—		(6.7)
Dividends paid ($2.85 per share)	(9.8)	—		—
Balance at December 31, 2002	46.5	(27.0)		(32.6)
Net income (loss) for 2003	(37.1)	—	$ (37.1)	—
Foreign currency translation	—	22.6	22.6	—
Minimum pension liability adjustment, net of tax of $1.1	—	(2.1)	(2.1)	—
Comprehensive income			$ (16.6)	
Net change in common stock subject to redemption	9.9	—		—
Options exercised, 0.2 shares	—	—		—
Treasury stock purchases, 0.4 shares	—	—		(11.5)
Dividends declared ($23.46 per share)	(73.0)	—		—
Balance at December 31, 2003	$ (53.7)	$ (6.5)		$ (44.1)

See accompanying notes.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Business

Koppers Inc. (the "Company" or "Koppers") is a global integrated producer of carbon compounds and treated wood products for use in a variety of markets including the railroad, aluminum, chemical, utility and steel industries. The Company's business is managed as two business segments, Carbon Materials & Chemicals and Railroad & Utility Products.

The Company's Carbon Materials & Chemicals division is a supplier of a) carbon pitch, which is used primarily by the aluminum industry as a binder in the manufacture of anodes; b) phthalic anhydride ("PAA"), used in the manufacture of plasticizers, unsaturated polyester resins, alkyd resins and dye making; c) creosote and chemicals, used in the protection of timber against termites, fungal decay and weathering; d) carbon black (and carbon black feedstock), used in the production of rubber tires; and e) furnace coke, used in the manufacturing of steel.

The Company's Railroad & Utility Products division a) provides various products and services to railroads, including crossties (both wood and concrete), track and switch pre-assemblies and disposal services; b) supplies treated wood poles to electric and telephone utilities; and c) provides products to, and performs various wood treating services for, vineyards, construction and other commercial applications.

Basis of Financial Statements

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries for which the Company is deemed to exercise control over operations. All significant intercompany transactions have been eliminated.

The Company's investments in 20% to 50% owned companies in which it has the ability to exercise significant influence over operating and financial policies are accounted for on the equity method. Accordingly, the Company's share of the earnings of these companies is included in the accompanying consolidated statement of operations.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all liquid investments with an original maturity of 90 days or less to be cash equivalents.

Accounts Receivable

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. In circumstances where the Company becomes aware of a specific customer's inability to meet its financial obligations to Koppers, a specific reserve for bad debts is recorded against amounts due. If the financial condition of the Company's customers were to deteriorate, resulting in an inability to make payments, additional allowances may be required.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Inventories

In the United States, Carbon Materials & Chemicals (excluding furnace coke) and Railroad & Utility Products inventories are valued at the lower of cost, utilizing the last-in, first-out ("LIFO") basis, or market. Inventories outside the U.S. are valued at the lower of cost, utilizing the first-in, first-out ("FIFO") basis, or market. Market represents replacement cost for raw materials and net realizable value for work in process and finished goods. LIFO inventories constituted approximately 55% and 59% of the first-in, first-out ("FIFO") inventory value at December 31, 2003 and 2002, respectively. LIFO liquidations resulted in pre-tax income of $2.6 million for the year ended December 31, 2001.

Revenue Recognition

The Company recognizes revenue from product sales at the time of shipment or when title passes to the customer. The Company recognizes revenue related to the procurement of certain untreated railroad crossties upon transfer of title, which occurs upon delivery to the Company's plant and acceptance by the customer. Service revenue, consisting primarily of wood treating services, is recognized at the time the service is provided.

Investments

The following describes activity related to the Company's significant equity investments as included in the consolidated statement of operations as of and for each of the years ended December 31:

KSA Limited Partnership (KSA)

The Company holds a 50% investment in KSA, a concrete crosstie operation located in Portsmouth, Ohio.

	Equity Income	Dividends Received
	(In millions)	
2003	$ 0.5	$ 0.9
2002	0.6	0.8
2001	0.6	0.9

Koppers (China) Carbon & Chemical Co. Ltd.

The Company holds a 60% ownership interest in Koppers (China) Carbon and Chemical Co., Limited but accounts for this investment under the equity method as described below.

	Equity Loss	Dividends Received
	(In millions)	
2003	$ (0.6)	$ 0.0
2002	(0.6)	0.0
2001	(0.3)	0.0

In 1999 the Company entered into a joint venture agreement with Tangshan Iron & Steel Co. to rehabilitate and operate a tar distillation facility in China. The joint venture agreement also includes a tar supply contract with Tangshan Iron & Steel Co., which serves to ensure a long-term supply of coal tar products in its Australasian markets. Koppers has participated in the international marketing of carbon pitch products for the

joint venture. The joint venture, Koppers (China) Carbon and Chemical Co., Limited is 60% owned by the Company and began production of coal tar products in 2001. Contributions of cash, engineering services and acquisition costs for the joint venture total $10.5 million to date.

In June 2001 the Company entered into an agreement with Tangshan Iron & Steel Co. whereby Tangshan Iron & Steel Co. assumed control of Koppers (China) Carbon and Chemical Co., Limited through December 31, 2003. During this period Tangshan Iron & Steel Co. bore all responsibility for the operations and management of the facility, as well as the net income or loss, except for Koppers' pro rata share of depreciation, amortization and income taxes for the joint venture. Accordingly, the Company changed its method of accounting from consolidation to the equity method effective June 2001 to reflect this change in its ability to control Koppers (China) Carbon and Chemical Co., Limited. The Company chose to delay development of the carbon pitch export market due to the restructuring of the North American aluminum smelting capacity. In the interim, Tangshan Iron & Steel Co. assumed responsibility for the joint venture to develop the domestic Chinese market. Tangshan Iron & Steel Co. has guaranteed a bank loan of Koppers (China) Carbon and Chemical Co., Limited; the Company has issued a cross guarantee to Tangshan Iron & Steel Co. in the amount of approximately $1.5 million, representing 60% of the loan amount. The effect on 2001 sales and earnings from the consolidation of Koppers (China) Carbon and Chemical Co., Limited prior to Tangshan Iron & Steel Co. assuming operating control was $0.0 million and $(0.2) million, respectively. The equity losses for 2003, 2002 and 2001 as noted above reflect the Company's pro rata share of depreciation, amortization and income taxes for each respective period.

Beginning January 1, 2004 the Company has assumed operating control of Koppers (China) Carbon and Chemical Co., Limited and therefore will begin to consolidate this entity in the first quarter of 2004.

Depreciation

Buildings, machinery, and equipment are recorded at purchased cost and depreciated over their estimated useful lives (5 to 20 years) using the straight-line method. Depreciation expense for the years ended December 31, 2003, 2002 and 2001 amounted to $31.6 million, $25.9 million and $25.9 million, respectively.

Accrued Insurance

The Company is insured for property, casualty and workers' compensation insurance up to various stop loss coverages. Losses are accrued based upon the Company's estimates of the liability for the related deductibles for claims incurred using certain actuarial assumptions followed in the insurance industry and based on Company experience. Losses accrued at December 31, 2003, 2002 and 2001 amounted to $12.9 million, $12.9 million and $16.5 million, respectively.

Disclosures About Fair Value of Financial Instruments

Cash and short-term investments: The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt: The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The fair values of the revolving credit facilities and term loans approximate carrying value due to the variable rate nature of these instruments. The fair value of the Senior Secured Notes (based on trading activity) at December 31, 2003 was $353.6 million.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Research and Development

Research and development costs, which are included in selling, general and administrative expenses, amounted to $2.3 million for 2003, $2.9 million for 2002 and $2.7 million for 2001.

Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. In June 2001 the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the rules, goodwill is no longer amortized but is subject to annual impairment tests in accordance with the Statements. Other intangible assets continue to be amortized over their useful lives. The Company has applied the rules on accounting for goodwill beginning in the first quarter of 2002. If Statement No. 142 had been adopted January 1, 2001 the increase to net income, basic earnings per share and diluted earnings per share would have been $0.8 million, $0.60 and $0.60, respectively. During 2003 the Company performed the required impairment tests of goodwill as of November 30, 2003 and has determined that there is no impairment. Activity related to goodwill for the last three years consisted of the following: (i) for 2003, the balance increased from $29.2 million to $34.2 million as the result of $5.0 million of foreign currency effect; (ii) for 2002, the balance increased from $27.0 million to $29.2 million as the result of $2.2 million of foreign currency effect; and (iii) for 2001, the balance decreased from $28.9 million to $27.0 million as a result of $1.5 million of amortization and $(0.4) million of foreign currency effect.

Derivatives

The Company economically hedges certain firm commitments denominated in foreign currencies for periods up to twelve months, depending on the anticipated settlement dates of the related transactions. Forward exchange contracts are utilized to hedge these transactions, and all such contracts are marked to market with the recognition of a gain or loss at each reporting period. Therefore, at December 31, 2003 and 2002 there were no deferred gains or losses on hedging of foreign currencies. The fair value of derivatives at December 31, 2003 and 2002 was $0.3 million and ($0.3) million, respectively, and is included in Other Current Assets and Other Current Liabilities. For the years ended December 31, 2003, 2002 and 2001 $0.2 million, $0.0 million and $0.2 million, respectively, of losses on forward exchange contracts are included in cost of sales. Realized foreign exchange gains for the years ended December 31, 2003, 2002 and 2001 amounted to $0.3 million, $0.1 million and $0.0 million, respectively.

Environmental Liabilities

The Company accrues for environmental liabilities when a determination can be made that they are probable and reasonably estimable. Total environmental reserves at December 31, 2003 and 2002 were approximately $7.5 million and $11.3 million, respectively, which include provisions for fines, soil remediation and the mandatory cleaning and disposal of residues from certain storage tanks.

Product Warranty Reserves

The Company accrues for product warranty reserves based on historical loss experience and sales of extended warranties on certain products. The following chart illustrates activity in these reserves (millions):

	2003	2002	2001
Warranty reserve beginning of year	$ 5.3	$ 5.5	$ 5.7
Warranty expense charged to income	0.9	0.8	0.5
Cash expenditures for warranty claims	(0.5)	(1.0)	(0.7)
Warranty reserve end of year	$ 5.7	$ 5.3	$ 5.5

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Stock-Based Compensation

The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and, accordingly, recognizes no compensation expense for stock option grants since all options granted had an exercise price equal to the fair value of the underlying stock on the date of grant. The following table illustrates the impact on earnings and earnings per share if the Company had accounted for all outstanding option grants according to the fair value recognition provisions of Statement No. 123, Accounting for Stock-Based Compensation:

	Years Ended December 31,		
	2003	2002	2001
	(In millions except per share figures)		
Net income (loss), as reported	$ (37.1)	$16.5	$13.3
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	0.1	0.1	0.1
Pro forma net income (loss)	$ (37.2)	$16.4	$13.2
Earnings (loss) per share:			
Basic—as reported	$(103.24)	$8.61	$3.15
Basic—pro forma	(103.44)	8.53	3.10
Diluted—as reported	$(103.24)	$4.72	$3.15
Diluted—pro forma	(103.44)	4.70	3.10

The fair value for options granted in 2002 was estimated using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 5.0%; dividend yield of 5.0%; volatility factor of .22; and an expected option life of 5 years.

Reclassification

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year presentation. Such reclassification had no effect on net income. In accordance with EITF 00-10, the Company has revised net sales to reflect freight and related costs as components of cost of sales rather than as reductions to net sales. The effect of this change was to increase net sales and cost of sales for the years ended December 31, 2002 and 2001 by $46.2 million and $46.1 million, respectively.

Impact of Other Recently Issued Accounting Standards

In May 2003, the Financial Accounting Standards Board issued Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, effective for the fiscal period beginning after December 15, 2003. Statement No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. To the extent that the Company is either now or in the future required to repurchase shares of common stock, the adoption of Statement No. 150 would require the Company to classify common stock subject to redemption as a liability as of January 1, 2004, based on the latest revision. Prospectively, changes in the liability with the exception of redemptions will be included in pre-tax income.

Effective January 1, 2003, the Company changed its method of accounting for asset retirement obligations in accordance with FASB Statement No. 143, Accounting for Asset Retirement Obligations. Previously, the

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Company had not been recognizing amounts related to asset retirement obligations. Under the new accounting method, Koppers now recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of a fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

The cumulative effect of the change on prior years resulted in a charge to income of $18.1 million, net of income taxes of $11.7 million ($20.59 per share for both basic and diluted for the year ended December 31, 2003). The effect of the change on the year ended December 31, 2003 was zero. The pro forma effects of the application of Statement No. 143 as if the Statement had been adopted on January 1, 2001 (rather than January 1, 2003) are presented below:

	Years Ended December 31,		
	2003	2002	2001
Pro forma amounts assuming the accounting change is applied retroactively net-of-tax:			
Net income (loss) (millions)	$ (19.0)	$15.2	$12.1
Preferred stock dividends (millions)	(53.7)	(6.5)	(9.1)
Net income (loss) to common (millions)	$ (72.7)	$ 8.7	$ 3.0
Basic earnings (loss) per share	$(82.65)	$7.55	$2.22
Diluted earnings (loss) per share	(82.65)	4.37	2.22

The Company recognizes asset retirement obligations for (i) storage tank inspections and the removal and disposal of residues: (ii) dismantling of certain tanks required by governmental authorities; (iii) inspection, cleaning and dismantling costs for owned rail cars; and (iv) inspection and cleaning costs for leased rail cars and barges. The following table describes changes to the Company's asset retirement obligation liability at December 31, 2003 (in millions):

Asset retirement obligation at beginning of year	$ —
Liability recognized in transition	33.4
Accretion expense	2.4
Effect of fixed asset additions	0.9
Adjustments for changes in estimated cash flows	4.7
Expenses incurred	(6.5)
Asset retirement obligation at December 31, 2003	$34.9

The pro forma asset retirement obligation liability balances as if Statement No. 143 had been adopted on January 1, 2001 (rather than January 1, 2003) are as follows (in millions):

	December 31,		
	2003	2002	2001
Pro forma amounts of liability for asset retirement obligation at beginning of year	$33.4	$31.1	$ 28.9
Pro forma amounts of liability for asset retirement obligation at end of year	34.9	33.4	31.1

In December 2002, the Financial Accounting Standards Board issued Statement No. 148, Accounting for Stock-Based Compensation—Transition and Disclosure, effective for fiscal years ending after December 15, 2002. Statement 148 amends Statement No. 123, Accounting for Stock-Based Compensation, to provide

alternative methods of transition to Statement 123's fair value method of accounting for stock-based employee compensation. Statement 148 also amends the disclosure provisions of Statement 123 and APB Opinion No. 28, Interim Financial Reporting, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. The Company has complied with the disclosure requirements.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 ("FIN No. 46"). FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. In December 2003, FASB issued a revision to FIN No. 46; for the Company, the revised provisions of FIN No. 46 must be applied for the first interim or annual period beginning after December 15, 2004. The Company does not expect that the adoption of FIN No. 46 will have a material impact on its financial position, cash flows or results of operations.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others ("FIN No. 45"). FIN No. 45 clarifies and expands on existing disclosure requirements for guarantees, including loan guarantees. It also requires that, at the inception of certain guarantees, the Company must recognize a liability for the fair value of its obligations under those guarantees. The initial fair value recognition and measurement provisions will be applied on a prospective basis to certain guarantees issued or modified after December 31, 2002. The Company has adopted FIN No. 45 and the effect of adoption did not have a material impact on its financial position, cash flows or results of operations.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on Issue No. 00-21 ("Issue 00-21"), Revenue Arrangements with Multiple Deliverables. Issue 00-21 provides guidance on how to account for arrangements that involve delivery or performance of multiple products, services and/or rights to use assets. The adoption of Issue 00-21 in July 2003 had no impact on the Company's consolidated financial position or results of operations.

In July 2002, the Financial Accounting Standards Board issued Statement No. 146, Accounting for Costs Associated with Exit or Disposal Activities, to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. Effective January 1, 2003, the Company adopted the provisions of Statement No. 146, and the related provisions have been applied to the curtailment of its Woodward, Alabama and Portland, Oregon carbon materials facilities on December 31, 2003 and the closure of its Logansport, Louisiana wood treating facility on September 30, 2003.

In April 2002, the Financial Accounting Standards Board issued Statement No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections, effective for fiscal years beginning after June 15, 2002. For most companies, Statement No. 145 will require gains and losses on extinguishments of debt to be classified as income or loss from continuing operations rather than as extraordinary items as previously required under Statement No. 4. Extraordinary treatment will be required for certain extinguishments as provided in APB Opinion No. 30. Statement No. 145 also amends Statement No. 13 to require that certain modifications to capital leases be treated as a sale-leaseback and modifies the accounting for sub-leases when the original lessee remains a secondary obligor (or guarantor). In addition, the FASB rescinded

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Statement No. 44, which addressed the accounting for intangible assets of motor carriers and made numerous technical corrections. The adoption of Statement No. 145 resulted in charges of $12.2 million during 2003 to income (loss) before income tax provision (benefit) and minority interest for costs related to extinguishment of debt rather than as an extraordinary item.

2. Restructuring and Impairment Charges

Restructuring and impairment charges for 2003 totaled $8.5 million. During the fourth quarter of 2003 the Company determined that capacity rationalization was required in its U.S. Carbon Materials & Chemicals business to increase competitiveness. Accordingly, in December 2003 Koppers ceased production at its carbon materials facility in Woodward, Alabama, resulting in a restructuring charge to fourth quarter pre-tax income of $3.1 million. Additionally, during the fourth quarter of 2003 the Company concluded that its carbon materials port operation in Portland, Oregon is an impaired facility based on its current and long-term economic prospects as a result of recent negotiations with a significant customer. The impairment charge for this facility resulted in a charge to fourth quarter pre-tax income of $3.1 million. The Company also incurred a $1.0 million charge for the impairment of certain storage tanks which have been permanently idled due to reduced demand for carbon materials products in U.S. markets. In September 2003, the Company closed its Logansport, Louisiana wood treating plant due to deteriorating local market conditions and their impact on volumes and profitability. The closure resulted in a $1.3 million restructuring charge in the third quarter.

Total restructuring and impairment charges consisted of cash charges of $0.7 million for severance and non-cash charges of $7.8 million primarily for write downs of fixed assets.

As a result of these restructuring programs the Company incurred additional related charges including $4.7 million of accelerated asset retirement obligations charged to cost of sales, $1.4 million of freight contract settlement charged to cost of sales and $0.4 million of severance charged to selling, general and administrative expense.

At December 31, 2003 approximately $0.1 million of the cash charges had been expended. The majority of the remaining cash expenditures are expected to be incurred during 2004.

In February 2001 the Company's Board of Directors approved the closure of the utility pole facility and adjacent cogeneration facility located in Feather River, California ("Feather River") effective March 31, 2001. The closure resulted in total charges to earnings in 2001 of $4.6 million, which included $1.3 million of operating expenses. Expenditures of approximately $3.3 million during 2002 and 2001 were primarily for dismantling costs. At December 31, 2002 the dismantling and closure had been completed, the land had been sold, and there were no remaining reserves.

3. Debt

	December 31,	
	2003	**2002**
	(In millions)	
Revolving credit	$ 8.9	$ 33.2
Term loans	11.8	53.5
Senior Subordinated Notes due 2007	—	175.0
Senior Secured Notes due 2013	320.0	—
	$ 340.7	$ 261.7

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Monessen Transaction

As part of the Monessen Transaction (as defined and described in Note 6), the Company executed a $5.0 million loan that is scheduled to be repaid at an interest rate of 16% based on the cash flows of the coke operations. The outstanding balance on this loan at December 31, 2003 amounted to $3.8 million.

October 2003 Refinancing.

In October 2003, the Company issued $320 million of 9 7/8% Senior Secured Notes due 2013 (the "New Notes"), with a portion of the proceeds from the New Notes used to redeem $175 million of existing senior subordinated notes due 2007 (the "2007 Notes"). The October refinancing also included an amendment to the existing credit agreement, providing for a reduction in the term loan to $10.0 million, due in quarterly installments through November 2004. As a result of the refinancing, approximately $5.0 million of deferred financing costs was written off to interest expense when the 2007 Notes were called on December 1, 2003. Additionally, the Company paid a $5.8 million call premium on the 2007 Notes which is reflected in interest expense.

May 2003 Refinancing.

In May 2003, the Company refinanced substantially all of its bank debt, incurring fees and expenses of approximately $3.8 million. The new credit facilities provided for term loans of $75.0 million and a revolving credit facility of up to $100.0 million. As part of the October refinancing the credit agreement was amended, resulting in all but $10.0 million of the term loan being repaid and $1.4 million of related deferred financing costs being written off to interest expense. At December 31, 2003 $8.0 million of the term loan and $6.0 million of the revolving credit facility were outstanding. The credit agreement is for a period of four years, and the loans are secured by substantially all of the Company's assets, with revolving credit availability based on receivables and inventory as well as the attainment of certain ratios and covenants.

The term loan and the revolving credit facility under the credit facilities provide for interest at variable rates. At December 31, 2003 the effective rate on the term loan was 3.9% and the rate on the revolving credit facility was 3.4%.

Substantially all of the Company's assets, including the assets of significant subsidiaries other than Koppers Europe, are pledged as collateral for the credit facilities. The credit facilities contain certain covenants that limit capital expenditures by the Company and restrict its ability to incur additional indebtedness, create liens on its assets, enter into leases, pay dividends and make investments or acquisitions. In addition, such covenants give rise to events of default upon the failure by the Company to meet certain financial ratios.

A subsidiary of Koppers Australia Pty Ltd. has a loan outstanding in the amount of $2.9 million at December 31, 2003 which is classified as revolving credit. There is no specified repayment period for this loan.

At December 31, 2003 the aggregate debt maturities for the next five years are as follows (in millions):

2004	$ 8.0
2005	3.8
2006	—
2007	6.0
2008	—

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At December 31, 2003 the Company had $17.6 million of standby letters of credit outstanding, with terms ranging from one to two years.

Deferred financing costs associated with the credit facilities and the issuance of New Notes totaled $16.1 million and are being amortized over the life of the related debt. Deferred financing costs (net of accumulated amortization of $1.9 million at December 31, 2003, $10.0 million at December 31, 2002 and $8.2 million at December 31, 2001) were $14.2 million, $6.5 million and $8.4 million at December 31, 2003, 2002 and 2001, respectively, and are included in other assets. The refinancing activities during 2003 resulted in the write-off of deferred financing costs of $6.4 million.

4. Stock Activity

The terms and conditions of stock ownership, including voting rights and dividends, are governed by the Restated Articles of Incorporation of the Company and the stockholders' agreement by and among the Company, Saratoga Partners III, L.P and the directors, officers, and current and former employees who own shares of common stock (as amended, the "Stockholders' Agreement"). The Stockholders' Agreement provides for annual stock redemptions at the Company's option, provided that all relevant covenants with the Company's lenders and note holders are met.

The Company has an advisory services agreement with Saratoga pursuant to which the Company pays a management fee of $150,000 per quarter to Saratoga in lieu of Director's fees to the Saratoga director. In addition, Saratoga may provide the Company with financial advisory services in connection with significant transactions, such as acquisitions, for which the Company will pay Saratoga compensation comparable to compensation paid for such services by similarly situated companies. During 2003 the Company paid Saratoga a total of $1.6 million for advisory services related to refinancing activities.

Common Stock Subject to Redemption

The Stockholders' Agreement requires the Company, subject to cash payment limitations under the terms of existing debt covenants, to redeem certain shares of common stock owned by members of management upon a "termination event" relative to a management employee. A termination event is defined as retirement, death, disability or resignation. At December 31, 2003 and 2002 the maximum redemptions that could be paid under the Stockholders' Agreement, subject to existing debt covenants, were $13.2 million and $23.1 million, respectively. The value of shares subject to redemption under the terms of the Stockholders' Agreement is segregated from other common stock on the face of the balance sheet. There were approximately 0.8 million shares of common stock at December 31, 2003 subject to the redemption provisions of the Stockholders' Agreement.

Common stock subject to redemption decreased by $8.6 million during 2001, increased by $0.8 million in 2002 and decreased by $9.9 million in 2003. Changes in this balance reflect retiree redemptions, revaluations and new shares issued as a result of stock option exercises.

In each of 2003, 2002 and 2001 the Company redeemed 25% of a Director's shares at the respective fair values for a total of approximately $0.7 million each year, with the remainder scheduled to be redeemed in 2004. In 2000, a former Director resigned from the Company's Board of Directors. The Company has redeemed all of the Director's shares over the past four years for a total of approximately $7.0 million.

In October 1999, a Director of the Company purchased 55,294 shares of common stock of the Company for $0.9 million; 35,294 of the shares were financed through an interest-free loan from the Company in the amount of $0.6 million due in 2009. The shares related to the loan are restricted and vest at a rate of 20% per year. At December 31, 2003 all of such shares were vested. In the event that the Director no longer serves on the Board of Directors, the loan must be repaid.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The aggregate redemption amounts under the Stockholders' Agreement for the next five years based on termination events of which the Company is aware, based on the current share price, are as follows:

2004	$ 2.5 million
2005	0.5 million
2006	0.5 million
2007	—
2008	—

On February 27, 2004 the Stockholders' Agreement was amended to make the redemption of common stock from the Management Investors at the option of the Company after the effective date of the amendment. The effect of this change will be to reduce the amount of the liability recorded in the first quarter of 2004 as a result of the adoption of SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity, by the value of shares held by active Management Investors.

Senior Convertible Preferred Stock

The senior convertible preferred stock ("preferred stock") has voting rights (except as noted below) and dividend rights equal to common stock, and has a liquidation preference equal to par value ($.01 per share). The preferred stock is convertible into common stock at any time on a one-for-one basis. The holders of the preferred stock vote as a separate series from all other classes of stock, and are entitled to elect a majority of the Board of Directors of the Company.

Dividends

In 2003, 2002 and 2001 the Company paid cash dividends of $15.46, $2.85 and $4.00 per share, respectively, to common and preferred shareholders. Additionally, in December 2003 the Company declared a cash dividend of $25 million ($8.00 per share) which was paid in January 2004. The Company is limited by its current lending covenants regarding the payment of dividends.

5. Pension and Other Postretirement Benefit Plans

Expected Contributions for the 2004 Fiscal Year (U.S. plans only):

The expected contributions for 2004 are estimated to be between $11 and $16 million. The range of contributions reflects the uncertainty of pension relief legislation being passed for the 2004 plan year.

Investment Policy (U.S. only):

The Company's Pension Plan Committee (the "Pension Committee") has established a target asset allocation for U.S. equities, international equities, and fixed income securities, as well as normal ranges around such target allocation. The target asset allocation and the normal ranges are as follows:

Asset Allocation Guidelines:

Asset Class	Target	Normal Range
Domestic Equities	60%	50%-70%
International Equities	5%	0%-10%
Fixed Income Securities	35%	25%-45%

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The primary objective of the Retirement Plan for Koppers Inc. (the "Plan") is to provide retirement benefits for its participants and their beneficiaries. As such, the Plan has a long-term investment horizon and investments of Plan assets should (i) be sufficiently diversified to meet the funding goals of the Plan; (ii) provide an opportunity to maximize returns within reasonable and prudent levels of risk; (iii) provide an opportunity to achieve returns comparable to returns for similar investment options; and (iv) control administrative and management costs to the Plan.

The Pension Committee reviews, among other things, the total Plan performance on a quarterly basis. The review includes the following:

- A determination of adherence to Plan investment policy guidelines;
- An assessment of performance compared with applicable benchmarks such as the S&P 500 Index, the Wilshire 4500 Index and the EAFE Index;
- An update on changes within the investment manager's organization, staff and asset base; and
- An assessment of capital market trends or other outstanding issues, as appropriate.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The measurement date for the U.S. pension and postretirement assets and obligations is December 31 for each respective year.

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
	(In millions)		*(In millions)*	
Change in benefit obligation:				
Benefit obligation at beginning of year	$134.0	$123.6	$ 10.2	$ 11.9
Service cost	4.1	5.3	0.2	0.2
Interest cost	9.2	8.5	0.7	0.7
Plan participants' contributions	0.4	0.3	—	—
Amendments	0.1	0.7	—	—
Actuarial (gains) losses	14.2	(0.9)	5.2	(1.7)
Foreign currency changes	5.3	3.5	—	—
Benefits paid	(6.5)	(7.0)	(0.8)	(0.9)
Benefit obligation at end of year	$160.8	$134.0	$ 15.5	$ 10.2
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 85.4	$ 92.4	$ —	$ —
Actual return on plan assets	13.4	(9.9)	—	—
Employer contribution	6.1	6.8	0.8	0.9
Plan participants' contributions	0.4	0.3	—	—
Foreign currency changes	4.6	2.8	—	—
Benefits paid	(6.5)	(7.0)	(0.8)	(0.9)
Fair value of plan assets at end of year	$103.4	$ 85.4	$ 0.0	$ 0.0
Funded status of the plan	$ (57.4)	$ (48.6)	$(15.5)	$(10.2)
Unrecognized transitional (asset)/obligation	(3.1)	(3.1)	—	—
Unrecognized actuarial (gain) loss	41.3	35.5	2.5	(2.8)
Unrecognized prior service cost	1.8	2.3	(1.8)	(2.1)
Net amount recognized	$ (17.4)	$ (13.9)	$(14.8)	$(15.1)
Disclosures:				
Amounts recognized in the statement of financial position consist of:				
Prepaid pension benefit	$ 0.3	$ —	$ —	$ —
Accrued benefit liability	(42.9)	(35.5)	(14.8)	(15.1)
Intangible asset	1.8	1.4	—	—
Minimum pension liability adjustment-reduction of shareholders' equity	23.4	20.2	—	—
Net amount recognized	$ (17.4)	$ (13.9)	$(14.8)	$(15.1)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $160.9 million, $145.9 million and $103.4 million, respectively, as of December 31, 2003, and $128.4 million, $115.0 million and $80.3 million, respectively, as of December 31, 2002.

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Weighted-average assumptions as of December 31:				
Discount rate	6.16%	6.75%	6.25%	7.00%
Expected return on plan assets	7.86%	9.00%		
Rate of compensation increase	3.16%	4.00%		
Initial medical trend rate			11.00%	8.00%

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Basis for the Selection of the Long Term Rate of Return on Assets (U.S. only):

The long term rate of return on assets assumption was determined by using the plan's asset allocation as described in the plan's investment policy and modeling a distribution of compound average returns over a 20 year time horizon. The model uses asset class return, variance, and correlation assumptions to produce the expected return. The return assumptions used forward looking gross returns influenced by the current bond yields, corporate bond spreads and equity risk premiums based on current market conditions. The accumulated benefit obligations and asset values for U.S. plans at December 31, 2003 amounted to $106.3 million and $66.9 million, respectively and at December 31, 2002 amounted to $89.2 million and $56.9 million, respectively.

In general, the long term rate of return is the sum of the portion of total assets in each asset class multiplied by the expected return for that class, adjusted for expected expenses to be paid from the assets. This resulted in the selection of the 8.75% long term rate of return on assets assumption (the long term rate of return assumption net of expenses is 8.25%).

The Retirement Plan for Koppers Inc. Weighted Average Asset Allocation at December 31 by Asset Category is as Follows (U.S. plans only):

Asset Class	2003	2002
Domestic Equities	61.3%	52.9%
International Equities	5.2	4.4
Fixed Income Securities	33.5	42.7%
Totals	100.0%	100.0%

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
	(In millions)		*(In millions)*	
Components of net periodic benefit cost:				
Service cost	$ 4.1	$ 5.3	$ 0.2	$ 0.2
Interest cost	9.2	8.5	0.7	0.7
Expected return on plan assets	(6.7)	(7.8)	—	—
Amortization of prior service cost	0.5	0.2	(0.4)	(0.7)
Amortization of gain (loss)	2.4	0.6	—	(0.2)
Amortization of transition amounts	(0.3)	(0.3)	—	—
Net periodic benefit cost	$ 9.2	$ 6.5	$ 0.5	$—

The Company has various nonpension postretirement benefit plans. The contributions for health benefits are adjusted annually; the life insurance plan is noncontributory. The accounting for the health care plan anticipates future cost-sharing changes to the written plan that are consistent with the Company's expressed intent to increase retiree contributions each year by 50%-100% of any increases in premium costs.

The Company recognizes a minimum pension liability for under funded plans. The minimum liability is equal to the excess of the accumulated benefit obligation over plan assets. A corresponding amount is recognized either as an intangible asset, to the extent of previously unrecognized prior service cost, or a reduction of shareholders' equity. The Company recorded additional liabilities of $25.2 million and $21.6 million as of December 31, 2003 and 2002, respectively. Intangible assets of $1.8 million and $1.4 million and stockholders' equity reductions, net of income taxes, of $14.5 million and $12.4 million, were recorded as of December 31, 2003 and 2002, respectively.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The 2003 initial medical trend rate was assumed to decrease gradually to 5.0% in 2011 and remain at that level thereafter.

The assumed health care cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed health care cost trend rate would have the following effects (in millions):

	1% Increase	1% Decrease
Effect on total of service and interest cost components in 2003	$ 0.1	$ (0.1)
Effect on postretirement benefit obligation as of December 31, 2003	$ 0.9	$ (0.8)

Cash Flows:

Other post-retirement benefits are funded on a cash basis. Therefore, the expected contribution in 2004 is approximately $1.0 million.

Medicare Prescription Drug Act. In January 2004 the FASB issued Financial Staff Position (“FSP”) No. 106-1, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act (the “Act”). The Act introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Under FSP 106-1, a plan sponsor may elect to defer recognizing the effects of the Act until authoritative guidance on the accounting for the federal subsidy is issued. The Company has not adopted the provisions of the Act and, accordingly, any measures of accumulated postretirement benefit obligation or net periodic postretirement benefit cost in the financial statements or accompanying notes do not reflect the effect of the Act. Specific authoritative guidance, when issued, could require the Company to change previously reported information.

Incentive Plan—The Company has established management incentive plans based on established target award levels for each participant if certain Company performance and individual goals are met. The charge to operating expense for this plan was $2.7 million in 2003, $2.2 million in 2002 and $2.0 million in 2001.

Employee Savings Plan—The Company has established an employee savings plan for all eligible salaried employees that conforms to Section 401(k) of the Internal Revenue Code. Under the salaried plan, participating employees can elect to contribute up to 20% of their salaries with a regular Company matching contribution equivalent to 50% of the first 6% of contributions. Currently under the hourly plan, and for the salaried plan prior to 2002, the matching contribution was 100% of the first 1% plus 50% of the next 2% of contributions.

The Company’s regular contributions amounted to $1.0 million in 2003, $0.9 million in 2002 and $0.5 million in 2001. The Company also made supplemental contributions at the end of 2001 approved by the Board of Directors. Supplemental contributions will no longer be made in lieu of the increased regular contribution percentages.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6. Income Taxes

Components of the Company's income tax provision (benefit) are as follows:

	Years Ended December 31,		
	2003	2002	2001
		(In millions)	
Current:			
Federal	$ —	$ 0.1	$ 0.4
State	0.1	0.1	—
Foreign	7.5	7.4	6.9
Total current tax provision	7.6	7.6	7.3
Deferred:			
Federal	(8.4)	6.1	5.0
State	(0.1)	0.1	(0.1)
Foreign	(0.4)	—	(0.1)
Total deferred tax provision (benefit)	(8.9)	6.2	4.8
Total income tax provision (benefit)	$ (1.3)	$ 13.8	$ 12.1

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31,	
	2003	2002
	(In millions)	
Deferred tax assets:		
Alternative minimum tax credits	$12.1	$12.3
Other postretirement benefits obligation	17.4	17.0
Reserves, including insurance and product warranty	14.2	11.5
Book/tax inventory accounting	2.4	2.8
Accrued vacation	2.7	2.5
Excess tax basis on Koppers Australia Pty Ltd. assets	10.0	11.2
Monessen Transaction	4.2	2.2
Asset retirement obligations	11.7	—
Federal net operating loss benefit	8.3	—
Other	4.3	4.1
Total deferred tax assets	87.3	63.6
Deferred tax liabilities:		
Tax over book depreciation and amortization	19.4	18.4
Other	5.3	4.9
Total deferred tax liabilities	24.7	23.3
Net deferred tax assets	$62.6	$40.3

The Company's balance sheet includes $1.2 million of deferred tax liabilities related to Koppers Australia Pty Ltd.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company has a federal net operating loss benefit of $8.3 million that can be carried forward for 20 years. To realize this benefit, the Company will need to generate approximately $23.7 million of taxable income. The Company also has an alternative minimum tax credit carryforward of approximately $12.1 million that has no expiration date. Based on the Company's earning history, along with the implementation of various tax planning strategies, the Company believes the deferred tax assets on the Consolidated Balance Sheet at December 31, 2003 are realizable.

Income before income taxes for 2003, 2002 and 2001 included $22.6 million, $23.5 million and $21.2 million, respectively, from foreign operations.

The provision for income taxes is reconciled with the federal statutory rate as follows:

	Years Ended December 31,		
	2003	2002	2001
Federal	(35.0)%	35.0%	35.0%
State, net of federal tax benefit	(0.1)	0.4	(0.6)
Foreign taxes	28.6	10.0	12.6
Section 29 credits	—	(0.4)	(0.4)
Non-deductible environmental fines	0.1	0.1	—
Other	(0.6)	(0.9)	(0.6)
	(7.0)%	44.2%	46.0%

The Company has not provided any United States tax on undistributed earnings of foreign subsidiaries or joint ventures that are reinvested indefinitely. At December 31, 2003 consolidated retained earnings of the Company included approximately $16 million of undistributed earnings from these investments.

Monessen Transaction

In December 1999 the Company entered into an agreement to transfer substantially all future non-conventional fuel tax credits generated as a result of the production and sale of coke at the coke facility in Monessen, Pennsylvania (the "Monessen Facility") to a third party (the "Monessen Transaction"). For the years ended December 31, 2003, 2002 and 2001 the Company received $0.1 million (prior year inflation adjustment), $9.8 million and $8.2 million, respectively, for the transfer of tax credits, which is recorded as other income. The tax credits expired at the end of 2002, and have not been renewed by the United States Congress. Prior to the Monessen Transaction, the Company earned these credits.

7. Earnings Per Share

Basic earnings per common share are based on the weighted average number of common shares outstanding in each year after preferred stock dividends. Diluted earnings per common share assume that any dilutive preferred shares outstanding at the beginning of the year were converted at those dates, with dividend requirements and outstanding common shares adjusted accordingly. It also assumes that outstanding common shares were increased by shares issuable upon exercise of stock options for which fair value exceeds exercise price, and shares that could have been purchased by the Company with related proceeds. The senior convertible preferred stock and employee stock options were not included in the computation of diluted earnings per share for 2003 and 2001 since it would have resulted in an antidilutive effect.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table sets forth the computation of basic and diluted earnings per common share:

	Years Ended December 31,		
	2003	2002	2001
	(In millions except per share figures)		
Numerators for basic and diluted:			
Income (loss) before cumulative effect of accounting change	$ (19.0)	$ 16.5	$ 13.3
Preferred stock dividend	(53.7)	(6.5)	(9.1)
Income (loss) to common stock before effect of accounting change	(72.7)	10.0	4.2
Cumulative effect of accounting change	(18.1)	—	—
Net income (loss) to common stock	$ (90.8)	$ 10.0	$ 4.2
Denominators:			
Weighted-average common shares	0.9	1.2	1.3
Effect of dilutive securities:			
Convertible preferred stock	2.3	2.3	2.3
Employee stock options	—	—	0.1
Dilutive potential common shares	2.3	2.3	2.4
Denominators for diluted earnings per common share-adjusted weighted-average shares and assumed conversions	3.2	3.5	3.7
Income (loss) before cumulative effect of accounting change:			
Basic earnings (loss) per share	$ (82.65)	$ 8.61	$ 3.15
Diluted earnings (loss) per share	$ (82.65)	$ 4.72	$ 3.15
Cumulative effect of accounting change:			
Basic earnings (loss) per share	(20.59)	—	—
Diluted earnings (loss) per share	(20.59)	—	—
Net income (loss):			
Basic earnings (loss) per share	$ (103.24)	$ 8.61	$ 3.15
Diluted earnings (loss) per share	$ (103.24)	$ 4.72	$ 3.15

8. Stock Options

The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” and, accordingly, recognizes no compensation expense for stock option grants. In 2003, 2002 and 2001 the Company recognized $0.1 million, $0.2 million and $0.3 million, respectively, of expense related to the redemption of stock options by terminated employees. Included in capital in excess of par value, the Company also recorded tax benefits of approximately $0.4 million, $0.1 million and $1.4 million for stock option exercises in 2003, 2002 and 2001, respectively, for active employees.

Approximately 0.1 million options were outstanding at December 31, 2003 to purchase shares of common stock to certain key executives at various exercise prices. All options granted have 10-year terms; all vest and become fully exercisable ratably over a period of five years of continued employment, except for options granted before 1997, which have a vesting period of three years.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	2003		2002		2001	
	Options (000)	Weighted Average Exercise Price	Options (000)	Weighted Average Exercise Price	Options (000)	Weighted Average Exercise Price
Outstanding at beginning of year	258	$ 19	235	$ 16	470	$ 13
Granted	—	—	67	25	—	—
Exercised	(148)	17	(38)	11	(233)	9
Forfeited	—	—	(6)	17	(2)	20
Outstanding at end of year	110	$ 22	258	$ 19	235	$ 16
Exercisable at end of year	32	$ 17	133	$ 16	151	$ 14
Weighted-average fair value of options granted during the year	—		$ 3.62		—	

Exercise prices for options outstanding as of December 31, 2003 ranged from $3.57 to $28.00, and the weighted-average remaining contractual life of those options was approximately seven years. The following table indicates the number of options outstanding for each respective exercise price (options in thousands):

Exercise Price	Options outstanding at December 31, 2003
$ 3.57	1
14.00	10
17.00	13
17.25	3
23.00	25
28.00	3
25.15	55
Total options	110

9. Commitments and Contingencies

General

From time to time lawsuits, claims and proceedings are asserted against the Company relating to the conduct of its business, including those pertaining to product liability, warranties, employment and employee benefits. While the outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may be determined adversely to the Company, management does not believe that the disposition of any such pending matters is likely to have a material adverse effect on the Company's financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a material adverse effect on the Company's results of operations and cash flows for that period.

Legal Proceedings

Pacific Century. A subsidiary of Koppers Australia Pty Ltd. has been named as a defendant in a breach of contract and negligence lawsuit filed by Pacific Century in Queensland, Australia related to the sale of

approximately 127,000 vineyard fence posts. The Complaint claims that certain posts were defective in that they either had decay, excessive bark or were less than the minimum specified size. In addition, plaintiff alleges violations of the Australian Timber Utilization and Marketing Act. Plaintiff is seeking damages in an amount of AU$6.6 million (approximately US$5.0 million) for, among other things, the costs of removing and replacing such fence posts. Plaintiff has also filed a lawsuit against the constructor of the vineyard trellises, which lawsuit has been consolidated with its claim against Koppers. Discovery in the case is ongoing and there can be no assurance that an unfavorable resolution of this matter will not have a material adverse effect on the Company's business, financial condition, cash flows and results of operations.

Government Investigation

The Company is the subject of an ongoing investigation regarding industry competitive practices. On December 4, 2002, European Commission ("EC") representatives visited the offices of the Company's subsidiaries located in Nyborg, Denmark and Scunthorpe, England and obtained documents pursuant to legal process as part of an investigation of industry competitive practices concerning pitch, creosote and naphthalene. The United States Department of Justice ("DOJ") also served a subpoena for similar documents at the Company's headquarters in Pittsburgh, Pennsylvania. The investigation is continuing and the Company is cooperating with both the EC and the DOJ. The Company is also cooperating with the Canadian Competition Bureau ("CCB"). As a result of such cooperation, (i) in February 2003, the EC granted the Company's request for exemption from penalties for any infringement the EC may find as a result of its investigation concerning pitch; (ii) in April 2003, DOJ granted the Company's request for exemption from prosecution for any infringement DOJ may find as a result of imports of pitch, creosote and naphthalene, or the purchase for export of coal tar used to produce these products; and (iii) in April 2003, the CCB granted Koppers a provisional guarantee of immunity from fines under the Canadian Competition Act with respect to the supply and sale of tar pitch, naphthalene, creosote oil and carbon black feedstock prior to 2001. These grants of immunity were all granted upon certain conditions, including the continued cooperation of the Company. The grants of immunity by the EC, DOJ and the CCB apply to any government fine or penalty related to each country's investigation of industry competitive practices. If the Company fails to comply with the applicable conditions attached to these grants of immunity, the Company could be fined. Such fines, if assessed against the Company, could have a material adverse effect on the Company's business, financial condition, cash flows and results of operations. For example, the EC has the authority to assess fines in an amount up to 10% of a company's worldwide sales. The DOJ and CCB also have the authority to assess significant fines. The Company is not currently aware of any other government investigations or other claims related to these investigations of industry competitive practices.

Environmental and Other Matters

The Company is subject to federal, state, local and foreign laws and regulations and potential liabilities relating to the protection of the environment and human health and safety including, among other things, the cleanup of contaminated sites, the treatment, storage and disposal of wastes, the discharge of effluent into waterways, the emission of substances into the air and various health and safety matters. The Company expects to incur substantial costs for ongoing compliance with such laws and regulations. The Company may also face governmental or third-party claims, or otherwise incur costs, relating to cleanup of, or for injuries resulting from, contamination at sites associated with past and present operations. Koppers accrues for environmental liabilities when a determination can be made that they are probable and reasonably estimable.

Environmental and Other Liabilities Retained or Assumed by Others

The Company has agreements with former owners of certain of its operating locations under which the former owners retained or assumed and agreed to indemnify the Company against certain environmental and

other liabilities. The most significant of these agreements was entered into at the Company's formation on December 28, 1988 (the "Acquisition"). Under the related asset purchase agreement between the Company and Beazer East, subject to certain limitations, Beazer East assumed the responsibility for and agreed to indemnify the Company against certain liabilities, damages, losses and costs, including, with certain limited exceptions, liabilities under and costs to comply with environmental laws to the extent attributable to acts or omissions occurring prior to the Acquisition (the "Indemnity"). Beazer Limited unconditionally guaranteed Beazer East's performance of the Indemnity pursuant to a guarantee (the "Guarantee"). Beazer Limited became a wholly owned indirect subsidiary of Hanson PLC on December 4, 1991. In 1998, Hanson PLC purchased an insurance policy under which the funding and risk of certain environmental and other liabilities relating to the former Koppers Company, Inc. operations of Beazer East (which includes locations purchased from Beazer East by the Company) are underwritten by Centre Solutions (a member of the Zurich Group) and Swiss Re.

The Indemnity provides different mechanisms, subject to certain limitations, by which Beazer East is obligated to indemnify the Company with regard to certain environmental claims or environmental cleanup liabilities and imposes certain conditions on the Company before receiving such indemnification. The Company believes that it has taken appropriate steps to satisfy all of such conditions, but Beazer East has in the past and may in the future elect to challenge the Company's compliance with such conditions. For example, Beazer East's obligations under the Indemnity are subject to certain limitations regarding the time period as to which claims for indemnification can be asserted. These limitations include certain conditions that the Company was required to meet by the twelfth anniversary of the closing date, which occurred in December 2000. Since that time, there has been an ongoing dispute between the Company and Beazer East regarding the interpretation and the Company's satisfaction of those conditions, and the extent of Beazer East's ongoing obligations to indemnify the Company after that date, with respect to certain matters. While Koppers and Beazer East have been working cooperatively toward an acceptable resolution to this dispute, the failure to reach such a resolution, or a resolution under terms acceptable to the Company, could have a material adverse effect on the Company's business, financial condition, cash flow and results of operation.

Contamination has been identified at 19 of the Company's owned sites. Three sites owned and operated by the Company in the United States, as well as one former site the Company has sold, are listed on the National Priorities List promulgated under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"). The sites include the Company's Gainesville, Florida wood treating facility; the Galesburg, Illinois wood treating facility; the Florence, South Carolina wood treating facility; and the former Feather River wood treating facility, which the Company has sold. Currently, at the properties acquired from Beazer East (which include all of the National Priorities List sites and all but one of the Resource Conservation and Recovery Act ("RCRA")-permitted sites), substantially all investigative, cleanup and closure activities are being conducted and paid for by Beazer East directly pursuant to the terms of the Indemnity, and as such the Company cannot estimate the total costs that will be incurred. In addition, many of the Company's sites are or have been operated under RCRA permits, and remedial and closure activities are being conducted thereunder at several of these sites.

To date, the parties that retained, assumed or agreed to indemnify the Company against the liabilities referred to above have performed their obligations in all material respects. However, disputes may arise with such parties as to their obligation to indemnify the Company in certain cases, such as the dispute with Beazer East described above. The Company believes that for the last three years amounts paid by Beazer East as a result of its environmental remediation obligations under the Indemnity have averaged in total approximately $8.3 million per year. If for any reason (including disputed coverage or financial incapability) one or more of such parties fail to perform their obligations and the Company is held liable for or otherwise required to pay all or part of such liabilities without reimbursement, the imposition of such liabilities on the Company could have a material adverse effect on the Company's business, financial condition, cash flow and results of operations. In

addition, if Koppers were required to record a liability with respect to all or a portion of such matters on the Company's balance sheet, the amount of total liabilities could exceed the book value of assets by an additional amount that could be significant.

Also, contamination has been detected at certain of the Company's Australian facilities. These sites include the Company's tar distillation facility in Mayfield, NSW, Australia and its wood protection chemicals facility in Trentham, Victoria, Australia, which has been listed on the Victorian register of contaminated sites. A total of approximately $1.0 million is reserved for the estimated remediation costs at these sites.

Green Spring. The Company was named as a defendant in a toxic tort action, along with Beazer East and CSX Transportation, Inc. ("CSX"), arising from the operation of the Company's wood treating facility in Green Spring, West Virginia ("Green Spring"). Plaintiffs' allegations against the defendants included personal injuries and property damage related to the operation of Green Spring over a lengthy period of time, including a period of time after the Acquisition. A trial of the claims of eight "test" plaintiffs began on March 11, 2002. As a result of the Company's motion for summary judgment filed before the commencement of the trial and the Company's motion for a directed verdict filed during the trial, the court dismissed the claims by the eight "test" plaintiffs against the Company and entered final judgment for the Company on June 25, 2002. The court ruled, among other things, that the Company was not the successor company to Beazer East for the purposes of claims arising from events that occurred before the creation of Koppers Inc. on December 28, 1988. The final judgment in the Company's favor was not appealed by the eight "test" plaintiffs. Although the claims of the eight "test" plaintiffs against the Company were dismissed, the trial continued with respect to their claims against Beazer East and CSX. In April 2002, the jury found in favor of Beazer East and CSX with respect to the claims of four of the eight "test" plaintiffs which related to medical monitoring. With regard to the remaining four "test" plaintiffs, the jury awarded damages against Beazer East and CSX totaling $825,000. Plaintiffs, Beazer East and CSX, filed various post-trial motions in connection with the trial, all but one of which was denied.

In June 2003, the court approved an amendment to plaintiffs' complaint to add approximately 20 plaintiffs. The claims of the remaining plaintiffs (approximately 105) against the Company, Beazer East and CSX were stayed by the judge during the pendency of the trial of the claims of the eight "test" plaintiffs. In January 2003, the court ordered a trial of the claims of the remaining plaintiffs on certain liability issues. The trial was initially scheduled for July 2003, but was postponed to July 2004. The remaining plaintiffs were former employees of Green Spring, family members of such employees and residents of the communities surrounding Green Spring. Defendants subsequently negotiated a settlement with the plaintiffs that has resulted in the dismissal with prejudice of all claims against Beazer, CSX and the Company. The settlement agreement required no contribution from the Company.

Grenada. The Company, along with Beazer East, Illinois Central Railroad and Heatcraft, Inc. ("Heatcraft"), have been named in four toxic tort lawsuits involving numerous plaintiffs in various state courts in Mississippi and one such case in federal court in Mississippi arising from the operation of the Company's wood treating facility in Grenada, Mississippi ("Grenada") and an adjacent manufacturing facility operated by Heatcraft. The Complaints allege that plaintiffs were exposed to harmful levels of various toxic chemicals, including creosote and pentachlorophenol, as a result of soil, surface water and groundwater contamination and air emissions from the Grenada facility and the Heatcraft facility. In the state court actions, each plaintiff seeks compensatory damages from the defendants of $5 million and punitive damages of $10 million. There are currently approximately 115 plaintiffs in the state court actions, In the federal court action, each plaintiff seeks compensatory damages from the defendants in an unspecified amount and punitive damages of $20 million for each of four counts (gross negligence, negligence per se, intentional tort and conspiracy). There are currently approximately 60 plaintiffs in the federal court action . Based on the Company's experience in defending previous toxic tort cases (including its recent victory in similar litigation involving Green Spring), the Company

does not believe that the damages sought by the plaintiffs in the state court and federal court actions are supported by the facts of the case. The Company is seeking to transfer venue of the state court cases to Grenada County, Mississippi. The venue issue is currently on appeal to the Mississippi Supreme Court. During the pendency of the appeal, discovery in the state court cases has been stayed. However, discovery is continuing in the federal case. Although the Company intends to vigorously defend these cases, there can be no assurance that an unfavorable resolution of this matter will not have a material adverse effect on the Company's business, financial condition, cash flow and results of operations.

Somerville. Koppers, along with Burlington Northern and Santa Fe Rail Way Company and Solvents and Chemicals, Inc., has been named in a total of 11 toxic tort lawsuits for a total of approximately 30 plaintiffs that were filed in various state courts in Texas by individuals claiming to be residents of Somerville, Texas. The Complaints allege that plaintiffs have suffered personal injuries resulting from exposure to chemicals used at the Somerville, Texas wood treating plant, which plant is currently owned by the Company. The plaintiffs seek actual damages and punitive damages in an unspecified amount. Each case is in its early stage, and the Company intends to vigorously defend these cases.

There are no additional contingencies, other than those disclosed herein, for which the Company believes a material additional loss is reasonably possible.

Other Environmental Matters

In October 1996, the Company received a Clean Water Act information request from the United States Environmental Protection Agency ("EPA"). This information request asked for comprehensive information on discharge permits, applications for discharge permits, discharge monitoring reports and the analytical data in support of the reports and applications. EPA subsequently alleged that the Company violated various provisions of the Clean Water Act. In July 2000, Koppers received a settlement demand from EPA requesting $4.5 million in settlement of alleged civil violations of the Clean Water Act. EPA and Koppers subsequently agreed, among other things, to a $2.9 million settlement, payable over two years. The first payment, totaling $1.0 million, was made in April 2003.

Additionally, during an investigation initiated by the Company at the Company's Woodward Coke facility prior to its closure in January 1998, it was discovered that certain environmental records and reports related to the discharge of treated process water contained incomplete and inaccurate information. Corrected reports were submitted to the State of Alabama and EPA, which resulted in a Complaint against the Company by EPA alleging certain civil and criminal violations of applicable environmental laws. The Company subsequently entered into a plea agreement which provides, among other things, for the payment by the Company of a $2.1 million fine payable to the government over two years and $0.9 million in restitution payable to the Black Warrior-Cahaba Rivers Land Trust over two years and three years of probation. The Company's plea was entered in August 2002 and the sentencing of the Company occurred in December 2002. At the sentencing, the court, among other things, approved the terms of the plea agreement previously negotiated between the Company and EPA. The first two payments totaling $1.0 million each were made in December 2002 and December 2003. A failure on the Company's part to comply with the terms of the compliance agreement, plea agreement and probation could lead to significant additional costs and sanctions, including the potential for the Company's suspension or debarment from governmental contracts.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Rents

Rent expense including operating leases for 2003, 2002 and 2001 was $28.0 million, $25.2 million and $24.4 million, respectively. Commitments during the next five years under operating leases aggregate to approximately $64.3 million and are as follows (in millions):

2004	$21.6
2005	16.9
2006	9.6
2007	8.6
2008	7.6

Labor Unions

Of the Company's employees, approximately 60% are represented by 24 different labor unions and covered under numerous labor contracts. The United Steelworkers of America, covering workers at six facilities, accounts for the largest membership with more than 300 employees. Another significant affiliation is the Paper, Allied-Industrial, Chemical & Energy Workers' International Union, with more than 200 employees at four facilities. Labor contracts expiring in 2004 cover approximately 20% of total employees.

10. Operations By Business Segment

Description of the Types of Products and Services From Which Each Reportable Segment Derives Its Revenues.

The Company's Carbon Materials & Chemicals division is a supplier of a) carbon pitch, which is used primarily by the aluminum industry as a binder in the manufacture of anodes; b) PAA, used in the manufacture of plasticizers, unsaturated polyester resins, alkyd resins and dye making; c) creosote and chemicals, used in the protection of timber against termites, fungal decay and weathering; d) carbon black (and carbon black feedstock), used in the production of rubber tires; and e) furnace coke, used in the manufacture of steel.

The Company's Railroad & Utility Products division a) provides various products and services to railroads, including crossties (both wood and concrete), track and switch pre-assemblies, and disposal services; b) supplies treated wood poles to electric and telephone utilities; and c) provides products to, and performs various wood treating services for, vineyards, construction and other commercial applications.

Measurement of Segment Profit or Loss and Segment Assets.

The Company evaluates performance and allocates resources based on profit or loss from operations before interest and income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment transactions are eliminated in consolidation.

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Factors Management Used to Identify the Company's Reportable Segments.

The Company's reportable segments are business units that offer different products. The reportable segments are each managed separately because they manufacture and distribute distinct products with different production processes. The business units have been aggregated into two reportable segments since management believes the long-term financial performance of these business units is affected by similar economic conditions.

	Business Segments			
	Carbon Materials & Chemicals	Railroad & Utility Products	All Other	Total
	(In millions)			
Year ended December 31, 2003:				
Revenues from external customers	$ 484.1	$ 358.8	$ —	$842.9
Intersegment revenues	27.4	—	—	27.4
Depreciation and amortization	23.5	8.0	2.2	33.7
Operating profit (loss)	7.7	13.0	(1.6)	19.1
Segment assets	316.5	139.3	58.2	514.0
Capital expenditures	9.1	10.2	—	19.3
Year ended December 31, 2002:				
Revenues from external customers	$ 438.4	$ 338.1	$ —	$776.5
Intersegment revenues	23.4	—	—	23.4
Depreciation and amortization	19.1	7.5	2.1	28.7
Operating profit (loss)	29.4	16.9	(2.0)	44.3
Segment assets	284.6	127.7	51.5	463.8
Capital expenditures	12.9	6.6	0.2	19.7
Year ended December 31, 2001:				
Revenues from external customers	$ 454.2	$ 299.5	$ —	$753.7
Intersegment revenues	18.9	—	—	18.9
Depreciation and amortization	20.3	8.0	2.1	30.4
Operating profit (loss)	32.3	11.7	(1.7)	42.3
Capital expenditures	15.6	5.0	0.4	21.0

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Year Ended December 31,		
	2003	2002	2001
		(In millions)	
Profit or Loss			
Operating profit for reportable segments	$ 20.7	$ 46.3	$44.0
Corporate depreciation and amortization	(2.2)	(2.1)	(2.1)
Equity in earnings of affiliates	—	—	0.3
Other including Section 29 tax credits	0.6	9.9	8.6
Income before interest expense, income tax provision and minority interest	$ 19.1	$ 54.1	$50.8
Assets			
Total assets for reportable segments	$455.8	$412.3	
Deferred financing	14.2	6.5	
Deferred taxes	52.3	40.3	
Fixed assets	1.2	1.5	
Other	6.5	16.8	
Cash and short-term investments	0.4	1.2	
Elimination of intercompany receivables	(16.4)	(14.8)	
Total consolidated assets	$514.0	$463.8	
Geographic Information			
United States:			
Revenues from external customers	$555.5	$539.9	
Long-lived assets	199.0	189.2	
Australia and Pacific Rim:			
Revenues from external customers	$158.4	$129.7	
Long-lived assets	53.4	38.5	
Europe:			
Revenues from external customers	$129.0	$106.9	
Long-lived assets	16.7	16.5	

Revenues for Significant Product Lines.

The Company's reportable segments are business units that offer different products. The revenues generated for significant product lines sold to outside customers are as follows:

	2003	2002	2001
		(In millions)	
Carbon Materials & Chemicals:			
Carbon pitch	$ 185.7	$ 170.7	$ 173.1
Phthalic anhydride	59.7	51.6	55.4
Furnace coke	37.0	38.8	34.3
Carbon black and carbon black feedstock	46.1	39.4	43.1
Creosote	20.6	24.1	25.0
Other	135.0	113.8	123.3
Total external revenues	$ 484.1	$ 438.4	$ 454.2
Railroad & Utility Products:			
Railroad crossties	$ 222.4	$ 206.3	$ 168.8
Utility poles	66.6	67.9	71.7
Other	69.8	63.9	59.0
Total external revenues	$ 358.8	$ 338.1	$ 299.5

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. Financial Information for Subsidiary Guarantors

The Company's payment obligations under the 9 7/8% Senior Subordinated Notes due 2013 (the "New Notes") are fully and unconditionally guaranteed on a joint and several basis by Koppers' (the parent) 100%-owned subsidiaries, Koppers Australia Pty Ltd., and Koppers Industries of Delaware, Inc. (collectively, the "Guarantor Subsidiaries"). The Notes have not been guaranteed by KHC Assurance, Inc., Koppers Europe, KSA Limited Partnership, or Koppers (China) Carbon and Chemical Co., Limited (collectively, the "Non-Guarantor Subsidiaries"). The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2003
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$517.1	$ 118.2	$ 9.9	$ 218.7	$ (21.0)	$ 842.9
Operating expenses:						
Cost of sales including depreciation and amortization	485.0	95.9	—	192.6	(13.8)	759.7
Selling, general and administrative	30.0	8.3	—	17.3	—	55.6
Restructuring and impairment charges	8.5	—	—	—	—	8.5
Total operating expenses	523.5	104.2	—	209.9	(13.8)	823.8
Operating profit (loss)	(6.4)	14.0	9.9	8.8	(7.2)	19.1
Other income (expense)	7.1	—	13.9	(0.6)	(20.4)	—
Income (loss) before interest expense, income taxes and minority interest	0.7	14.0	23.8	8.2	(27.6)	19.1
Interest expense (income)	39.2	—	(0.9)	1.2	(1.8)	37.7
Income tax provision (benefit)	(19.5)	4.2	10.8	3.2	—	(1.3)
Minority interest	—	—	—	1.7	—	1.7
Income (loss) before cumulative effect of accounting change	(19.0)	9.8	13.9	2.1	(25.8)	(19.0)
Cumulative effect of accounting change:						
Asset retirement obligations, net of tax of $11.7	(18.1)	—	—	—	—	(18.1)
Net income (loss)	$ (37.1)	$ 9.8	$ 13.9	$ 2.1	$ (25.8)	$ (37.1)

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2002
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$500.1	$ 100.4	$ 10.8	$ 187.2	$ (22.0)	$ 776.5
Operating expenses:						
Cost of sales including depreciation and amortization	454.2	79.0	—	170.2	(15.2)	688.2
Selling, general and administrative	26.1	6.3	—	11.6	—	44.0
Total operating expenses	480.3	85.3	—	181.8	(15.2)	732.2
Operating profit	19.8	15.1	10.8	5.4	(6.8)	44.3
Other income (expense)	15.5	—	14.8	(0.6)	(19.9)	9.8
Income before interest expense, income taxes and minority interest	35.3	15.1	25.6	4.8	(26.7)	54.1
Interest expense (income)	24.9	0.9	(1.6)	1.4	(2.7)	22.9
Income tax provision	(6.1)	4.3	12.4	3.2	—	13.8
Minority interest	—	—	—	0.9	—	0.9
Net income (loss)	$ 16.5	$ 9.9	$ 14.8	$ (0.7)	$ (24.0)	$ 16.5

Condensed Consolidating Statement of Operations
For the Year Ended December 31, 2001
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$496.0	$ 92.0	$ 10.6	$ 180.8	$ (25.7)	$ 753.7
Operating expenses:						
Cost of sales including depreciation and amortization	446.2	72.3	—	163.9	(20.6)	661.8
Selling, general and administrative	28.1	6.5	—	11.7	—	46.3
Restructuring charges	3.3	—	—	—	—	3.3
Total operating expenses	477.6	78.8	—	175.6	(20.6)	711.4
Operating profit	18.4	13.2	10.6	5.2	(5.1)	42.3
Other income (expense)	16.0	—	22.1	(0.3)	(29.3)	8.5
Income before interest expense, income taxes and minority interest	34.4	13.2	32.7	4.9	(34.4)	50.8
Interest expense (income)	27.4	1.0	(1.8)	0.5	(2.6)	24.5
Income tax provision	(6.3)	3.9	11.3	3.2	—	12.1
Minority interest	—	—	—	0.9	—	0.9
Net income (loss)	$ 13.3	$ 8.3	$ 23.2	$ 0.3	$ (31.8)	$ 13.3

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Condensed Consolidating Balance Sheet
December 31, 2003
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 0.4	$ 4.3	$ —	$ 4.9	$ —	$ 9.6
Accounts receivable, net	106.9	17.2	228.4	52.4	(305.3)	99.6
Inventories	66.8	26.3	—	24.4	—	117.5
Deferred tax benefit	8.9	—	—	—	—	8.9
Other	1.3	3.2	—	3.6	—	8.1
Total current assets	184.3	51.0	228.4	85.3	(305.3)	243.7
Equity investments	256.3	14.2	24.3	7.3	(291.8)	10.3
Fixed assets, net	93.7	25.8	—	31.5	—	151.0
Goodwill	12.0	14.9	—	9.6	—	36.5
Deferred tax benefit	47.8	—	5.0	2.1	—	54.9
Other assets	17.2	—	—	0.4	—	17.6
Total assets	$611.3	$ 105.9	$ 257.7	$ 136.2	$ (597.1)	$ 514.0
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$222.2	$ 52.7	$ 1.0	$ 93.2	$ (305.3)	$ 63.8
Accrued liabilities	59.7	7.9	1.2	16.8	—	85.6
Current portion of term loans	8.0	—	—	—	—	8.0
Total current liabilities	289.9	60.6	2.2	110.0	(305.3)	157.4
Long-term debt	326.0	—	3.8	2.9	—	332.7
Other long-term liabilities	71.3	2.1	—	20.3	—	93.7
Total liabilities	687.2	62.7	6.0	133.2	(305.3)	583.8
Common stock subject to redemption	13.2	—	—	—	—	13.2
Minority interest	—	—	—	6.1	—	6.1
Stockholders' equity (deficit)	(89.1)	43.2	251.7	(3.1)	(291.8)	(89.1)
Total liabilities and stockholders' equity (deficit)	$611.3	$ 105.9	$ 257.7	$ 136.2	$ (597.1)	$ 514.0

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Condensed Consolidating Balance Sheet
December 31, 2002
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 0.8	$ 2.6	$ —	$ 6.1	$ —	$ 9.5
Accounts receivable, net	102.9	16.5	166.1	47.6	(237.2)	95.9
Inventories	66.4	21.0	—	16.2	—	103.6
Deferred tax benefit	5.1	—	—	—	—	5.1
Other	0.4	2.8	—	2.3	—	5.5
Total current assets	175.6	42.9	166.1	72.2	(237.2)	219.6
Equity investments	227.1	10.7	21.2	7.8	(255.5)	11.3
Fixed assets, net	101.4	21.6	—	32.3	—	155.3
Goodwill	12.1	11.0	—	8.5	—	31.6
Deferred tax benefit	30.0	(1.9)	6.0	1.1	—	35.2
Other assets	9.4	—	—	1.4	—	10.8
Total assets	$555.6	$ 84.3	$ 193.3	$ 123.3	$ (492.7)	$ 463.8
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$213.7	$ 7.1	$ 1.1	$ 82.9	$ (237.0)	$ 67.8
Accrued liabilities	11.1	6.5	1.1	16.5	—	35.2
Revolving credit	31.3	—	—	—	—	31.3
Current portion of term loans	20.5	1.3	—	—	—	21.8
Total current liabilities	276.6	14.9	2.2	99.4	(237.0)	156.1
Long-term debt	202.6	—	4.1	1.9	—	208.6
Other long-term liabilities	54.1	0.2	—	17.1	—	71.4
Total liabilities	533.3	15.1	6.3	118.4	(237.0)	436.1
Common stock subject to redemption	23.1	—	—	—	—	23.1
Minority interest	—	—	—	5.4	—	5.4
Stockholders' equity (deficit)	(0.8)	69.2	187.0	(0.5)	(255.7)	(0.8)
Total liabilities and stockholders' equity	$555.6	$ 84.3	$ 193.3	$ 123.3	$ (492.7)	$ 463.8

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2003
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash provided by operating activities	$ 6.9	$ 6.6	$ 0.3	$ (1.4)	$ —	$ 12.4
Cash provided by (used in) investing activities:			—			
Capital expenditures	(14.2)	(2.0)	—	(3.1)	—	(19.3)
Other	0.5	0.3	—	—	—	0.8
Net cash (used in) investing activities	(13.7)	(1.7)	—	(3.1)	—	(18.5)
Cash provided by (used in) financing activities:						
Net borrowings (repayments) of revolving credit	(24.8)	(0.6)	—	0.3	—	(25.1)
Net borrowings (repayments) of term debt	(40.6)	(0.8)	(0.3)	—	—	(41.7)
Issuance of 9 7/8% Senior Secured Notes Due 2013	320.0	—	—	—	—	320.0
Redemption of 9 7/8% Senior Subordinated Notes Due 2007	(175.0)	—	—	—	—	(175.0)
Purchases of common stock	(9.0)	—	—	—	—	(9.0)
Payment of deferred financing costs	(16.1)	—	—	—	—	(16.1)
Dividends paid	(48.1)	—	—	—	—	(48.1)
Net cash provided by (used in) financing activities	6.4	(1.4)	(0.3)	0.3	—	5.0
Effect of exchange rates on cash	—	(1.8)	—	3.0	—	1.2
Net increase (decrease) in cash and cash equivalents	(0.4)	1.7	—	(1.2)	—	0.1
Cash and cash equivalents at beginning of year	0.9	2.4	—	6.2	—	9.5
Cash and cash equivalents at end of year	$ 0.5	$ 4.1	$ —	$ 5.0	$ —	$ 9.6

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2002
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash provided by operating activities	$ 27.6	$ 16.2	$ —	$ 2.2	$ —	$ 46.0
Cash provided by (used in) investing activities:						
Capital expenditures	(14.0)	(2.1)	—	(3.6)	—	(19.7)
Other	—	0.3	—	1.1	—	1.4
Net cash (used in) investing activities	(14.0)	(1.8)	—	(2.5)	—	(18.3)
Cash provided by (used in) financing activities:						
Net borrowings (repayments) of revolving credit	24.2	(1.8)	—	(0.6)	—	21.8
Net borrowings (repayments) of term debt	(22.2)	(8.2)	—	—	—	(30.4)
Purchases of common stock	(6.2)	—	—	—	—	(6.2)
Dividends paid	(9.8)	—	—	—	—	(9.8)
Net cash provided by (used in) financing activities	(14.0)	(10.0)	—	(0.6)	—	(24.6)
Effect of exchange rates on cash	—	(2.2)	—	3.4	—	1.2
Net increase (decrease) in cash and cash equivalents	(0.4)	2.2	—	2.5	—	4.3
Cash and cash equivalents at beginning of year	1.3	0.2	—	3.7	—	5.2
Cash and cash equivalents at end of year	$ 0.9	$ 2.4	$ —	$ 6.2	$ —	$ 9.5

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Condensed Consolidating Statement of Cash Flows
For the Year Ended December 31, 2001
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash provided by operating activities	$ 46.5	$ 5.7	$ 1.0	$ 6.3	$ —	$ 59.5
Cash provided by (used in) investing activities:						
Capital expenditures	(10.1)	(1.1)	—	(3.4)	—	(14.6)
Acquisitions and related capital expenditures	—	—	—	(6.4)	—	(6.4)
Other	0.3	0.1	—	2.3	—	2.7
Net cash (used in) investing activities	(9.8)	(1.0)	—	(7.5)	—	(18.3)
Cash provided by (used in) financing activities:						
Net borrowings (repayments) of revolving credit	(2.3)	1.4	—	0.9	—	—
Net borrowings (repayments) of term debt	(12.7)	(7.4)	(1.0)	—	—	(21.1)
Purchases of common stock	(5.9)	—	—	—	—	(5.9)
Dividends paid	(14.6)	—	—	—	—	(14.6)
Net cash provided by (used in) financing activities	(35.5)	(6.0)	(1.0)	0.9	—	(41.6)
Effect of exchange rates on cash	—	(1.3)	—	0.1	—	(1.2)
Net increase (decrease) in cash and cash equivalents	1.2	(2.6)	—	(0.2)	—	(1.6)
Cash and cash equivalents at beginning of year	0.1	2.8	—	3.9	—	6.8
Cash and cash equivalents at end of year	$ 1.3	$ 0.2	$ —	$ 3.7	$ —	$ 5.2

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Selected Quarterly Financial Data (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2003 and 2002:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2003	2002	2003	2002	2003	2002	2003	2002
	(In millions, except per share figures)							
Net sales	$ 191.0	$ 175.6	$ 219.4	$ 203.5	$ 214.4	$ 210.3	$ 218.1	$ 187.1
Operating profit (loss)	6.7	6.2	10.1	13.1	10.6	14.5	(8.3)	10.5
Income before cumulative effect of accounting change	0.4	1.8	2.2	5.6	—	6.5	(21.6)	2.6
Income (loss) to common stock before cumulative effect of accounting change	0.4	(4.7)	(0.1)	5.6	—	6.5	(75.3)	2.6
Net income (loss)	(17.7)	1.8	2.2	5.6	—	6.5	(21.6)	2.6
Net income (loss) to common stock	(17.7)	(4.7)	(0.1)	5.6	—	6.5	(73.0)	2.6
Earnings (loss) per share of common stock:								
Basic earnings (loss) per share before cumulative effect of accounting change	0.35	(3.74)	(0.08)	4.79	0.06	5.77	(90.86)	2.40
Basic earnings (loss) per share	(16.96)	(3.74)	(0.08)	4.79	0.06	5.77	(90.86)	2.40
Diluted earnings (loss) per share before cumulative effect of accounting change	0.11	(3.74)	(0.08)	1.60	0.02	1.87	(90.86)	0.76
Diluted earnings (loss) per share	(5.23)	(3.74)	(0.08)	1.60	0.02	1.87	(90.86)	0.76

Fourth Quarter 2003 Results. Net income for the fourth quarter of 2003 was negatively impacted by restructuring activities in the U.S. Carbon Materials & Chemicals business and the Company's refinancing activities as follows: (i) restructuring and impairment charges of $7.2 million; (ii) accelerated asset retirement obligations related to the restructuring and impairment charges of $3.1 million; (iii) settlement of a freight contract of $1.4 million as a result of the above restructuring activities; (iv) severance charges of $0.4 million related to various positions in the Carbon Materials & Chemicals business; and (v) additional interest expense of $14.2 million related to refinancing activities.

Reclassification. In accordance with EITF 00-10, Accounting for Shipping and Handling Fees and Costs, quarterly net sales have been reclassified from previously reported amounts to reflect freight and related costs which had previously been reflected as a reduction to net sales. The effect of this change was to increase net sales (with an offsetting increase to cost of sales) for each quarterly period presented as follows:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2003	2002	2003	2002	2003	2002	2003	2002
	(In millions, except per share figures)							
Net sales as originally reported	$ 180.2	$ 165.3	$ 207.3	$ 191.6	$ 202.5	$ 198.2	$ 204.8	$ 175.2
Shipping and handling costs	10.8	10.3	12.1	11.9	11.9	12.1	13.3	11.9
Net sales revised	$ 191.0	$ 175.6	$ 219.4	$ 203.5	$ 214.4	$ 210.3	$ 218.1	$ 187.1

KOPPERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

13. Related Party Transactions

Schnader Harrison Segal & Lewis LLP provided counsel to the Company during 2003. A Director of the Company who is also a shareholder, is also counsel to Schnader Harrison Segal & Lewis LLP. During 2003, the Company paid a total of $0.3 million in legal fees to this firm. Additionally, in 2003, 2002 and 2001 the Company redeemed from the Director 25,116 shares at $29.00 per share, 23,913 shares at $28.00 per share, and 25,116 shares at $28.00 per share, respectively.

Consulting Agreements

The Company entered into a consulting agreement with a Director in 1999 in which the Company pays a fee of $12,500 per month to the Director for consulting services. The agreement also includes a provision, which allowed the Director to purchase 20,000 shares of common stock for $17.00 per share, which purchase was made in October 1999 when the fair value per share was $17.25. Additionally, the agreement provides for a $0.6 million interest free loan from the Company for the purchase of 35,294 shares of restricted common stock at a price of $17.00 per share. The Director purchased these shares in October 1999 by signing a promissory note to the Company for $0.6 million. The note, which is 70% collateralized by the value of the related shares and 30% by the Director's personal assets, is due in 2009, or immediately in the event the Director is no longer Non-Executive Chairman of the Board of Directors. The shares were initially restricted, with a vesting period of five years; at December 31, 2003 all of the shares were vested. In the event the Director is no longer Non-Executive Chairman of the Board of Directors of Koppers, the Company will redeem any non-vested shares at cost and all other shares at fair value.

Advisory Services Agreement with Saratoga Partners III, L.P. Koppers also has an advisory and consulting agreement with Saratoga pursuant to which the Company pays a management fee of $150,000 per quarter to Saratoga in lieu of Director's fees to the Saratoga Director. In addition, Saratoga may provide the Company with financial advisory services in connection with significant business transactions, including, but not limited to: (i) identification, negotiation and analysis of acquisitions and dispositions by Koppers or its subsidiaries; (ii) negotiations and analysis of financing alternatives, including in connection with acquisitions, capital expenditures and refinancing of indebtedness; (iii) finance functions, including assistance in financial projections; (iv) human resource functions, including searching and hiring of executives; and (v) such other services as the Board of Directors and Saratoga Partners III, L.P. shall agree. For such services, the Company will pay Saratoga compensation comparable to compensation paid for such services by similarly situated companies. During 2003, the Company paid Saratoga $1.6 million related to advisory services related to refinancing activities.

KOPPERS INC.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 2003, 2002 and 2001
(In millions)

	Balance at Beginning of Year	Additions Charged to Expense	Deductions	Foreign Exchange	Balance at Close of Year
2003					
Allowance for doubtful accounts	$ 0.9	$ 2.1	$ 1.7	$ 0.1	$ 1.4
Inventory obsolescence reserves	$ 0.6	$ 0.6	$ 0.4	$ 0.1	$ 0.9
2002					
Allowance for doubtful accounts	$ 1.0	$ 0.1	$ 0.2	$ —	$ 0.9
Inventory obsolescence reserves	$ 0.6	$ —	$ —	$ —	$ 0.6
2001					
Allowance for doubtful accounts	$ 0.9	$ 2.3	$ 2.2	$ —	$ 1.0
Inventory obsolescence reserves	$ 0.3	$ 0.3	$ —	$ —	$ 0.6

KOPPERS INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(In millions)

	Nine Months Ended September 30,	
	2004	2003
	(Unaudited)	
Net sales	$ 720.7	$ 624.8
Operating expenses:		
Cost of sales	604.0	530.3
Depreciation and amortization	24.3	25.3
Selling, general and administrative	41.7	40.5
Restructuring charges	—	1.3
Total operating expenses	670.0	597.4
Operating profit	50.7	27.4
Other income (expense)	0.1	(0.1)
Income before interest expense, income taxes, minority interest and cumulative effect of accounting change	50.8	27.3
Interest expense	26.6	16.0
Income before income taxes and minority interest	24.2	11.3
Income taxes	13.2	7.5
Minority interest	2.8	1.2
Income before cumulative effect of accounting change	8.2	2.6
Cumulative effect of accounting change:		
Asset retirement obligations, net of tax of $11.7	—	(18.1)
Net income (loss)	$ 8.2	$ (15.5)

See accompanying notes.

KOPPERS INC.

CONDENSED CONSOLIDATED BALANCE SHEET

(In millions)

	September 30, 2004	December 31, 2003
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9.4	$ 9.6
Accounts receivable less allowance for doubtful accounts of $1.3 in 2004 and $1.4 in 2003	116.3	99.6
Inventories:		
Raw materials	71.0	58.1
Work in process	2.6	4.3
Finished goods	64.8	68.3
LIFO reserve	(15.0)	(13.2)
Total inventories	123.4	117.5
Deferred tax benefit	8.9	8.9
Other	9.7	8.1
Total current assets	267.7	243.7
Equity investments	2.7	10.3
Fixed assets	495.4	475.5
Less: accumulated depreciation	(340.7)	(324.5)
Net fixed assets	154.7	151.0
Goodwill	35.8	36.5
Deferred tax benefit	48.0	54.9
Other assets	24.1	17.6
Total assets	$ 533.0	$ 514.0

See accompanying notes.

KOPPERS INC.

CONDENSED CONSOLIDATED BALANCE SHEET

(In millions except per share amounts)

	September 30, 2004	December 31, 2003
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 70.0	$ 63.8
Accrued liabilities	69.2	60.6
Dividend payable	—	25.0
Revolving credit	16.5	—
Current portion of term loans	1.5	8.0
Total current liabilities	157.2	157.4
Long-term debt:		
Revolving credit	31.8	8.9
Term loans	6.4	3.8
Senior Secured Notes due 2013	320.0	320.0
Total long-term debt	358.2	332.7
Other long-term reserves	89.9	93.7
Total liabilities	605.3	583.8
Common stock subject to redemption	—	13.2
Minority interest	10.1	6.1
Senior Convertible Preferred Stock, $.01 par value per share; 10.0 shares authorized; 2.3 shares issued in 2004 and 2003	—	—
Common stock, $.01 par value per share; 37.0 shares authorized, 3.0 shares issued in 2004 and 2003	—	—
Capital in excess of par value	27.0	15.8
Receivable from Director for purchase of common stock	(0.6)	(0.6)
Retained earnings (deficit)	(54.0)	(53.7)
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	5.5	8.0
Minimum pension liability, net of tax	(14.5)	(14.5)
Total accumulated other comprehensive loss	(9.0)	(6.5)
Treasury stock, at cost, 2.2 shares in 2004 and 2.1 shares in 2003	(45.8)	(44.1)
Total liabilities and stockholders' equity	$ 533.0	$ 514.0

See accompanying notes.

KOPPERS INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions)

	Nine Months Ended September 30,	
	2004	**2003**
	(Unaudited)	
Cash provided by operating activities	$ 13.8	$ 11.4
Cash provided by (used in) investing activities:		
Capital expenditures	(12.8)	(9.9)
Other	0.7	0.7
Net cash (used in) investing activities	(12.1)	(9.2)
Cash provided by (used in) financing activities:		
Borrowings from revolving credit	194.8	230.0
Repayments of revolving credit	(155.4)	(236.4)
Borrowings from long-term debt	—	75.0
Repayment of long-term debt	(6.5)	(52.3)
Dividends paid	(33.4)	(3.1)
Payment of deferred financing costs	(0.3)	(3.8)
Sales of common stock	0.6	—
Purchases of common stock	(2.2)	(9.1)
Net cash provided by (used in) financing activities	(2.4)	0.3
Effect of exchange rates on cash	0.5	1.2
Net increase (decrease) in cash	(0.2)	3.7
Cash and cash equivalents at beginning of period	9.6	9.5
Cash and cash equivalents at end of period	$ 9.4	$ 13.2

See accompanying notes.

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) Financial Statements

The accompanying unaudited condensed consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of Koppers Inc. and its subsidiaries' ("Koppers" or the "Company") financial position and interim results as of, and for the periods presented have been included. Because Koppers' business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year. The Condensed Consolidated Balance Sheet for December 31, 2003 has been summarized from the audited fiscal year 2003 balance sheet.

The financial information included herein should be read in conjunction with the Company's consolidated financial statements and related notes in its 2003 Annual Report on Form 10-K.

Reclassifications. Certain prior period amounts have been reclassified to conform to the fiscal 2004 presentation. These reclassifications had no impact on net income or stockholders' equity as previously reported.

(2) Subsequent Event

On November 12, 2004, KI Holdings Inc. was incorporated. On November 18, 2004, all of the common and preferred stock of Koppers Inc. was converted into shares of common and preferred stock of KI Holdings Inc.

On November 18, 2004, KI Holdings Inc. issued and sold $203.0 million aggregate principal amount at maturity ($125.5 million gross proceeds) 9 7/8% Senior Discount Notes due 2014. A portion of the cash proceeds was used to pay a $95 million dividend to KI Holdings' stockholders. The approximately $25.5 million remainder was retained for general corporate purposes, which could include dividends, acquisitions, or working capital requirements. KI Holdings Inc. has no direct operations and no significant assets other than the stock of Koppers Inc. It depends on the dividends from the earnings of Koppers and its subsidiaries to generate the funds necessary to meet its financial obligations, including payments of principal, interest and other amounts on the Exchange Notes. The terms of Koppers' senior secured credit facility fully prohibit Koppers from paying dividends and otherwise transferring assets except for certain limited dividends. Further, the terms of the indenture governing the Koppers' Senior Secured Notes significantly restrict Koppers from paying dividends and otherwise transferring assets to KI Holdings. For example, Koppers' ability to make such payments under its indenture is governed by a formula based, in part, on 50% of its consolidated net income. In addition, as a condition to making such payments based, in part, on such formula, Koppers must have a ratio of EBITDA (as defined in the indenture governing Koppers Inc.'s Senior Secured Notes) to interest expense of at least 2.0 to 1, after giving effect to any such payments, and must not be in default under that indenture. Koppers does have current availability to make payments under this formula but is limited by covenants in its bank agreements from making such payments at present.

KI Holdings Inc. does not have, apart from its ownership of Koppers, the outstanding notes and this exchange offer, any independent operations. Accordingly, KI Holdings Inc.'s financial statements for fiscal years 2003, 2002, and 2001 and the nine months ended September 30, 2004 and 2003 would have been substantially identical to the historical financial statements of Koppers Inc.

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

(3) Stock Purchases by Directors/Restricted Stock Grants to Senior Management

In August 2004 three members of the Company's Board of Directors each purchased 5,000 shares of Koppers common stock at the current fair value. Additionally, in August 2004 the Company granted 135,000 restricted stock units to certain officers, of which 20% vested August 31, 2004. The remaining units will vest annually at a rate of 20% per year. The Company recorded $0.4 million of compensation expense for the vesting of restricted stock grants during the third quarter.

(4) Dividend Payments/Stock Repurchases

In July 2004 the Company declared and paid a dividend totaling $8.5 million ($2.86 per share to common and preferred). The Company paid a $25 million dividend ($8.00 per share to common and preferred) in January 2004 which had been declared in December 2003. Additionally, pursuant to a redemption offer the Company repurchased approximately 45,000 shares of common stock in April 2004 for a total of approximately $0.7 million.

(5) Consolidation of Koppers China

In 1999 the Company entered into a joint venture agreement with Tangshan Iron & Steel Co. ("TISCO") to rehabilitate and operate a tar distillation facility in China. Koppers (China) Carbon and Chemical Co., Limited ("Koppers China") is 60% owned by the Company and began production of coal tar products in 2001. In June 2001, the Company entered into an agreement with TISCO whereby TISCO assumed control of Koppers China through December 31, 2003. The Company chose to delay development of the carbon pitch export market due to the restructuring of the North American aluminum smelting capacity. In the interim, TISCO assumed responsibility for the joint venture to develop the domestic Chinese market. During this period, TISCO bore all responsibility for the operations and management of the facility, as well as the net income or loss, except for the Company's pro rata share of depreciation, amortization and income taxes of the joint venture. Accordingly, the Company changed its method of accounting from consolidation to the equity method effective June 2001 to reflect this change in its ability to control Koppers China.

On January 1, 2004, the Company resumed control of Koppers China, which resulted in a consolidation of Koppers China in the Company's financial statements beginning in the first quarter of 2004. Sales and net income for the nine months ended September 30, 2004 amounted to $20.2 million and $2.3 million, respectively.

(6) Restructuring

Restructuring and impairment charges for 2003 totaled $8.5 million. During the fourth quarter of 2003 the Company determined that capacity rationalization was required in its U.S. Carbon Materials & Chemicals business to increase competitiveness. Accordingly, in December 2003 Koppers ceased production at its carbon materials facility in Woodward, Alabama, resulting in a restructuring charge to fourth quarter 2003 pre-tax income of $3.1 million. Additionally, during the fourth quarter of 2003 the Company concluded that its carbon materials port operation in Portland, Oregon is an impaired facility based on its current and long-term economic prospects as a result of recent negotiations with a significant customer. The impairment charge for this facility resulted in a charge to fourth quarter pre-tax income of $3.1 million. The Company also incurred a $1.0 million charge for the impairment of certain storage tanks which have been permanently idled due to reduced demand for carbon materials products in U.S. markets. In September 2003, the Company closed its Logansport, Louisiana wood treating plant due to deteriorating local market conditions and their impact on volumes and profitability. The closure resulted in a $1.3 million restructuring charge in the third quarter.

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

Total restructuring and impairment charges for 2003 consisted of cash charges of $0.7 million for severance and non-cash charges of $7.8 million primarily for write downs of fixed assets.

At September 30, 2004 all $0.7 million of the total expected cash charges had been expended and there were no remaining reserves.

(7) Impact of Recently Issued Accounting Standards

In May 2004, the FASB issued Staff Position No. 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* ("FSP 106-2"). This act (the "Act") was signed into law by the President on December 8, 2003 and introduces a prescription drug benefit plan under Medicare Part D as well as a federal subsidy to sponsors of retiree health benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP 106-2 provides guidance on how companies should account for the impact of the Act on their postretirement health care plans. To encourage employers to retain or provide postretirement drug benefits, beginning in 2006 the federal government will provide non-taxable subsidy payments to employers that sponsor prescription drug benefits to retirees that are actuarially equivalent to the Medicare benefit. FSP 106-2 is effective for interim or annual financial statements beginning after June 15, 2004. The Company has determined that the benefits provided under its plans are not likely to be actuarially equivalent to Medicare Part D. Therefore, the Act has been determined to have no impact on the net periodic postretirement benefit cost included in the financial statements.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, an amendment of FASB Statements No. 87, 88 and 106, and a revision of FASB Statement No. 132. This statement requires additional disclosure about the assets, obligations, cash flow and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. This statement also requires interim disclosure of the net periodic benefit cost and actual or expected employer contributions. The standard was effective for fiscal years ending after December 15, 2003 and interim periods beginning after December 15, 2003.

In May 2003, the FASB issued Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, effective for the fiscal period beginning after December 15, 2003. Statement No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. To the extent that the Company is required to purchase shares of common stock, the adoption of Statement No. 150 requires the Company to classify common stock subject to redemption as a liability as of January 1, 2004. Prospectively, changes in the liability with the exception of redemptions will be included in pre-tax income.

Prior to February 27, 2004 the stockholders' agreement by and among the Company, Saratoga Partners III, L.P. ("Saratoga"), and the Management Investors (as defined below), dated as of December 1, 1997 (as amended, the "Stockholders' Agreement"), required the Company to redeem shares of common stock owned by officers, directors, and current and former employees of the Company ("Management Investors") upon a Management Investor's ceasing for any reason to be employed by the Company. On February 27, 2004 the Stockholders' Agreement was amended to make the redemption of common stock from such Management Investors at the option of the Company.

The initial adoption of Statement No. 150 resulted in the recognition of a liability in the amount of $13.2 million for shares with a mandatory redemption requirement. At September 30, 2004 after giving effect to the

amendment to the Stockholders' Agreement as noted above, the remaining liability was $1.5 million based on prior commitments to redeem shares. Due to the amendment, $11.2 million was reclassified to capital in excess of par value to reflect the elimination of the mandatory redemption requirement. There was no cumulative effect adjustment as a result of the adoption of Statement No. 150.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* ("FIN No. 46"). FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. In December 2003, FASB issued a revision to FIN No. 46; for the Company, the revised provisions of FIN No. 46 must be applied for the first interim or annual period beginning after December 15, 2004. The Company does not expect that the adoption of FIN No. 46 will have a material impact on its financial position, cash flows or results of operations.

Asset Retirement Obligations. Effective January 1, 2003 the Company changed its method of accounting for asset retirement obligations in accordance with FASB Statement No. 143, *Accounting for Asset Retirement Obligations*. Previously, the Company had not been recognizing amounts related to asset retirement obligations. Under the new accounting method, the Company now recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of a fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

The cumulative effect of the change on prior years resulted in a charge to income of $18.1 million, net of income taxes of $11.7 million.

The Company recognizes asset retirement obligations for i) the removal and disposal of residues; ii) dismantling of certain tanks required by governmental authorities; iii) cleaning and dismantling costs for owned rail cars; and iv) cleaning costs for leased rail cars and barges. The following table describes changes to the Company's asset retirement obligation liability at September 30, 2004 and 2003:

	Nine Months Ended September 30,	
	2004	2003
	(In millions)	
Asset retirement obligation at beginning of period	$ 34.9	$ —
Liability recognized in transition	—	33.4
Accretion expense	1.7	1.8
Effect of fixed asset additions	0.7	0.8
Plant closing adjustment	—	1.6
Expenses incurred	(5.7)	(4.7)
Asset retirement obligation at end of period	$ 31.6	$ 32.9

(8) Legal Proceedings

The Company is involved in litigation and various proceedings relating to antitrust matters, environmental laws and toxic tort matters, including two cases pending in Texas and several cases pending in Pennsylvania alleging personal injuries from exposure to coal tar pitch.

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

Government Investigation. The Company is the subject of an ongoing investigation regarding industry competitive practices. On December 4, 2002, European Commission ("EC") representatives visited the offices of the Company's subsidiaries located in Nyborg, Denmark and Scunthorpe, England and obtained documents pursuant to legal process as part of an investigation of industry competitive practices concerning pitch, creosote and naphthalene. The United States Department of Justice ("DOJ") also served a subpoena for similar documents at the Company's headquarters in Pittsburgh, Pennsylvania. The Company has cooperated with both the EC and DOJ. Recently, DOJ returned the documents which the Company had produced. The Company has also cooperated with the Canadian Competition Bureau ("CCB"). As a result of such cooperation, (i) in February 2003, the EC granted the Company's request for exemption from penalties for any infringement the EC may find as a result of its investigation concerning pitch; (ii) in April 2003, DOJ granted the Company's request for exemption from prosecution for any infringement DOJ may find as a result of imports of pitch, creosote and naphthalene, or the purchase for export of coal tar used to produce these products; and (iii) in April 2003, the CCB granted Koppers a provisional guarantee of immunity from fines under the Canadian Competition Act with respect to the supply and sale of tar pitch, naphthalene, creosote oil and carbon black feedstock prior to 2001. These grants of immunity were all granted upon certain conditions, including the continued cooperation of the Company. The grants of immunity by the EC, DOJ and the CCB apply to any government fine or penalty related to each country's investigation of industry competitive practices. If the Company fails to comply with the applicable conditions attached to these grants of immunity, the Company could be fined. Such fines, if assessed against the Company, could have a material adverse effect on the Company's business, financial condition, cash flows and results of operations. For example, the EC has the authority to assess fines in an amount up to 10% of a company's worldwide sales. The DOJ and CCB also have the authority to assess significant fines. The Company is not currently aware of any other government investigations or other claims related to these investigations of industry competitive practices.

Pacific Century. A subsidiary of Koppers Australia has been named as a defendant in a breach of contract and negligence lawsuit filed by Pacific Century in Queensland, Australia related to the sale of approximately 127,000 vineyard trellis posts. The Complaint claims that certain posts were defective in that they either had decay, excessive bark or were less than the minimum specified size. In addition, plaintiff alleges violations of the Australian Timber Utilization and Marketing Act. Plaintiff is seeking damages in the amount of AU$6.6 million (approximately US$4.8 million) for, among other things, the costs of removing and replacing such trellis posts. Plaintiff has also filed a lawsuit against the constructor of the vineyard trellises, which lawsuit has been consolidated with its claim against Koppers. Discovery in the case is ongoing and there can be no assurance that an unfavorable resolution of this matter will not have a material adverse effect on the Company's business, financial condition, cash flows and results of operations.

(9) Environmental and Other Matters

The Company is subject to federal, state, local and foreign laws and regulations and potential liabilities relating to the protection of the environment and human health and safety including, among other things, the cleanup of contaminated sites, the treatment, storage and disposal of wastes, the discharge of effluent into waterways, the emission of substances into the air and various health and safety matters. The Company expects to incur substantial costs for ongoing compliance with such laws and regulations. The Company may also face governmental or third-party claims, or otherwise incur costs, relating to cleanup of, or for injuries resulting from, contamination at sites associated with past and present operations. Koppers accrues for environmental liabilities when a determination can be made that they are probable and reasonably estimable.

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

Environmental and Other Liabilities Retained or Assumed by Others

The Company has agreements with former owners of certain of its operating locations under which the former owners retained or assumed and agreed to indemnify the Company against certain environmental and other liabilities. The most significant of these agreements was entered into at the Company's formation on December 28, 1988 (the "Acquisition"). Under the related asset purchase agreement between the Company and Beazer East, subject to certain limitations, Beazer East assumed the responsibility for and agreed to indemnify the Company against certain liabilities, damages, losses and costs, including, with certain limited exceptions, liabilities under and costs to comply with environmental laws to the extent attributable to acts or omissions occurring prior to the Acquisition (the "Indemnity"). Beazer Limited unconditionally guaranteed Beazer East's performance of the Indemnity pursuant to a guarantee (the "Guarantee"). Beazer Limited became a wholly owned indirect subsidiary of Hanson PLC on December 4, 1991. In 1998, Hanson PLC purchased an insurance policy under which the funding and risk of certain environmental and other liabilities relating to the former Koppers Company, Inc. operations of Beazer East (which includes locations purchased from Beazer East by the Company) are underwritten by Centre Solutions (a member of the Zurich Group) and Swiss Re.

The Indemnity provides different mechanisms, subject to certain limitations, by which Beazer East is obligated to indemnify the Company with regard to certain environmental and other liabilities and imposes certain conditions on the Company before receiving such indemnification. In July 2004, the Company entered into an agreement with Beazer East to amend the December 29, 1988 asset purchase agreement to provide, among other things, for the continued tender of pre-closing environmental liabilities to Beazer East through July 2019. As consideration for the agreement, Koppers will pay Beazer East four annual installments totaling $7 million, and provide cost-sharing arrangements at certain of the Company's operating sites. The cost is being recognized over the term of the new agreement.

Contamination has been identified at 19 of the Company's owned sites. Three sites owned and operated by the Company in the United States, as well as one former site the Company has sold, are listed on the National Priorities List promulgated under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"). The sites include the Company's Gainesville, Florida wood treating facility; the Galesburg, Illinois wood treating facility; the Florence, South Carolina wood treating facility; and the former Feather River, California wood treating facility, which the Company has sold. Currently, at the properties acquired from Beazer East (which include all of the National Priorities List sites and all but one of the Resource Conservation and Recovery Act ("RCRA")-permitted sites), substantially all investigative, cleanup and closure activities are being conducted and paid for by Beazer East directly pursuant to the terms of the Indemnity, and as such the Company cannot estimate the total costs that will be incurred. In addition, many of the Company's sites are or have been operated under RCRA permits, and remedial and closure activities are being conducted thereunder at several of these sites.

To date, the parties that retained, assumed or agreed to indemnify the Company against the liabilities referred to above have performed their obligations in all material respects. The Company believes that for the last three years amounts paid by Beazer East as a result of its environmental remediation obligations under the Indemnity have averaged in total approximately $8.3 million per year. If for any reason (including disputed coverage or financial incapability) one or more of such parties fail to perform their obligations and the Company is held liable for or otherwise required to pay all or part of such liabilities without reimbursement, the imposition of such liabilities on the Company could have a material adverse effect on the Company's business, financial condition, cash flows and results of operations. In addition, if Koppers were required to record a liability with respect to all or a portion of such matters on the Company's balance sheet, the amount of total liabilities could exceed the book value of assets by an additional amount that could be significant.

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

Also, contamination has been detected at certain of the Company's Australian facilities. These sites include the Company's tar distillation facility in Mayfield, NSW, Australia and its wood protection chemicals facility in Trentham, Victoria, Australia, which has been listed on the Victorian register of contaminated sites. A total of approximately $1.0 million is reserved for the estimated remediation costs at these sites.

Grenada. The Company, together with various co-defendants (including Beazer East), has been named as a defendant in four toxic tort lawsuits in various state courts in Mississippi and in two toxic tort lawsuits in federal court in Mississippi arising from the operation of the Grenada, Mississippi wood treating plant, which plant has been owned by the Company since 1988 ("Grenada"). The Complaints allege that plaintiffs were exposed to harmful levels of various toxic chemicals, including creosote and pentachlorophenol, as a result of soil, surface water and groundwater contamination and air emissions from the Grenada facility and, in the state court cases, from an adjacent manufacturing facility operated by Heatcraft, Inc. In the state court actions, each plaintiff seeks compensatory damages from the defendants of at least $5 million for each of seven counts and punitive damages of at least $10 million for each of three counts. There are approximately 115 plaintiffs in the state court actions. In the *Beck* federal case, there are a total of approximately 110 plaintiffs. Each plaintiff in the *Beck* case seeks compensatory damages from the defendants in an unspecified amount and punitive damages of $20 million each for four counts. In the *Ellis* federal case, there are approximately 1,130 plaintiffs., Each plaintiff in the *Ellis* case seeks compensatory damages from the defendants of at least $5 million for each of seven counts and punitive damages of at least $10 million for each of three counts. Based on the Company's experience in defending previous toxic tort cases (including its victory in similar litigation involving its Green Spring, West Virginia wood treating facility ("Green Spring") and its recent dismissal without prejudice from similar litigation involving its Somerville, Texas wood treating facility noted below), the Company does not believe that the damages sought by the plaintiffs in the state court and federal court actions are supported by the facts of the cases. The Company is seeking to transfer venue of the state court cases to Grenada County, Mississippi. The venue issue is currently on appeal to the Mississippi Supreme Court. During the pendency of the appeal, discovery in the state court cases has been stayed. Discovery in the *Ellis* federal court case has also been stayed. However, discovery with respect to 12 plaintiffs is proceeding in the *Beck* federal case. Although the Company intends to vigorously defend these cases, there can be no assurance that an unfavorable resolution of this matter will not have a material adverse effect on the Company's business, financial condition, cash flows and results of operations.

Somerville. Koppers, along with Burlington Northern Santa Fe Rail Way Company and Solvents and Chemicals, Inc., was named initially in a total of 11 toxic tort lawsuits for a total of approximately 30 plaintiffs that were filed in various state courts in Texas by individuals claiming to be residents of Somerville, Texas. The Complaints alleged that the plaintiffs suffered personal injuries resulting from exposure to chemicals used at the Somerville, Texas wood treating plant, which plant has been owned by the Company since 1995 ("Somerville"). The plaintiffs sought actual damages and punitive damages in an unspecified amount from the defendants. The Company has been voluntarily dismissed without prejudice by the plaintiffs from all of the Somerville lawsuits. The lawsuits are proceeding against the remaining defendants.

There are no additional contingencies, other than those disclosed herein, for which the Company believes a material additional loss is reasonably possible.

Other Environmental Matters

In October 1996, the Company received a Clean Water Act information request from the United States Environmental Protection Agency ("EPA"). This information request asked for comprehensive information on

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

discharge permits, applications for discharge permits, discharge monitoring reports and the analytical data in support of the reports and applications. EPA subsequently alleged that the Company violated various provisions of the Clean Water Act. Koppers subsequently agreed, among other things, to a $2.9 million settlement, payable in three installments. The first two payments, totaling $1.0 million each, were made in April 2004 and 2003, respectively.

Additionally, during an investigation initiated by the Company at the Company's Woodward Coke facility prior to its closure in January 1998, it was discovered that certain environmental records and reports related to the discharge of treated process water contained incomplete and inaccurate information. Corrected reports were submitted to the State of Alabama and EPA, which resulted in a Complaint against the Company by EPA alleging certain civil and criminal violations of applicable environmental laws. The Company subsequently entered into a plea agreement which provides, among other things, for the payment by the Company of a $2.1 million fine payable to the government and $0.9 million in restitution payable to the Black Warrior-Cahaba Rivers Land Trust in three equal annual installments beginning in December 2002. The Company's plea was entered in August 2002 and the sentencing of the Company occurred in December 2002. At the sentencing, the court, among other things, approved the terms of the plea agreement previously negotiated between the Company and EPA. The first two payments, totaling $1.0 million each, were made in December 2003 and 2002, respectively. A failure on the Company's part to comply with the terms of the compliance agreement, plea agreement and probation could lead to significant additional costs and sanctions, including the potential for the Company's suspension or debarment from governmental contracts.

(10) Comprehensive Income

	Nine Months Ended September 30,	
	2004	**2003**
	(In millions)	
Net income (loss)	$ 8.2	$(15.5)
Other comprehensive income (loss):		
Unrealized currency translation gain (loss)	(2.5)	13.6
Total comprehensive income (loss)	$ 5.7	$ (1.9)

(11) Product Warranty Reserves

The Company accrues for product warranty reserves based on historical loss experience and sales of extended warranties on certain products. The following chart illustrates activity in these reserves:

	Nine Months Ended September 30,	
	2004	**2003**
	(In millions)	
Beginning warranty reserve	$ 5.7	$ 5.3
Warranty expense charged to reserve	1.0	0.5
Cash expenditures for warranty claims	(0.4)	(0.2)
Ending warranty reserve	$ 6.3	$ 5.6

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

(12) Pension Expense

The following table provides the components of net periodic benefit cost for the nine months ended September 30, 2004 and 2003 (U.S. plans only):

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
	(In millions)		*(In millions)*	
Components of net periodic benefit cost:				
Service cost	$ 3.3	$ 2.4	$ 0.2	$ 0.3
Interest cost	6.4	5.4	0.7	0.6
Expected return on plan assets	(5.8)	(3.6)	—	—
Amortization of prior service cost	0.4	0.3	(0.2)	(0.3)
Amortization of loss	1.1	1.5	—	—
Curtailment charge	0.2	—	—	—
Net periodic benefit cost	$ 5.6	$ 6.0	$ 0.7	$ 0.6

In the first quarter of 2004 the Company's Board of Directors amended the salaried pension plan for U.S. employees to reduce benefits effective June 1, 2004. The amendment resulted in a curtailment charge of $0.2 million in the first quarter. The estimated effect on pension expense for fiscal 2004 as a result of the amendment is a reduction of approximately $0.9 million.

(13) Subsidiary Guarantors

The Company's payment obligations under the 9 7/8% Senior Subordinated Notes due 2013 (the "New Notes") are fully and unconditionally guaranteed on a joint and several basis by Koppers (the parent) 100%-owned subsidiaries, Koppers Australia Pty Ltd. (the "Australian Guarantor Subsidiaries"), and Koppers Industries of Delaware, Inc. (the "Other Guarantor Subsidiaries"). The Notes have not been guaranteed by Koppers Assurance, Inc., Koppers Europe, KSA Limited Partnership, Koppers Arch Investments Pty Ltd., or Koppers (China) Carbon and Chemical Co., Limited (collectively, the "Non-Guarantor Subsidiaries"). The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions.

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2004
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$438.7	$ 96.5	$ 8.3	$ 195.1	$ (17.9)	$ 720.7
Operating expenses:						
Cost of sales including depreciation and amortization	400.9	78.8	—	166.3	(17.7)	628.3
Selling, general and administrative	22.1	7.0	—	12.7	(0.1)	41.7
Total operating expenses	423.0	85.8	—	179.0	(17.8)	670.0
Operating profit	15.7	10.7	8.3	16.1	(0.1)	50.7
Other income (expense)	26.0	—	18.0	—	(43.9)	0.1
Income before interest expense, income taxes and minority interest	41.7	10.7	26.3	16.1	(44.0)	50.8
Interest expense (income)	26.5	2.9	(0.8)	1.1	(3.1)	26.6
Income tax provision	7.0	2.7	0.2	3.3	—	13.2
Minority interest	—	—	—	2.8	—	2.8
Net income (loss)	$ 8.2	$ 5.1	$ 26.9	$ 8.9	$ (40.9)	$ 8.2

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

Condensed Consolidating Statement of Operations
For the Nine Months Ended September 30, 2003
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net sales	$390.3	$ 84.4	$ 7.4	$ 158.6	$ (15.9)	$ 624.8
Operating expenses:						
Cost of sales including depreciation and amortization	362.8	68.4	0.1	140.2	(15.9)	555.6
Selling, general and administrative	22.0	5.8	—	12.7	—	40.5
Restructuring charges	1.3	—	—	—	—	1.3
Total operating expenses	386.1	74.2	0.1	152.9	(15.9)	597.4
Operating profit	4.2	10.2	7.3	5.7	—	27.4
Other income (expense)	17.2	—	12.2	(0.4)	(29.1)	(0.1)
Income (loss) before interest expense, income taxes and minority interest	21.4	10.2	19.5	5.3	(29.1)	27.3
Interest expense (income)	16.7	0.6	(1.1)	0.9	(1.1)	16.0
Income tax provision (benefit)	2.1	3.0	—	2.4	—	7.5
Minority interest	—	—	—	1.2	—	1.2
Income (loss) before cumulative effect of accounting change	2.6	6.6	20.6	0.8	(28.0)	2.6
Cumulative effect of accounting change:						
Asset retirement obligations, net of tax of $11.7	(18.1)	—	—	—	—	(18.1)
Net income (loss)	$ (15.5)	$ 6.6	$ 20.6	$ 0.8	$ (28.0)	$ (15.5)

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

Condensed Consolidating Balance Sheet
September 30, 2004
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ 3.2	$ —	$ 6.2	$ —	$ 9.4
Accounts receivable, net	118.3	18.9	254.1	61.3	(336.3)	116.3
Inventories	68.1	25.6	—	29.7	—	123.4
Deferred tax benefit	8.9	—	—	—	—	8.9
Other	5.3	1.1	—	3.3	—	9.7
Total current assets	200.6	48.8	254.1	100.5	(336.3)	267.7
Equity investments	279.9	13.6	23.9	—	(314.7)	2.7
Fixed assets, net	90.4	22.2	—	42.1	—	154.7
Goodwill	12.0	14.3	—	9.5	—	35.8
Deferred tax benefit	41.0	—	4.9	2.1	—	48.0
Other assets	22.3	—	—	1.8	—	24.1
Total assets	$646.2	$ 98.9	$ 282.9	$ 156.0	$ (651.0)	$ 533.0
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$255.2	$ 50.0	$ 1.1	$ 100.0	$ (336.3)	$ 70.0
Accrued liabilities	41.3	8.1	1.6	18.2	—	69.2
Revolving credit	16.5	—	—	—	—	16.5
Current portion of term loans	1.5	—	—	—	—	1.5
Total current liabilities	314.5	58.1	2.7	118.2	(336.3)	157.2
Long-term debt	344.0	—	3.8	10.4	—	358.2
Other long-term liabilities	70.1	1.4	—	18.4	—	89.9
Total liabilities	728.6	59.5	6.5	147.0	(336.3)	605.3
Minority interest	—	—	—	10.1	—	10.1
Stockholders' equity (deficit)	(82.4)	39.4	276.4	(1.1)	(314.7)	(82.4)
Total liabilities and stockholders' equity	$646.2	$ 98.9	$ 282.9	$ 156.0	$ (651.0)	$ 533.0

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

Condensed Consolidating Balance Sheet
December 31, 2003
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 0.4	$ 4.3	$ —	$ 4.9	$ —	$ 9.6
Accounts receivable, net	106.9	17.2	228.4	52.4	(305.3)	99.6
Inventories	66.8	26.3	—	24.4	—	117.5
Deferred tax benefit	8.9	—	—	—	—	8.9
Other	1.3	3.2	—	3.6	—	8.1
Total current assets	184.3	51.0	228.4	85.3	(305.3)	243.7
Equity investments	256.3	14.2	24.3	7.3	(291.8)	10.3
Fixed assets, net	93.7	25.8	—	31.5	—	151.0
Goodwill	12.0	14.9	—	9.6	—	36.5
Deferred tax benefit	47.8	—	5.0	2.1	—	54.9
Other assets	17.2	—	—	0.4	—	17.6
Total assets	$ 611.3	$ 105.9	$ 257.7	$ 136.2	$ (597.1)	$ 514.0
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	$ 222.2	$ 52.7	$ 1.0	$ 93.2	$ (305.3)	$ 63.8
Accrued liabilities	59.7	7.9	1.2	16.8	—	85.6
Current portion of term loans	8.0	—	—	—	—	8.0
Total current liabilities	289.9	60.6	2.2	110.0	(305.3)	157.4
Long-term debt	326.0	—	3.8	2.9	—	332.7
Other long-term liabilities	71.3	2.1	—	20.3	—	93.7
Total liabilities	687.2	62.7	6.0	133.2	(305.3)	583.8
Common stock subject to redemption	13.2	—	—	—	—	13.2
Minority interest	—	—	—	6.1	—	6.1
Stockholders' equity (deficit)	(89.1)	43.2	251.7	(3.1)	(291.8)	(89.1)
Total liabilities and stockholders' equity (deficit)	$ 611.3	$ 105.9	$ 257.7	$ 136.2	$ (597.1)	$ 514.0

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2004
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash provided by (used in) operating activities	$ 15.7	$ 0.1	$ —	$ (2.0)	$ —	$ 13.8
Cash provided by (used in) investing activities:			—			
Capital expenditures	(9.5)	(1.1)	—	(2.2)	—	(12.8)
Other	0.3	0.2	—	0.2	—	0.7
Net cash (used in) investing activities	(9.2)	(0.9)	—	(2.0)	—	(12.1)
Cash provided by (used in) financing activities:						
Net borrowings of revolving credit	34.5	—	—	4.9	—	39.4
Net (repayments) of long-term debt	(6.5)	—	—	—	—	(6.5)
Dividends paid	(33.4)	—	—	—	—	(33.4)
Payment of deferred financing costs	(0.3)	—	—	—	—	(0.3)
Sales of common stock	0.6	—	—	—	—	0.6
Purchases of common stock	(2.2)	—	—	—	—	(2.2)
Net cash provided by (used in) financing activities	(7.3)	—	—	4.9	—	(2.4)
Effect of exchange rates on cash	0.5	(0.3)	—	0.3	—	0.5
Net increase (decrease) in cash and cash equivalents	(0.3)	(1.1)	—	1.2	—	(0.2)
Cash and cash equivalents at beginning of year	0.4	4.3	—	4.9	—	9.6
Cash and cash equivalents at end of year	$ 0.1	$ 3.2	$ —	$ 6.1	$ —	$ 9.4

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2003
(In millions)

	Parent	Australian Guarantor Subsidiaries	Other Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Cash provided by (used in) operating activities	$ 10.2	$ 2.9	$ —	$ (1.7)	$ —	$ 11.4
Cash provided by (used in) investing activities:						
Capital expenditures	(7.4)	(1.0)	—	(1.5)	—	(9.9)
Other	0.4	0.2	—	0.1	—	0.7
Net cash (used in) investing activities	(7.0)	(0.8)	—	(1.4)	—	(9.2)
Cash provided by (used in) financing activities:						
Net borrowings (repayments) of revolving credit	(5.8)	(0.6)	—	—	—	(6.4)
Borrowings from long-term debt	75.0	—	—	—	—	75.0
Net (repayments) of term debt	(51.5)	(0.8)	—	—	—	(52.3)
Dividends paid	(3.1)	—	—	—	—	(3.1)
Payment of deferred financing costs	(3.8)	—	—	—	—	(3.8)
Purchases of common stock	(9.1)	—	—	—	—	(9.1)
Net cash provided by (used in) financing activities	1.7	(1.4)	—	—	—	0.3
Effect of exchange rates on cash	(0.8)	0.6	—	1.4	—	1.2
Net increase (decrease) in cash and cash equivalents	4.1	1.3	—	(1.7)	—	3.7
Cash and cash equivalents at beginning of year	0.8	2.6	—	6.1	—	9.5
Cash and cash equivalents at end of year	$ 4.9	$ 3.9	$ —	$ 4.4	$ —	$ 13.2

KOPPERS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

(14) Segment Information

The following table sets forth certain sales and operating data, net of all inter-segment transactions, for the Company's businesses for the periods indicated. Intersegment revenues for the nine months ended September 30, 2004 and 2003 were $25.9 million and $20.3 million, respectively.

	Nine Months Ended September 30,	
	2004	**2003**
	(Dollars in millions)	
Net sales:		
Carbon Materials & Chemicals	$418.4	$357.0
Railroad & Utility Products	302.3	267.8
Total	$720.7	$624.8
Percentage of net sales:		
Carbon Materials & Chemicals	58.1%	57.1%
Railroad & Utility Products	41.9%	42.9%
Total	100.0%	100.0%
Gross margin (after depreciation and amortization):		
Carbon Materials & Chemicals	15.2%	13.1%
Railroad & Utility Products	9.6%	9.1%
Total	12.8%	11.1%
Operating profit:		
Carbon Materials & Chemicals	$ 35.2	$ 18.8
Railroad & Utility Products	15.5	10.5
All Other	—	(1.9)
Total	$ 50.7	$ 27.4

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$203,000,000
Principal Amount at Maturity
($125,470,240 in Gross Proceeds)

KI Holdings Inc.

Exchange Offer for All Outstanding
9 7/8% Senior Discount Notes Due 2014

Until , 2005 (90 days from the date of this Prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Sections 1741 and 1742 of the Pennsylvania Business Corporations Law ("BCL") provide that a business corporation shall have the power to indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was servicing at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe his conduct was unlawful. In the case of an action by or in the right of the corporation, such indemnification is limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person has been adjudged to be liable to the corporation unless, and only to the extent that, a court determines upon application that, despite the adjudication of liability but in view of all the circumstances, such person is fairly and reasonably entitled to indemnity for the expenses that the court deems proper.

BCL Section 1744 provides that, unless ordered by a court, any indemnification referred to above shall be made by the corporation only as authorized in the specific case upon a determination that indemnification is proper in the circumstances because the indemnitee has met the applicable standard of conduct. Such determination shall be made: (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding; or (2) if such a quorum is not obtainable, or if obtainable and a majority vote of a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or (3) by the shareholders.

Notwithstanding of the above, BCL Section 1743 provides that to the extent that a director, officer, employee or agent of a business corporation is successful on the merits or otherwise in defense of any proceeding referred to above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

BCL Section 1745 provides that expenses (including attorney's fees) incurred by an officer, director, employee or agent of a business corporation in defending any proceeding may be paid by the corporation in advance of the final deposition of the proceeding upon receipt of an undertaking to repay the amount advanced if it is ultimately determined that the indemnitee is not entitled to be indemnified by the corporation.

BCL Section 1746 provides that the indemnification and advancement of expenses provided by, or granted pursuant to, the foregoing provisions are not exclusive of any other rights to which a person seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or directors or otherwise, and that indemnification may be granted under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise for any action taken or any failure to take any action whether or not the corporation would have the power to indemnify the person under any other provision of law and whether or not the indemnified liability arises or arose from any action by or in the right of the corporation, provided, however, that no indemnification is determined by a court to have constituted willful misconduct or recklessness.

BCL Section 1747 permits a Pennsylvania business corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise, against any liability asserted against such person and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify the person against such liability under the provisions described above.

Our Articles of Incorporation and Bylaws provide for (i) indemnification of our directors, officers, employees and agents and our subsidiaries and (ii) the elimination of a director's liability for monetary damages, to the maximum extent permitted by the BCL. We also maintain directors' and officers' liability insurance covering our directors and officers with respect to liabilities, including liabilities under the Securities Act of 1933, as amended, which they may incur in connection with their serving as such.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

EXHIBIT INDEX

Exhibit No.	Exhibit
3.1*	Articles of Incorporation of the Company.
3.2*	Bylaws of the Company.
4.1	Indenture, by and among the Koppers Inc., the Guarantors named therein and JPMorgan Chase Bank as Trustee, dated as of October 15, 2003 (incorporated by reference to Exhibit 10.43 to Koppers Inc.'s Form 10-Q filed November 12, 2003).
4.2	Form of Koppers Inc. Note (included in Exhibit 4.1 hereto).
4.3*	Indenture, by and among the Company and The Bank of New York, as Trustee, dated as of November 18, 2004.
4.4*	Form of KI Holdings Inc. Note (included in Exhibit 4.5 hereto).
4.5*	Registration Rights Agreement by and among the Company and the Initial Purchasers named therein, dated as of November 18, 2004.
5.1*	Opinion of Reed Smith LLP regarding the legality of the securities being registered.
5.2*	Opinion of Cahill Gordon & Reindel LLP regarding the legality of the securities being registered.
10.1	Asset Purchase Agreement by and between the Koppers Inc. and Koppers Company, Inc., dated as of December 28, 1988 (incorporated by reference to respective exhibits to the Koppers Inc.'s Prospectus filed February 7, 1994).
10.2	Asset Purchase Agreement Guarantee provided by Beazer PLC, dated as of December 28, 1988 (incorporated by reference to respective exhibits to the Koppers Inc.'s Prospectus filed February 7, 1994).
10.3	Stockholders' Agreement by and among the Koppers Inc., Saratoga Partners III, L.P. and the Management Investors referred to therein, dated as of December 1, 1997 (incorporated by reference to Exhibit 4.3 of the Koppers Inc.'s Form S-8 Registration Statement filed December 22, 1997).
10.4	Stock Subscription Agreement, dated as of December 26, 1988 (incorporated by reference to respective exhibits to the Koppers Inc.'s Prospectus filed February 7, 1994 pursuant to Rule 424(b) of the Securities Act of 1933, as amended).
10.5	Advisory Services Agreement by and between the Koppers Inc. and Saratoga Partners III, L.P., dated as of December 1, 1997 (incorporated by reference to Exhibit 10.29 to the Koppers Inc.'s Form S-4 Registration Statement filed December 22, 1997).
10.6	Indenture by and between the Koppers Inc. and PNC Bank, National Association, as Trustee, dated as of December 1, 1997 (incorporated by reference to Exhibit 4.2 of the Koppers Inc.'s Form S-4 Registration Statement filed December 23, 1997).
10.7	Credit Agreement by and among the Koppers Inc., the Guarantors party hereto, the Banks party hereto, PNC Bank, National Association, as Administrative Agent, National City Bank of Pennsylvania, as Syndication Agent, and Citizens Bank of Pennsylvania, Fleet National Bank and Wachovia Bank, National Association, as Co-Documentation Agents, dated as of May 12, 2003 (incorporated by reference to Exhibit 10.40 to the Koppers Inc.'s Form 10-Q filed August 4, 2003).
10.8	Intentionally omitted.
10.9	Intercreditor Agreement by and among PNC Bank, National Association, as Credit Agent, JPMorgan Chase Bank, as Trustee, the Koppers Inc. and the Guarantors named therein, dated as of October 15, 2003 (incorporated by reference to respective exhibits to the Koppers Inc. Form S-4 Registration Statement filed January 13, 2004 in connection with an Exchange Offer for $320 million of 9 7/8% Senior Secured Notes due 2013).

Exhibit No.	Exhibit
10.10	Employment agreement with Steven R. Lacy dated April 5, 2002 (incorporated by reference to Exhibit 10.35 of the Koppers Inc.'s Form 10-K filed March 5, 2003).
10.11	Employment agreement with David Whittle dated August 18, 2000 (incorporated by reference to Exhibit 10.35 of the Koppers Inc.'s Form 10-K filed March 5, 2003).
10.12	Employment agreement with Robert H. Wombles dated August 1, 2001 (incorporated by reference to Exhibit 10.35 of the Koppers Inc.'s Form 10-K filed March 5, 2003).
10.13	Retirement Plan of Koppers Industries, Inc. and Subsidiaries for Salaried Employees (incorporated by reference to Exhibits to the Koppers Inc.'s Prospectus filed February 7, 1994 pursuant to Rule 424(b) of the Securities Act of 1933, as amended, in connection with the offering of the 8 1/2% Senior Notes due 2004).
10.14	Koppers Industries, Inc. Non-contributory Long Term Disability Plan for Salaried Employees (incorporated by reference to respective exhibits to the Koppers Inc.'s Prospectus filed February 7, 1994 pursuant to Rule 424(b) of the Securities Act of 1933, as amended, in connection with the offering of the 8 1/2% Senior Notes due 2004).
10.15	Koppers Industries, Inc. Employee Savings Plan (incorporated by reference to respective exhibits to the Koppers Inc.'s Prospectus filed February 7, 1994 in connection with the offering of the 8 1/2% Senior Notes due 2004).
10.16	Koppers Industries, Inc. Survivor Benefit Plan (incorporated by reference to respective exhibits to the Koppers Inc.'s Prospectus filed February 7, 1994 pursuant to Rule 424(b) of the Securities Act of 1933, as amended, in connection with the offering of the 8 1/2% Senior Notes due 2004).
10.17	Restated and Amended Employee Stock Option Plan (incorporated by reference to respective exhibits to the Koppers Inc.'s Amendment No. 1 to Form S-1 Registration Statement filed June 18, 1996 in connection with the offering of 7,001,922 shares of Common Stock).
10.18	Compensation contracts and Promissory Note for Robert Cizik (incorporated by reference to respective exhibits to the Koppers Inc.'s 10-K for the year ended December 31, 1999).
10.19	Koppers Industries, Inc. 1997 Stock Option Plan (incorporated by reference to respective exhibits to the Koppers Inc.'s Form 10-K for the year ended December 31, 2001).
10.20	Koppers Industries, Inc. 1998 Stock Option Plan, as Restated and Amended as of November 9, 1999) (incorporated by reference to respective exhibits to the Koppers Inc.'s Form 10-K for the year ended December 31, 2001).
10.21	Koppers Industries, Inc. 2001 Senior Management Incentive Plan (incorporated by reference to respective exhibits to the Koppers Inc.'s Form 10-K for the year ended December 31, 2001).
10.22	Confidential Agreement and General Release between Donald E. Davis and Koppers Inc. dated August 18, 2003, (incorporated by reference to respective exhibits to the Koppers Inc.'s Form 10-K for the year ended December 31, 2003).
10.23	Employment agreement with Brian H. McCurrie dated October 13, 2003 (incorporated by reference to respective exhibits to the Koppers Inc.'s Form 10-K for the year ended December 31, 2003).
10.24	Compensation contracts and Promissory Note for Robert Cizik (incorporated by reference to respective exhibits to the Koppers Inc.'s Form 10–K for the year ended December 31, 1999).
10.25**	Treatment Services Agreement between the Koppers Inc. and CSX Transportation, Inc. dated October 4, 2002 (incorporated by reference to respective exhibits to the Koppers Inc.'s Form 10-Q for the quarter ended September 30, 2002).
10.26**	Coke supply agreement between Koppers Monessen Partners LP (a consolidated subsidiary of the Company) and ISG Cleveland, Inc. and Subsidiaries dated September 2, 2003 (incorporated by reference to Exhibit 10.41 to the Koppers Inc.'s Form 10-Q for the quarter ended September 30, 2003).

Exhibit No.	Exhibit
10.27**	Amendment to Credit Agreement, dated October 15, 2003, by and among the Koppers Inc., the Guarantors party thereto, the Banks party thereto, PNC Bank, National Association, as Administrative Agent, National City Bank of Pennsylvania, as Syndication Agent, and Citizens Bank of Pennsylvania, Fleet National Bank and Wachovia Bank, National Association, as Co-Documentation Agents (incorporated by reference to Exhibit 10.42 to the Koppers Inc.'s Form 10-Q for the quarter ended September 30, 2003).
10.28	Registration Rights Agreement dated September 30, 2003 between the Koppers Inc. and Credit Suisse First Boston LLC As Representative of the Several Purchasers (incorporated by reference to Exhibit 10.44 to the Koppers Inc.'s Form 10-Q for the quarter ended September 30, 2003).
10.29	Employment Agreement with Mark R. McCormack dated September 29, 2003 (incorporated by reference to respective exhibits to the Koppers Inc.'s Form10-K for the year ended December 31, 2003).
10.30**	Memorandum of Agreement between the Koppers Inc. and Union Pacific Railroad Company, dated August 1, 2003 (incorporated by reference to Exhibit 10.45 to the Koppers Inc.'s Form 10-Q for the quarter ended September 30, 2003).
10.31*	Amendment to Credit Agreement dated as of November 17, 2004, by and among the Koppers Inc., the Guarantors party thereto, the Banks party thereto, PNC Bank, National Association, as Administrative Agent, National City Bank of Pennsylvania, as Syndication Agent, and Citizens Bank of Pennsylvania, Fleet Bank and Wachovia Bank, National Association as Co-Documentation Agents.
10.32	Amendment and Restatement to Article VII of the Asset Purchase Agreement (incorporated by reference to respective exhibits to the Koppers Inc. Form 10-Q for the quarter ended June 30, 2004).
10.33	2004 Restricted Stock Unit Plan (incorporated by reference to respective exhibits to the Koppers Inc. Form 10-Q for the quarter ended September 30, 2004).
10.34*	Agreement and Plan of Merger dated as of November 18, 2004, by and among Koppers Inc., Merger Sub for KI Inc. and KI Holdings Inc.
12.1*	Computation of Ratio of Earnings to Fixed Charges.
21.1	List of subsidiaries of the Company.
23.1*	Consent of Ernst & Young LLP.
23.2*	Consent of Reed Smith LLP (included in Exhibit 5.1 hereto).
23.3*	Consent of Cahill Gordon & Reindel LLP (included in Exhibit 5.2 hereto).
24.1*	Powers of Attorney authorizing execution of Registration Statement on Form S-4 on behalf of certain officers and directors of the Company (included on the signature pages hereto).
25.1*	Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 on Form T-1 of The Bank of New York as Trustee under the Indenture.
99.1*	Form of Letter of Transmittal.
99.2*	Form of Notice of Guaranteed Delivery.

* Exhibits filed herewith.

** Certain portions have been omitted pursuant to a Confidential Treatment Request. The entire document has been filed confidentially with the SEC.

ITEM 22. UNDERTAKINGS

The undersigned registrant hereby undertakes:

(a) For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and,

where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) To deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(d) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(e) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(f) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(g) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

(h) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

1. To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;
2. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered

(if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

3. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Pittsburgh, State of Pennsylvania, on February 14, 2005.

KI HOLDINGS INC.

By: /s/ WALTER W. TURNER

Name: **Walter W. Turner**
Title: **President and Chief Executive Officer and Director**

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned hereby constitutes and appoints Walter W. Turner and Brian H. McCurrie, or either of them, his attorneys-in-fact and agents, each with full power of substitution and resubstitution for him in any and all capacities, to sign any or all amendments or post-effective amendments to this registration statement, and to file the same, with exhibits thereto and other documents in connection therewith, with the Commission, granting unto each of such attorneys-in-fact and agents full power and authority to do and perform each and every act and thing required and necessary in connection with such matters and hereby ratifying and confirming all that each of such attorneys-in-fact and agents or his substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities and on the date indicated.

Signature	Title	Date
/s/ WALTER W. TURNER **Walter W. Turner**	President and Chief Executive Officer and Director (Principal Executive Officer)	February 14, 2005
/s/ BRIAN H. MCCURRIE **Brian H. McCurrie**	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 14, 2005
/s/ ROBERT CIZIK **Robert Cizik**	Director	February 14, 2005
/s/ CLAYTON A. SWEENEY **Clayton A. Sweeney**	Director	February 14, 2005
/s/ CHRISTIAN L. OBERBECK **Christian L. Oberbeck**	Director	February 14, 2005
/s/ DAVID M. HILLENBRAND **David M. Hillenbrand**	Director	February 14, 2005

Exhibit 3.1

ARTICLES OF INCORPORATION
OF
KI HOLDINGS INC.
(a Pennsylvania Corporation)

ARTICLE I. The name of the corporation is:

KI Holdings Inc.

ARTICLE II. The address of the registered office of the corporation in this Commonwealth is:

436 Seventh Avenue
Allegheny County
Pittsburgh, Pennsylvania 15219

ARTICLE III. The purposes for which the corporation is incorporated under the Pennsylvania Business Corporation Law of 1988, as amended (the "Business Corporation Law") are to engage in and do any lawful act concerning any or all lawful business for which corporations may be incorporated under said Business Corporation Law.

ARTICLE IV.
CAPITAL STOCK

Section 401. Authorized Shares. The aggregate number of shares of all classes of capital stock which the corporation shall have authority to issue is 50,000,000 shares, of which 37,000,000 shares shall be voting common stock, $.01 par value ("Voting Common Stock"), 3,000,000 shares shall be non-voting common stock, $.01 par value ("Non-Voting Common Stock" and together with the Voting Common Stock, the "Common Stock"), and 10,000,000 shares shall be preferred stock, $.01 par value ("Preferred Stock")(the Voting Common Stock, the Non-Voting Common Stock and the Preferred Stock shall hereinafter collectively be called the "Stock").

Section 402. The Board of Directors of the Corporation (hereinafter referred to as the "Board of Directors" or the "Board") may declare, and cause to be paid, dividends to the holders of shares of the Stock out of any funds of the Corporation legally available for the payment of dividends.

Section 403. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, all of the holders of shares of the Voting Common Stock and Non-Voting Common Stock shall be entitled, subject to the prior rights of any series of Preferred Stock, to share ratably, on a share-for-share basis, in any remaining assets of the Corporation available for distribution to its stockholders.

Section 404. Except as otherwise expressly provided in these Articles of Incorporation, all shares of Voting Common Stock and Non-Voting Common Stock shall entitle the holders thereof to the same rights and privileges.

Section 405. Shares of Preferred Stock may be issued from time to time in one or more series. A series of 3,000,000 shares of Preferred Stock, designated as the "Senior Convertible Preferred Stock," shall have the voting rights, designations, powers, preferences and the relative, participating, optional and other rights, if any, and the qualifications, limitations or restrictions, if any, as set forth in Article X below. The Board is hereby authorized to fix the voting rights, if any, designations, powers, preferences and the relative, participating, optional and other rights, if any, and the qualifications, limitations or restrictions thereof, of any additional series of Preferred Stock; and to fix the number of shares constituting such series, and to increase or decrease the number of shares of any such additional series (but not below the number of shares then outstanding).

Section 406. Except as may otherwise be provided herein (including any certificate filed with the Secretary of State of Pennsylvania establishing the terms of a series of Preferred Stock) or by applicable law, each holder of Voting Common Stock shall be entitled to one vote for each share of Voting Common Stock held of record by such holder on all matters on which stockholders are entitled to vote.

ARTICLE V. Unless and except to the extent that the Bylaws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

ARTICLE VI. The number and election of directors of the Corporation shall be determined in accordance with the Bylaws of the Corporation subject to the terms of the Stockholders' Agreement by and among the Corporation, Koppers Inc., Saratoga Partners III, L.P. and the Management Investors (as the same may be amended from time to time, the "Stockholders' Agreement"), a copy of which is on file with the Secretary of the Corporation.

Whenever holders of one or more series of Preferred Stock shall have the right, voting separately as a class or series, to elect directors, the election, removal, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of any certificate or other document filed with the Secretary of State of Pennsylvania establishing the terms of such Preferred Stock.

ARTICLE VII. Unless otherwise provided by law or in the Bylaws, and subject to the supermajority vote provisions of the Stockholders' Agreement, (i) the Board of Directors is expressly authorized and empowered to adopt, amend and repeal any one or more Bylaws of the Corporation at any regular or special meeting, if notice of the proposed adoption, amendment or repeal of the Bylaws to be made is contained in the notice of such special meeting and (ii) any one or more Bylaws may be adopted, amended or repealed at any annual or special meeting of the stockholders if notice of the proposed adoption, alteration or repeal of the Bylaws to be made is contained in the notice of such meeting, by the affirmative vote of the holders of shares constituting two-thirds of the voting power of the outstanding Voting Common Stock and Preferred Stock entitled to vote thereon.

ARTICLE VIII. Subject to the supermajority vote provisions of the Stockholders' Agreement, and to the provisions of Article VII hereof, the Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in these Articles of Incorporation, any other provisions authorized by the laws of the Commonwealth of Pennsylvania at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to these Articles of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article VIII.

ARTICLE IX. The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under Pennsylvania law.

ARTICLE X.
SENIOR CONVERTIBLE PREFERRED STOCK

Section 1. Designation and Amount. The Corporation shall have a series of the class of authorized Preferred Stock that shall be designated as the "Senior Convertible Preferred Stock" (the "Senior Preferred Stock") and the number of shares constituting such series shall be 3,000,000, which number may be decreased (but not increased) by the Board of Directors without a vote of Stockholders; provided, however, that such number may not be decreased below the number of then currently outstanding shares of Senior Preferred Stock.

Section 2. Dividends and Distributions.

(a) The holders of shares of Senior Preferred Stock, in preference to the holders of shares of any class or series of Common Stock of the Corporation and of any other capital stock of the Corporation, shall be entitled to receive, when and as declared by the Board of Directors in accordance with the Pennsylvania Business Corporation Law, out of funds legally available for the payment of dividends, dividends payable as provided below, in an amount per share (rounded to the nearest cent) equal to the aggregate per share amount of all cash dividends and the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or other than as a result of a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, subject to adjustment as provided below. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount of dividends to which holders of shares of Senior Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Senior Preferred Stock as provided herein immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock and other than as a result of a subdivision of the outstanding shares of Common Stock, by reclassification or otherwise) and shall pay such dividend or distribution on the same date on which such dividend or distribution is paid to holders of Common Stock. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Senior Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Senior Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. Except as provided elsewhere herein, and except for any voting rights provided by law, the holders of shares of Senior Preferred Stock shall have no voting rights, and their consent shall not be required for the taking of any corporation action, other than as expressly set forth below:

(a) The holders of the Senior Preferred Stock, voting as a separate series from all other series of Preferred Stock and classes of capital stock, shall be entitled, at each annual meeting of stockholders of the Corporation, to elect a number of directors of the Corporation equivalent to the smallest number representing a majority of the number of members of the Board of Directors as if there were no vacancies or unfilled newly created directorships on such Board. Any director so elected shall hold office until the next annual meeting and until his or her successor shall be elected and qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any director elected pursuant to this paragraph (a) may be removed without cause only by the holders of a majority in voting power of the outstanding Senior Preferred Stock. Each share of Senior Preferred Stock shall entitle the holder thereof to one vote per share with respect to election of directors pursuant to this paragraph (a). At any meeting of stockholders held for the purpose of electing directors, the presence in person or by proxy of a majority in voting power of the outstanding shares of Senior Preferred Stock shall be required to constitute a quorum thereof for the election of any director by the holders of the Senior Preferred Stock. If by reason of any resignation, retirement, disqualification, death or removal there are not in office all such directors that the holders of Senior Preferred Stock are entitled to elect pursuant to this paragraph (a), then any such vacancy shall be filled only by the holders of a majority voting power of the Senior Preferred Stock. Promptly after the right of the holders of the Senior Preferred Stock to fill any such vacancy arises, its Board of Directors shall cause a special meeting of the holders of Senior Preferred Stock entitled to vote thereon to be held at the earliest practicable date for the purpose of filling such vacancy.

(b) With respect to each matter upon which the holders of Voting Common Stock of the Corporation are entitled to vote (other than the election of Directors not elected pursuant to paragraph (a) of this Section 3), the holders of Senior Preferred Stock, voting together with the holders of Voting Common Stock, shall be entitled to cast that number of votes per share of Senior Preferred Stock equal to the number of shares of Voting Common Stock into which such share of Senior Preferred Stock is, at the time of such vote, convertible pursuant to Section 6 hereof. At any meeting of stockholders at which the holders of Senior Preferred Stock are

entitled to vote pursuant to this paragraph (b), the presence in person or by proxy of a majority in voting power of the outstanding shares of Senior Preferred Stock and Voting Common Stock shall be required to constitute a quorum.

(c) In addition to any other vote or consent required by law or these Articles of Incorporation, the Corporation shall not (A) without the consent of the holders of at least two-thirds of the outstanding shares of Senior Preferred Stock, given in person or by proxy, either in writing or by vote at an annual meeting or special meeting called for the purpose: (i) alter, change or amend the Articles of Incorporation or Bylaws of the Corporation, if any such alteration, change or amendment would alter or change the powers, preferences or special rights of the shares of Senior Preferred Stock; (ii) authorize or issue any additional shares of Senior Preferred Stock or authorize or issue any shares of any class or series of stock ranking prior to or on a parity with the Senior Preferred Stock as to the payment of dividends or as to the distribution of assets on liquidation, dissolution or winding up; (iii) increase or decrease the number of directors constituting the Board of Directors of the Corporation; (iv) redeem, repurchase, declare or pay a dividend or distribution with respect to any class or series of capital stock of the Corporation, except for redemptions pursuant to restricted stock agreements approved by a majority of the directors elected by the holders of Senior Preferred Stock pursuant to paragraph (a) of this Section 3; (v) enter into any transaction or series of related transactions involving an aggregate amount in excess of $5,000,000 with any officer, director, employee or affiliate of the Corporation; (vi) enter into any business other than a business in which the Corporation or a Subsidiary of the Corporation is engaged as of the date of filing hereof (or businesses reasonably related thereto), (vii) acquire any Person or assets if the fair market value of the purchase price therefor exceeds 25% of the total consolidated assets of the Corporation (determined in accordance with generally accepted accounting principles) as of the most recently completed fiscal quarter of the Corporation; (viii) approve the annual capital expenditures budget of the Corporation and its Subsidiaries; or (ix) enter into any employment agreement with any executive officer of the Corporation; or (B) without the consent of the holders of at least a majority of the outstanding shares of Senior Preferred Stock, given in person or by proxy, either in writing or by vote at an annual meeting or special meeting called for that purpose: merge, consolidate or combine with any person or transfer all or substantially all of the consolidated assets of the Corporation and its Subsidiaries, pursuant to any transaction or series of related transactions, to any Person or Persons.

Section 4. Restricted Shares. Any shares of Senior Preferred Stock converted, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock, $.01 par value, of the Corporation and may be reissued as part of another series of Preferred Stock, $.01 par value, of the Corporation subject to the conditions or restrictions on issuance set forth herein.

Section 5. Liquidation, Dissolution or Winding Up.

(a) Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Senior Preferred Stock unless, prior thereto, the holders of shares of Senior Preferred Stock shall have received $.01 per share, plus an amount

equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Senior Preferred Stock shall be entitled to receive an aggregate amount per share (inclusive of such preferential payment of $.01 per share), subject to the provision for adjustment hereinafter set forth, equal to the aggregate amount to be distributed per share to holders of Common Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Senior Preferred Stock were entitled immediately prior to such event under the proviso of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Neither the consolidation, merger or other business combination of the Corporation with or into any other Person or Persons nor the sale, lease, exchange or conveyance of all or any part of the property, assets or business of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Section 5.

Section 6. Conversion. Each share of Senior Preferred Stock may, at the option of the holder thereof, be converted into shares of Voting Common Stock of the Corporation on the terms and conditions set forth in this Section 6 at any time or from time to time.

(a) Subject to the provisions for adjustment hereinafter set forth, each share of Senior Preferred Stock shall be convertible in the manner hereinafter set forth into one fully paid and nonassessable share of Voting Common Stock.

(b) The number of shares of Voting Common Stock into which each share of Senior Preferred Stock is convertible shall be subject to adjustment from time to time as follows:

(i) In case the Corporation shall at any time (w) pay a dividend or make a distribution on the Common Stock in shares of its capital stock, (x) subdivide the outstanding shares of Common Stock, (y) combine the outstanding shares of Common Stock into a smaller number of shares, or (z) issue any shares of its capital stock by reclassification of the shares of Common Stock (including any such reclassification in connection with a consolidation or merger in which the Corporation is the surviving corporation), the number of shares of Voting Common Stock into which each share of Senior Preferred Stock is convertible at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the holder of each share of Senior Preferred Stock shall be entitled to receive upon conversion thereof the aggregate number and kind of shares which, if such share of Senior Preferred Stock had been converted immediately prior to such time or date, the holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. Such adjustment shall be effective upon the effective date of such event, retroactive to the record date, if any, for such event, and shall be made successively whenever any event listed above shall occur.

(ii) In case the Corporation shall issue to all holders of Common Stock rights, options or warrants to subscribe for or purchase Common Stock at a price per share less than the Fair Market Value per share of the Common Stock on the record date for the determination of stockholders entitled to receive such rights, options or warrants, then, and in each such case, (A) the number of shares of Voting Common Stock into which each share of Senior Preferred Stock is convertible shall be adjusted so that the holder of each share thereof shall be entitled to receive, upon the conversion thereof, the number of shares of Voting Common Stock determined by multiplying the number of shares of Voting Common Stock into which such share was convertible on the day immediately prior to such record date by a fraction, (I) the numerator of which is the sum of (1) the number of shares of Common Stock outstanding on such record date and (2) the number of additional shares of Common Stock which such rights, options or warrants entitle holders thereof to subscribe for or purchase ("Offered Shares"), and (II) the denominator of which is the sum of (1) the number of shares of Common Stock outstanding on the record date and (2) the number of Offered Shares multiplied by a fraction, (x) the numerator of which is the subscription or purchase price per share of the Offered Shares and (y) the denominator of which is the Fair market Value per share of Common Stock on such record date; and (B) such adjustment shall become effective immediately after such issuance, retroactive to such record date.

(c) If any adjustment in the number of shares of Voting Common Stock into which each share of Senior Preferred Stock may be converted pursuant to this Section 6 would result in an increase or decrease of less than 1% in the number of shares of Voting Common Stock into which each share of Senior Preferred Stock is then convertible, the amount of any such adjustment shall be carried forward and adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment, which, together with such amount and any other amount or amounts so carried forward, shall aggregate at least 1% of the number of shares of Voting Common Stock into which each share of Senior Preferred Stock is then convertible.

(d) The Board of Directors may increase the number of shares of Voting Common Stock into which each share of Senior Preferred Stock may be converted, in addition to the adjustments required by this Section 6, as shall be determined (as evidenced by a resolution of the Board of Directors) to be advisable in order to avoid or diminish any income deemed be received by any holder for federal income tax purposes of shares of Voting Common Stock or Senior Preferred Stock resulting from any events or occurrences giving rise to adjustments pursuant to this Section 6 or from any other similar event.

(e) The holder of any shares of Senior Preferred Stock may exercise his right to convert such shares into shares of Voting Common Stock by surrendering for such purpose to the Corporation, at its principal office or at such other office or agency maintained by the Corporation for that purpose, a certificate or certificates representing the shares of Senior Preferred Stock to be converted accompanied by a written notice stating that such holder elects to convert all or a specified whole number of such shares in accordance with the provisions of this Section 6 and specifying the name or names in which such holder wishes the certificate or

certificates for shares of voting Common Stock to be issued. In case such notice shall specify a name or names other than that of such holder, such notice shall be accompanied by payment of all transfer taxes payable upon the issuance of shares of Voting Common Stock (or other securities) in such name or names. Other than such taxes, the Corporation will pay any and all transfer and other taxes (other than taxes based on income) that may be payable in respect of any issue or delivery of shares of Voting Common Stock on conversion of Senior Preferred Stock pursuant hereto. As promptly as practicable, and in any event within five business days after the surrender of such certificate or certificates and the receipt of such notice relating thereto and, if applicable, payment of all transfer taxes (or the demonstration to the satisfaction of the Corporation that such taxes have been paid), the Corporation shall deliver or cause to be delivered (i) certificates representing the number of validly issued, fully paid and nonassessable full shares of Voting Common Stock to which the holder of shares of Senior Preferred Stock so converted shall be entitled and (ii) if less than the full number of shares of Senior Preferred Stock evidenced by the surrendered certificate or certificates are being converted, a new certificate or certificates, of like tenor, for the number of shares evidenced by such surrendered certificate or certificates less the number of shares converted. Such conversion shall be deemed to have been made at the close of business on the date of giving of such notice and of such surrender of the certificate or certificates representing the shares of Senior Preferred Stock to be converted so that the rights of the holder thereof as to the shares being converted shall cease except for the right to receive shares of Voting Common Stock in accordance herewith, and any person entitled to receive the shares of Common Stock shall be treated for all purposes as having become the record holder of such shares of Voting Common Stock at such time.

(f) Upon conversion of any shares of Senior Preferred Stock, the holder thereof shall be entitled to receive in cash any accumulated, accrued or unpaid dividends in respect of the shares so converted.

(g) In connection with the conversion of any shares of Senior Preferred Stock, no fractions of shares of Voting Common Stock shall be issued, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Fair Market Value, as determined in good faith by the Board of Directors, per share of Voting Common Stock, on the day on which such shares of Senior Preferred Stock are deemed to have been converted.

(h) The Corporation shall at all times reserve and keep available out of its authorized and unissued Voting Common Stock, solely for the purpose of effecting the conversion of the Senior Preferred Stock, such number of shares of Voting Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding shares of Senior Preferred Stock. The Corporation shall from time to time, subject to and in accordance with the laws of Pennsylvania, increase the authorized amount of Voting Common Stock if at any time the number of authorized shares of Voting Common Stock remaining unissued shall not be sufficient to permit the conversion at such time of all then outstanding shares of Senior Preferred Stock.

Section 7. Reports as to Adjustments. Whenever the number of shares of Voting Common Stock into which each share of Senior Preferred Stock is convertible is adjusted as provided in Section 6 hereof, the Corporation shall promptly mail to the holders of record of the outstanding shares of Senior Preferred Stock at their respective addresses as the same shall

appear in the Corporation's stock records a notice stating the number of shares of Voting Common Stock into which the shares of Senior Preferred Stock are convertible and setting forth the new number of shares of Voting Common Stock (or describing the new stock securities, cash or other property) into which each share of Senior Preferred Stock is convertible as a result of such adjustment, a brief statement of the facts requiring such adjustment and the computation thereof, and when such adjustment became effective.

Section 8. No Redemption. The shares of Senior Preferred Stock shall not be redeemable. The Corporation shall not, directly or indirectly, purchase or otherwise acquire any shares of Senior Preferred Stock except pursuant to a pro rata offer made in writing, on identical terms to each holder of Senior Preferred Stock at the time outstanding.

Section 9. Rank. The Senior Preferred Stock shall rank senior to each other class or series of capital stock of the Corporation, with respect to the payment of dividends and the distribution of assets, upon liquidation, dissolution or winding up of the Corporation.

Section 10. Definitions. For the purposes of this Article X:

"Fair Market Value" means the amount which a willing buyer would pay a willing seller in an arm's-length transaction, neither being under any compulsion to buy or sell (as determined by the Board of Directors, whose determination shall be evidenced by a resolution and shall be conclusive).

"Person" shall mean any individual, firm, corporation or other entity and shall include any successor (by merger or otherwise) of such entity. "Subsidiary" of any Person means any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

ARTICLE XI. The name and address of the incorporator are as follows: Carol A. Soltes, 435 Sixth Avenue, Pittsburgh, Pennsylvania 15219.

IN WITNESS WHEREOF, the incorporator has signed these Articles of Incorporation, this 12th day of November, 2004.

By: /s/ Carol A. Soltes

Carol A. Soltes

Exhibit 3.2

BYLAWS

OF

KI Holdings Inc.
(a Pennsylvania Corporation)

ARTICLE I

Offices and Fiscal Year

Section 1.01. Registered Office. The registered office of the corporation in the Commonwealth of Pennsylvania shall be at 436 Seventh Avenue, Pittsburgh, PA 15219 until otherwise established by an amendment of the articles of incorporation (the "articles") or by the Board of Directors and a record of such change is filed with the Pennsylvania Department of State in the manner provided by law.

Section 1.02. Other Offices. The corporation may also have offices at such other places within or without the Commonwealth of Pennsylvania as the Board of Directors may from time to time appoint or the business of the corporation may require.

Section 1.03. Fiscal Year. The fiscal year of the corporation shall begin on the 1st day of January in each year.

ARTICLE II

Notice—Waivers—Meetings Generally

Section 2.01. Manner of Giving Notice.

General Rule. Whenever written notice is required to be given to any person under the provisions of the Pennsylvania Business Corporation Law of 1988 (the "Business Corporation Law") or by the articles or these bylaws, it may be given to the person either personally or by sending a copy thereof by first class or express mail, postage prepaid, or by courier service, charges prepaid, or by facsimile transmission, to the address (or to the facsimile number) of the person appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. If the notice is sent by mail or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a courier service for delivery to that person or, in the case of facsimile transmission, when received. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

Section 2.02. Notice of Meetings of Board of Directors. Notice of a regular meeting of the Board of Directors need not be given. Notice of every special meeting of the Board of Directors shall be given to each director by telephone or in writing at least five days before the

time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

Section 2.03. Notice of Meetings of Shareholders.

(a) General Rule. Written notice of every meeting of the shareholders shall be given by, or at the direction of, the secretary or other authorized person to each shareholder of record entitled to vote at the meeting at least (1) ten days prior to the day named for a meeting called to consider a fundamental change under 15 Pa. C.S.A. Chapter 19 or (2) five days prior to the day named for the meeting in any other case. If the secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted.

(b) Notice of Action by Shareholders on Bylaws. In the case of a meeting of shareholders that has as one of its purposes action on the bylaws, written notice shall be given to each shareholder that the purpose, or one of the purposes, of the meeting is to consider the adoption, amendment or repeal of the bylaws. There shall be included in, or enclosed with, the notice a copy of the proposed amendment or a summary of the changes to be affected thereby.

(c) Adjourned Shareholder Meetings. When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting in which event notice shall be given in accordance with this Section 2.03.

Section 2.04. Waiver of Notice.

(a) Written Waiver. Whenever any written notice is required to be given under the provisions of the Business Corporation Law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting.

(b) Waiver by Attendance. Attendance of a person at any meeting shall constitute a waiver of notice of the meeting except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

Section 2.05. Modification of Proposal Contained in Notice. Whenever the language of a proposed resolution is included in a written notice of a meeting required to be given under the provisions of the Business Corporation Law or the articles or these bylaws, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

Section 2.06. Exception to Requirement of Notice.—Shareholders Without Forwarding Addresses. Notice or other communications need not be sent to any shareholder with whom the

corporation has been unable to communicate for more than 24 consecutive months because communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the corporation with a current address. Whenever the shareholder provides the corporation with a current address, the corporation shall commence sending notices and other communications to the shareholder in the same manner as to other shareholders.

Section 2.07. Use of Conference Telephone and Similar Equipment. Any director may participate in any meeting of the Board of Directors, and the Board of Directors may provide by resolution with respect to a specific meeting or with respect to a class of meetings that one or more persons may participate in a meeting of the shareholders of the corporation, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

ARTICLE III

Shareholders

Section 3.01. Place of Meeting. All meetings of the shareholders of the corporation shall be held at the registered office of the corporation unless another place is designated by the Board of Directors in the notice of a meeting.

Section 3.02. Annual Meeting. The Board of Directors may fix and designate the date and time of the annual meeting of the shareholders, but if no such date and time is fixed and designated by the board, the meeting for any calendar year shall be held on the third Wednesday of April in such year, if not a legal holiday under the laws of the Commonwealth of Pennsylvania, and, if a legal holiday, then on the next succeeding business day, not a Saturday, at 10:00 a.m. Subject to the terms of the Stockholders' Agreement by and among the corporation, Koppers Inc., Saratoga Partners III, L.P. and the Management Investors (as amended from time to time, the "Stockholders' Agreement"), nominations for the election of directors may be made by any shareholder entitled to vote for the election of directors.

Section 3.03. Special Meetings. Special meetings of the shareholders may be called at any time by resolution of the Board of Directors, which may fix the date, time and place of the meeting. If the board does not fix the date, time or place of the meeting, it shall be the duty of the secretary to do so. A date fixed by the secretary shall not be more than 60 days after the date of the adoption of the resolution of the board calling the special meeting.

Section 3.04. Quorum and Adjournment, General Rule. A meeting of shareholders of the corporation duly called shall not be organized for the transaction of business unless a quorum is present. The presence of representatives of a majority of the shareholders shall constitute a quorum for the purposes of acting on any matter; provided, however, that such presence shall be deemed satisfied as to any representative if the corporation shall have given such representative the notice required by the bylaws and shall have complied with such requests as may be reasonably made by such representative to permit his or her presence at such meeting. At any meeting in which representatives from each of Saratoga Partners III, L.P. and the Management Investors are not present, no waiver of notice shall be permitted.

Section 3.05. Action by Shareholders. Except as otherwise provided in the Business Corporation Law, the articles, these bylaws or the Stockholders' Agreement, whenever any corporate action is to be taken by vote of the shareholders of the corporation, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon.

Section 3.06. Organization. At every meeting of the shareholders, the chairman of the board, if there be one, or, in the case of vacancy in office or absence of the chairman of the board, one of the following persons present in the order stated: the Chief Executive Officer, the President, the vice presidents in their order of rank and seniority, or a person chosen by vote of the shareholders present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary shall act as secretary of the meeting.

Section 3.07. Voting Rights of Shareholders. Unless otherwise provided in the articles, every shareholder of the corporation shall be entitled to one vote for every share outstanding in the name of the shareholder on the books of the corporation.

Section 3.08. Voting and Other Action by Proxy.

(a) General Rule.

(1) Every shareholder entitled to vote at a meeting of shareholders may authorize another person to act for the shareholder by proxy.

(2) The presence of, or vote or other action at a meeting of shareholders by a proxy of a shareholder shall constitute the presence of, or vote or action by the shareholder.

(b) Execution and Filing. Every proxy shall be executed in writing by the shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with the secretary of the corporation. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the secretary of the corporation. An unrevoked proxy shall not be valid after three years from the date of its execution unless a longer time is expressly provided therein.

Section 3.09. Voting by Fiduciaries and Pledgees. Shares of the corporation standing in the name of a trustee or other fiduciary and shares held by an assignee for the benefit of creditors or by a receiver may be voted by the trustee, fiduciary, assignee or receiver. A shareholder whose shares are pledged shall be entitled to vote the shares until the shares have been transferred into the name of the pledgee, or a nominee of the pledgee, but nothing in this section shall affect the validity of a proxy given to a pledgee or nominee.

Section 3.10. Voting by Joint Holders of Shares, General Rule. Where shares of the corporation are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise:

(a) if only one or more of such persons is present in person or by proxy, all of the shares standing in the names of such persons shall be deemed to be represented for the purpose of determining a quorum and the corporation shall accept as the vote of all the shares the vote case by a joint owner or a majority of them; and

(b) if the persons are equally divided upon whether the shares held by them shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among the persons without prejudice to the rights of the joint owners or the beneficial owners thereof among themselves.

Section 3.11. Voting by Corporations.

(a) Voting by Corporate Shareholders. Any corporation that is a shareholder of this corporation may vote at meetings of shareholders of this corporation by any of its officers or agents, or by proxy appointed by any officer or agent, unless some other person, by resolution of the Board of Directors of the other corporation or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the secretary of this corporation, is appointed its general or special proxy in which case that person shall be entitled to vote the shares.

(b) Controlled Shares. Shares of this corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the Board of Directors of this corporation, as such, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for voting purposes at any given time.

ARTICLE IV

Board of Directors

Section 4.01. Powers; Personal Liability.

(a) General Rule. Unless otherwise provided by statute, all powers vested by law in the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors.

(b) Personal Liability of Directors.

(1) A director shall not be personally liable, as such, for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless: (i) the director has breached or failed to perform the duties of his or her office under Subchapter 17B of the Business Corporation Law or any successor provision; and (ii) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

(2) The provisions of paragraph (1) shall not apply to the responsibility or liability of a director pursuant to any criminal statute, or the liability of a director for the payment of taxes pursuant to local, State or Federal law.

(c) Notation of Dissent. A director of the corporation who is present at a meeting of the Board of Directors, or of a committee of the board, at which action on any corporate matter is taken on which the director is generally competent to act, shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the director files his or her written dissent to the action with the secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the director notifies the secretary, in writing, of the asserted omission or inaccuracy.

Section 4.02. Selection of Directors. The number, qualifications, manner of election, time and place of meeting, compensation and powers and duties of the directors of the corporation shall be fixed from time to time by or pursuant to these bylaws and the Stockholders' Agreement.

Section 4.03. Number and Term of Office.

(a) Number.—The Board of Directors shall consist of such number of directors as may be determined from time to time by resolution of the Board of Directors in accordance with the provisions of the Stockholders' Agreement.

(b) Term of Office. Each director shall hold office as provided in the Stockholders' Agreement.

Section 4.04. Place of Meetings. Meetings of the Board of Directors may be held at such place within or without the Commonwealth of Pennsylvania as the Board of Directors may from time to time appoint or as may be designated in the notice of the meeting.

Section 4.05. Organization of Meetings. At every meeting of the Board of Directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the chairman of the board, one of the following officers present in the order stated: the Chief Executive Officer, the President, the vice presidents in their order of rank and seniority, or a person chosen by a majority of the directors present, shall act as chairman of the meeting. The secretary or, in the absence of the secretary, an assistant secretary shall act as secretary of the meeting.

Section 4.06. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors.

Section 4.07. Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the chairman or by two or more of the directors.

Section 4.08. Quorum of and Action by Directors.

(a) General Rule. A majority of the directors in office of the corporation shall be necessary to constitute a quorum for the transaction of business and, except as set forth in the Stockholders' Agreement, the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the Board of Directors.

(b) Action by Written Consent. Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the directors in office is filed with the secretary of the corporation.

Section 4.09. Committees.

(a) Establishment and Powers. The Board of Directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the corporation. There shall be a Human Resources and Compensation Committee, an Audit Committee, a Pension Committee, a Finance Committee, and a Corporate Governance and Nominating Committee. The Human Resources and Compensation Committee may determine to retain an independent compensation consultant to assist it in carrying out its duties. Each of these committees shall consist of not less than three members of the Board of Directors. The Audit Committee must be comprised solely of directors independent of management and free from any relationship that in the opinion of the Board of Directors would interfere with the exercise of independent judgment.

With respect to each such committee, the Board of Directors shall, by one or more resolutions adopted by a majority of the whole board, determine the duties and responsibilities, determine the number of members, appoint the members and the committee chair and fill each vacancy occurring in the membership.

Section 4.10. Compensation. The Board of Directors shall have the authority to fix the compensation of directors for their services as directors and a director may be a salaried officer of the corporation.

ARTICLE V

Officers

Section 5.01. Officers Generally.

(a) Number, Qualifications and Designation. The officers of the corporation shall be a President and Chief Executive Officer, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers as may be elected in accordance with the provisions of Section 5.03. Officers may but need not be directors or shareholders of the corporation. The Board of Directors may elect from among the members of the board a chairman of the board and a vice chairman of the board.

(b) Bonding. The corporation may secure the fidelity of any or all of its officers by bond or otherwise.

(c) Standard of Care. In lieu of the standards of conduct otherwise provided by law, officers of the corporation shall be subject to the same standards of conduct, including standards of care and loyalty and rights of justifiable reliance, as shall at the time be applicable to directors of the corporation. An officer of the corporation shall not be personally liable, as such, to the corporation or its shareholders for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless the officer has breached or failed to perform the duties of his or her office under the articles of incorporation, these bylaws, or the applicable provisions of law and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection shall not apply to the responsibility or liability of an officer pursuant to any criminal statute or for the payment of taxes pursuant to local, state or federal law.

Section 5.02. Election, Term of Office and Resignations.

(a) Election and Term of Office. The officers of the corporation, except those elected by delegated authority pursuant to Section 5.03, shall be elected annually by the Board of Directors, and each such officer shall hold office for a term of one year and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

(b) Resignations. Any officer may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as may be specified in the notice of resignation.

Section 5.03. Subordinate Officers, Committees and Agents. The Board of Directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require. The Board of Directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

Section 5.04. Removal of Officers and Agents. Any officer or agent of the corporation may be removed by the Board of Directors with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 5.05. Authority. General Rule. All officers of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the Board of Directors or, in the absence of controlling provisions in the resolutions or orders of the Board of Directors, as may be determined by or pursuant to these bylaws.

Section 5.06. The Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors at which he is present and shall call meetings of the board and board committees when he deems them necessary. Unless otherwise precluded from doing so by these bylaws, he may be a member of the committees of the board. He shall act as chairman at all meetings of the shareholders at which he is present unless he elects that the Chief Executive Officer shall so preside. The Chairman of the Board may be designated by the board as an officer of the corporation and may be elected by the board as the Chief Executive Officer. The Chairman of the Board shall perform all duties as may be assigned to him by the Board of Directors.

Section 5.07. The President and Chief Executive Officer. The President shall have such powers and duties as may, from time to time, be prescribed by the Board of Directors. Unless the Board of Directors shall otherwise direct, the President shall be the Chief Executive Officer of the corporation.

The Chief Executive Officer shall have general charge of the affairs of the corporation, subject to the control of the Board of Directors. He may appoint all officers and employees of the corporation for whose election no other provision is made in these bylaws, and may discharge or remove any officer or employee, subject to action thereon by the Board of Directors as required by these bylaws. He shall be the officer through whom the board delegates authority to corporate management, and shall be responsible to see that all orders and resolutions of the board are carried into effect by the proper officers or other persons. He shall also perform all duties as may be assigned to him by the Board of Directors. The Chief Executive Officer shall sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the Board of Directors, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, or by these bylaws, to some other officer or agent of the corporation.

Section 5.08. The Vice Presidents. The Vice Presidents shall perform such duties as may from time to time be assigned to them by the Board of Directors or the President.

Section 5.09. The Secretary. The Secretary or an Assistant Secretary shall attend all meetings of the shareholders and of the Board of Directors and all committees thereof and shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the Board of Directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of Secretary, and such other duties as may from time to time be assigned by the board or the President.

Section 5.10. The Treasurer. The Treasurer or an Assistant Treasurer shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as treasurer in such banks or other places of deposit as the board may from time to time designate; shall, whenever so required by the board, render an account showing all transactions as Treasurer, and the financial condition of the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board or the President.

ARTICLE VI

Certificates of Stock, Transfer, Etc.

Section 6.01. Share Certificates.

(a) Form of Certificates. Certificates for shares of the corporation shall be in such form as approved by the Board of Directors, and shall state that the corporation is incorporated under the laws of the Commonwealth of Pennsylvania, the name of the person to whom issued, and the number and class of shares and the designation of the series (if any) that the certificate represents. If the corporation is authorized to issue shares of more than one class or series, certificates for shares of the corporation shall state on the face or back of the certificate that the corporation will furnish to any shareholder upon request and without charge, a full or summary statement of the designations, voting rights, preferences, limitations and special rights of the shares of each class or series authorized to be issued so far as they have been fixed and determined and the authority of the board to fix and determine the designations, voting rights, preferences, limitations and special rights of the classes and series of shares of the corporation.

(b) Share Register. The share register or transfer books and blank share certificates shall be kept by the Secretary or by any transfer agent or registrar designated by the Board of Directors for that purpose.

Section 6.02. Certificates of Stock. The shares of stock of the corporation shall be represented by certificates of stock, signed by the President or one of the Vice Presidents or other officer designated by the board, countersigned by the Secretary or an Assistant Secretary and sealed with the corporate seal of the corporation; and if such certificates of stock are signed or countersigned by a corporate transfer agent or a corporate registrar of this corporation, such signature of the President, Vice President or other officer, such counter-signature of the Secretary or Assistant Secretary, and such seal, or any of them, may be executed in facsimile, engraved or printed.

ARTICLE VII

Indemnification of Directors, Officers and
Other Authorized Representatives

Section 7.01. Scope of Indemnification.

(a) General Rule. The corporation shall indemnify an indemnified representative against any liability incurred in connection with any proceeding in which the indemnified representative may be involved as a party or otherwise by reason of the fact that such person is or was serving in an indemnified capacity, including, without limitation, liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence or act giving rise to strict or products liability, except:

(1) where such indemnification is expressly prohibited by applicable law;

(2) until such time as the conduct of the indemnified representative has been finally determined pursuant to Section 7.06 or otherwise: (i) to constitute willful misconduct or recklessness within the meaning of 15 Pa. C.S.A. § 1746(b) or any superseding provision of law sufficient in the circumstances to bar indemnification against liabilities arising from the conduct; or (ii) to be based upon or attributable to the receipt by the indemnified representative from the corporation of a personal benefit to which the indemnified representative is not legally entitled; or (3) to the extent such indemnification has been finally determined in a final adjudication pursuant to Section 7.06 to be otherwise unlawful.

(b) Partial Payment. If an indemnified representative is entitled to indemnification in respect of a portion, but not all, of any liabilities to which such person may be subject, the corporation shall indemnify such indemnified representative to the maximum extent for such portion of the liabilities.

(c) Presumption. The termination of a proceeding by judgment, order, settlement or conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the indemnified representative is not entitled to indemnification.

(d) Definitions. For purposes of this article:

(1) “indemnified capacity” means any and all past, present and future service by an indemnified representative in one or more capacities as a director, officer, employee or agent of the corporation, or, at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise;

(2) “indemnified representative” means any and all directors and officers of the corporation and any other person designated as an indemnified representative by the Board of Directors of the corporation (which may, but need not, include any person serving at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise);

(3) “liability” means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to an employee benefit plan, or cost or expense of any nature (including, without limitation, attorneys’ fees and disbursements); and

(4) “proceeding” means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the corporation, a class of its security holders or otherwise.

Section 7.02. Proceedings Initiated by Indemnified Representatives. Notwithstanding any other provision of this article, the corporation shall not indemnify under this article an indemnified representative for any liability incurred in a proceeding initiated (which shall not be

deemed to include counter claims or affirmative defenses) or participated in as an intervenor or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceeding is authorized, either before or after its commencement, by the affirmative vote of a majority of the directors in office. This section does not apply to reimbursement of expenses incurred in successfully prosecuting or defending an arbitration under Section 7.06 or otherwise successfully prosecuting or defending the rights of an indemnified representative granted by or pursuant to this article.

Section 7.03. Advancing Expenses. The corporation shall pay the expenses (including attorneys' fees and disbursements) incurred in good faith by an indemnified representative in advance of the final disposition of a proceeding described in Section 7.01 or the initiation of or participation in a proceeding which is authorized pursuant to Section 7.02 upon receipt of an undertaking by or on behalf of the indemnified representative to repay the amount if it is ultimately determined pursuant to Section 7.06 that such person is not entitled to be indemnified by the corporation pursuant to this article. The financial ability of an indemnified representative to repay an advance shall not be a prerequisite to the making of such advance.

Section 7.04. Securing of Indemnification Obligations. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the corporation may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the corporation, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Board of Directors shall deem appropriate. Absent fraud, the determination of the Board of Directors with respect to such amounts, costs, terms and conditions shall be conclusive against all security holders, officers and directors and shall not be subject to voidability.

Section 7.05. Payment of Indemnification. An indemnified representative shall be entitled to indemnification within 30 days after a written request for indemnification has been delivered to the secretary of the corporation.

Section 7.06. Arbitration.

(a) General Rule. Any dispute related to the right to indemnification, contribution or advancement of expenses as provided under this article, except with respect to indemnification for liabilities arising under the Securities Act of 1933 that the corporation has undertaken to submit to a court for adjudication, shall be decided by arbitration in Pittsburgh, Pennsylvania, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before a single arbitrator selected by agreement of the parties. In the event that the parties cannot agree upon the selection of an arbitrator within ten (10) days after arbitration is initiated, the parties agree that the American Arbitration Association in Pittsburgh, Pennsylvania will select the arbitrator.

(b) Arbitration Procedures. The arbitrator shall decide the dispute or controversy in accordance with the following procedures:

(1) Within ten (10) days of the selection of an arbitrator, each party shall submit to the arbitrator its written position (the "Initial Submission") provided that neither memorandum of position shall exceed 10 pages, double spaced plus such documentary evidence as the parties deem necessary. In connection with the Initial Submission, neither of the parties may submit (and the arbitrator may not accept) any additional documentation (including affidavits).

(2) Within ten (10) days of the delivery of the Initial Submission, each party may submit to the arbitrator a reply memorandum (the "Reply Submission"), provided that neither reply memorandum shall exceed 5 pages, double spaced. In connection with the Reply Submission, neither of the parties may submit (and the arbitrator may not accept) any additional documentation (including affidavits).

(3) Within ten (10) days of the expiration of the period for the delivery of the Reply Submission, the arbitrator, if he or she deems it necessary or advisable, may call a hearing which may be by telephone conference (the "Hearing"). At any Hearing, the arbitrator may ask representatives and counsel for the parties questions with respect to the issue to be decided and positions of the parties. In connection with the Hearing, neither of the parties may offer (and the arbitrator may not accept) any testimony or additional documentation (including affidavits).

(4) Within seven (7) days after the later to occur, if such is to occur, of (i) the Hearing or (ii) the Reply Submission, the arbitrator shall render his or her decision.

(5) The arbitrator shall notify promptly the parties in writing of the decision, together with the amount of any dispute resolution costs arising with respect thereto (the "Notice of Decision"). The Notice of Decision need not contain an explanation of the decision or grounds therefor.

(6) The decision entered by the arbitrator shall be final, binding and nonappealable and judgment may be entered thereon by any party in accordance with applicable law in any court of competent jurisdiction, except that the corporation shall be entitled to interpose as a defense in any such judicial enforcement proceeding any prior final judicial determination adverse to the indemnified representative under Section 7.01(a)(2) in a proceeding not directly involving indemnification under this article. This arbitration provision shall be specifically enforceable.

(c) Qualifications of Arbitrator. The arbitrator selected as provided herein is required to be or have been a director or executive officer of a corporation whose shares of common stock were listed during at least one year of such service on the New York Stock Exchange or the American Stock Exchange or quoted on the National Association of Securities Dealers Automated Quotations System.

(d) Burden of Proof. The party or parties challenging the right of an indemnified representative to the benefits of this article shall have the burden of proof.

(e) Expenses. The corporation shall reimburse an indemnified representative for the expenses (including attorneys' fees and disbursements) incurred in successfully prosecuting or defending such arbitration.

Section 7.07. Contribution. If the indemnification provided for in this article or otherwise is unavailable for any reason in respect of any liability or portion thereof, the corporation shall contribute to the liabilities to which the indemnified representative may be subject in such proportion as is appropriate to reflect the intent of this article or otherwise.

Section 7.08. Contract Rights; Amendment or Repeal. All rights under this article shall be deemed a contract between the corporation and the indemnified representative pursuant to which the corporation and each indemnified representative intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing.

Section 7.09. Scope of Article. The rights granted by this article shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution or advancement of expenses may be entitled under any statute, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an indemnified capacity and as to action in any other capacity. The indemnification, contribution and advancement of expenses provided by or granted pursuant to this article shall continue as to a person who has ceased to be an indemnified representative in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

Section 7.10. Reliance on Provisions. Each person who shall act as an indemnified representative of the corporation shall be deemed to be doing so in reliance upon the rights of indemnification, contribution and advancement of expenses provided by this article.

Section 7.11. Interpretation. The provisions of this article are intended to constitute bylaws authorized by 15 Pa. C.S.A. § 1746.

ARTICLE VIII

Miscellaneous

Section 8.01. Corporate Seal. The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details as may be approved by the Board of Directors. The affixation of the corporate seal shall not be necessary to the valid execution, assignment or endorsement by the corporation of any instrument or other document.

Section 8.02. Checks. All checks, notes, bills of exchange or other similar orders in writing shall be signed by such one or more officers or employees of the corporation as the Board of Directors may from time to time designate.

Section 8.03. Contracts.

(a) General Rule. Except as otherwise provided in the Business Corporation Law in the case of transactions that require action by the shareholders, the Board of Directors may authorize any officer or agent to enter into any contract or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

(b) Statutory Form of Execution of Instruments. Any note, mortgage, evidence of indebtedness, contract or other document, or any assignment or endorsement thereof, executed or entered into between the corporation and any other person, when signed by one or more officers or agents having actual or apparent authority to sign it, or by the President or Vice President and Secretary or Assistant Secretary or Treasurer or Assistant Treasurer of the corporation, shall be held to have been properly executed for and in behalf of the corporation, without prejudice to the rights of the corporation against any person who shall have executed the instrument in excess of his or her actual authority.

Section 8.04. Corporate Records.

(a) Required Records. The corporation shall keep complete and accurate books and records of account, minutes of the proceedings of the incorporators, shareholders and directors and a share register giving the names and addresses of all shareholders and the number and class of shares held by each. The share register shall be kept at either the registered office of the corporation in the Commonwealth of Pennsylvania or at its principal place of business wherever situated or at the office of its registrar or transfer agent. Any books, minutes or other records may be in written form or any other form capable of being converted into written form within a reasonable time.

(b) Right of Inspection. Every shareholder shall, upon written verified demand stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business for any proper purpose, the share register, books and records of account, and records of the proceedings of the incorporators, shareholders and directors and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of the person as a shareholder. In every instance where an attorney or other agent is the person who seeks the right of inspection, the demand shall be accompanied by a verified power of attorney or other writing that authorizes the attorney or other agent to so act on behalf of the shareholder. The demand shall be directed to the corporation at its registered office in the Commonwealth of Pennsylvania or at its principal place of business wherever situated.

Exhibit 4.3

EXECUTION COPY

KI HOLDINGS INC.

Issuer

9 7/8% Senior Discount Notes Due 2014

INDENTURE

Dated as of November 18, 2004

THE BANK OF NEW YORK
Trustee

CROSS-REFERENCE TABLE

TIA Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(b)	7.08; 7.10
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.05
(b)	10.03
(c)	10.03
313(a)	7.06
(b)(1)	7.06
(b)(2)	7.06
(c)	10.02
(d)	7.06
314(a)	4.02; 4.09; 4.12; 10.02
(b)	N.A.
(c)(1)	10.04
(c)(2)	10.04
(c)(3)	10.04
(d)	N.A.
(e)	10.05
(f)	N.A.
315(a)	7.01
(b)	7.05; 10.02
(c)	7.01
(d)	7.01
(e)	6.11
316(a)(last sentence)	10.06
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.07
(c)	9.04
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318(a)	10.01
(b)	N.A.
(c)	N.A.

N.A. means Not Applicable.

Note: This Cross-Reference Table shall not, for any purpose, be deemed to be part of the Indenture.

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INDENTURE dated as of November 18, 2004, between KI HOLDINGS INC, a Pennsylvania corporation (the "**Company**"), and The Bank of New York, a New York Banking corporation (the "**Trustee**").

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Company's 9 7/8% Senior Discount Notes Due 2014 (the "**Initial Securities**") and, if and when issued pursuant to a registered exchange for Initial Securities, the Company's 9 7/8% Senior Discount Notes Due 2014 (the "**Exchange Securities**") and, if and when issued pursuant to a private exchange for Initial Securities, the Company's 9 7/8% Senior Discount Notes Due 2014 (the "**Private Exchange Securities**", and together with the Exchange Securities and the Initial Securities collectively, the "**Securities**"):

Article 1

Definitions and Incorporation by Reference

SECTION 1.01 Definitions.

"**Accreted Value**" means, as of any date (the "**Specified Date**"), the amount provided below for each $1,000 principal amount at maturity of Securities:

(1) if the Specified Date occurs on one of the following dates (each, a "**Semi-Annual Accrual Date**"), the Accreted Value shall equal the amount set forth below for such Semi-Annual Accrual Date:

Semi-Annual Accrual Date	Accreted Value
Issue Date	$ 618.08
May 15, 2005	$ 648.08
November 15, 2005	$ 680.08
May 15, 2006	$ 713.66
November 15, 2006	$ 748.89
May 15, 2007	$ 785.87
November 15, 2007	$ 824.67
May 15, 2008	$ 865.39
November 15, 2008	$ 908.11
May 15, 2009	$ 952.95
November 15, 2009	$ 1,000.00

(2) if the Specified Date occurs between two Semi-Annual Accrual Dates, the Accreted Value shall be equal to the sum of (A) the Accreted Value for the Semi-Annual Accrual Date immediately preceding such Specified Date and (B) an amount equal to the product of (x) the Accreted Value for the immediately following Semi-Annual Accrual Date less the Accreted Value for the immediately preceding Semi-Annual Accrual Date multiplied by (y) a fraction, the numerator of which is the

number of days elapsed from the immediately preceding Semi-Annual Accrual Date to the Specified Date, using a 360-day year of 12 30-day months, and the denominator of which is 180 (or, if the Semi-Annual Accrual Date immediately preceding the Specified Date is the Issue Date, the denominator of which is the number of days from and including the Issue Date to and excluding the next Semi-Annual Accrual Date); or

(3) if the Specified Date occurs after the last Semi-Annual Accrual Date, the Accreted Value shall equal $1,000.

Notwithstanding the foregoing, if Additional Interest accrues on the Securities prior to November 15, 2009 as a result of a Registration Default under the Registration Rights Agreement, subject to the Company's option to pay Additional Interest on the Securities in cash, such Additional Interest shall be added to the Accreted Value, and the Accreted Value as of any Specified Date shall equal the sum of (A) the Accreted Value, as calculated above, as of the date such Additional Interest began to accrue, plus (B) the amount of interest that would otherwise accrue on the Accreted Value from time to time on a daily basis at a rate of interest per annum borne by the Securities plus the rate of such Additional Interest as applicable from time to time, compounded semi-annually on each Semi-Annual Accrual Date from the date such Additional Interest began to accrete through the Specified Date, computed on the basis of a 360-day year of twelve 30-day months. If such an event were to occur, the Accreted Value on and after the last Semi-Annual Accrual Date would exceed $1,000.

"**Additional Assets**" means (1) any property, plant or equipment used in a Related Business; (2) the Capital Stock of a Person that becomes a Restricted Subsidiary of the Company as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary of the Company; or (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company; provided, however, that any such Restricted Subsidiary described in clause (2) or (3) above is primarily engaged in a Related Business.

"**Additional Interest**" has the meaning set forth in the Registration Rights Agreement.

"**Additional Securities**" means Securities issued under this Indenture after the Issue Date and in compliance with Sections 2.13 and 4.03, it being understood that any Securities issued in exchange for or replacement of any Initial Security issued on the Issue Date shall not be an Additional Security, including any such Securities issued in compliance with a Registration Rights Agreement.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For

purposes of Sections 4.04, 4.06 and 4.07 only, "Affiliate" shall also mean any beneficial owner of Capital Stock representing 10% or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Company or of rights or warrants to purchase such Capital Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"**Asset Disposition**" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "**disposition**"), of:

(1) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary);

(2) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary; or

(3) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary;

(other than, in the case of clauses (1), (2) and (3) above, (A) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary, (B) for purposes of Section 4.06 only, (i) a disposition that constitutes a Restricted Payment (or would constitute a Restricted Payment but for the exclusions from the definition thereof) and that is not prohibited by Section 4.04 and (ii) a disposition of all or substantially all the assets of the Specified Person in accordance with Section 5.01; (C) a disposition of assets with a fair market value of less than $500,000; (D) a disposition of cash or Temporary Cash Investments; (E) the creation of a Lien (but not the sale or other disposition of the property subject to such Lien); (F) any disposition of receivables and related assets (including contract rights of the type described in the definition of "**Qualified Securitization Transaction**") to a Securitization Entity pursuant to a Qualified Securitization Transaction for the fair market value thereof, including cash and Temporary Cash Investments in an amount at least equal to 80% of the fair market value thereof (for purposes of this clause (F), Purchase Money Notes will be deemed to be cash); (G) any transfer of receivables and related assets (including contract rights of the type described in the definition of "**Qualified Securitization Transaction**"), or a fractional undivided interest therein, by a Securitization Entity in a Qualified Securitization Transaction); and (H) any issuance of Common Stock of Koppers Inc. to members of management, directors or employees of the Company and its Restricted Subsidiaries, in exchange for shares of Capital Stock of the Company, solely in connection with the redemption of such Koppers Inc. Common Stock).

"**Attributable Debt**" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the Koppers Inc. Existing Notes, compounded annually) of the total obligations of the lessee for rental

payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended); provided, however, that if such Sale/Leaseback Transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation".

"**Average Life**" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of or redemption or similar payment with respect to such Indebtedness multiplied by the amount of such payment by (2) the sum of all such payments.

"**Board of Directors**" with respect to a Person means the Board of Directors of such Person or any committee thereof duly authorized to act on behalf of such Board.

"**Business Day**" means each day which is not a Legal Holiday.

"**Capital Lease Obligation**" means an obligation that is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. For purposes of Section 4.10, a Capital Lease Obligation will be deemed to be secured by a Lien on the property being leased.

"**Capital Stock**" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"**Change of Control**" means the occurrence of any of the following events:

(1) prior to the first public offering of common stock of the Company, the Permitted Holders cease to be the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of a majority in the aggregate of the total voting power of the Voting Stock of the Company, whether as a result of issuance of securities of the Company, any merger, consolidation, liquidation or dissolution of the Company, or any direct or indirect transfer of securities (for purposes of this clause (1) and clause (2) below, the Permitted Holders shall be deemed to beneficially own any Voting Stock of the Company (the "**specified person**") held by any other Person (the "**parent entity**") so long as the Permitted Holders beneficially own (as so defined), directly or indirectly, in the aggregate a majority of the voting power of the Voting Stock of the parent entity);

(2) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in clause (1) above, except that for purposes of this clause (2), (x) such person shall be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time and (y) such person shall not be deemed to have "beneficial ownership" of any shares solely as a result of a voting or similar agreement entered into in connection with a merger agreement or asset sale agreement), directly or indirectly, of more than 35% of the total voting power of the Voting Stock of the Company; provided, however, that the Permitted Holders beneficially own (as defined in clause (1) above), directly or indirectly, in the aggregate a lesser percentage of the total voting power of the Voting Stock of the Company than such other person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors (for the purposes of this clause (2), such other person shall be deemed to beneficially own any Voting Stock of a specified person held by a parent entity, if such other person is the beneficial owner (as defined in this clause (2)), directly or indirectly, of more than 35% of the voting power of the Voting Stock of such parent entity and the Permitted Holders beneficially own (as defined in clause (1) above), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of such parent entity and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of such parent entity);

(3) individuals who on the Issue Date constituted the Board of Directors (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors of the Company then still in office who were either directors on the Issue Date or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office;

(4) the adoption by the Company of a plan relating to the liquidation or dissolution of the Company;

(5) the merger or consolidation of the Company with or into another Person or the merger of another Person with or into the Company, or the sale of all or substantially all the assets of the Company (determined on a consolidated basis) to another Person other than a transaction in which holders of securities that represented 100% of the Voting Stock of the Company immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) own directly or indirectly at least a majority of the voting power of the Voting Stock of the transferee Person or surviving Person in such merger or consolidation transaction immediately after such transaction;

(6) to the extent any Koppers Inc. Existing Notes are outstanding, a "Change of Control," as defined in the Koppers Inc. Existing Indenture, shall have occurred; or

(7) the failure at any time by the Company to beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, 100% of the Voting Stock of Koppers Inc. (except to the extent Koppers Inc. is merged with and into the Company in accordance with the terms of this Indenture); provided, however, any issuance or transfer of Koppers Inc. stock to members of management or directors or employees of the Company and its Restricted Subsidiaries, in exchange for KI Holdings Inc. stock held by such members of management or directors or employees solely for purposes of redeeming such Koppers Inc. stock shall not constitute a Change of Control.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Commodity Agreement**" means any forward contracts, commodity swap, commodity option or other similar financial agreement or arrangement relating to, or the value of which is dependent upon, fluctuations in commodity prices.

"**Common Stock**" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents or interests in (however designated) equity of such Person, excluding any Preferred Stock and any debt securities convertible into such equity.

"**Company**" means the party named as such in this Indenture until a successor replaces it and, thereafter, means the successor and, for purposes of any provision contained herein and required by the TIA, each other obligor on the Securities.

"**Consolidated Coverage Ratio**" means, with respect to any Person (the "**Specified Person**") as of any date of determination means the ratio of

(a) the aggregate amount of EBITDA of the Specified Person and its Restricted Subsidiaries for the period of the most recent four consecutive fiscal quarters ending at least 45 days prior to the date of such determination to

(b) Consolidated Interest Expense of the Specified Person and its Restricted Subsidiaries for such four fiscal quarters;

provided, however, that

(1) if the Specified Person or any of its Restricted Subsidiaries has Incurred any Indebtedness since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a *pro forma* basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period;

(2) if the Specified Person or any of its Restricted Subsidiaries has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, EBITDA and Consolidated Interest Expense for such period shall be calculated on a *pro forma* basis as if such discharge had occurred on the first day of such period and as if the Specified Person or such Restricted Subsidiary had not earned the interest income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness;

(3) if since the beginning of such period the Specified Person or any of its Restricted Subsidiaries shall have made any Asset Disposition, EBITDA for such period shall be reduced by an amount equal to EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to EBITDA (if negative), directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Specified Person or any of its Restricted Subsidiaries repaid, repurchased, defeased or otherwise discharged with respect to the Specified Person and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any of its Restricted Subsidiaries is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Specified Person and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(4) if since the beginning of such period the Specified Person or any of its Restricted Subsidiaries (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary of the Specified Person (or any Person which becomes a Restricted Subsidiary of the Specified Person) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving *pro forma* effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period; and

(5) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary of the Specified Person or was merged with or into the Specified Person or any of its Restricted Subsidiaries since the beginning of such period) shall have made any Asset Disposition, any Investment or acquisition of assets

that would have required an adjustment pursuant to clause (3) or (4) above if made by the Specified Person or a Restricted Subsidiary of the Specified Person during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Disposition, Investment or acquisition occurred on the first day of such period.

For purposes of this definition, whenever *pro forma* effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the *pro forma* calculations shall be determined in good faith by a responsible financial or accounting Officer of the Specified Person. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness to the extent such Interest Rate Agreement has a remaining term in excess of 12 months). If any Indebtedness is incurred under a revolving credit facility and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated based on the average daily balance of such Indebtedness for the four fiscal quarters subject to the *pro forma* calculation to the extent that such Indebtedness was incurred solely for working capital purposes.

"**Consolidated Interest Expense**" means, with respect to any Person (the "**Specified Person**") for any period, the total interest expense of the Specified Person and its consolidated Restricted Subsidiaries, plus, to the extent not included in such total interest expense, and to the extent incurred by the Specified Person or its Restricted Subsidiaries, without duplication:

(1) interest expense attributable to Capital Lease Obligations;

(2) amortization of debt discount and debt issuance cost;

(3) capitalized interest;

(4) non-cash interest expense;

(5) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(6) net payments pursuant to Hedging Obligations;

(7) dividends accrued in respect of all Preferred Stock held by Persons other than the Specified Person or a Restricted Subsidiary of the Specified Person (other than dividends payable solely in Capital Stock (other than Disqualified Stock) of the Specified Person); provided, however, that such dividends will be multiplied by a fraction, the numerator of which is one and the denominator of which is one minus the effective combined tax rate of the issuer of such Preferred Stock (expressed as a decimal) for such period (as estimated by the chief financial officer of the Specified Person in good faith);

(8) interest incurred in connection with Investments in discontinued operations;

(9) interest accruing on any Indebtedness of any other Person if such Indebtedness is in default to the extent such Indebtedness is Guaranteed by (or secured by the assets of) the Specified Person or any Restricted Subsidiary of the Specified Person; and

(10) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Specified Person) in connection with Indebtedness Incurred by such plan or trust.

"**Consolidated Net Income**" means, with respect to any Person (the "**Specified Person**") for any period, the net income of the Specified Person and its consolidated Subsidiaries; provided, however, that there shall not be included in such Consolidated Net Income:

(1) any net income of any Person (other than the Specified Person) if such Person is not a Restricted Subsidiary of the Specified Person, except that:

(A) subject to the exclusion contained in clause (4) below, the Specified Person's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Specified Person or a Restricted Subsidiary of the Specified Person as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary of the Specified Person, to the limitations contained in clause (3) below); and

(B) the Specified Person's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

(2) any net income (or loss) of any Person acquired by the Specified Person or a Subsidiary of the Specified Person in a pooling of interests transaction (or any transaction accounted for in a manner similar to a pooling of interests) for any period prior to the date of such acquisition;

(3) any net income of any Restricted Subsidiary of the Specified Person if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Specified Person, except that:

(A) subject to the exclusion contained in clause (4) below, the Specified Person's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash permitted at the date of determination to be distributed by such Restricted Subsidiary during such period to the Specified Person or another Restricted Subsidiary of the Specified Person as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary of the Specified Person, to the limitation contained in this clause); and

(B) the Specified Person's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(4) any gain (or loss) realized upon the sale or other disposition of any assets of the Specified Person, its consolidated Subsidiaries or any other Person (including pursuant to any sale-and-leaseback arrangement) which is not sold or otherwise disposed of in the ordinary course of business and any gain (or loss) realized upon the sale or other disposition of any Capital Stock of any Person;

(5) any gain or loss realized upon the discontinuation of the utility pole business of the Company and its Restricted Subsidiaries up to a cumulative aggregate amount since October 15, 2003 of $13.0 million;

(6) extraordinary gains or losses; and

(7) the cumulative effect of a change in accounting principles;

in each case, for such period. Notwithstanding the foregoing, for the purpose of Section 4.04 only, there shall be excluded from Consolidated Net Income any repurchases, repayments or redemptions of Investments, proceeds realized on the sale of Investments or return of capital to the Specified Person or any of its Restricted Subsidiaries to the extent such repurchases, repayments, redemptions, proceeds or returns increase the amount of Restricted Payments permitted pursuant to Section 4.04(a)(3)(D).

"**Corporate Trust Office**" means the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office at the dated hereof is located at 101 Barclay Street, Floor 8 West, New York, New York 10286, Attention: Corporate Trust Administration, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders and the Company).

"**Credit Agreement**" means one or more debt facilities (including the Existing Credit Agreement) or other financing arrangements (including commercial paper facilities, revolving credit loans, term loans, receivables financings, letters of credit and any debt

securities or other form of debt, convertible debt or exchangeable debt financing), in each case, as amended, supplemented, extended, replaced, renewed, restated or otherwise modified (in whole or in part and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, and any agreement (and related document) governing Indebtedness Incurred to Refinance, in whole or in part, the borrowings and commitments then outstanding or permitted to be outstanding under such debt facility or other financing arrangement or a successor debt facility or financing arrangement, whether by the same or any other lender or group of lenders or creditor or group of creditors.

"**Currency Agreement**" means any foreign exchange contract, currency swap agreement or other similar agreement with respect to currency values.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

(1) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable at the option of the holder for Indebtedness or Disqualified Stock; or

(3) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part;

in each case on or prior to the first anniversary of the Stated Maturity of the Securities; provided, however, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the first anniversary of the Stated Maturity of the Securities shall not constitute Disqualified Stock if (A) the "asset sale" or "change of control" provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the corresponding terms applicable to the Securities in Sections 4.06 and 4.09 of this Indenture and (B) any such requirement only becomes operative after compliance with such corresponding terms applicable to the Securities, including the purchase of any Securities tendered pursuant thereto.

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; provided, however, that if such Disqualified Stock could not be required to be

redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

"**EBITDA**" with respect to any Person (the "**Specified Person**") for any period means the sum of Consolidated Net Income of the Specified Person, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) all income tax expense of the Specified Person and its consolidated Restricted Subsidiaries;

(2) Consolidated Interest Expense;

(3) depreciation and amortization expense of the Specified Person and its consolidated Restricted Subsidiaries (excluding amortization expense attributable to a prepaid operating activity item that was paid in cash in a prior period); and

(4) all other non-cash charges of the Specified Person and its consolidated Restricted Subsidiaries (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period);

in each case for such period. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and non-cash charges of, a Restricted Subsidiary of the Specified Person shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income or loss of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended or otherwise made available to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

"**Equity Offering**" means any public or private sale of the common stock of the Company, other than any public offering with respect to the Company's common stock registered on Form S-8 or other issuances upon exercise of options by employees of the Company or any of its Restricted Subsidiaries.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**Existing Credit Agreement**" means the Credit Agreement dated as of May 12, 2003, by and among, the Company, certain of its Subsidiaries, the lenders referred to therein, PNC Bank, National Association, as Administrative Agent, National City Bank of Pennsylvania, as Syndication Agent, and Citizens Bank of Pennsylvania, Fleet National Bank and Wachovia Bank, National Association, as co-Documentation Agents, together with the related documents thereto (including the term loans and revolving loans thereunder, any

guarantees and security documents), as amended, extended, replaced, renewed, restated, supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, and any agreement (and related document) governing Indebtedness Incurred to Refinance, in whole or in part, the borrowings and commitments then outstanding or permitted to be outstanding under such Credit Agreement or a successor Credit Agreement.

"**Foreign Subsidiary**" means any Restricted Subsidiary of the Company that is not organized under the laws of the United States of America or any State thereof or the District of Columbia.

"**GAAP**" means generally accepted accounting principles in the United States of America as in effect as of the Issue Date, including those set forth in:

(1) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants;

(2) statements and pronouncements of the Financial Accounting Standards Board;

(3) such other statements by such other entity as approved by a significant segment of the accounting profession; and

(4) the rules and regulations of the SEC governing the inclusion of financial statements (including *pro forma* financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC.

All ratios and computations based on GAAP contained in this Indenture shall be computed in conformity with GAAP.

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement

"**Holder**" or "**Securityholder**" means the Person in whose name a Security is registered on the Registrar's books.

"**Incur**" means issue, assume, Guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Restricted Subsidiary. The term "Incurrence" when used as a noun shall have a correlative meaning.

Solely for purposes of determining compliance with Section 4.03:

(1) amortization of debt discount or the accretion of principal with respect to a non-interest bearing or other discount security;

(2) the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Capital Stock in the form of additional Capital Stock of the same class and with the same terms; and

(3) the obligation to pay a premium in respect of Indebtedness arising in connection with the issuance of a notice of redemption or making of a mandatory offer to purchase such Indebtedness;

shall not be deemed to be the Incurrence of Indebtedness.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

(1) the principal in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable, including, in each case, any premium on such indebtedness to the extent such premium has become due and payable;

(2) all Capital Lease Obligations of such Person and all Attributable Debt in respect of Sale/Leaseback Transactions entered into by such Person;

(3) all obligations of such Person issued or assumed as the deferred purchase price of property, which purchase price is due more than six months after the

date of taking delivery of title to such property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business);

(4) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (1) through (3) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following payment on the letter of credit);

(5) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Capital Stock of such Person or any Subsidiary of such Person or that are determined by the value or liquidation preference of such Capital Stock, the principal amount of such Capital Stock to be determined in accordance with this Indenture;

(6) all obligations of the type referred to in clauses (1) through (5) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee;

(7) all obligations of the type referred to in clauses (1) through (6) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets and the amount of the obligation so secured; and

(8) to the extent not otherwise included in this definition, Hedging Obligations of such Person.

Notwithstanding the foregoing, in connection with the purchase by the Company or any Restricted Subsidiary of the Company of any business, the term "Indebtedness" will exclude post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all obligations as described above; provided, however, that in the case of Indebtedness sold at a discount, the amount of such Indebtedness at any time will be the accreted value thereof at such time.

None of the following shall constitute "Indebtedness":

(1) any trade payables or other similar liabilities to trade creditors and other accrued current liabilities Incurred in the ordinary course of business as the deferred purchase price of property;

(2) any liability for Federal, state, local or other taxes owed or owing by such Person;

(3) amounts due in the ordinary course of business to royalty and working interest owners;

(4) obligations arising from guarantees to suppliers, lessors, licensees, contractors, franchisees or customers Incurred in the ordinary course of business;

(5) obligations (other than express Guarantees of Indebtedness for borrowed money) in respect of Indebtedness of Persons arising in connection with (A) the sale or discount of accounts receivable, (B) trade acceptances and (C) endorsements of instruments for deposit in the ordinary course of business;

(6) obligations in respect of performance, bid and surety bonds and completion guarantees provided by the Company or any Restricted Subsidiary of the Company in the ordinary course of business;

(7) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within two Business Days of its Incurrence; and

(8) any obligations under workers' compensation laws and similar legislation.

"**Indenture**" means this Indenture as amended or supplemented from time to time.

"**Independent Qualified Party**" means an investment banking firm, accounting firm or appraisal firm of national standing; provided, however, that such firm is not an Affiliate of the Company.

"**Interest Rate Agreement**" means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement with respect to exposure to interest rates.

"**Investment**" in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extensions of credit (including by way

of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. Except as otherwise provided for herein, the amount of an Investment shall be its fair value at the time the Investment is made and without giving effect to subsequent changes in value.

For purposes of the definition of "Unrestricted Subsidiary", the definition of "Restricted Payment" and Section 4.04:

(1) "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of the Company at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary equal to an amount (if positive) equal to (A) the Company's "Investment" in such Subsidiary at the time of such redesignation less (B) the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

"**Issue Date**" means November 18, 2004.

"**Koppers Inc**." means Koppers Inc., a Pennsylvania corporation, and its successors and assignees.

"**Koppers Inc. Existing Indenture**" means the Indenture dated as of September 30, 2003, among Koppers Inc., the Koppers Inc. Guarantors and JPMorgan Chase Bank, as trustee, together with the related collateral agreements, pledge agreements, security agreements and related agreements and documents.

"**Koppers Inc. Existing Notes**" means the Koppers 9 7/8% Senior Secured Notes Due 2013 issued pursuant to the Koppers Inc. Existing Indenture.

"**Koppers Inc. Guarantors**" means the Subsidiaries of Koppers Inc. that have guaranteed the Koppers Inc. Existing Notes pursuant to the terms of the Koppers Inc. Existing Indenture and each other Subsidiary of Koppers Inc. that thereafter guarantees the Koppers Inc. Existing Notes pursuant to the terms of the Koppers Inc. Existing Indenture.

"**Legal Holiday**" means a Saturday, a Sunday or a day on which banking institutions are not required to be open in the State of New York.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"**Management Investors**" means each member of the Company's or Koppers Inc.'s management that is party to the Stockholders' Agreement among the Permitted Holders as of the Issue Date.

"**Moody's**" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"**Net Available Cash**" from an Asset Disposition means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to such properties or assets or received in any other non-cash form), in each case net of:

(1) all legal, title and recording tax expenses, commissions, financial, advisory and other fees and expenses incurred, and all Federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Restricted Subsidiaries of the Company as a result of such Asset Disposition;

(4) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed in such Asset Disposition and retained by the Company or any Restricted Subsidiary of the Company after such Asset Disposition; and

(5) any portion of the purchase price from an Asset Disposition placed in escrow, whether as a reserve for adjustment of the purchase price, for satisfaction of indemnities in respect of such Asset Disposition or otherwise in connection with that Asset Disposition; provided, however, that upon the termination of that escrow, Net Available Cash will be increased by any portion of funds in the escrow that are released to the Company or any Restricted Subsidiary of the Company.

"**Net Cash Proceeds**", with respect to any issuance or sale of Capital Stock or Indebtedness, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Non-Recourse Securitization Entity Indebtedness**" has the meaning set forth in the definition of "Securitization Entity".

"**Obligations**" means with respect to any Indebtedness, all obligations for principal, premium, interest, penalties, fees, indemnifications, reimbursements and other amounts payable pursuant to the documentation governing such Indebtedness.

"**Offering Circular**" means the offering circular dated November 15, 2004, used in connection with the sale of Initial Securities issued on the Issue Date.

"**Officer**" means the Chairman of the Board, the President, any Vice President, the Treasurer or the Secretary of the Company.

"**Officers' Certificate**" means a certificate signed by two Officers.

"**Opinion of Counsel**" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

"**Permitted Holders**" means (1) Saratoga Associates III LLC, a Delaware limited liability company, and its Affiliates, (2) the Management Investors and (3) any Related Party. Except for a Permitted Holder specifically identified by name, in determining whether Voting Stock is owned by a Permitted Holder, only Voting Stock acquired by a Permitted Holder in its described capacity will be treated as "beneficially owned" by such Permitted Holder.

"**Permitted Investment**" means an Investment by the Company or any Restricted Subsidiary in:

(1) the Company, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary of the Company;

(2) another Person if, as a result of such Investment, such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary of the Company;

(3) Temporary Cash Investments;

(4) receivables owing to the Company or any Restricted Subsidiary of the Company if created or acquired in the ordinary course of business and payable or

dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans or advances to employees made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary;

(7) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary of the Company or in satisfaction of judgments;

(8) any Person to the extent such Investment represents the non-cash portion of the consideration received for (A) an Asset Disposition as permitted pursuant to Section 4.06 or (B) a disposition of assets not constituting an Asset Disposition;

(9) any Person where such Investment was acquired by the Company or any of its Restricted Subsidiaries (A) in exchange for any other Investment or accounts receivable held by the Company or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (B) as a result of a foreclosure by the Company or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(10) any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Company or any Restricted Subsidiary;

(11) any Person to the extent such Investments consist of Hedging Obligations otherwise permitted under Section 4.03;

(12) any Person existing on the Issue Date, and any extension, modification or renewal of any such Investments existing on the Issue Date, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or other increases thereof (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investment as in effect on the Issue Date);

(13) Investments by the Company in a Securitization Entity or any Investment by a Securitization Entity in any other Person in connection with a Qualified Securitization Transaction which Investments consist of the transfer of receivables and related assets; provided, however, that any Investment in a Securitization Entity is in

the form of (A) a Purchase Money Note, (B) an equity interest, (C) obligations of the Securitization Entity to pay the purchase price for assets transferred to it or (D) interests in accounts receivable generated by the Company or a Restricted Subsidiary of the Company and, in each case, transferred to such Securitization Entity or other Person in connection with a Qualified Securitization Transaction; and

(14) Persons to the extent such Investment, when taken together with all other Investments made pursuant to this clause (14) outstanding on the date such Investment is made, does not exceed $15.0 million.

"**Permitted Liens**" means, with respect to any Person:

(1) pledges or deposits by such Person under worker's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review and Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided, however, that (A) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Company in excess of those set forth by regulations promulgated by the Federal Reserve Board and (B) such deposit account is not intended by the Company or any Restricted Subsidiary of the Company to provide collateral to the depository institution;

(3) Liens for property taxes not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings;

(4) Liens in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business; provided, however, that such letters of credit do not constitute Indebtedness;

(5) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person

or to the ownership of its properties which were not Incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(6) Liens securing Indebtedness Incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, any property or assets of such Person; provided, however, that the Lien may not extend to any other property owned by such Person or any of its Restricted Subsidiaries at the time the Lien is Incurred (other than assets and property affixed or appurtenant thereto), and the Indebtedness (other than any interest thereon) secured by the Lien may not be Incurred more than 180 days after the later of the acquisition, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the Lien;

(7) Liens to secure Indebtedness under the Credit Agreement not to exceed the greater of (A) $140.0 million and (B) the sum of (i) 60% of the book value of the inventory of the Company and its Restricted Subsidiaries and (ii) 80% of the book value of the accounts receivable of the Company and its Restricted Subsidiaries, plus in the case of clauses (A) and (B) $20.0 million; provided, however, that such $20.0 million of Indebtedness or any portion thereof is issued to and held by the same lender or group of lenders providing the balance of the then outstanding Indebtedness under the Credit Agreement;

(8) Liens existing on the Issue Date (other than Liens subject to clause (7) of this definition);

(9) Liens on property or shares of Capital Stock of another Person at the time such other Person becomes a Subsidiary of such Person; provided, however, that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (other than assets and property affixed or appurtenant thereto);

(10) Liens on property at the time such Person or any of its Subsidiaries acquires the property, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person; provided, however, that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (other than assets and property affixed or appurtenant thereto);

(11) Liens securing Indebtedness or other obligations of a Subsidiary of such Person owing to such Person or a Restricted Subsidiary of such Person;

(12) Liens securing Hedging Obligations so long as such Hedging Obligations relate to Indebtedness that is, and is permitted to be under this Indenture, secured by a Lien on the same property securing such Hedging Obligations;

(13) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or any one of its Subsidiaries relating to such property or assets;

(14) Liens to secure any Refinancing (or successive Refinancings) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clause (6), (8), (9) or (10) or clause (15) or (16) below; provided, however, that: (A) such new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to such property or proceeds or distributions thereof); and (B) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (i) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clause (6), (8), (9), (10), (15) or (16) at the time the original Lien became a Permitted Lien and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;

(15) Liens under the Koppers Inc. Existing Indenture; and

(16) Liens to secure Indebtedness of any Foreign Subsidiary permitted to be Incurred under the Section 4.03.

Notwithstanding the foregoing, "Permitted Liens" will not include any Lien described in clause (6), (9) or (10) above to the extent such Lien applies to any Additional Assets acquired directly or indirectly from Net Available Cash pursuant to Section 4.06. For purposes of this definition, the term "Indebtedness" shall be deemed to include interest on such Indebtedness.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"**Preferred Stock**", as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**principal**" of a Security means the principal of such Security including any amounts accreted thereon, plus the premium, if any, payable on the Security which is due or overdue or is to become due at the relevant time.

"**Purchase Money Note**" means a promissory note of a Securitization Entity evidencing a line of credit, which may be irrevocable, from the Company or any Subsidiary of the Company in connection with a Qualified Securitization Transaction to a Securitization Entity, which note shall be repaid from cash available to the Securitization Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts paid in connection with the purchase of newly generated receivables.

"**Qualified Securitization Transaction**" means any transaction or series of transactions that may be entered into by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries may sell, convey or otherwise transfer to (1) a Securitization Entity, in the case of a transfer by the Company or any of its Subsidiaries, and (2) any other Person, in the case of a transfer by a Securitization Entity, or may grant a security interest in, any accounts receivable, whether now existing or arising or acquired in the future, of the Company or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and contract rights and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets, including contract rights, that are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable.

"**Refinance**" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

"**Refinancing Indebtedness**" means Indebtedness that Refinances any Indebtedness of the Company or any Restricted Subsidiary of the Company existing on the Issue Date or Incurred in compliance with this Indenture, including Indebtedness that Refinances Refinancing Indebtedness; provided, however, that:

(1) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;

(2) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced;

(3) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding or committed (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; and

(4) if the Indebtedness being Refinanced is subordinated in right of payment to the Securities, such Refinancing Indebtedness is subordinated in right of payment to the Securities at least to the same extent as the Indebtedness being Refinanced;

provided further, however, that Refinancing Indebtedness shall not include (A) Indebtedness of a Subsidiary that Refinances Indebtedness of the Company or (B) Indebtedness of the Company or a Restricted Subsidiary of the Company that Refinances Indebtedness of an Unrestricted Subsidiary.

"**Registration Rights Agreement**" means the Registration Rights Agreement dated November 18, 2004, between the Company and the Initial Purchasers.

"**Related Business**" means any business in which the Company or any of the Restricted Subsidiaries was engaged on the Issue Date and any business related, ancillary or complementary to such business.

"**Related Party**" means (1) any majority owned Subsidiary, or spouse or immediate family member (in the case of an individual) of any Permitted Holder, (2) any estate, trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons holding a controlling interest of which consist solely of one or more Permitted Holders and/or such other Persons referred to in the immediately preceding clause (1) or (3) any executor, administrator, trustee, manager, director or other similar fiduciary of any Person referred to in the immediately preceding clause (2) acting solely in such capacity.

"**Restricted Payment**" with respect to any Person means:

(1) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than (A) dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock), (B) dividends or distributions payable solely to the Company or a Restricted Subsidiary of the Company and (C) pro rata dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation));

(2) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company held by any Person (other than by a Restricted Subsidiary of the Company) or of any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Company (other than by a Restricted Subsidiary of the Company), including in connection with any merger or consolidation and including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Company that is not Disqualified Stock);

(3) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations or Disqualified Stock of the Company (other than (A) from the Company or a Restricted Subsidiary of the Company or (B) the purchase, repurchase, redemption, defeasance or other acquisition of

Subordinated Obligations or Disqualified Stock purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition); or

(4) the making of any Investment (other than a Permitted Investment) in any Person.

"**Restricted Subsidiary**" of a Person means any Subsidiary of such Person that is not an Unrestricted Subsidiary of such Person.

"**Revolving Credit Facility**" means the revolving credit facility contained in a Credit Agreement and any other facility or financing arrangement that Refinances, in whole or in part, any such revolving credit facility.

"**Sale/Leaseback Transaction**" means an arrangement relating to property owned by the Company or a Restricted Subsidiary of the Company on the Issue Date or thereafter acquired by the Company or a Restricted Subsidiary whereby the Company or a Restricted Subsidiary transfers such property to a Person and the Company or a Restricted Subsidiary of the Company leases it from such Person.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities**" has the meaning stated in the recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture. For all purposes of this Indenture, the term "Securities" shall include any Exchange Securities and any Private Exchange Securities to be issued and exchanged for any Initial Securities pursuant to a Registration Rights Agreement and this Indenture. From and after the issuance of any Additional Securities (but not for purposes of determining whether such issuance is permitted hereunder), "Securities" shall include such Additional Securities for purposes of this Indenture and all Exchange Securities and Private Exchange Securities from time to time issued with respect to any Initial Securities that constitute such Additional Securities.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Securitization Entity**" means a Wholly Owned Subsidiary of the Company (or a wholly owned Subsidiary of another Person in which the Company or any Subsidiary of the Company makes an Investment and in which the Company or any Subsidiary of the Company transfers accounts receivable) that engages in no activities other than in connection with the financing of accounts receivable and that is designated by the Board of Directors of the Company (as provided below) as a Securitization Entity and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(a) is guaranteed by the Company or any Restricted Subsidiary of the Company (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

(b) is recourse to or obligates the Company or any Restricted Subsidiary of the Company (other than such Securitization Entity) in any way other than pursuant to Standard Securitization Undertakings; or

(c) subjects any property or asset of the Company or any Restricted Subsidiary of the Company (other than such Securitization Entity), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings; (such Indebtedness described in this clause (1), "**Non-Recourse Securitization Entity Indebtedness**");

(2) with which neither the Company nor any Restricted Subsidiary of the Company (other than such Securitization Entity) has any material contract, agreement, arrangement or understanding other than those that might be obtained at the time from Persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing accounts receivable of such entity; and

(3) to which neither the Company nor any Restricted Subsidiary of the Company (other than such Securitization Entity) has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any designation of a Subsidiary as a Securitization Entity shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors of the Company giving effect to the designation and an Officers' Certificate certifying that the designation complied with the preceding conditions and was permitted by the Indenture.

"**Senior Indebtedness**" means with respect to any Person:

(1) Indebtedness of such Person, whether outstanding on the Issue Date or thereafter Incurred; and

(2) all other Obligations of such Person (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to such Person whether or not post-filing interest is allowed in such proceeding) in respect of Indebtedness described in clause (1) above

unless, in the case of clauses (1) and (2), in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such Indebtedness or other Obligations are subordinate in right of payment to the Securities; provided, however, that Senior Indebtedness shall not include:

(1) any obligation of such Person to the Company or any Subsidiary of the Company;

(2) any liability for Federal, state, local or other taxes owed or owing by such Person;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(4) any Indebtedness or other Obligation of such Person which is subordinate or junior in any respect to any other Indebtedness or other Obligation of such Person; or

(5) that portion of any Indebtedness which at the time of Incurrence is Incurred in violation of this Indenture.

"**Significant Subsidiary**" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Company within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"**Standard & Poor's**" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., and any successor to its rating agency business.

"**Standard Securitization Undertakings**" means representations, warranties, covenants and indemnities entered into by the Company or any Restricted Subsidiary that are customary in an accounts receivable securitization transaction, including servicing of the obligations thereunder.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"**Subordinated Obligation**" means, with respect to a Person, any Indebtedness of such Person (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Securities, pursuant to a written agreement to that effect.

"**Subsidiary**" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person.

"**Temporary Cash Investments**" means any of the following:

(1) any investment in direct obligations of the United States of America or any agency thereof or obligations guaranteed by the United States of America or any agency thereof;

(2) investments in demand and time deposit accounts, certificates of deposit and money market deposits maturing within one year of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any State thereof or any foreign country recognized by the United States of America, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of $50.0 million (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money-market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above;

(4) investments in commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to Standard & Poor's;

(5) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by Standard & Poor's or "A" by Moody's; and

(6) investments in money market funds that invest substantially all their assets in securities of the types described in clauses (1) through (5) above.

"**Term Loan Facility**" means the term loan facility contained in a Credit Agreement and any other facility or financing arrangement that Refinances in whole or in part any such term loan facility.

"**Trust Indenture Act**" or "**TIA**" means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) as in effect on the date of this Indenture.

"**Trust Officer**" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant treasurer, trust officer or any other officer of the Trustee who

customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"**Trustee**" means The Bank of New York until a successor replaces it and, thereafter, means the successor.

"**Uniform Commercial Code**" means the New York Uniform Commercial Code as in effect from time to time.

"Unrestricted Subsidiary" means:

(1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

On the Issue Date, (1) Koppers Mauritius and (2) Koppers (China) Carbon & Chemical Co., Ltd will be designated as Unrestricted Subsidiaries.

The Board of Directors may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or holds any Lien on any property of, the Company or any other Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated; provided, however, that either (A) the Subsidiary to be so designated has total assets of $1,000 or less or (B) if such Subsidiary has assets greater than $1,000, such designation would be permitted under Section 4.04. The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that immediately after giving effect to such designation no Default shall have occurred and be continuing and either (x) in the case of any Subsidiary of the Company that is not also a Subsidiary of Koppers Inc., the Company could Incur $1.00 of additional Indebtedness under Section 4.03(a) or (y) in the case of Koppers Inc. or any Restricted Subsidiary of Koppers Inc., Koppers Inc. could Incur $1.00 of additional Indebtedness under Section 4.03(a). Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"**U.S. Dollar Equivalent**" means with respect to any monetary amount in a currency other than U.S. dollars, at any time for determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as published in The Wall Street Journal in the "Exchange Rates" column under the heading "Currency Trading" on the date two Business Days prior to such determination.

Except as described in Section 4.03, whenever it is necessary to determine whether the Company has complied with any provision in this Indenture or a Default has occurred and an amount is expressed in a currency other than U.S. dollars, such amount will be treated as the U.S. Dollar Equivalent determined as of the date such amount is initially determined in such currency.

"**U.S. Government Obligations**" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable at the issuer's option.

"**Voting Stock**" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

"**Wholly Owned Subsidiary**" of a Person means a Restricted Subsidiary of such Person all the Capital Stock of which (other than directors' qualifying shares) is owned by the Company or one or more other Wholly Owned Subsidiaries of such Person

SECTION 1.02 Other Definitions.

Term	Defined in Section
"Affiliate Transaction"	4.07(a)
"Bankruptcy Law"	6.01
"Change of Control Offer"	4.09(b)
"covenant defeasance option"	8.01(b)
"Custodian"	6.01
"Event of Default"	6.01
"Exchange Securities"	Appendix
"Initial Lien"	4.10
"Initial Securities"	Appendix
"legal defeasance option"	8.01(b)
"Offer"	4.06(c)
"Offer Amount"	4.06(d)(2)
"Offer Period"	4.06(d)(2)
"Paying Agent"	2.03
"Purchase Date"	4.06(d)(1)
"Registrar"	2.03
"Semi Annual Accrual Date"	1.01 (definition of Accreted Value)
"Specified Date"	1.01 (definition of Accreted Value)
"Successor Company"	5.01(1)

SECTION 1.03 Incorporation by Reference of Trust Indenture Act. This Indenture is subject to the mandatory provisions of the TIA which are incorporated by reference in and made a part of this Indenture. The following TIA terms have the following meanings:

"Commission" means the SEC;

"indenture securities" means the Securities;

"indenture security holder" means a Securityholder;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the indenture securities means the Company and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

SECTION 1.04 Rules of Construction. Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) "including" means including without limitation;

(5) words in the singular include the plural and words in the plural include the singular;

(6) unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness merely by virtue of its nature as unsecured Indebtedness;

(7) secured Indebtedness shall not be deemed to be subordinate or junior to any other secured Indebtedness merely because it has a junior priority with respect to the same collateral;

(8) the principal amount of any noninterest bearing or other discount security at any date shall be the principal amount thereof that would be shown on a balance sheet of the issuer dated such date prepared in accordance with GAAP;

(9) the principal amount of any Preferred Stock shall be (A) the maximum liquidation value of such Preferred Stock or (B) the maximum mandatory redemption or mandatory repurchase price with respect to such Preferred Stock, whichever is greater**;** and

(10) all references to the date the Securities were originally issued shall refer to the Issue Date**.**

Article 2

The Securities

SECTION 2.01 Form and Dating. Provisions relating to the Initial Securities, the Private Exchange Securities and the Exchange Securities are set forth in the Rule 144A/Regulation S Appendix attached hereto (the "**Appendix**") which is hereby incorporated in, and expressly made part of, this Indenture. The Initial Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit 1 to the Appendix which is hereby incorporated in, and expressly made a part of, this Indenture. The Exchange Securities, the Private Exchange Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A, which is hereby incorporated in and expressly made a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). Each Security shall be dated the date of its authentication. The terms of the Securities set forth in the Appendix and Exhibit A are part of the terms of this Indenture.

SECTION 2.02 Execution and Authentication. Two Officers shall execute the Securities for the Company by manual or facsimile signature. The Company's seal shall be impressed, affixed, imprinted or reproduced on the Securities and may be in facsimile form.

If an Officer whose signature is on a Security no longer holds that office at the time the Trustee authenticates the Security, the Security shall be valid nevertheless.

A Security shall not be valid until an authorized signatory of the Trustee manually signs the certificate of authentication on the Security. The signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

On the Issue Date, the Trustee shall authenticate and deliver $203.0 million stated aggregate principal amount at maturity of 9 7/8% Senior Discount Notes Due 2014 and, at any time from time to time thereafter, the Trustee shall authenticate and deliver Securities for original issue in a stated aggregate principal amount at maturity specified in such order, in

each case upon a written order of the Company signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company. Such order shall specify the amount of the Securities to be authenticated and the date on which the original issue of Securities is to be authenticated and, in the case of an issuance of Additional Securities pursuant to Section 2.13 after the Issue Date, shall certify that such issuance is in compliance with Section 4.03.

The Trustee may appoint an authenticating agent reasonably acceptable to the Company to authenticate the Securities. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as any Registrar, Paying Agent or agent for service of notices and demands.

SECTION 2.03 Registrar and Paying Agent. The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange (the "**Registrar**") and an office or agency where Securities may be presented for payment (the "**Paying Agent**"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may have one or more co-registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent or co-registrar not a party to this Indenture, which shall incorporate the terms of the TIA. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.07. The Company or any Wholly Owned Subsidiary of the Company incorporated or organized within The United States of America may act as Paying Agent, Registrar, co-registrar or transfer agent.

The Company hereby appoints the Trustee as initial Registrar and Paying Agent in connection with the Securities and the Trustee hereby accepts such appointments, subject to the terms herein.

SECTION 2.04 Paying Agent To Hold Money in Trust. Prior to each due date of the principal and interest on any Security, the Company shall deposit with the Paying Agent a sum sufficient to pay such principal and interest when so becoming due. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Securityholders or the Trustee all money held by the Paying Agent for the payment of principal of or interest on the Securities and shall notify the Trustee of any default by the Company in making any such payment. If the Company or a Subsidiary acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed by the Paying Agent. Upon complying with this Section, the Paying Agent shall have no further liability for the money delivered to the Trustee.

SECTION 2.05 Securityholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee, in writing at least five Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Securityholders.

SECTION 2.06 Transfer and Exchange. The Securities shall be issued in registered form and shall be transferable only upon the surrender of a Security for registration of transfer. When a Security is presented to the Registrar or a co-registrar with a request to register a transfer, the Registrar shall register the transfer as requested if the requirements of this Indenture and Section 8-401(1) of the Uniform Commercial Code are met. When Securities are presented to the Registrar or a co-registrar with a request to exchange them for an equal principal amount at maturity of Securities of other denominations, the Registrar shall make the exchange as requested if the same requirements are met.

SECTION 2.07 Replacement Securities. If a mutilated Security is surrendered to the Registrar or if the Holder of a Security claims that the Security has been lost, destroyed or wrongfully taken, the Company shall execute and the Trustee shall authenticate a replacement Security if the requirements of Section 8-405 of the Uniform Commercial Code are met and the Holder satisfies any other reasonable requirements of the Trustee. If required by the Trustee or the Company, such Holder shall furnish an indemnity bond sufficient in the judgment of the Company and the Trustee to protect the Company, the Trustee, the Paying Agent, the Registrar and any co-registrar from any loss which any of them may suffer if a Security is replaced. The Company and the Trustee may charge the Holder for their expenses in replacing a Security.

Every replacement Security is an additional Obligation of the Company.

SECTION 2.08 Outstanding Securities. Securities outstanding at any time are all Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation and those described in this Section as not outstanding. A Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee and the Company receive proof satisfactory to them that the replaced Security is held by a *bona fide* purchaser.

If the Paying Agent segregates and holds in trust, in accordance with this Indenture, on a redemption date or maturity date money sufficient to pay all principal and interest payable on that date with respect to the Securities (or portions thereof) to be redeemed or maturing, as the case may be, then on and after that date such Securities (or portions thereof) cease to be outstanding and interest on them ceases to accrue.

SECTION 2.09 Temporary Securities. Until definitive Securities are ready for delivery, the Company may execute and the Trustee shall authenticate (pursuant to a valid order by the Company) temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall execute and the Trustee shall authenticate (pursuant to a valid order by the Company) definitive Securities and deliver them in exchange for temporary Securities.

SECTION 2.10 Cancellation. The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel and dispose of (subject to the record retention requirements of the Exchange Act) all Securities surrendered for registration of transfer, exchange, payment or cancellation in accordance with its customary practices and deliver a certificate of such disposition to the Company unless the Company directs the Trustee to deliver canceled Securities to the Company. The Company may not issue new Securities to replace Securities it has redeemed, paid or delivered to the Trustee for cancellation.

SECTION 2.11 Defaulted Interest. If the Company defaults in a payment of interest on the Securities, the Company shall pay defaulted interest (plus interest on such defaulted interest to the extent lawful) in any lawful manner. The Company may pay the defaulted interest to the persons who are Securityholders on a subsequent special record date. The Company shall fix or cause to be fixed any such special record date and payment date to the reasonable satisfaction of the Trustee and shall promptly mail to each Securityholder a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

SECTION 2.12 CUSIP Numbers. The Company in issuing the Securities may use “CUSIP” numbers (if then generally in use) and, if so, the Trustee shall use “CUSIP” numbers, which the Company shall have provided to the Trustee, in notices of redemption as a convenience to Holders; provided, however, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee of any change in the CUSIP numbers.

SECTION 2.13 Issuance of Additional Securities. After the Issue Date, the Company shall be entitled, subject to its compliance with Section 4.03, to issue an unlimited amount of Additional Securities under this Indenture, which Securities shall have identical terms as the Initial Securities issued on the Issue Date, other than with respect to the date of issuance, issue price and first Semi-Annual Accrual Date or interest payment date. All the Securities issued under this Indenture shall be treated as a single class for all purposes of this Indenture.

With respect to any Additional Securities, the Company shall set forth in a resolution of the Board of Directors and an Officers' Certificate, a copy of each of which shall be delivered to the Trustee, the following information:

(1) the stated aggregate principal amount at maturity of such Additional Securities to be authenticated and delivered pursuant to this Indenture and the provision of Section 4.03 that the Company is relying on to issue such Additional Securities;

(2) the issue price, the issue date, the first Semi-Annual Accrual Date or interest payment date and the CUSIP number of such Additional Securities; provided, however, that no Additional Securities may be issued at a price that would cause such Additional Securities to not be fungible for U.S. federal income tax purposes with any other Securities issued under this Indenture; and

(3) whether such Additional Securities shall be Initial Securities or shall be issued in the form of Exchange Securities as set forth in Exhibit A.

Article 3

Redemption

SECTION 3.01 Notices to Trustee. If the Company elects to redeem Securities pursuant to paragraph 5 of the Securities, it shall notify the Trustee in writing of the redemption date, the principal amount at maturity of Securities to be redeemed and the paragraph of the Securities pursuant to which the redemption will occur.

The Company shall give each notice to the Trustee provided for in this Section at least 60 days before the redemption date unless the Trustee, in its sole discretion, consents to a shorter period. Such notice shall be accompanied by an Officers' Certificate and an Opinion of Counsel from the Company to the effect that such redemption will comply with the conditions herein.

SECTION 3.02 Selection of Securities to Be Redeemed. If fewer than all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed *pro rata* or by lot or by a method that complies with applicable legal and securities exchange requirements, if any, and that the Trustee in its sole discretion shall deem to be fair and appropriate and in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances. The Trustee shall make the selection from outstanding Securities not previously called for redemption. The Trustee may select for redemption portions of the principal at maturity of Securities that have denominations larger than $1,000 stated aggregate principal amount at maturity. Securities and portions of them the Trustee selects shall be in principal amounts at maturity of $1,000 or a whole multiple of $1,000 principal amount at

maturity. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of Securities to be redeemed.

SECTION 3.03 Notice of Redemption. At least 30 days but not more than 60 days before a date for redemption of Securities, the Company shall mail a notice of redemption by first-class mail to each Holder of Securities to be redeemed at such Holder's registered address.

The notice shall identify the Securities to be redeemed and shall state:

(1) the redemption date;

(2) the redemption price;

(3) the name and address of the Paying Agent;

(4) that Securities called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(5) if fewer than all the outstanding Securities are to be redeemed, the identification and principal amounts at maturity of the particular Securities to be redeemed;

(6) that, unless the Company defaults in making such redemption payment, interest on Securities (or portion thereof) called for redemption ceases to accrue on and after the redemption date;

(7) the "CUSIP" number, ISIN or "Common Code" number, if any, printed on the Securities being redeemed; and

(8) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Securities.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense. In such event, the Company shall provide the Trustee with the information required by this Section.

SECTION 3.04 Effect of Notice of Redemption. Once notice of redemption is mailed, Securities called for redemption become due and payable on the redemption date and at the redemption price stated in the notice. Upon surrender to the Paying Agent, such Securities shall be paid at the redemption price stated in the notice, plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the related interest payment date). Failure to give notice or any defect in the notice to any Holder shall not affect the validity of the notice to any other Holder.

SECTION 3.05 Deposit of Redemption Price. Prior to the redemption date, the Company shall deposit with the Paying Agent (or, if the Company or a Subsidiary is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the redemption price of and accrued interest on all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption which have been delivered by the Company to the Trustee for cancellation.

SECTION 3.06 Securities Redeemed in Part. Upon surrender of a Security that is redeemed in part, the Company shall execute and the Trustee shall authenticate for the Holder (at the Company's expense) a new Security in principal amount at maturity equal to the unredeemed portion of the Security surrendered.

Article 4

Covenants

SECTION 4.01 Payment of Securities. The Company shall promptly pay the principal of and interest on the Securities on the dates and in the manner provided in the Securities and in this Indenture. Principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent holds in accordance with this Indenture money sufficient to pay all principal and interest then due.

The Company shall pay interest on overdue principal at the rate specified therefor in the Securities, and it shall pay interest on overdue installments of interest at the same rate to the extent lawful.

All references in this Indenture, in any context, to Accreted Value or any interest or other amount payable on or with respect to the Securities shall be deemed to include any Additional Interest pursuant to a Registration Rights Agreement.

SECTION 4.02 SEC Reports. Whether or not the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, so long as any Securities are outstanding, the Company shall file with the SEC (subject to the next sentence) and provide the Trustee and Holders with such annual reports and such information, documents and other reports as are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a U.S. corporation subject to such Sections, such information, documents and other reports to be so filed and provided at the times specified for the filings of such information, documents and reports under such Sections, and containing all the information, audit reports and exhibits required for such reports. If at any time the Company is not subject to the periodic reporting requirements of the Exchange Act for any reason, the Company shall nevertheless continue filing the reports specified in the preceding sentence with the SEC within the time periods required unless the SEC will not accept such a filing. The Company shall not take any action for the purpose of causing the SEC not to accept such filings. If, notwithstanding the foregoing, the SEC will not accept such filings for any reason, the Company shall post the reports specified in the first sentence of this Section 4.02 on its website within the time

periods that would apply if the Company were required to file those reports with the SEC. Notwithstanding the foregoing, the Company shall be entitled to satisfy such requirements prior to the effectiveness of the Exchange Offer Registration Statement or the Shelf Registration Statement (each as defined in the Registration Rights Agreement) by filing with the SEC the Exchange Offer Registration Statement or Shelf Registration Statement, to the extent that any such Registration Statement contains substantially the same information (and at substantially the same time) as would be required to be filed by the Company if it were subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, and by providing the Trustee and Holders with such Registration Statement (and any amendments thereto) promptly following the filing thereof.

At any time that any of the Company's Subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in "Management's Discussion and Analysis of Financial Condition and Results of Operations", of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In addition, the Company shall furnish to the Holders of the Securities and to prospective investors, upon the requests of such Holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Securities are not freely transferable under the Securities Act.

SECTION 4.03 Limitation on Indebtedness.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, Incur, directly or indirectly, any Indebtedness; provided, however, that (1) the Company and any of its Restricted Subsidiaries shall be entitled to Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto on a *pro forma* basis, the Consolidated Coverage Ratio of the Company exceeds 2 to 1 and (2) notwithstanding that the Company and its Restricted Subsidiaries may not be entitled to Incur Indebtedness pursuant to clause (1) above, Koppers Inc. and any of its Restricted Subsidiaries shall be entitled to Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto on a *pro forma* basis, the consolidated Coverage Ratio of Koppers Inc. exceeds 2 to 1.

(b) Notwithstanding the foregoing paragraph (a), the Company and the Restricted Subsidiaries shall be entitled to Incur any or all of the following Indebtedness:

(1) Indebtedness Incurred by the Company or any of its Restricted Subsidiaries Subsidiary pursuant to any Revolving Credit Facility; provided, however, that, immediately after giving effect to any such Incurrence, the aggregate principal amount of all Indebtedness Incurred under this clause (b)(1) and clause (b)(12) and then outstanding does not exceed the greater of (A) $100.0 million less the sum of all principal payments with respect to such Indebtedness pursuant to Section 4.06(a)(3)(A) hereof

and (B) the sum of (i) 60% of the book value of the inventory of the Company and its Restricted Subsidiaries and (ii) 80% of the book value of the accounts receivable of the Company and its Restricted Subsidiaries;

(2) Indebtedness Incurred by the Company or any of its Restricted Subsidiaries pursuant to any Term Loan Facility; *provided*, *however*, that, after giving effect to any such Incurrence, the aggregate principal amount of all Indebtedness Incurred under this clause (b)(2) and then outstanding does not exceed $40.0 million;

(3) Indebtedness owed to and held by the Company or any of its Restricted Subsidiaries; provided, however, that (A) any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary of the Company or any subsequent transfer of such Indebtedness (other than to the Company or a Restricted Subsidiary of the Company) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereon, and (B) if the Company is the obligor on such Indebtedness, such Indebtedness (other than Indebtedness owed to a Restricted Subsidiary of the Company) is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Securities;

(4) the Securities and the Exchange Securities (other than any Additional Securities);

(5) Indebtedness outstanding on the Issue Date (other than Indebtedness described in clause (1), (2), (3) or (4) of this Section 4.03(b));

(6) Indebtedness of a Restricted Subsidiary of the Company Incurred and outstanding on or prior to the date on which such Subsidiary was acquired by the Company (other than Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary or was acquired by the Company or a Restricted Subsidiary of the Company); provided, however, that on the date of such acquisition and after giving *pro forma* effect thereto, the Company would have been able to Incur at least $1.00 of additional Indebtedness pursuant to Section 4.03(a)(1) or, if such Restricted Subsidiary is a Subsidiary of Koppers Inc. or was acquired by Koppers Inc. or a Subsidiary of Koppers Inc., Koppers Inc. would have been able to Incur at least $1.00 of additional Indebtedness pursuant to Section 4.03(a)(2);

(7) Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to Section 4.03(a) or pursuant to clause (4), (5) or (6) or this clause (7); provided, however, that to the extent such Refinancing Indebtedness directly or indirectly Refinances Indebtedness of a Subsidiary Incurred pursuant to clause (6), such Refinancing Indebtedness shall be Incurred only by such Subsidiary;

(8) Hedging Obligations consisting of (i) Interest Rate Agreements directly related to Indebtedness permitted to be Incurred by the Company and its Restricted Subsidiaries pursuant to this Indenture or (ii) Currency Agreements entered into in the ordinary course of business;

(9) Indebtedness consisting of any Guarantee by a Restricted Subsidiary of the Company of Indebtedness Incurred pursuant to Section 4.03(a) or pursuant to clause (1), (2) or (5) of this Section 4.03(b) or pursuant to clause (7) of this Section 4.03(b) to the extent the Refinancing Indebtedness Incurred thereunder directly or indirectly Refinances Indebtedness Incurred pursuant to Section 4.03(a) or pursuant to clause (5) of this Section 4.03(b);

(10) Indebtedness (including Capital Lease Obligations) Incurred by the Company or any of its Restricted Subsidiaries to finance the purchase, lease or improvement of property (real or personal) or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets) within 180 days of such purchase, lease or improvement, and any Refinancing Indebtedness Incurred to Refinance such Indebtedness, in an aggregate principal amount which, when taken together with the amount of Indebtedness Incurred pursuant to this clause (10) and then outstanding, does not exceed $5.0 million;

(11) Indebtedness of Foreign Subsidiaries in an aggregate principal amount which, when taken together with all other Indebtedness of Foreign Subsidiaries Incurred pursuant to this clause (11) and then outstanding, does not exceed the greater of (A) $15.0 million and (B) the sum of 60% of the book value of the inventory of the Foreign Subsidiaries and (ii) 80% of the book value of the accounts receivable of the Foreign Subsidiaries;

(12) Non-Recourse Securitization Entity Indebtedness Incurred by a Securitization Entity in connection with a Qualified Securitization Transaction; provided, however, that at the time of such Incurrence, the Company or any Restricted Subsidiary of the Company would have been entitled to Incur the same amount of Indebtedness pursuant to clause (1) of this Section 4.03(b); and

(13) Indebtedness of the Company or any of its Restricted Subsidiaries in an aggregate principal amount which, when taken together with all other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the date of such Incurrence (other than Indebtedness permitted by clauses (1) through (12) above or Section 4.03(a)) does not exceed $30.0 million.

(c) Notwithstanding the foregoing, the Company shall not Incur any Indebtedness pursuant to Section 4.03(b) if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations of the Company unless such Indebtedness shall be subordinated to the Securities to at least the same extent as such Subordinated Obligations.

(d) For purposes of determining compliance with this Section 4.03.

(1) any Indebtedness Incurred or outstanding on the Issue Date under any Credit Agreement will be deemed to have been Incurred under Section 4.03(b)(1) and 4.03(b)(2);

(2) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described herein, the Company, in its sole discretion, shall classify such item of Indebtedness (or any portion thereof) at the time of Incurrence and shall only be required to include the amount and type of such Indebtedness in one of the above clauses; and

(3) the Company shall be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described above.

(e) For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness where the Indebtedness Incurred is denominated in a different currency, the amount of such Indebtedness shall be the U.S. Dollar Equivalent determined on the date of the Incurrence of such Indebtedness; provided, however, that if any such Indebtedness denominated in a different currency is subject to a Currency Agreement with respect to U.S. dollars covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. dollars shall be as provided in such Currency Agreement. The principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being Refinanced shall be the U.S. Dollar Equivalent of the Indebtedness Refinanced, except to the extent that (1) such U.S. Dollar Equivalent was determined based on a Currency Agreement, in which case the Refinancing Indebtedness shall be determined in accordance with the preceding sentence and (2) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the U.S. Dollar Equivalent of such excess shall be determined on the date such Refinancing Indebtedness is Incurred.

SECTION 4.04 Limitation on Restricted Payments.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries, directly or indirectly, to, make a Restricted Payment if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default shall have occurred and be continuing (or would result therefrom);

(2) if the Restricted Payment is made by the Company or any of its Restricted Subsidiaries (other than Koppers Inc. and any of its Restricted Subsidiaries), the Company is not entitled to Incur an additional $1.00 of Indebtedness pursuant to Section 4.03(a)(1) or, if the Restricted Payment is made by Koppers Inc. or any of its Restricted Subsidiaries, Koppers Inc. is not entitled to Incur an additional $1.00 of Indebtedness under Section 4.03(a)(2); or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments since October 15, 2003 would exceed the sum of (without duplication):

(A) 50% of the Consolidated Net Income of Koppers Inc. accrued during the period (treated as one accounting period) from January 1, 2004 to the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit); plus

(B) 100% of the aggregate Net Cash Proceeds received by Koppers Inc. from the issuance or sale of its Capital Stock (other than Disqualified Stock) subsequent to October 15, 2003 and on or prior to the Issue Date and by the Company from the issuance or sale of its Capital Stock (other than Disqualified Stock) subsequent to the Issue Date (other than, in each case, an issuance or sale to a Subsidiary of the Company and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees) and 100% of any cash capital contribution received by Koppers Inc. from its shareholders after October 15, 2003 and on or prior to the Issue Date and by the Company from its shareholders subsequent to the Issue Date; plus

(C) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's balance sheet upon the conversion or exchange subsequent to the Issue Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the fair value of any other property, distributed by the Company upon such conversion or exchange); provided, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Company or any such Restricted Subsidiary from the sale of such Indebtedness (excluding Net Cash Proceeds from sales to a Subsidiary of the Company or to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees); plus

(D) an amount equal to the sum of (i) the net reduction in the Investments (other than Permitted Investments) made by the Company or any of its Restricted Subsidiaries in any Person resulting from repurchases, repayments or redemptions of such Investments by such Person, proceeds realized on the sale of such Investment and proceeds representing the return of capital, in each case received by the Company or any of its Restricted Subsidiaries, and (ii) to the extent such Person is an Unrestricted Subsidiary, the portion (proportionate to the Company's equity interest in such Subsidiary) of the fair market value of the net assets of such Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary of the Company;

provided, however, that the foregoing sum shall not exceed, in the case of any such Person or Unrestricted Subsidiary, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Person or Unrestricted Subsidiary.

(b) The provisions of Section 4.04(a) shall not prohibit:

(1) any Restricted Payment made out of the Net Cash Proceeds of the substantially concurrent sale of, or made by exchange for, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Company or an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees) or a substantially concurrent cash capital contribution received by the Company from its shareholders; provided, however, that (A) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale or such cash capital contribution (to the extent so used for such Restricted Payment) shall be excluded from the calculation of amounts under Section 4.04(a)(3)(B);

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Company made by exchange for, or out of the proceeds of the substantially concurrent sale of, Indebtedness which is permitted to be Incurred pursuant to Section 4.03; provided, however, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;

(3) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this Section 4.04; provided, however, that such dividend shall be included in the calculation of the amount of Restricted Payments;

(4) so long as no Default has occurred and is continuing, the repurchase or other acquisition of shares of Capital Stock of the Company or any of its Subsidiaries from employees, former employees, directors or former directors of the Company or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell or are granted the option to purchase or sell, shares of such Capital Stock; provided, however, that the aggregate amount of such repurchases and other acquisitions (excluding amounts representing cancellation of Indebtedness) in any calendar year shall not exceed $3.0 million; provided further, however, that such repurchases and other acquisitions shall be excluded in the calculation of the amount of Restricted Payments;

(5) payments of dividends on Disqualified Stock permitted to be issued pursuant to Section 4.03; provided, however, that such dividends shall be excluded in the calculation of the amount of Restricted Payments;

(6) repurchases and other acquisitions of Capital Stock deemed to occur upon exercise of stock options or to satisfy federal income tax obligations of option holders upon exercise of stock options if such Capital Stock represents a portion of the exercise price of such options; provided, however, that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;

(7) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; provided, however, that any such cash payment shall not be for the purpose of evading the limitation of this Section 4.04 (as determined in good faith by the Board of Directors); provided further, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(8) in the event of a Change of Control, and if no Default shall have occurred and be continuing, the payment, purchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations and Preferred Stock of the Company at a purchase price not greater than 101% of the principal amount of such Subordinated Obligations or Preferred Stock, plus any accrued and unpaid interest or dividends thereon; provided, however, that prior to such payment, purchase, redemption, defeasance or other acquisition or retirement, the Company (or a third party to the extent permitted by this Indenture) has (A) made a Change of Control Offer with respect to the Securities as a result of such Change of Control and has repurchased all Securities validly tendered and not withdrawn in connection with such Change of Control Offer or (B) delivered a notice of optional redemption with respect to the Securities and has repurchased all the Securities; provided further, however, that such repurchase and other acquisitions shall be included in the calculation of the amount of Restricted Payments;

(9) payments of intercompany subordinated Indebtedness, the Incurrence of which was permitted under Section 4.03(b)(3); provided, however, that no Default has occurred and is continuing or would otherwise result therefrom; provided further, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(10) the declaration and payment of one or more dividends in an amount not to exceed the Net Cash Proceeds received by the Company from the sale of the Initial Securities on the Issue Date; provided, however, that such amount will be excluded in the calculation of the amount of Restricted Payments; or

(11) Restricted Payments in an amount which, when taken together with all other Restricted Payments made pursuant to this clause (11) and then outstanding,

does not exceed $12.5 million; provided, however, that (A) at the time of each such Restricted Payment, no Default shall have occurred and be continuing (or result therefrom) and (B) such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments.

(c) Any dividends or share repurchases made prior to the Issue Date in an amount equal to the net cash proceeds of the offering of the Koppers Inc. Existing Notes, not to exceed $79.8 million in the aggregate, shall be excluded in the calculation of the amount of Restricted Payments made since October 15, 2003.

SECTION 4.05 Limitation on Restrictions on Distributions from Restricted Subsidiaries . The Company shall not, and shall not permit any Restricted Subsidiary of the Company to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary of the Company to (a) pay dividends or make any other distributions on its Capital Stock to the Company or a Restricted Subsidiary of the Company or pay any Indebtedness owed to the Company, (b) make any loans or advances to the Company or (c) transfer any of its property or assets to the Company, except:

(1) with respect to clauses (a), (b) and (c),

(A) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the Issue Date, including the Existing Credit Agreement and the Koppers Inc. Existing Indenture;

(B) any encumbrance or restriction with respect to a Restricted Subsidiary of the Company pursuant to an agreement relating to any Indebtedness Incurred by such Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company) and outstanding on such date;

(C) any encumbrance or restriction pursuant to an (i) an agreement relating to any Indebtedness permitted to be Incurred pursuant to Section 4.03 or (ii) an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in Section 4.05(1)(A) or 4.05(1)(B) or this clause (C) or contained in any amendment to an agreement referred to in Section 4.05(1)(A) or 4.05(1)(B) or this clause (C); provided, however, that the encumbrances and restrictions with respect to such Restricted Subsidiary of Koppers Inc. contained in any such agreement or amendment are not materially more restrictive, taken as a whole, than encumbrances and restrictions with respect to such Restricted Subsidiary contained in agreements described in Section 4.05(1)(A) or 4.05(1)(B);

(D) any encumbrance or restriction with respect to a Restricted Subsidiary of the Company imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(E) any encumbrance or restriction existing under Indebtedness of Foreign Subsidiaries permitted to be Incurred pursuant to Section 4.03; and

(F) any encumbrance or restriction existing under Non-Recourse Securitization Entity Indebtedness or other contractual requirements of a Securitization Entity in connection with a Qualified Securitization Transaction; provided, however, that such restrictions apply only to such Securitization Entity;

(2) with respect to clause (c) only,

(A) any encumbrance or restriction consisting of customary nonassignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease or the property leased thereunder;

(B) any encumbrance or restriction contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages;

(C) any encumbrance or restriction pursuant to purchase money obligations for property acquired in the ordinary course of business that impose restrictions on the property so acquired;

(D) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(E) any encumbrance or restriction contained in customary provisions in joint venture agreements or other similar agreements entered into in the ordinary course of business.

SECTION 4.06 Limitation on Sales of Assets and Subsidiary Stock.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, consummate any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the fair market value (including as to the value of all non-cash consideration), as determined in good faith by the Board of Directors (or, in the case of any such Asset Disposition for aggregate consideration of less than $5.0 million, as determined in good faith by the Company's chief financial officer), of the shares and assets subject to such Asset Disposition;

(2) at least 80% of the consideration thereof received by the Company or such Restricted Subsidiary is in the form of cash or cash equivalents; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company (or such Restricted Subsidiary, as the case may be):

(A) to the extent the Company elects (or is required by the terms of any Indebtedness), to prepay, repay, redeem or purchase Senior Indebtedness of the Company or Indebtedness of a Subsidiary of the Company (in each case other than Indebtedness owed to the Company or an Affiliate of the Company) within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash;

(B) to the extent the Company or the relevant Restricted Subsidiary elects, to acquire Additional Assets within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; and

(C) to the extent of the balance of such Net Available Cash after application in accordance with clauses (A) and (B), to make an offer to the Holders of the Securities (and to holders of other Senior Indebtedness of the Company or Indebtedness of a Restricted Subsidiary of the Company designated by the Company) to purchase Securities (and such other Senior Indebtedness of the Company or Indebtedness of a Restricted Subsidiary of the Company) pursuant to and subject to the conditions contained in this Indenture;

provided, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to clause (A) or (C) above, the Company or such Restricted Subsidiary shall permanently retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased.

Notwithstanding the foregoing provisions of this Section 4.06, if at the time the Company would be required to make the offer required pursuant to Section 4.06(a)(3)(C) the Company does not have access to the applicable Net Available Cash as a result of a restriction permitted by Section 4.05, then the Company shall have no obligation to make the offer to the holders of Securities as described in such clause (a)(3)(C) until such time as and to the extent such restriction no longer applies and, as a result of such lapse of such restriction, there is at least $10.0 million in Net Available Cash from all Asset Dispositions that has not been applied in accordance with this Section 4.06 as a result of the application of this paragraph.

Notwithstanding the foregoing provisions of this Section 4.06, the Company and the Restricted Subsidiaries will not be required to apply any Net Available Cash in

accordance with this Section 4.06(a) except to the extent that the aggregate Net Available Cash from all Asset Dispositions which is not applied in accordance with this Section 4.06(a) exceeds $10.0 million. Pending application of Net Available Cash pursuant to Section 4.06(a), such Net Available Cash shall be invested in Temporary Cash Investments.

For the purposes of this Section 4.06, the following are deemed to be cash or cash equivalents:

(1) the assumption of Indebtedness of the Company (other than obligations in respect of Disqualified Stock of the Company) or any Restricted Subsidiary of the Company and the release of the Company or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition; and

(2) securities received by the Company or any Restricted Subsidiary from the transferee that are promptly converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Notwithstanding the foregoing, the 80% limitation set forth in Section 4.06(a)(2) shall be deemed satisfied with respect to any Asset Disposition in which the cash or cash equivalents portion of the consideration received therefrom, determined in accordance with the immediately preceding paragraph on an after-tax basis, is equal to or greater than what the after-tax proceeds would have been had such Asset Disposition complied with the aforementioned 80% limitation.

The requirement of Section 4.06(a)(3)(B) shall be deemed to be satisfied if an agreement (including a lease, whether a capital lease or an operating lease) committing to make the acquisitions or expenditures referred to therein is entered into by the Company or a Restricted Subsidiary within the time period specified in such clause and such Net Available Cash is subsequently applied in accordance with such agreement within six months following the date of such agreement.

(b) In the event of an Asset Disposition that requires the purchase of Securities (and other Senior Indebtedness of the Company or Indebtedness of a Restricted Subsidiary of the Company) pursuant to Section 4.06(a)(3)(C), the Company shall purchase Securities tendered pursuant to an offer by the Company or such Restricted Subsidiary for the Securities (and such other Senior Indebtedness of the Company or Indebtedness of such Restricted Subsidiary) (the "**Offer**") at a purchase price of 100% of their Accreted Value (or, if other than the Securities, 100% of their principal amount or, in the event such other Senior Indebtedness of the Company or Indebtedness of such Restricted Subsidiary was issued with significant original issue discount, 100% of the accreted value thereof) without premium, plus accrued but unpaid interest (or, in respect of such other Senior Indebtedness of the Company or Indebtedness of such Restricted Subsidiary, such lesser price, if any, as may be provided for by the terms of such Senior Indebtedness or Indebtedness) in accordance with the procedures (including prorating in the event of oversubscription) set forth in Section 4.06(d); provided, however, that the procedures for making an offer to holders of other Indebtedness will be as

provided for by the terms of such Indebtedness. If the aggregate purchase price of the Indebtedness tendered pursuant to the Offer exceeds the Net Available Cash allotted to their purchase, the Company shall select the Indebtedness to be purchased on a *pro rata* basis but in round denominations, which in the case of the Securities will be denominations of $1,000 principal amount at maturity or multiples thereof. The Company shall not be required to make such an Offer if the Net Available Cash available therefor is less than $10.0 million (which lesser amount shall be carried forward for purposes of determining whether such an Offer is required with respect to the Net Available Cash from any subsequent Asset Disposition). Upon completion of such an Offer, Net Available Cash shall be deemed to be reduced by the aggregate amount of such Offer.

(c) (1) Promptly, and in any event within 10 days after the Company becomes obligated to make an Offer, the Company shall deliver to the Trustee and send, by first-class mail to each Holder, a written notice stating that the Holder may elect to have his Securities purchased by the Company either in whole or in part (subject to prorating as described in Section 4.06(c) in the event the Offer is oversubscribed) in integral multiples of $1,000 of principal amount at maturity, at the applicable purchase price. The notice shall specify a purchase date not less than 30 days nor more than 60 days after the date of such notice (the "**Purchase Date**") and shall contain such information concerning the business of the Company which the Company in good faith believes will enable such Holders to make an informed decision (which at a minimum will include (A) the most recently filed Annual Report on Form 10-K (including audited consolidated financial statements) of the Company, the most recent subsequently filed Quarterly Report on Form 10-Q and any Current Report on Form 8-K of the Company filed subsequent to such Quarterly Report, other than Current Reports describing Asset Dispositions otherwise described in the offering materials (or corresponding successor reports), (B) a description of material developments in the Company's business subsequent to the date of the latest of such Reports and (C) if material, appropriate *pro forma* financial information) and all instructions and materials necessary to tender Securities pursuant to the Offer, together with the information contained in clause (3).

(2) Not later than the date upon which written notice of an Offer is delivered to the Trustee as provided above, the Company shall deliver to the Trustee an Officers' Certificate as to (A) the amount of the Offer (the "**Offer Amount**"), including information as to any other Indebtedness included in the Offer, (B) the allocation of the Net Available Cash from the Asset Dispositions pursuant to which such Offer is being made and (C) the compliance of such allocation with the provisions of Section 4.06(a) and (c). On such date, the Company shall also irrevocably deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust) in Temporary Cash Investments, maturing on the last day prior to the Purchase Date or on the Purchase Date if funds are immediately available by open of business, an amount equal to the Offer Amount to be held for payment in accordance with the provisions of this Section. If the Offer includes other Indebtedness, the deposit described in the preceding sentence may be made with any other paying agent pursuant to arrangements satisfactory to the Trustee. Upon the expiration of the period for which the Offer remains open (the "**Offer Period**"), the Company shall deliver to the Trustee for cancellation the Securities or portions thereof which have been

properly tendered to and are to be accepted by the Company. The Trustee shall, on the Purchase Date, mail or deliver payment (or cause the delivery of payment) to each tendering Holder in the amount of the purchase price. In the event that the aggregate purchase price of the Securities delivered by the Company to the Trustee is less than the Offer Amount applicable to the Securities, the Trustee shall deliver the excess to the Company as promptly as practicable after the expiration of the Offer Period for application in accordance with this Section 4.06.

(3) Holders electing to have a Security purchased shall be required to surrender the Security, with an appropriate form duly completed, to the Company at the address specified in the notice at least three Business Days prior to the Purchase Date. Holders shall be entitled to withdraw their election if the Trustee or the Company receives not later than one Business Day prior to the Purchase Date, a telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount at maturity of the Security which was delivered for purchase by the Holder and a statement that such Holder is withdrawing his election to have such Security purchased. Holders whose Securities are purchased only in part shall be issued new Securities equal in principal amount at maturity to the unpurchased portion of the Securities surrendered.

(4) At the time the Company delivers Securities to the Trustee which are to be accepted for purchase, the Company shall also deliver an Officers' Certificate stating that such Securities are to be accepted by the Company pursuant to and in accordance with the terms of this Section. A Security shall be deemed to have been accepted for purchase at the time the Trustee, directly or through an agent, mails or delivers payment therefor to the surrendering Holder.

(d) The Company shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Securities pursuant to this Section 4.06. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section 4.06, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.06 by virtue of its compliance with such securities laws or regulations.

(e) Notwithstanding the foregoing, to the extent that any or all of the Net Available Cash from Asset Dispositions is prohibited or delayed by applicable non-U.S. law from being repatriated to the United States, the portion of such Net Available Cash so affected shall not be required to be applied as set forth in this Section 4.06 (other than to repay Indebtedness of the Subsidiary making such Asset Disposition as contemplated in Section 4.06(a)(3)(A)) at the time provided above but the applicable Subsidiary shall be entitled to retain such Net Available Cash for so long as the applicable local law will not permit repatriation to the United States, and once such repatriation of any of such affected Net Available Cash is permitted under the applicable local law, such repatriation shall be promptly effected and such repatriated Net Available Cash shall be applied in the manner described in Section 4.06(a); provided, however, that to the extent that the Company has determined in good faith that repatriation of any or all of such Net Available Cash would have a material adverse tax consequence, the applicable Subsidiary shall be entitled to retain such Net Available Cash for so long as such material adverse tax consequence would continue.

SECTION 4.07 Limitation on Affiliate Transactions.

(a) The Company shall not, and shall not permit any Restricted Subsidiary of the Company to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Company (an "**Affiliate Transaction**") unless:

(1) the terms of the Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm's-length dealings with a Person who is not an Affiliate;

(2) if such Affiliate Transaction involves an amount in excess of $5.0 million, the terms of the Affiliate Transaction are set forth in writing and a majority of the non-employee directors of the Company disinterested with respect to such Affiliate Transaction have determined in good faith that the criteria set forth in clause (1) are satisfied and have approved the relevant Affiliate Transaction as evidenced by a resolution of the Board of Directors of the Company; and

(3) if such Affiliate Transaction involves an amount in excess of $10.0 million, the Board of Directors of the Company shall also have received a written opinion from an Independent Qualified Party to the effect that such Affiliate Transaction is fair, from a financial standpoint, to the Company and its Restricted Subsidiaries or is not less favorable to the Company and its Restricted Subsidiaries than could reasonably be expected to be obtained at the time in an arm's-length transaction with a Person who was not an Affiliate.

(b) The provisions of Section 4.07(a) shall not prohibit:

(1) any Investment (other than a Permitted Investment) or other Restricted Payment, in each case permitted to be made pursuant to Section 4.04 (but only to the extent included in the calculation of the amount of Restricted Payments made pursuant to Section 4.04(a)(3));

(2) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors of the Company;

(3) loans or advances to employees in the ordinary course of business in accordance with the past practices of the Company or its Restricted Subsidiaries, but in any event not to exceed $2.0 million in the aggregate outstanding at any one time;

(4) the payment of reasonable fees to directors of the Company and its Restricted Subsidiaries who are not employees of the Company or its Restricted Subsidiaries;

(5) any transaction with a Restricted Subsidiary of the Company or joint venture or similar entity which would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such Restricted Subsidiary, joint venture or similar entity;

(6) the issuance or sale of any Capital Stock (other than Disqualified Stock) of the Company;

(7) any agreement as in effect on the Issue Date and described in the Offering Circular or identified in an exhibit to this Indenture or any renewals or extensions of any such agreement (so long as such renewals or extensions are not less favorable to the Company or the Restricted Subsidiaries) and the transactions evidenced thereby;

(8) (A) the payment by the Company or any of its Restricted Subsidiaries of management, advisory or consulting fees to Saratoga Management Company LLC or its Affiliates in an amount not to exceed $600,000 in any year and (B) the payment of financial advisory, financing, underwriting or placement services fees or fees in respect of other investment banking activities, including in connection with acquisitions or divestitures, to Saratoga Management Company LLC or its Affiliates, which payments described in this clause (B) are approved by a majority of the disinterested members of the Board of Directors of the Company;

(9) the sale to an Affiliate of the Company of Indebtedness (including Disqualified Stock) of the Company in connection with an offering of such Indebtedness in a market transaction and on terms substantially identical to those of other purchasers in such market transaction; and

(10) transactions effected as part of a Qualified Securitization Transaction.

SECTION 4.08 Limitation on the Sale or Issuance of Common Stock of Restricted Subsidiaries. The Company:

(1) shall not, and shall not permit any Restricted Subsidiary (other than a Securitization Entity) to, sell, lease, transfer or otherwise dispose of any Common Stock of any Restricted Subsidiary to any Person (other than the Company or a Restricted Subsidiary of the Company), and

(2) shall not permit any Restricted Subsidiary of the Company (other than a Securitization Entity) to issue any of its Common Stock (other than, if necessary, shares of its Common Stock constituting directors' or other legally required qualifying shares) to any Person (other than to the Company or a Restricted Subsidiary), unless,

(A) immediately after giving effect to such issuance, sale or other disposition, and to any substantially concurrent redemption of such Common Stock from members of management, directors or employees of the Company and its Restricted Subsidiaries, (A) the Company is the beneficial owner of either (x) at least 80% or (y) less than 50% of the Common Stock of such Restricted Subsidiary and (B) any Investment in such Person remaining after giving effect thereto is treated as a new Investment by the Company and such Investment would be permitted to be made under Section 4.04 if made on the date of such issuance, sale or other disposition; and

(B) the Net Available Cash from such issuance, sale or other disposition is applied in the manner and to the extent required by Section 4.06.

Notwithstanding the foregoing, this Section 4.08 shall not apply to issuances, sales or other dispositions of any Common Stock of any Restricted Subsidiary that has a fair market value at the time of such disposition of less then $1.0 million.

SECTION 4.09 Change of Control.

(a) Upon the occurrence of a Change of Control, each Holder shall have the right to require that the Company repurchase such Holder's Securities at a purchase price in cash equal to 101% of the Accreted Value thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), in accordance with the terms contemplated in Section 4.09(b).

(b) Within 30 days following any Change of Control, the Company shall mail a notice to each Holder with a copy to the Trustee (the "**Change of Control Offer**") stating:

(1) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's Securities at a purchase price in cash equal to 101% of the Accreted Value thereof on the date of purchase, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest on the relevant interest payment date);

(2) the circumstances and relevant facts regarding such Change of Control (including, to the extent reasonably available, information with respect to *pro forma* historical income, cash flow and capitalization, in each case after giving effect to such Change of Control);

(3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

(4) the instructions, as determined by the Company, consistent with this Section 4.09, that a Holder must follow in order to have its Securities purchased.

(c) Holders electing to have a Security purchased shall be required to surrender the Security, with an appropriate form duly completed, to the Company at the address specified in the notice at least three Business Days prior to the purchase date. Holders shall be entitled to withdraw their election if the Trustee or the Company receives not later than one Business Day prior to the purchase date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount at maturity of the Security which was delivered for purchase by the Holder and a statement that such Holder is withdrawing his election to have such Security purchased.

(d) On the purchase date, all Securities purchased by the Company under this Section shall be delivered by the Company to the Trustee for cancellation, and the Company shall pay the purchase price plus accrued and unpaid interest, if any, to the Holders entitled thereto.

(e) Notwithstanding the foregoing provisions of this Section, the Company shall not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section applicable to a Change of Control Offer made by the Company and purchases all Securities validly tendered and not withdrawn under such Change of Control Offer.

(f) The Company shall comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Securities pursuant to this Section 4.09. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section 4.09, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.09 by virtue of its compliance with such securities laws or regulations.

SECTION 4.10 Limitation on Liens.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur or permit to exist any Lien (the "Initial Lien") of any nature whatsoever on any of its properties (including Capital Stock of a Restricted Subsidiary of the Company), whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the Securities shall be secured equally and ratably with (or prior to) the obligation so secured for so long as such obligation is so secured.

(b) Any Lien created for the benefit of the holders of the Securities pursuant to the preceding sentence shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien.

SECTION 4.11 Limitation on Sale/Leaseback Transactions. The Company shall not, and shall not permit any of its Restricted Subsidiaries to, enter into any Sale/Leaseback Transaction with respect to any property unless:

(1) the Company or such Restricted Subsidiary would be entitled to (A) Incur Indebtedness in an amount equal to the Attributable Debt with respect to such Sale/Leaseback Transaction pursuant to Section 4.03 and (B) create a Lien on such property securing such Attributable Debt without equally and ratably securing the Securities pursuant to Section 4.10(a);

(2) the net proceeds received by the Company or any Restricted Subsidiary in connection with such Sale/Leaseback Transaction are at least equal to the fair market value (as determined by the Board of Directors of the Company) of such property; and

(3) the Company applies the proceeds of such transaction in compliance with Section 4.06.

SECTION 4.12 Compliance Certificate. The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company an Officers' Certificate stating that in the course of the performance by the signers of their duties as Officers of the Company they would normally have knowledge of any Default and whether or not the signers know of any Default that occurred during such period. If they do, the certificate shall describe the Default, its status and what action the Company is taking or proposes to take with respect thereto. The Company also shall comply with TIA § 314(a)(4).

SECTION 4.13 Further Instruments and Acts. Upon request of the Trustee, the Company shall, and shall cause each Restricted Subsidiary to, execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

SECTION 4.14 Calculation of Original Issue Discount. The Company shall provide to the Trustee on a timely basis such information as the Trustee requires to enable the Trustee to prepare and file any form required to be submitted by the Company with the Internal Revenue Service and the Holders of the Notes relating to original issue discount, including, without limitation, Form 1099-OID or any successor form.

Article 5

Successor Company

SECTION 5.01 When Company May Merge or Transfer Assets. The Company shall not consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all its assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries) to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "**Successor Company**") shall be a Person organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company (if not the Company) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Company under the Securities and this Indenture;

(2) immediately after giving *pro forma* effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Subsidiary as a result of such transaction as having been Incurred by such Successor Company or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(3) immediately after giving *pro forma* effect to such transaction, the Successor Company would be able to Incur an additional $1.00 of Indebtedness pursuant to Section 4.03(a);

(4) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this Indenture; and

(5) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for Federal income tax purposes as a result of such transaction and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such transaction had not occurred;

provided, however, that clause (3) will not be applicable to (A) a Restricted Subsidiary of the Company consolidating with, merging into or transferring all or part of its properties and assets to the Company or (B) the Company merging with an Affiliate of the Company solely for the purpose and with the sole effect of reincorporating the Company in another jurisdiction.

For purposes of this Section 5.01, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company shall be the successor to the Company and shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture, and the predecessor Company, except in the case of a lease, shall be released from the obligation to pay the principal of and interest on the Securities.

Article 6

Defaults and Remedies

SECTION 6.01 Events of Default. An "Event of Default" occurs if:

(1) the Company defaults in any payment of interest on any Security when the same becomes due and payable, and such default continues for a period of 30 days;

(2) the Company (A) defaults in the payment of the principal of any Security when the same becomes due and payable at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration of acceleration or otherwise;

(3) the Company fails to comply with Section 5.01;

(4) the Company fails to comply with Section 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.09, 4.10 or 4.11 (other than a failure to purchase Securities when required under Section 4.06 or 4.09) and such failure continues for 30 days after the notice specified below;

(5) the Company fails to comply with any of its agreements in the Securities, this Indenture (other than those referred to in clause (1), (2), (3) or (4) above) and such failure continues for 60 days after the notice specified below;

(6) Indebtedness of the Company or any Significant Subsidiary is not paid within any applicable grace period after final maturity or is accelerated by the holders thereof because of a default and the total amount of such Indebtedness unpaid or accelerated exceeds $10.0 million, or its foreign currency equivalent at the time;

(7) the Company or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case;

(C) consents to the appointment of a Custodian of it or for any substantial part of its property; or

(D) makes a general assignment for the benefit of its creditors;

or takes any comparable action under any foreign laws relating to insolvency;

(8) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Significant Subsidiary in an involuntary case;

(B) appoints a Custodian of the Company or any Significant Subsidiary or for any substantial part of its property; or

(C) orders the winding up or liquidation of the Company or any Significant Subsidiary;

or any similar relief is granted under any foreign laws and the order or decree remains unstayed and in effect for 60 days;

(9) any judgment or decree for the payment of money in excess of $10.0 million or its foreign currency equivalent at the time (excluding the amount of any insurance proceeds or indemnification claims available to the obligor from insurance carriers and indemnitors who in the reasonable judgment of the Board of Directors of the Company are creditworthy and who have not disclaimed their liability with respect thereto) is entered against the Company or any Significant Subsidiary, remains outstanding for a period of 60 consecutive days following the entry of such judgment or decree and is not discharged, waived or the execution thereof stayed within 10 days after notice.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

The term “Bankruptcy Law” means Title 11, United States Code, or any similar Federal or state law for the relief of debtors. The term “Custodian” means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

A Default under clauses (4), (5) or (9) is not an Event of Default until the Trustee or the holders of at least 25% in principal amount at maturity of the outstanding Securities notify the Company of the Default and the Company does not cure such Default within the time specified after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a “Notice of Default”.

The Company shall deliver to the Trustee, within 30 days after the occurrence thereof, written notice in the form of an Officers’ Certificate of any Event of Default under clause (6) and any event which with the giving of notice or the lapse of time would become an Event of Default under clause (4), (5) or (9), its status and what action the Company is taking or proposes to take with respect thereto.

SECTION 6.02 Acceleration. If an Event of Default (other than an Event of Default specified in Section 6.01(7) or (8) with respect to the Company) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal

amount at maturity of the Securities by notice to the Company and the Trustee, may declare the Accreted Value of and accrued but unpaid interest on all the Securities to be due and payable. Upon such a declaration, such Accreted Value and interest shall be due and payable immediately. If an Event of Default specified in Section 6.01(7) or (8) with respect to the Company occurs, the Accreted Value of and interest on all the Securities shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholders. The Holders of a majority in principal amount at maturity of the outstanding Securities by notice to the Trustee may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of Accreted Value or interest that has become due solely because of acceleration. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

SECTION 6.03 Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of Accreted Value of or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 6.04 Waiver of Past Defaults. The Holders of a majority in principal amount at maturity of the outstanding Securities by notice to the Trustee may waive an existing Default and its consequences except (a) a Default in the payment of the Accreted Value of or interest on a Security (b) a Default arising from the failure to redeem or purchase any Security when required pursuant to this Indenture or (c) a Default in respect of a provision that under Section 9.02 cannot be amended without the consent of each Securityholder affected. When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

SECTION 6.05 Control by Majority. The Holders of a majority in principal amount at maturity of the outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or, subject to Section 7.01, that the Trustee determines is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

SECTION 6.06 Limitation on Suits. Except to enforce the right to receive payment of Accreted Value, premium (if any) or interest when due, no Securityholder may pursue any remedy with respect to this Indenture or the Securities unless:

(1) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;

(2) the Holders of at least 25% in principal amount at maturity of the outstanding Securities make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee security or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of security or indemnity; and

(5) the Holders of a majority in principal amount at maturity of the outstanding Securities do not give the Trustee a direction inconsistent with the request during such 60-day period.

A Securityholder may not use this Indenture to prejudice the rights of another Securityholder or to obtain a preference or priority over another Securityholder.

SECTION 6.07 Rights of Holders to Receive Payment. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of Accreted Value and interest on the Securities held by such Holder, on or after the respective due dates expressed in the Securities, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

SECTION 6.08 Collection Suit by Trustee. If an Event of Default specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then due and owing (together with interest on any unpaid interest to the extent lawful) and the amounts provided for in Section 7.07.

SECTION 6.09 Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Securityholders allowed in any judicial proceedings relative to the Company, its creditors or its property and, unless prohibited by law or applicable regulations, may vote on behalf of the Holders in any election of a trustee in bankruptcy or other Person performing similar functions, and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and its counsel, and any other amounts due the Trustee under Section 7.07.

SECTION 6.10 Priorities. If the Trustee collects any money or property pursuant to this Article 6, it shall pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 7.07;

SECOND: to Securityholders for amounts due and unpaid on the Securities for Accreted Value and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for Accreted Value and interest, respectively; and

THIRD: to the Company.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section. At least 15 days before such record date, the Company shall mail to each Securityholder and the Trustee a notice that states the record date, the payment date and amount to be paid.

SECTION 6.11 Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07 or a suit by Holders of more than 10% in principal amount at maturity of the Securities.

SECTION 6.12 Waiver of Stay or Extension Laws. The Company (to the extent it may lawfully do so) shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

Article 7

Trustee

SECTION 7.01 Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(e) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company.

(f) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and to the provisions of the TIA.

SECTION 7.02 Rights of Trustee. Subject to the provisions of Section 7.01:

(a) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be

entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the sole cost of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture; provided, however, that the Trustee's conduct does not constitute willful misconduct or negligence;

(i) in no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(j) the Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture;

(k) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder; and

(l) the Trustee may request that the Company deliver a certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture.

SECTION 7.03 Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, co-registrar or co-paying agent may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.04 Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture, the Securities or any offering materials relating to the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement of the Company in the Indenture or in any document issued in connection with the sale of the Securities or in the Securities other than the Trustee's certificate of authentication.

SECTION 7.05 Notice of Defaults. If a Default occurs and is continuing and if it is actually known to a Trust Officer of the Trustee, the Trustee shall mail to each Securityholder notice of the Default within 90 days after it occurs. Except in the case of a Default in payment of Accreted Value of or interest on any Security (including payments pursuant to the mandatory redemption provisions of such Security, if any), the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of Securityholders.

SECTION 7.06 Reports by Trustee to Holders. As promptly as practicable after each May 15 beginning with the May 15 following the date of this Indenture, and in any event prior to July 15 in each year, the Trustee shall mail to each Securityholder a brief report dated as of May 15 that complies with TIA § 313(a). The Trustee also shall comply with TIA § 313(b).

A copy of each report at the time of its mailing to Securityholders shall be filed with the SEC and each stock exchange (if any) on which the Securities are listed. The Company agrees to notify promptly the Trustee whenever the Securities become listed on any stock exchange and of any delisting thereof.

SECTION 7.07 Compensation and Indemnity. The Company agrees:

(1) to pay to the Trustee from time to time such compensation as the Company and the Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify each of the Trustee or any predecessor Trustee and their agents for, and to hold them harmless against, any and all loss, damage, claims, liability or expense, including taxes (other than taxes based upon, measured by or determined by the income of the Trustee), arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim (whether asserted by the Company, or any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, or in connection with enforcing the provisions of this Section, except to the extent that such loss, damage, claim, liability or expense is due to its own negligence or bad faith.

The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee may have separate counsel and the Company shall pay the fees and expenses of such counsel. The Company need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own willful misconduct, negligence or bad faith.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee other than money or property held in trust to pay Accreted Value and interest on particular Securities.

The Company's payment obligations pursuant to this Section shall survive the discharge of this Indenture. When the Trustee incurs expenses after the occurrence of a Default specified in Section 6.01(7) or (8) with respect to the Company, the expenses are intended to constitute expenses of administration under the Bankruptcy Law.

SECTION 7.08 Replacement of Trustee. The Trustee may resign at any time by so notifying the Company. The Holders of a majority in principal amount at maturity of the outstanding Securities may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. The Company shall remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged bankrupt or insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns, is removed by the Company or by the Holders of a majority in principal amount at maturity of the outstanding Securities and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company shall promptly appoint a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee (at the Company's expense) or the Holders of 10% in principal amount at maturity of the Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Notwithstanding the resignation, removal or replacement of the Trustee pursuant to this Section, the Company's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

SECTION 7.09 Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

In case at the time such successor or successors by merger, conversion or consolidation to the Trustee shall succeed to the trusts created by this Indenture any of the Securities shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Securities so authenticated; and in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10 Eligibility; Disqualification. The Trustee shall at all times satisfy the requirements of TIA § 310(a). The Trustee shall have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA § 310(b); provided, however, that there shall be excluded from the operation of TIA § 310(b)(1) any indenture or indentures under which other securities or certificates of interest or participation in other securities of the Company are outstanding if the requirements for such exclusion set forth in TIA § 310(b)(1) are met.

SECTION 7.11 Preferential Collection of Claims Against Company. The Trustee shall comply with TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated.

Article 8

Discharge of Indenture; Defeasance

SECTION 8.01 Discharge of Liability on Securities; Defeasance.

(a) When (1) the Company delivers to the Trustee all outstanding Securities (other than Securities replaced pursuant to Section 2.07) for cancellation or (2) all outstanding Securities have become due and payable, whether at maturity or on a redemption date as a result of the mailing of a notice of redemption pursuant to Article 3 hereof and the Company irrevocably deposits with the Trustee funds sufficient to pay at maturity or upon redemption all outstanding Securities, including interest thereon to maturity or such redemption date (other than Securities replaced pursuant to Section 2.07), and if in either case the Company pays all other sums payable hereunder by the Company, then this Indenture shall, subject to Section 8.01(c), cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of this Indenture on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Company.

(b) Subject to Sections 8.01(c) and 8.02, the Company at any time may terminate (1) all its obligations under the Securities and this Indenture ("**legal defeasance option**") or (2) its obligations under Sections 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.09, 4.10, 4.11 and the operation of Sections 6.01(4), 6.01(6), 6.01(7), 6.01(8) and 6.01(9) (but, in the case of Sections 6.01(7) and (8), with respect only to Significant Subsidiaries) and the limitations contained in Sections 5.01(3) ("**covenant defeasance option**"). The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option.

If the Company exercises its legal defeasance option, payment of the Securities may not be accelerated because of an Event of Default with respect thereto. If the Company exercises its covenant defeasance option, payment of the Securities may not be accelerated because of an Event of Default specified in Sections 6.01(4), 6.01(6), 6.01(7), 6.01(8) and 6.01(9), (but, in the case of Sections 6.01(7) and (8), with respect only to Significant Subsidiaries) or because of the failure of the Company to comply with Section 5.01(3).

Upon satisfaction of the conditions set forth herein and upon request of the Company, the Trustee shall acknowledge in writing the discharge of those obligations that the Company terminates.

(c) Notwithstanding clauses (a) and (b) above, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 2.08, 7.07 and 7.08 and in this Article 8 shall survive until the Securities have been paid in full. Thereafter, the Company's obligations in Sections 7.07, 8.04 and 8.05 shall survive.

SECTION 8.02 Conditions to Defeasance. The Company may exercise its legal defeasance option or its covenant defeasance option only if:

(1) the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations for the payment of aggregate Accreted Value of and interest on the Securities to maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the Securities to maturity or redemption, as the case may be;

(3) 123 days pass after the deposit is made and during the 123-day period no Default specified in Sections 6.01(7) or (8) with respect to the Company occurs which is continuing at the end of the period;

(4) the deposit does not constitute a default under any other agreement binding on the Company;

(5) the Company delivers to the Trustee an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(6) in the case of the legal defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (B) since the date of this Indenture there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Securityholders will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred;

(7) in the case of the covenant defeasance option, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Securityholders will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred; and

(8) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance and discharge of the Securities as contemplated by this Article 8 have been complied with.

Before or after a deposit, the Company may make arrangements satisfactory to the Trustee for the redemption of Securities at a future date in accordance with Article 3.

SECTION 8.03 Application of Trust Money. The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to this Article 8. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Securities.

SECTION 8.04 Repayment to Company. The Trustee and the Paying Agent shall promptly turn over to the Company upon request any excess money or securities held by them at any time.

Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of Accreted Value or interest that remains unclaimed for two years, and, thereafter, Securityholders entitled to the money must look to the Company for payment as general creditors.

SECTION 8.05 Indemnity for Government Obligations. The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against deposited U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations.

SECTION 8.06 Reinstatement. If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with this Article 8 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to this Article 8 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with this Article 8; provided, however, that, if the Company has made any payment of interest on or Accreted Value of any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

Article 9

Amendments

SECTION 9.01 Without Consent of Holders. The Company and the Trustee may amend this Indenture or the Securities without notice to or consent of any Securityholder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to comply with Article 5;

(3) to provide for uncertificated Securities in addition to or in place of certificated Securities; provided, however, that the uncertificated Securities are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Securities are described in Section 163(f)(2)(B) of the Code;

(4) to add Guarantees with respect to the Securities or to secure the Securities;

(5) to add to the covenants of the Company or any of its Restricted Subsidiaries for the benefit of the Holders or to surrender any right or power herein conferred upon the Company or any of its Restricted Subsidiaries;

(6) to make any change that does not adversely affect the rights of any Securityholder;

(7) to comply with any requirements of the SEC in connection with qualification, or maintenance the qualification of, this Indenture under the TIA; or

(8) to make any amendment to the provisions of this Indenture relating to the form, authentication, transfer and legending of the Securities; provided, however, that (a) compliance with this Indenture as so amended would not result in Securities being transferred in violation of the Securities Act or any other applicable securities law and (b) such amendment does not materially affect the rights of Holders to transfer Securities.

After an amendment under this Section becomes effective, the Company shall mail to Securityholders a notice briefly describing such amendment. The failure to give such notice to all Securityholders, or any defect therein, shall not impair or affect the validity of an amendment under this Section.

SECTION 9.02 With Consent of Holders. The Company and the Trustee may amend this Indenture or the Securities without notice to any Securityholder but with the written consent of the Holders of at least a majority in principal amount at maturity of the Securities then outstanding (including consents obtained in connection with a tender offer or exchange for the Securities). However, without the consent of each Securityholder affected thereby, an amendment or waiver may not:

(1) reduce the principal amount at maturity of Securities whose Holders must consent to an amendment;

(2) reduce the rate of or extend the time for payment of interest on any Security;

(3) reduce the principal amount at maturity or Accreted Value of or change the Stated Maturity of any Security;

(4) change the calculation of Accreted Value so as to reduce the Accreted Value at any time or change the provisions applicable to the redemption of any Security contained in Article 3 hereto or paragraph 5 of the Securities;

(5) make any Security payable in money other than that stated in the Security;

(6) impair the right of any Holder to receive payment of principal amount or Accreted Value of and interest on such Holder's Securities on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Securities;

(7) make any changes in the ranking or priority of any Security that would adversely affect the Securityholders; or

(8) make any change in Section 6.04 or 6.07 or the second sentence of this Section.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

After an amendment under this Section becomes effective, the Company shall mail to Securityholders a notice briefly describing such amendment. The failure to give such notice to all Securityholders, or any defect therein, shall not impair or affect the validity of an amendment under this Section.

SECTION 9.03 Compliance with Trust Indenture Act. Every amendment to this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 9.04 Revocation and Effect of Consents and Waivers. A consent to an amendment or a waiver by a Holder of a Security shall bind the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent or waiver is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the date the amendment or waiver becomes effective. After an amendment or waiver becomes effective, it shall bind every Securityholder. An amendment or waiver becomes effective upon the execution of such amendment or waiver by the Trustee.

The Company shall be entitled to, but shall not be obligated to, fix a record date for the purpose of determining the Securityholders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Inden-ture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Securityholders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent

previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 120 days after such record date.

SECTION 9.05 Notation on or Exchange of Securities. If an amendment changes the terms of a Security, the Trustee shall be entitled to require the Holder of the Security to deliver it to the Trustee. The Trustee shall be entitled to place an appropriate notation on the Security regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall execute and the Trustee shall authenticate a new Security that reflects the changed terms. Failure to make the appropriate notation or to issue a new Security shall not affect the validity of such amendment.

SECTION 9.06 Trustee To Sign Amendments. The Trustee shall sign any amendment authorized pursuant to this Article 9 if, in the Trustee's sole discretion, the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee shall be entitled to, but need not, sign it. In signing such amendment the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and to receive, and (subject to Section 7.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

SECTION 9.07 Payment for Consent. Neither the Company nor any Affiliate of the Company shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Securities unless such consideration is offered to be paid to all Holders that so consent, waive or agree to amend in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

Article 10

Miscellaneous

SECTION 10.01 Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 10.02 Notices. Any notice or communication shall be in writing and delivered in person or mailed by first-class mail addressed as follows:

if to the Company:

KI Holdings Inc.
436 Seventh Avenue
Pittsburgh, Pennsylvania 15219-1900
Attention: Vice President, Law and Human Resources

with a copy to:

Cahill Gordon & Reindel LLP
80 Pine Street
New York, New York 10005
Attention: Richard Farley, Esq.

if to the Trustee:

The Bank of New York
101 Barclay Street, Floor 8 West
New York, New York 10286
Attention: Corporate Finance Unit

The Company or the Trustee by notice to the others may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Securityholder shall be mailed to the Securityholder at the Securityholder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

SECTION 10.03 Communication by Holders with Other Holders. Securityholders may communicate pursuant to TIA § 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

SECTION 10.04 Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 10.05 Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) a statement that the individual making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with.

SECTION 10.06 When Securities Disregarded. In determining whether the Holders of the required principal amount at maturity of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded. Also, subject to the foregoing, only Securities outstanding at the time shall be considered in any such determination.

SECTION 10.07 Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by or a meeting of Securityholders. The Registrar and the Paying Agent may make reasonable rules for their functions.

SECTION 10.08 Legal Holidays. If a payment date is a Legal Holiday, payment shall be made on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record date shall not be affected.

SECTION 10.09 Governing Law. This Indenture and the Securities shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 10.10 No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company or any Subsidiary shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

SECTION 10.11 Successors. All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 10.12 Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SECTION 10.13 Table of Contents; Headings. The table of contents, cross-reference sheet and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

KI HOLDINGS INC.

By /s/ Brian H. McCurrie

Name: Brian H. McCurrie
Title: Vice President and Chief Financial Officer

THE BANK OF NEW YORK

By /s/ Joseph Lloret

Name: Joseph Lloret
Title: Assistant Treasurer

PROVISIONS RELATING TO INITIAL SECURITIES,
PRIVATE EXCHANGE SECURITIES AND EXCHANGE SECURITIES

1. Definitions

1.1 Definitions

For the purposes of this Appendix the following terms shall have the meanings indicated below:

"Applicable Procedures" means, with respect to any transfer or transaction involving a Temporary Regulation S Global Security or beneficial interest therein, the rules and procedures of the Depository for such a Temporary Regulation S Global Security, to the extent applicable to such transaction and as in effect from time to time.

"Definitive Security" means a certificated Initial Security or Exchange Security or Private Exchange Security bearing, if required, the appropriate restricted securities legend set forth in Section 2.3(e).

"Depository" means The Depository Trust Company, its nominees and their respective successors.

"Distribution Compliance Period", with respect to any Securities, means the period of 40 consecutive days beginning on and including the later of (i) the day on which such Securities are first offered to Persons other than distributors (as defined in Regulation S under the Securities Act) in reliance on Regulation S and (ii) the issue date with respect to such Securities.

"Exchange Securities" means (1) the 9 7/8% Senior Discount Notes Due 2014 issued pursuant to the Indenture in connection with a Registered Exchange Offer pursuant to a Registration Rights Agreement and (2) Additional Securities, if any, offered and sold by the Company pursuant to a registration statement filed with the Commission under the Securities Act.

"IAI" means an institutional "accredited investor," as defined in Rule 501(a) (1), (2), (3) or (7) of Regulation D under the Securities Act.

"Initial Purchasers" means (1) with respect to the Initial Securities issued on the Issue Date, Credit Suisse First Boston LLC, Deutsche Bank Securities Inc., UBS Securities LLC, and NatCity Investments, Inc. and (2) with respect to each issuance of Additional Securities, the Persons purchasing or underwriting such Additional Securities under the related Purchase Agreement.

"Initial Securities" means (1) $203,000,000 stated aggregate principal amount at maturity of 9 7/8% Senior Discount Notes Due 2014 issued on the Issue Date and (2) Additional Securities, if any, offered and sold by the Company in a transaction exempt from the registration requirements of the Securities Act.

"Private Exchange" means the offer by the Company, pursuant to a Registration Rights Agreement, to the Initial Purchasers to issue and deliver to each such Initial Purchaser, in exchange for the Initial Securities held by such Initial Purchaser as part of the initial distribution of such Initial Securities, a like stated aggregate principal amount at maturity of Private Exchange Securities.

"Private Exchange Securities" means any 9 7/8% Senior Discount Notes Due 2014 issued in connection with a Private Exchange.

"Purchase Agreement" means (1) with respect to the Initial Securities issued on the Issue Date, the Purchase Agreement dated November 15, 2004, among the Company and the Initial Purchasers and (2) with respect to each issuance of Additional Securities, the purchase agreement or underwriting agreement among the Company and the Persons purchasing or underwriting such Additional Securities.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Registered Exchange Offer" means the offer by the Company, pursuant to a Registration Rights Agreement, to certain Holders of Initial Securities, to issue and deliver to such Holders, in exchange for the Initial Securities, a like stated aggregate principal amount at maturity of Exchange Securities registered under the Securities Act.

"Registration Rights Agreement" means (1) with respect to the Initial Securities issued on the Issue Date, the Registration Rights Agreement dated November 18, 2004 between the Company and the Initial Purchasers and (2) with respect to each issuance of Additional Securities issued in a transaction exempt from the registration requirements of the Securities Act, the registration rights agreement, if any, among the Company and the Persons purchasing such Additional Securities under the related Purchase Agreement.

"Rule 144A Securities" means all Securities offered and sold to QIBs in reliance on Rule 144A.

"Securities" means the Initial Securities, the Exchange Securities and the Private Exchange Securities, treated as a single class under the Indenture.

"Securities Act" means the Securities Act of 1933.

"Securities Custodian" means the custodian with respect to a Global Security (as appointed by the Depository), or any successor Person thereto, and shall initially be the Trustee.

"Shelf Registration Statement" means the registration statement issued by the Company in connection with the offer and sale of Initial Securities or Private Exchange Securities pursuant to a Registration Rights Agreement.

"Transfer Restricted Securities" means Securities that bear or are required to bear a legend relating to restrictions on transfer relating to the Securities Act set forth in Section 2.3(e).

1.2 Other Definitions

Term	Defined in Section:
Agent Members	2.1(b)
Global Securities	2.1(a)
IAI Global Security	2.1(a)
Permanent Regulation S Global Security	2.1(a)
Regulation S	2.1(a)
Regulation S Global Security	2.1(a)
Rule 144A	2.1(a)
Rule 144A Global Security	2.1(a)
Temporary Regulation S Global Security	2.1(a)

2. The Securities

2.1 (a) Form and Dating. The Initial Securities will be offered and sold by the Company pursuant to a Purchase Agreement. The Initial Securities will be resold initially only to (i) QIBs in reliance on Rule 144A under the Securities Act ("Rule 144A") and (ii) Persons other than U.S. Persons (as defined in Regulation S) in reliance on Regulation S under the Securities Act ("Regulation S"). Initial Securities may thereafter be transferred to, among others, QIBs, IAIs and purchasers in reliance on Regulation S, subject to the restrictions on transfer set forth herein. Initial Securities initially resold pursuant to Rule 144A shall be issued initially in the form of one or more permanent global Securities in definitive, fully registered form (collectively, the "Rule 144A Global Security"); Initial Securities initially resold to IAIs shall be issued initially in the form of one or more permanent global Securities in definitive, fully registered form (collectively, the "IAI Global Security"); and Initial Securities initially resold pursuant to Regulation S shall be issued initially in the form of one or more temporary

global securities in fully registered form (collectively, the "Temporary Regulation S Global Security"), in each case without interest coupons and with the global securities legend and the applicable restricted securities legend set forth in Exhibit 1 hereto, which shall be deposited on behalf of the purchasers of the Initial Securities represented thereby with the Securities Custodian and registered in the name of the Depository or a nominee of the Depository, duly executed by the Company and authenticated by the Trustee as provided in this Indenture. Except as set forth in this Section 2.1(a), beneficial ownership interests in the Temporary Regulation S Global Security will not be exchangeable for interests in the Rule 144A Global Security, the IAI Global Security, a permanent global security (the "Permanent Regulation S Global Security", and together with the Temporary Regulation S Global Security, the "Regulation S Global Security") or any other Security prior to the expiration of the Distribution Compliance Period and then, after the expiration of the Distribution Compliance Period, may be exchanged for interests in a Rule 144A Global Security, an IAI Global Security or the Permanent Regulation S Global Security only upon certification in form reasonably satisfactory to the Trustee that (i) beneficial ownership interests in such Temporary Regulation S Global Security are owned either by non-U.S. persons or U.S. persons who purchased such interests in a transaction that did not require registration under the Securities Act and (ii) in the case of an exchange for an IAI Global Security, certification that the interest in the Temporary Regulation S Global Security is being transferred to an institutional "accredited investor" under the Securities Act that is an institutional accredited investor acquiring the securities for its own account or for the account of an institutional accredited investor.

Beneficial interests in Temporary Regulation S Global Securities or IAI Global Securities may be exchanged for interests in Rule 144A Global Securities if (1) such exchange occurs in connection with a transfer of Securities in compliance with Rule 144A and (2) the transferor of the beneficial interest in the Temporary Regulation S Global Security or the IAI Global Security, as applicable, first delivers to the Trustee a written certificate (in a form satisfactory to the Trustee) to the effect that the beneficial interest in the Temporary Regulation S Global Security or the IAI Global Security, as applicable, is being transferred to a Person (a) who the transferor reasonably believes to be a QIB, (b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A, and (c) in accordance with all applicable securities laws of the States of the United States and other jurisdictions.

Beneficial interests in Temporary Regulation S Global Securities and Rule 144A Global Securities may be exchanged for an interest in IAI Global Securities if (1) such exchange occurs in connection with a transfer of the securities in compliance with an exemption under the Securities Act and (2) the transferor of the Regulation S Global Security or Rule 144A Global Security, as applicable, first delivers to the trustee a written certificate (substantially in the form of Exhibit 2) to the effect that (A) the Regulation S Global Security or Rule 144A Global Security, as applicable, is being transferred (a) to an "accredited investor" within the meaning of 501(a) (1), (2), (3) or (7) under the Securities Act that is an institutional

investor acquiring the securities for its own account or for the account of such an institutional accredited investor, in each case in a minimum principal amount at maturity of Securities of $250,000, for investment purposes and not with a view to or for offer or sale in connection with any distribution in violation of the Securities Act and (B) in accordance with all applicable securities laws of the States of the United States and other jurisdictions.

Beneficial interests in a Rule 144A Global Security or an IAI Global Security may be transferred to a Person who takes delivery in the form of an interest in a Regulation S Global Security, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if applicable).

The Rule 144A Global Security, the IAI Global Security, the Temporary Regulation S Global Security and the Permanent Regulation S Global Security are collectively referred to herein as "Global Securities". The stated aggregate principal amount at maturity of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee as hereinafter provided.

(b) Book-Entry Provisions. This Section 2.1(b) shall apply only to a Global Security deposited with or on behalf of the Depository.

The Company shall execute and the Trustee shall, in accordance with this Section 2.1(b), authenticate and deliver initially one or more Global Securities that (a) shall be registered in the name of the Depository for such Global Security or Global Securities or the nominee of such Depository and (b) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions or held by the Trustee as custodian for the Depository.

Members of, or participants in, the Depository ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depository or by the Trustee as the custodian of the Depository or under such Global Security, and the Company, the Trustee and any agent of the Company or the Trustee shall be entitled to treat the Depository as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices of such Depository governing the exercise of the rights of a holder of a beneficial interest in any Global Security.

(c) Definitive Securities. Except as provided in this Section 2.1 or Section 2.3 or 2.4, owners of beneficial interests in Global Securities shall not be entitled to receive physical delivery of Definitive Securities.

2.2 Authentication

The Trustee shall authenticate and deliver: (1) on the Issue Date, a stated aggregate principal amount at maturity of $203,000,000 9 7/8% Senior Discount Notes Due 2014 (such stated aggregate principal amount at maturity of such Securities issued on the Issue Date subject to increase pursuant to this Indenture and the Securities), (2) any Additional Securities for an original issue in a stated aggregate principal amount at maturity specified in the written order of the Company pursuant to Section 2.02 of the Indenture and (3) Exchange Securities or Private Exchange Securities for issue only in a Registered Exchange Offer or a Private Exchange, respectively, pursuant to a Registration Rights Agreement, for a like principal amount at maturity of Initial Securities, in each case upon a written order of the Company signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company. Such order shall specify the amount of the Securities to be authenticated and the date on which the original issue of Securities is to be authenticated and, in the case of any issuance of Additional Securities pursuant to Section 2.13 of the Indenture, shall certify that such issuance is in compliance with Section 4.03 of the Indenture.

2.3 Transfer and Exchange

(a) Transfer and Exchange of Definitive Securities. When Definitive Securities are presented to the Registrar with a request:

(x) to register the transfer of such Definitive Securities; or

(y) to exchange such Definitive Securities for an equal principal amount at maturity of Definitive Securities of other authorized denominations,

the Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Definitive Securities surrendered for transfer or exchange:

(i) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Registrar, duly executed by the Holder thereof or its attorney duly authorized in writing; and

(ii) if such Definitive Securities are required to bear a restricted securities legend, they are being transferred or exchanged pursuant to an effective registration statement under the Securities Act, pursuant to Section 2.3(b) or pursuant to clause (A), (B) or (C) below, and are accompanied by the following additional information and documents, as applicable:

(A) if such Definitive Securities are being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect; or

(B) if such Definitive Securities are being transferred to the Company, a certification to that effect; or

(C) if such Definitive Securities are being transferred (x) pursuant to an exemption from registration in accordance with Rule 144A, Regulation S or Rule 144 under the Securities Act; or (y) in reliance upon another exemption from the requirements of the Securities Act: (i) a certification to that effect (in the form set forth on the reverse of the Security) and (ii) if the Company so requests, an opinion of counsel or other evidence reasonably satisfactory to it as to the compliance with the restrictions set forth in the legend set forth in Section 2.3(e)(i).

(b) Restrictions on Transfer of a Definitive Security for a Beneficial Interest in a Global Security. A Definitive Security may not be exchanged for a beneficial interest in a Rule 144A Global Security, an IAI Global Security or a Permanent Regulation S Global Security except upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a Definitive Security, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Trustee, together with:

(i) certification, in the form set forth on the reverse of the Security, that such Definitive Security is either (A) being transferred to a QIB in accordance with Rule 144A, (B) being transferred to an IAI or (C) being transferred after expiration of the Distribution Compliance Period by a Person who initially purchased such Security in reliance on Regulation S to a buyer who elects to hold its interest in such Security in the form of a beneficial interest in the Permanent Regulation S Global Security; and

(ii) written instructions directing the Trustee to make, or to direct the Securities Custodian to make, an adjustment on its books and records with respect to such Rule 144A Global Security (in the case of a transfer pursuant to clause (b)(i)(A)), IAI Global Security (in the case of a transfer pursuant to clause (b)(1)(B)) or Permanent Regulation S Global Security (in the case of a transfer pursuant to clause (b)(i)(C)) to reflect an increase in the stated aggregate principal amount at maturity of the Securities represented by the Rule 144A Global Security, IAI Global Security or Permanent Regulation S Global Security, as applicable, such instructions to contain information regarding the Depository account to be credited with such increase,

then the Trustee shall cancel such Definitive Security and cause, or direct the Securities Custodian to cause, in accordance with the standing instructions and procedures existing between the Depository and the Securities Custodian, the aggregate principal amount at maturity of

Securities represented by the Rule 144A Global Security, IAI Global Security or Permanent Regulation S Global Security, as applicable, to be increased by the stated aggregate principal amount at maturity of the Definitive Security to be exchanged and shall credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the Rule 144A Global Security, IAI Global Security or Permanent Regulation S Global Security, as applicable, equal to the principal amount at maturity of the Definitive Security so canceled. If no Rule 144A Global Securities, IAI Global Securities or Permanent Regulation S Global Securities, as applicable, are then outstanding, the Company shall issue and the Trustee shall authenticate, upon written order of the Company in the form of an Officers' Certificate of the Company, a new Rule 144A Global Security, IAI Global Security or Permanent Regulation S Global Security, as applicable, in the appropriate principal amount at maturity.

(c) Transfer and Exchange of Global Securities.

(i) The transfer and exchange of Global Securities or beneficial interests therein shall be effected through the Depository, in accordance with this Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depository therefor. A transferor of a beneficial interest in a Global Security shall deliver to the Registrar a written order given in accordance with the Depository's procedures containing information regarding the participant account of the Depository to be credited with a beneficial interest in the Global Security. The Registrar shall, in accordance with such instructions, instruct the Depository to credit to the account of the Person specified in such instructions a beneficial interest in the Global Security and to debit the account of the Person making the transfer the beneficial interest in the Global Security being transferred.

(ii) If the proposed transfer is a transfer of a beneficial interest in one Global Security to a beneficial interest in another Global Security, the Registrar shall reflect on its books and records the date and an increase in the principal amount at maturity of the Global Security to which such interest is being transferred in an amount equal to the principal amount at maturity of the interest to be so transferred, and the Registrar shall reflect on its books and records the date and a corresponding decrease in the principal amount at maturity of the Global Security from which such interest is being transferred.

(iii) Notwithstanding any other provisions of this Appendix (other than the provisions set forth in Section 2.4), a Global Security may not be transferred as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(iv) In the event that a Global Security is exchanged for Definitive Securities pursuant to Section 2.4 of this Appendix, prior to the consummation of a Registered Exchange Offer or the effectiveness of a Shelf Registration Statement with respect to such Securities, such Securities may be exchanged only in accordance with such procedures as are

substantially consistent with the provisions of this Section 2.3 (including the certification requirements set forth on the reverse of the Securities intended to ensure that such transfers comply with Rule 144A, Regulation S or another applicable exemption under the Securities Act, as the case may be) and such other procedures as may from time to time be adopted by the Company.

(d) Restrictions on Transfer of Temporary Regulation S Global Securities. During the Distribution Compliance Period, beneficial ownership interests in Temporary Regulation S Global Securities may only be sold, pledged or transferred in accordance with the Applicable Procedures and only (i) to the Company, (ii) in an offshore transaction in accordance with Regulation S (other than a transaction resulting in an exchange for an interest in a Permanent Regulation S Global Security) or (iii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States.

(e) Legend.

(i) Except as permitted by the following paragraphs (ii), (iii) and (iv), each Security certificate evidencing the Global Securities (and all Securities issued in exchange therefor or in substitution thereof), in the case of Securities offered otherwise than in reliance on Regulation S, shall bear a legend in substantially the following form:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO THE COMPANY, (II) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1),(2),(3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL INVESTOR ACQUIRING THE SECURITIES FOR

ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT AT MATURITY OF SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (IV) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (V) PURSUANT TO EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (VI) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (VI), IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

Each certificate evidencing a Security offered in reliance on Regulation S shall, in addition to the foregoing, bear a legend in substantially the following form:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

Each Definitive Security shall also bear the following additional legend:

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

(ii) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Global Security) pursuant to Rule 144 under the Securities Act, the Registrar shall permit the transferee thereof to exchange such Transfer

Restricted Security for a certificated Security that does not bear the legend set forth above and rescind any restriction on the transfer of such Transfer Restricted Security, if the transferor thereof certifies in writing to the Registrar that such sale or transfer was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Security).

(iii) After a transfer of any Initial Securities or Private Exchange Securities pursuant to and during the period of the effectiveness of a Shelf Registration Statement with respect to such Initial Securities or Private Exchange Securities, as the case may be, all requirements pertaining to legends on such Initial Security or such Private Exchange Security will cease to apply, the requirements requiring any such Initial Security or such Private Exchange Security issued to certain Holders be issued in global form will cease to apply, and a certificated Initial Security or Private Exchange Security or an Initial Security or Private Exchange Security in global form, in each case without restrictive transfer legends, will be available to the transferee of the Holder of such Initial Securities or Private Exchange Securities upon exchange of such transferring Holder's certificated Initial Security or Private Exchange Security or directions to transfer such Holder's interest in the Global Security, as applicable.

(iv) Upon the consummation of a Registered Exchange Offer with respect to the Initial Securities, all requirements pertaining to such Initial Securities that Initial Securities issued to certain Holders be issued in global form will still apply with respect to Holders of such Initial Securities that do not exchange their Initial Securities, and Exchange Securities in certificated or global form, in each case without the restricted securities legend set forth in Exhibit 1 hereto will be available to Holders that exchange such Initial Securities in such Registered Exchange Offer.

(v) Upon the consummation of a Private Exchange with respect to the Initial Securities, all requirements pertaining to such Initial Securities that Initial Securities issued to certain Holders be issued in global form will still apply with respect to Holders of such Initial Securities that do not exchange their Initial Securities, and Private Exchange Securities in global form with the global securities legend and the applicable restricted securities legend set forth in Exhibit 1 hereto will be available to Holders that exchange such Initial Securities in such Private Exchange.

(f) Cancellation or Adjustment of Global Security. At such time as all beneficial interests in a Global Security have either been exchanged for Definitive Securities, redeemed, purchased or canceled, such Global Security shall be returned to the Depository for cancellation or retained and canceled by the Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for Definitive Securities, redeemed, purchased or canceled, the principal amount at maturity of Securities represented by such Global Security shall be reduced and an adjustment shall be made on the books and records of the Trustee (if it is then the Securities Custodian for such Global Security) with respect to such Global Security, by the Trustee or the Securities Custodian, to reflect such reduction.

(g) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Security, a member of, or a participant in the Depository or other Person with respect to the accuracy of the records of the Depository or its nominee or of any participant or member thereof, with respect to any ownership interest in the Securities or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depository) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Securities. All notices and communications to be given to the Holders and all payments to be made to Holders under the Securities shall be given or made only to or upon the order of the registered Holders (which shall be the Depository or its nominee in the case of a Global Security). The rights of beneficial owners in any Global Security shall be exercised only through the Depository subject to the applicable rules and procedures of the Depository. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Security (including any transfers between or among Depository participants, members or beneficial owners in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

2.4 Certificated Securities

(a) A Global Security deposited with the Depository or with the Trustee as Securities Custodian for the Depository pursuant to Section 2.1 shall be transferred to the beneficial owners thereof in the form of Definitive Securities in an aggregate principal amount at maturity equal to the principal amount at maturity of such Global Security, in exchange for such Global Security, only if such transfer complies with Section 2.3 hereof and (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Security and the Depository fails to appoint a successor depositary or if at any time such Depository ceases to be a “clearing agency” registered under the Exchange Act and, in either case, a successor Depository is not appointed by the Company within 90 days of such notice, or (ii) an Event of Default has occurred and is continuing or (iii) the Company, in its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of Definitive Securities under this Indenture.

(b) Any Global Security that is transferable to the beneficial owners thereof pursuant to this Section 2.4 shall be surrendered by the Depository to the Trustee

located at its principal corporate trust office in the Borough of Manhattan, The City of New York, to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Security, an equal stated aggregate principal amount at maturity of Definitive Securities of authorized denominations. Any portion of a Global Security transferred pursuant to this Section 2.4 shall be executed, authenticated and delivered only in denominations of $1,000 principal amount at maturity and any integral multiple thereof and registered in such names as the Depository shall direct. Any Definitive Security delivered in exchange for an interest in the Transfer Restricted Security shall, except as otherwise provided by Section 2.3(e) hereof, bear the applicable restricted securities legend and definitive note legend set forth in Exhibit 1 hereto.

(c) Subject to the provisions of Section 2.4(b) hereof, the registered Holder of a Global Security shall be entitled to grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

(d) In the event of the occurrence of one of the events specified in Section 2.4(a) hereof, the Company shall promptly make available to the Trustee a reasonable supply of Definitive Securities in definitive, fully registered form without interest coupons. In the event that the Definitive Securities are not issued to each such beneficial owner promptly after the Registrar has received a request from the Holder of a Global Security to issue such Certificated Security, the Company expressly acknowledges, with respect to the right of any Holder to pursue a remedy pursuant to Article 6 of the Indenture, the right of any beneficial holder of Securities to pursue such remedy with respect to the portion of the Global Security that represents such beneficial holder's Securities as if such Certificated Securities had been issued.

EXHIBIT 1 to Rule 144A/REGULATION S APPENDIX

[FORM OF FACE OF INITIAL SECURITY]

[Global Securities Legend]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[[FOR REGULATION S GLOBAL SECURITY ONLY] UNTIL 40 DAYS AFTER THE LATER OF COMMENCEMENT OR COMPLETION OF THE OFFERING, AN OFFER OR SALE OF SECURITIES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE SECURITIES ACT) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH RULE 144A THEREUNDER.]

[Restricted Securities Legend for Securities Offered Otherwise than in Reliance on Regulation S]

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO THE COMPANY, (II) WITHIN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(A)(1),(2),(3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL INVESTOR ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT AT MATURITY OF SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (IV) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (VI) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (VI) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

[Restricted Securities Legend for Securities Offered in Reliance on Regulation S.]

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

[Temporary Regulation S Global Security Legend]

EXCEPT AS SET FORTH BELOW, BENEFICIAL OWNERSHIP INTERESTS IN THIS TEMPORARY REGULATION S GLOBAL SECURITY WILL NOT BE

EXCHANGEABLE FOR INTERESTS IN THE PERMANENT REGULATION S GLOBAL SECURITY OR ANY OTHER SECURITY REPRESENTING AN INTEREST IN THE SECURITIES REPRESENTED HEREBY WHICH DO NOT CONTAIN A LEGEND CONTAINING RESTRICTIONS ON TRANSFER, UNTIL THE EXPIRATION OF THE "40-DAY DISTRIBUTION COMPLIANCE PERIOD" (WITHIN THE MEANING OF RULE 903(b)(2) OF REGULATION S UNDER THE SECURITIES ACT) AND THEN ONLY UPON CERTIFICATION IN FORM REASONABLY SATISFACTORY TO THE TRUSTEE THAT SUCH BENEFICIAL INTERESTS ARE OWNED EITHER BY NON-U.S. PERSONS OR U.S. PERSONS WHO PURCHASED SUCH INTERESTS IN A TRANSACTION THAT DID NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT. DURING SUCH 40-DAY DISTRIBUTION COMPLIANCE PERIOD, BENEFICIAL OWNERSHIP INTERESTS IN THIS TEMPORARY REGULATION S GLOBAL SECURITY MAY ONLY BE SOLD, PLEDGED OR TRANSFERRED (I) TO THE COMPANY, (II) OUTSIDE THE UNITED STATES IN A TRANSACTION IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (III) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (III) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. HOLDERS OF INTERESTS IN THIS TEMPORARY REGULATION S GLOBAL SECURITY WILL NOTIFY ANY PURCHASER OF THIS SECURITY OF THE RESALE RESTRICTIONS REFERRED TO ABOVE, IF THEN APPLICABLE.

AFTER THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, BENEFICIAL INTERESTS IN THIS TEMPORARY REGULATION S GLOBAL SECURITY MAY BE EXCHANGED FOR INTERESTS IN A RULE 144A GLOBAL SECURITY ONLY IF (1) SUCH EXCHANGE OCCURS IN CONNECTION WITH A TRANSFER OF THE SECURITIES IN COMPLIANCE WITH RULE 144A AND (2) THE TRANSFEROR OF THE REGULATION S GLOBAL SECURITY FIRST DELIVERS TO THE TRUSTEE A WRITTEN CERTIFICATE (IN THE FORM ATTACHED TO THIS CERTIFICATE) TO THE EFFECT THAT THE REGULATION S GLOBAL SECURITY IS BEING TRANSFERRED (A) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES TO BE A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, (B) TO A PERSON WHO IS PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, AND (C) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

AFTER THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, BENEFICIAL INTERESTS IN THIS TEMPORARY REGULATION S GLOBAL SECURITY MAY BE EXCHANGED FOR INTERESTS IN AN IAI GLOBAL SECURITY ONLY IF (1) SUCH EXCHANGE OCCURS IN CONNECTION WITH A TRANSFER OF

THE SECURITIES IN COMPLIANCE WITH AN EXEMPTION UNDER THE SECURITIES ACT AND (2) THE TRANSFEROR OF THE REGULATION S GLOBAL SECURITY FIRST DELIVERS TO THE TRUSTEE A WRITTEN CERTIFICATE (IN THE FORM ATTACHED TO THIS CERTIFICATE) TO THE EFFECT THAT THE REGULATION S GLOBAL SECURITY IS BEING TRANSFERRED (A) TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1),(2),(3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL INVESTOR ACQUIRING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT AT MATURITY OF SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

BENEFICIAL INTERESTS IN A RULE 144A GLOBAL SECURITY OR AN IAI GLOBAL SECURITY MAY BE TRANSFERRED TO A PERSON WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN THE REGULATION S GLOBAL SECURITY, WHETHER BEFORE OR AFTER THE EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD, ONLY IF THE TRANSFEROR FIRST DELIVERS TO THE TRUSTEE A WRITTEN CERTIFICATE (IN THE FORM ATTACHED TO THIS CERTIFICATE) TO THE EFFECT THAT SUCH TRANSFER IS BEING MADE IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S OR RULE 144 (IF AVAILABLE).

[Definitive Securities Legend]

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

[OID Legend]

THIS SECURITY HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR PURPOSES OF SECTIONS 1271 ET SEQ. OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE ISSUE DATE OF THIS SECURITY IS NOVEMBER 18, 2004. FOR INFORMATION REGARDING THE ISSUE PRICE, THE YIELD TO MATURITY AND THE AMOUNT OF OID PER $1,000 OF PRINCIPAL AMOUNT AT MATURITY, PLEASE CONTACT THE COMPANY AT KI HOLDINGS INC., 436 SEVENTH AVENUE, PITTSBURGH, PENNSYLVANIA 15219-1800, ATTENTION: CORPORATE SECRETARY.

No. _____ $ _____

9 7/8% Senior Discount Notes Due 2014

KI Holdings Inc., a Pennsylvania corporation, promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on November 15, 2014.

Interest Payment Dates: May 15 and November 15.

Record Dates: May 1 and November 1.

Additional provisions of this Security are set forth on the other side of this Security.

Dated:

KI HOLDINGS INC.

By _____

Name:
Title:

By _____

Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

THE BANK OF NEW YORK,
as Trustee, certifies
that this is one of
the Securities referred
to in the Indenture.

By _____

Authorized Signatory

[FORM OF REVERSE SIDE OF INITIAL SECURITY]

9 7/8% Senior Discount Note Due 2014

1. Interest

KI Holdings Inc., a Pennsylvania corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the Accreted Value of this Security at the rate per annum shown above. No cash interest will accrue on the Securities prior to November 15, 2009; provided, however, that interest may be paid in cash under the circumstances specified below. The Accreted Value of each Security will increase from the date of issuance until November 15, 2009, at a rate of 9 7/8% per annum, reflecting the accrual of non-cash interest, such that the Accreted Value will equal the stated principal amount at maturity on November 15, 2009. Cash interest on the Securities will accrue at the rate of 9 7/8% per annum from November 15, 2009, or from the most recent date thereafter to which interest has been paid or provided for, and will be payable semiannually in arrears on May 15 and November 15 of each year, commencing on May 15, 2010. The Company shall make each interest payment to the Holders of record of the Securities on the immediately preceding May 1 and November 1. The Company shall pay interest on overdue principal at 1.0% per annum in excess of the above rate and will pay interest on overdue installments of interest at such higher rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months. If a Registration Default (as defined in the Registration Rights Agreement applicable to this Security) occurs, additional interest will accrue on this Security at a rate of 0.50% per annum (increasing by an additional 0.25% per annum after each consecutive 90-day period that occurs after the date on which such Registration default occurs up to a maximum additional interest rate of 1.5%) from and including the date on which any such Registration Default shall occur to but excluding the date on which all Registration Defaults have been cured.

All Additional Interest that accrues on this Security prior to November 15, 2009 shall be added to the Accreted Value of this Security; provided, however, that the Company, at its option, may elect to pay any such Additional Interest in cash, and all Additional Interest that accrues after November 15, 2009 shall be payable in cash to the Holder of this Security on each scheduled interest payment date (except as provided in Section 2.11 of the Indenture).

"Accreted Value" means, as of any date (the "Specified Date"), the amount provided below for each $1,000 principal amount at maturity of Securities:

(1) if the Specified Date occurs on one of the following dates (each, a "Semi-Annual Accrual Date"), the Accreted Value will equal the amount set forth below for such Semi-Annual Accrual Date:

Semi-Annual Accrual Date	Accreted Value
Issue Date	$ 618.08
May 15, 2005	$ 648.08
November 15, 2005	$ 680.08
May 15, 2006	$ 713.66

November 15, 2006	$ 748.89
May 15, 2007	$ 785.87
November 15, 2007	$ 824.67
May 15, 2008	$ 865.39
November 15, 2008	$ 908.11
May 15, 2009	$ 952.95
November 15, 2009	$1,000.00

(2) if the Specified Date occurs between two Semi-Annual Accrual Dates, the Accreted Value will equal to the sum of (A) the Accreted Value for the Semi-Annual Accrual Date immediately preceding such Specified Date and (B) an amount equal to the product of (x) the Accreted Value for the immediately following Semi-Annual Accrual Date less the Accreted Value for the immediately preceding Semi-Annual Accrual Date multiplied by (y) a fraction, the numerator of which is the number of days elapsed from the immediately preceding Semi-Annual Accrual Date to the Specified Date, using a 360-day year of 12 30-day months, and the denominator of which is 180 (or, if the Semi-Annual Accrual Date immediately preceding the Specified Date is the Issue Date, the denominator of which is the number of days from and including the Issue Date to and excluding the next Semi-Annual Accrual Date); or

(3) if the Specified Date occurs after the last Semi-Annual Accrual Date, the Accreted Value will equal $1,000.

Notwithstanding the foregoing, if Additional Interest accrues on the Securities prior to November 15, 2009 as a result of a Registration Default under the Registration Rights Agreement, subject to the Company's option to pay Additional Interest on the Notes in cash, such Additional Interest will be added to the Accreted Value, and the Accreted Value as of any Specified Date will equal the sum of (A) the Accreted Value, as calculated above, as of the date such Additional Interest began to accrue, plus (B) the amount of interest that would otherwise accrue on the Accreted Value from time to time on a daily basis at a rate of interest per annum borne by the Securities plus the rate of such Additional Interest as applicable from time to time, compounded semi-annually on each Semi-Annual Accrual Date from the date such Additional Interest began to accrete through the Specified Date, computed on the basis of a 360-day year of twelve 30-day months. If such an event were to occur, the Accreted Value on and after the last Semi-Annual Accrual Date would exceed $1,000.

All references in this Security, in any context, to Accreted Value or any interest or other amount payable on or with respect to the Securities shall be deemed to include any Additional Interest pursuant to a Registration Rights Agreement.

2. Method of Payment

The Company shall pay interest on the Securities (except defaulted interest) to the Persons who are registered holders of Securities at the close of business on the May 1 or November 1 next preceding the interest payment date even if Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect payments of Accreted Value. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and

private debts. Payments in respect of the Securities represented by a Global Security (including principal, premium and interest) will be made by wire transfer of immediately available funds to the accounts specified by the Depository. The Company will make all payments in respect of a certificated Security (including principal, premium and interest) by mailing a check to the registered address of each Holder thereof; provided, however, that payments on a certificated Security will be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

If the Company elects to pay Additional Interest in cash, it shall notify the Trustee in writing of such election not less than 30 days immediately preceding the relevant interest payment date.

3. Paying Agent and Registrar

Initially, The Bank of New York, a New York banking corporation (the "Trustee"), will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Company or any of its domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Company issued the Securities under an Indenture dated as of November 18, 2004 (the "Indenture"), between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) as in effect on the date of the Indenture (the "Act"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the Act for a statement of those terms.

The Securities are general unsecured obligations of the Company, of which $203,000,000 in stated aggregate principal amount at maturity have been initially issued on the Issue Date (such stated aggregate principal amount at maturity of such Securities issued on the Issue Date subject to increase pursuant to the Indenture and this Security). The Company shall be entitled, subject to its compliance with Section 4.03 of the Indenture, to issue an unlimited amount of Additional Securities pursuant to Section 2.13 of the Indenture. The Initial Securities issued on the Issue Date, any Additional Securities and all Exchange Securities or Private Exchange Securities issued in exchange therefor will be treated as a single class for all purposes under the Indenture. The Indenture contains covenants that limit the ability of the Company and its subsidiaries to incur additional indebtedness; pay dividends or distributions on, or redeem or repurchase, capital stock; make investments; issue or sell common stock of subsidiaries; engage in transactions with affiliates; create liens on assets; transfer or sell assets or subsidiary stock; guarantee indebtedness; restrict dividends or other payments of subsidiaries; consolidate, merge or transfer all or substantially all of its assets and the assets of its subsidiaries; and engage in sale/leaseback transactions. These covenants are subject to important exceptions and qualifications.

5. Optional Redemption

Except as set forth below, the Company shall not be entitled to redeem the Securities.

On and after November 15, 2009, the Company shall be entitled at its option on one or more occasions to redeem all or a portion of the Securities upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of Accreted Value on the redemption date), plus accrued interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on November 15 of the years set forth below:

Period	Redemption Price
2009	104.938%
2010	103.292%
2011	101.646%
2012 and thereafter	100.000%

In addition, prior to November 15, 2007, the Company shall be entitled at its option on one or more occasions to redeem Securities (which includes Additional Securities, if any) in a stated aggregate principal amount at maturity not to exceed 35% of the stated aggregate principal amount at maturity of the Securities (which includes Additional Securities, if any) originally issued under the Indenture at a redemption price (expressed as a percentage of Accreted Value as of the date of redemption) of 109.875%, plus accrued and unpaid interest to the redemption date, with the net cash proceeds from one or more Equity Offerings; provided, however, that (1) at least 65% of such stated aggregate principal amount at maturity of Securities (which includes Additional Securities, if any) remains outstanding immediately after the occurrence of each such redemption (other than Securities held, directly or indirectly, by the Company or its Affiliates)**;** and (2) each such redemption occurs within 60 days after the date of the related Equity Offering.

Notwithstanding the foregoing, the Company and its Affiliates may at any time and from time to time purchase Securities in the open market or otherwise.

6. Notice of Redemption

Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at his registered address. Securities in denominations larger than $1,000 principal amount at maturity may be redeemed in part but only in whole multiples of $1,000 principal amount at maturity. If money sufficient to pay the redemption price of and accrued interest on all Securities (or portions thereof) to be

redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Securities (or such portions thereof) called for redemption.

7. Put Provisions

Upon a Change of Control, any Holder of Securities will have the right to cause the Company to repurchase all or any part of the Securities of such Holder at a repurchase price equal to 101% of the Accreted Value of the Securities to be repurchased plus accrued interest to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the related interest payment date) as provided in, and subject to the terms of, the Indenture.

8. Denominations; Transfer; Exchange

The Securities are in registered form without coupons in denominations of $1,000 principal amount at maturity and whole multiples of $1,000 principal amount at maturity. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed or 15 days before an interest payment date.

9. Persons Deemed Owners

The registered Holder of this Security may be treated as the owner of it for all purposes.

10. Unclaimed Money

If money for the payment of Accreted Value, principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

11. Discharge and Defeasance

Subject to certain conditions set forth in the Indenture, the Company at any time shall be entitled to terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of Accreted Value of and interest on the Securities to redemption or maturity, as the case may be.

12. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (a) the Indenture and the Securities may be amended with the written consent of the Holders of at least a majority in principal amount at maturity outstanding of the Securities and (b) any default or noncompliance with any provision may be waived with the written consent of the Holders of a majority in principal amount at maturity outstanding of the Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company and the Trustee shall be entitled to amend the Indenture or the Securities to cure any ambiguity, omission, defect or inconsistency, or to comply with Article 5 of the Indenture, or to provide for uncertificated Securities in addition to or in place of certificated Securities, or to add guarantees with respect to the Securities or to secure the Securities, or to add additional covenants or surrender rights and powers conferred on the Company or to comply with any requirement of the SEC in connection with qualifying the Indenture under the Act, or to make any change that does not adversely affect the rights of any Securityholder, or to make amendments to provisions of the Indenture relating to the form, authentication, transfer and legending of the Securities.

13. Defaults and Remedies

Under the Indenture, Events of Default include (a) default for 30 days in payment of interest on the Securities; (b) default in payment of principal on the Securities at maturity, upon redemption pursuant to paragraph 11 of the Securities, upon acceleration or otherwise, or failure by the Company to redeem or purchase Securities when required; (c) failure by the Company to comply with other agreements in the Indenture or the Securities, in certain cases subject to notice and lapse of time; (d) certain accelerations (including failure to pay within any grace period after final maturity) of other Indebtedness of the Company if the amount accelerated (or so unpaid) exceeds $10.0 million; (e) certain events of bankruptcy or insolvency with respect to the Company and the Significant Subsidiaries; and (f) certain judgments or decrees for the payment of money in excess of $10.0 million. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount at maturity of the Securities may declare all the Securities to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities being due and payable immediately upon the occurrence of such Events of Default.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives indemnity or security satisfactory to it. Subject to certain limitations, Holders of a majority in principal amount at maturity of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default (except a Default in payment of principal or interest) if it determines that withholding notice is in the interest of the Holders.

14. Trustee Dealings with the Company

Subject to certain limitations imposed by the Act, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

15. No Recourse Against Others

A director, officer, employee or stockholder, as such, of the Company or the Trustee shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

16. Authentication

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

17. Abbreviations

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

18. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Securityholder. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. Holders' Compliance with Registration Rights Agreement.

Each Holder of a Security, by acceptance hereof, acknowledges and agrees to the provisions of the Registration Rights Agreement applicable to this Security, including the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.

20. Governing Law.

THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Company will furnish to any Securityholder upon written request and without charge to the Security holder a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made to:

KI Holdings Inc.
436 Seventh Avenue
Pittsburgh, Pennsylvania 15219-1800
Attention: Corporate Secretary

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

(Print or type assignee’s name, address and zip code)

(Insert assignee’s soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

Sign exactly as your name appears on the other side of this Security.

In connection with any transfer of any of the Securities evidenced by this certificate occurring prior to the expiration of the period referred to in Rule 144(k) under the Securities Act after the later of the date of original issuance of such Securities and the last date, if any, on which such Securities were owned by the Company or any Affiliate of the Company, the undersigned confirms that such Securities are being transferred in accordance with its terms:

CHECK ONE BOX BELOW

to the Company; or

pursuant to an effective registration statement under the Securities Act of 1933; or

inside the United States to a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

outside the United States in an offshore transaction within the meaning of Regulation S under the Securities Act in compliance with Rule 904 under the Securities Act of 1933; or

pursuant to the exemption from registration provided by Rule 144 under the Securities Act of 1933; or

to an institutional “accredited investor” (as defined in Rule 501(a)(1),(2),(3) or (7) under the Securities Act of 1933) that has furnished to the Trustee a signed letter containing certain representations and agreements.

Unless one of the boxes is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (4), (5) or (6) is checked, the Trustee shall be entitled to require, prior to registering any such transfer of the Securities, such legal opinions, certifications and other information as the Company has reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

_____

Signature

Signature Guarantee:

_____ _____

Signature must be guaranteed Signature

Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

TO BE COMPLETED BY PURCHASER IF (3) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____

_____

Notice: To be executed by an executive officer

[TO BE ATTACHED TO GLOBAL SECURITIES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The following increases or decreases in this Global Security have been made:

Date of Exchange	Amount of decrease in Principal amount at maturity of this Global Security	Amount of increase in Principal amount at maturity of this Global Security	Principal amount at maturity of this Global Security following such decrease or increase	Signature of authorized officer of Trustee or Securities Custodian

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 4.06 or 4.09 of the Indenture, check the box:

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 4.06 or 4.09 of the Indenture, state the amount in principal amount at maturity: $_____

Dated: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security.)

Signature Guarantee: _____

(Signature must be guaranteed)

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT A

FORM OF FACE OF EXCHANGE SECURITY
OR PRIVATE EXCHANGE SECURITY*/**/

[OID Legend]*/**/

THIS SECURITY HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR PURPOSES OF SECTIONS 1271 ET SEQ. OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE ISSUE DATE OF THIS SECURITY IS NOVEMBER 18, 2004. FOR INFORMATION REGARDING THE ISSUE PRICE, THE YIELD TO MATURITY AND THE AMOUNT OF OID PER $1,000 OF PRINCIPAL AMOUNT AT MATURITY, PLEASE CONTACT THE COMPANY AT KI HOLDINGS INC., 436 SEVENTH AVENUE, PITTSBURGH, PENNSYLVANIA 15219-1800, ATTENTION: VICE PRESIDENT OF LAW AND HUMAN RESOURCES.

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*/ If the Security is to be issued in global form add the Global Securities Legend from Exhibit 1 to Appendix A and the attachment from such Exhibit 1 captioned "[TO BE ATTACHED TO GLOBAL SECURITIES] - SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY".

**/ If the Security is a Private Exchange Security issued in a Private Exchange to an Initial Purchaser holding an unsold portion of its initial allotment, add the Restricted Securities Legend from Exhibit 1 to Appendix A and replace the Assignment Form included in this Exhibit A with the Assignment Form included in such Exhibit 1.

No. _____ $_____

9 7/8% Senior Discount Notes Due 2014

KI Holdings Inc., a Pennsylvania corporation, promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on November 15, 2014.

Interest Payment Dates: May 15 and November 15.

Record Dates: May 1 and November 1.

Additional provisions of this Security are set forth on the other side of this Security.

Dated:

KI HOLDINGS INC.

By: _____

Name:
Title:

By: _____

Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

THE BANK OF NEW YORK

as Trustee, certifies that this is one of the Securities referred to in the Indenture.

By: _____

Authorized Signatory

FORM OF REVERSE SIDE OF EXCHANGE SECURITY
OR PRIVATE EXCHANGE SECURITY

9 7/8% Senior Discount Note Due 2014

1. Interest

KI Holdings Inc., a Pennsylvania corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the Accreted Value of at maturity this Security at the rate per annum shown above. No cash interest will accrue on the Securities prior to November 15, 2009; provided, however, that interest may be paid in cash under the circumstances specified below. The Accreted Value of each Security will increase from the date of issuance until November 15, 2009, at a rate of 9 7/8% per annum, reflecting the accrual of non-cash interest, such that the Accreted Value will equal the stated principal amount at maturity on November 15, 2009. Cash interest on the Securities will accrue at the rate of 9 7/8% per annum from November 15, 2009, or from the most recent date thereafter to which interest has been paid or provided for, and will be payable semiannually in arrears on May 15 and November 15 of each year, commencing on May 15, 2010. The Company shall make each interest payment to the Holders of record of the Securities on the immediately preceding May 1 and November 1. The Company shall pay interest on overdue principal at 1.0% per annum in excess of the above rate and will pay interest on overdue installments of interest at such higher rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months. [If a Registration Default (as defined in the Registration Rights Agreement applicable to this Security) occurs, additional interest will accrue on this Security at a rate of 0.50% per annum (increasing by an additional 0.25% per annum after each consecutive 90-day period that occurs after the date on which such Registration default occurs up to a maximum additional interest rate of 1.5%) from and including the date on which any such Registration Default shall occur to but excluding the date on which all Registration Defaults have been cured.][1]

All Additional Interest that accrues on this Security prior to November 15, 2009 will be added to the Accreted Value of this Security; provided, however, that the Company, at its option, may elect to pay any such Additional Interest in cash, and all Additional Interest that accrues after November 15, 2009 shall be payable in cash to the Holder of this Security on each scheduled interest payment date (except as provided in Section 2.11).

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[1] Insert if at the date of issuance of the Exchange Security or Private Exchange Security (as the case may be) any Registration Default has occurred with respect to the related Initial Securities during the interest period in which such date of issuance occurs and this language is appropriate. All references to "Additional Interest" in this Form of Reverse Side of Exchange Security or Private Exchange Security will be reviewed for relevance upon the appropriate issuance.

"*Accreted Value*" means, as of any date (the "Specified Date"), the amount provided below for each $1,000 principal amount at maturity of Securities:

(1) if the Specified Date occurs on one of the following dates (each, a "Semi-Annual Accrual Date"), the Accreted Value will equal the amount set forth below for such Semi-Annual Accrual Date:

Semi-Annual Accrual Date	Accreted Value
Issue Date	$ 618.08
May 15, 2005	$ 648.08
November 15, 2005	$ 680.08
May 15, 2006	$ 713.66
November 15, 2006	$ 748.89
May 15, 2007	$ 785.87
November 15, 2007	$ 824.67
May 15, 2008	$ 865.39
November 15, 2008	$ 908.11
May 15, 2009	$ 952.95
November 15, 2009	$ 1,000.00

(2) if the Specified Date occurs between two Semi-Annual Accrual Dates, the Accreted Value will equal to the sum of (A) the Accreted Value for the Semi-Annual Accrual Date immediately preceding such Specified Date and (B) an amount equal to the product of (x) the Accreted Value for the immediately following Semi-Annual Accrual Date less the Accreted Value for the immediately preceding Semi-Annual Accrual Date multiplied by (y) a fraction, the numerator of which is the number of days elapsed from the immediately preceding Semi-Annual Accrual Date to the Specified Date, using a 360-day year of 12 30-day months, and the denominator of which is 180 (or, if the Semi-Annual Accrual Date immediately preceding the Specified Date is the Issue Date, the denominator of which is the number of days from and including the Issue Date to and excluding the next Semi-Annual Accrual Date); or

(3) if the Specified Date occurs after the last Semi-Annual Accrual Date, the Accreted Value will equal $1,000.

Notwithstanding the foregoing, if Additional Interest accrues on the Securities prior to November 15, 2009 as a result of a Registration Default under the Registration Rights Agreement, subject to the Company's option to pay Additional Interest on the Securities in cash, such Additional Interest will be added to the Accreted Value, and the Accreted Value as of any Specified Date will equal the sum of (A) the Accreted Value, as calculated above, as of the date such Additional Interest began to accrue, plus (B) the amount of interest that would otherwise accrue on the Accreted Value from time to time on a daily basis at a rate of interest per annum borne by the Notes plus the rate of such Additional Interest as applicable from time to time, compounded semi-annually on each Semi-Annual Accrual Date from the date such Additional Interest began to accrete through the Specified Date, computed on the basis of a 360-day year of twelve 30-day months. If such an event were to occur, the Accreted Value on and after the last Semi-Annual Accrual Date would exceed $1,000.

All references in this Security, in any context, to Accreted Value or any interest or other amount payable on or with respect to the Securities shall be deemed to include any Additional Interest pursuant to a Registration Rights Agreement.

2. Method of Payment

The Company shall pay interest on the Securities (except defaulted interest) to the Persons who are registered holders of Securities at the close of business on the May 1 or November 1 next preceding the interest payment date even if Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect payments of Accreted Value. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Securities represented by a Global Security (including principal, premium and interest) will be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Company will make all payments in respect of a certificated Security (including principal, premium and interest) by mailing a check to the registered address of each Holder thereof; provided, however, that payments on a certificated Security will be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

If the Company elects to pay Additional Interest in cash, it shall notify the Trustee in writing of such election not less than 30 days immediately preceding the relevant interest payment date.

3. Paying Agent and Registrar

Initially, The Bank of New York, a New York banking corporation (the "Trustee"), will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Company or any of its domestically incorporated Wholly Owned Subsidiaries may act as Paying Agent, Registrar or co-registrar.

4. Indenture

The Company issued the Securities under an Indenture dated as of November 18, 2004 ("Indenture"), between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) as in effect on the date of the Indenture (the "Act"). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the Act for a statement of those terms.

The Securities are general unsecured obligations of the Company, of which $203,000,000 in stated aggregate principal amount at maturity have been initially issued on the Issue Date (such stated aggregate principal amount at maturity of such Securities issued on the Issue Date subject to increase pursuant to the Indenture and this Security). The Company shall be entitled, subject to its compliance with Section 4.03 of the Indenture, to issue an unlimited amount of Additional Securities pursuant to Section 2.13 of the Indenture. The Initial Securities issued on the Issue Date, any Additional Securities and all Exchange Securities or Private Exchange Securities issued in exchange therefor will be treated as a single class for all purposes under the Indenture. The Indenture contains covenants that limit the ability of the Company and its subsidiaries to incur additional indebtedness; pay dividends or distributions on, or redeem or repurchase, capital stock; make investments; issue or sell common stock of subsidiaries; engage in transactions with affiliates; create liens on assets; transfer or sell assets or subsidiary stock; guarantee indebtedness; restrict dividends or other payments of subsidiaries; consolidate, merge or transfer all or substantially all of its assets and the assets of its subsidiaries; and engage in sale/leaseback transactions. These covenants are subject to important exceptions and qualifications.

5. Optional Redemption

Except as set forth below, the Company shall not be entitled to redeem the Securities.

On and after November 15, 2009, the Company shall be entitled at its option on one or more occasions to redeem all or a portion of the Securities (including Additional Securities, if any) upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed in percentages of Accreted Value, on the redemption date) plus accrued and unpaid interest to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on November 15 of the years set forth below:

Period	Redemption Price
2009	104.938%
2010	103.292%
2011	101.646%
2012 and thereafter	100.000%

In addition, prior to November 15, 2007, the Company shall be entitled at its option on one or more occasions to redeem Securities (which includes Additional Securities, if any) in an stated aggregate principal amount at maturity not to exceed 35% of the stated aggregate principal amount at maturity of the Securities (which includes Additional Securities, if any) originally issued prior to such time at a redemption price (expressed as a percentage of Accreted Value as of the date at redemption) of 109.875%, plus accrued and unpaid interest to the redemption date, if any, with the net cash proceeds from one or more Equity Offerings; provided, however, that (1) at least 65% of such stated aggregate principal amount at maturity of Securities (which includes Additional Securities, if any) remains outstanding immediately after the

occurrence of each such redemption (other than Securities held, directly or indirectly, by the Company or its Affiliates); and (2) each such redemption occurs within 60 days after the date of the related Equity Offering.

Notwithstanding the foregoing, the Company and its Affiliates may at any time and from time to time purchase Securities in the open market or otherwise.

6. Notice of Redemption

Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder of Securities to be redeemed at his registered address. Securities in denominations larger than $1,000 principal amount at maturity may be redeemed in part but only in whole multiples of $1,000 principal amount at maturity. If money sufficient to pay the redemption price of and accrued interest on all Securities (or portions thereof) to be redeemed on the redemption date is deposited with the Paying Agent on or before the redemption date and certain other conditions are satisfied, on and after such date interest ceases to accrue on such Securities (or such portions thereof) called for redemption.

7. Put Provisions

Upon a Change of Control, any Holder of Securities will have the right to cause the Company to repurchase all or any part of the Securities of such Holder at a repurchase price equal to 101% of the Accreted Value of the Securities to be repurchased plus accrued interest to the date of repurchase (subject to the right of holders of record on the relevant record date to receive interest due on the related interest payment date) as provided in, and subject to the terms of, the Indenture.

8. Denominations; Transfer; Exchange

The Securities are in registered form without coupons in denominations of $1,000 principal amount at maturity and whole multiples of $1,000 principal amount at maturity. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed or 15 days before an interest payment date.

9. Persons Deemed Owners

The registered Holder of this Security may be treated as the owner of it for all purposes.

10. Unclaimed Money

If money for the payment of Accreted Value, principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at

its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

11. Discharge and Defeasance

Subject to certain conditions set forth in the Indenture, the Company at any time shall be entitled to terminate some or all of its obligations under the Securities and the Indenture if the Company deposits with the Trustee money or U.S. Government Obligations for the payment of Accreted Value of and interest on the Securities to redemption or maturity, as the case may be.

12. Amendment; Waiver

Subject to certain exceptions set forth in the Indenture, (a) the Indenture and the Securities may be amended with the written consent of the Holders of at least a majority in principal amount at maturity outstanding of the Securities and (b) any default or noncompliance with any provision may be waived with the written consent of the Holders of a majority in principal amount at maturity outstanding of the Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company and the Trustee shall be entitled to amend the Indenture or the Securities to cure any ambiguity, omission, defect or inconsistency, or to comply with Article 5 of the Indenture, or to provide for uncertificated Securities in addition to or in place of certificated Securities, or to add guarantees with respect to the Securities or to secure the Securities, or to add additional covenants or surrender rights and powers conferred on the Company or to comply with any requirement of the SEC in connection with qualifying the Indenture under the Act, or to make any change that does not adversely affect the rights of any Securityholder, or to make amendments to provisions of the Indenture relating to the form, authentication, transfer and legending of the Securities.

13. Defaults and Remedies

Under the Indenture, Events of Default include (a) default for 30 days in payment of interest on the Securities; (b) default in payment of principal on the Securities at maturity, upon redemption pursuant to paragraph 11 of the Securities, upon acceleration or otherwise, or failure by the Company to redeem or purchase Securities when required; (c) failure by the Company to comply with other agreements in the Indenture or the Securities, in certain cases subject to notice and lapse of time; (d) certain accelerations (including failure to pay within any grace period after final maturity) of other Indebtedness of the Company if the amount accelerated (or so unpaid) exceeds $10.0 million; (e) certain events of bankruptcy or insolvency with respect to the Company and the Significant Subsidiaries and (f) certain judgments or decrees for the payment of money in excess of $10.0 million. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount at maturity of the Securities may declare all the Securities to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities being due and payable immediately upon the occurrence of such Events of Default.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives indemnity or security satisfactory to it. Subject to certain limitations, Holders of a majority in principal amount at maturity of the Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default (except a Default in payment of principal or interest) if it determines that withholding notice is in the interest of the Holders.

14. Trustee Dealings with the Company

Subject to certain limitations imposed by the Act, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

15. No Recourse Against Others

A director, officer, employee or stockholder, as such, of the Company or the Trustee shall not have any liability for any obligations of the Company or under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

16. Authentication

This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Security.

17. Abbreviations

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

18. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Securities and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Securityholder. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. Holders' Compliance with Registration Rights Agreement

Each Holder of a Security, by acceptance hereof, acknowledges and agrees to the provisions of the Registration Rights Agreement, including the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.

20. Governing Law

THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

The Company will furnish to any Securityholder upon written request and without charge to the Security holder a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made to:

KI Holdings Inc.
436 Seventh Avenue
Pittsburgh, Pennsylvania 15219-1800
Attention: Corporate Secretary

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

(Print or type assignee’s name, address and zip code)

(Insert assignee’s soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

Sign exactly as your name appears on the other side of this Security.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 4.06 or 4.09 of the Indenture, check the box:

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 4.06 or 4.09 of the Indenture, state the amount in principal amount at maturity: $_____

Dated: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security.)

Signature Guarantee: _____

(Signature must be guaranteed)

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT 2 TO RULE 144A/REGULATION S/IAI APPENDIX

Form of Transferee Letter of Representation

KI Holdings Inc.
436 Seventh Avenue
Pittsburgh, Pennsylvania 15219-1800

In care of

The Bank of New York
101 Barclay Street, Floor 8 West
New York, New York 10286

Ladies and Gentlemen:

This certificate is delivered to request a transfer of $[ ] principal amount at maturity of the 9 7/8% Senior Discount Notes Due 2014 (the "Securities") of KI Holdings Inc. (the "Company").

Upon transfer, the Securities would be registered in the name of the new beneficial owner as follows:

Name: _____

Address: _____

Taxpayer ID Numbers: _____

The undersigned represents and warrants to you that:

1. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act")), purchasing for our own account or for the account of such an institutional "accredited investor" at least $250,000 principal amount at maturity of the Securities, and we are acquiring the Securities not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Securities, and we invest in or purchase securities similar to the Securities in the normal course of our business. We, and any accounts for which we are acting, are each able to bear the economic risk of our or its investment.

2. We understand that the Securities have not been registered under the Securities Act and, unless so registered, may not be sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing Securities to offer, sell or otherwise transfer such Securities prior to the date that is two years after the later of the date of original issue and the last date on which the Company or any affiliate of the Company was the owner of such Securities (or any predecessor thereto) (the

"Re-sale Restriction Termination Date") only (i) to the Company, (ii) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (iii) to an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act that is an institutional accredited investor purchasing for its own account or for the account of an institutional accredited investor, in each case in a minimum principal amount at maturity of the Securities of $250,000, (iv) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (v) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available) or (vi) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (vi) subject to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and in compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Securities is proposed to be made pursuant to clause (iii) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of this letter to the Company and the Trustee, which shall provide, among other things, that the transferee is an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act and that it is acquiring such Securities for investment purposes and not for distribution in violation of the Securities Act. Each purchaser acknowledges that the Company and the Trustee reserve the right prior to the offer, sale or other transfer prior to the Resale Restriction Termination Date of the Securities pursuant to clause (iii), (iv) or (v) above to require the delivery of an opinion of counsel, certifications or other information satisfactory to the Company and the Trustee.

TRANSFEREE :

By: _____

Name:
Title:

Exhibit 4.5

EXECUTION COPY

$203,000,000
principal amount at maturity

KI HOLDINGS INC.

9 7/8% Senior Discount Notes Due 2014

REGISTRATION RIGHTS AGREEMENT

November 18, 2004

Credit Suisse First Boston LLC
Deutsche Bank Securities Inc.
UBS Securities LLC
NatCity Investments, Inc.
c/o Credit Suisse First Boston LLC
Eleven Madison Avenue
New York, NY 10010-3629

Dear Sirs:

KI Holdings Inc., a Pennsylvania corporation (the "**Company**"), proposes to issue and sell to Credit Suisse First Boston LLC, Deutsche Bank Securities Inc., UBS Securities LLC and NatCity Investments, Inc. (the "**Initial Purchasers**"), upon the terms set forth in a purchase agreement of even date herewith (the "**Purchase Agreement**"), $203,000,000 aggregate principal amount at maturity of its 9 7/8% Senior Discount Notes Due 2014 (the "**Initial Securities**"). The Initial Securities will be issued pursuant to an Indenture, dated as of November 18, 2004 (the "**Indenture**") among the Company and The Bank of New York, a banking corporation organized and duly existing under the laws of the State of New York, as Trustee (the "**Trustee**"). As an inducement to the Initial Purchasers, the Company agrees with the Initial Purchasers, for the benefit of the holders of the Initial Securities (including, without limitation, the Initial Purchasers), the Exchange Securities (as defined below) and the Private Exchange Securities (as defined below) (collectively the "**Holders**"), as follows:

1. *Registered Exchange Offer*. The Company shall, at its own cost, prepare and use its commercially reasonable efforts to, not later than 90 days after (or if the 90th day is not a business day, the first business day thereafter) the date of original issue of the Initial Securities (the "**Issue Date**"), file with the Securities and Exchange Commission (the "**Commission**") a registration statement (the "**Exchange Offer Registration Statement**") on an appropriate form under the Securities Act of 1933, as amended (the "**Securities Act**"), with respect to a proposed offer (the "**Registered Exchange Offer**") to the Holders of Transfer Restricted Securities (as defined in Section 6 hereof), who are not prohibited by any law or policy of the Commission

from participating in the Registered Exchange Offer, to issue and deliver to such Holders, in exchange for the Initial Securities, a like aggregate principal amount at maturity of debt securities (the "**Exchange Securities**") of the Company issued under the Indenture and identical in all material respects to the Initial Securities (except for the transfer restrictions relating to the Initial Securities and the provisions relating to the matters described in Section 6 hereof) that would be registered under the Securities Act. The Company shall use its commercially reasonable efforts to cause such Exchange Offer Registration Statement to become effective under the Securities Act within 210 days (or if the 210th day is not a business day, the first business day thereafter) after the Issue Date of the Initial Securities and shall keep the Exchange Offer Registration Statement effective for not less than 20 business days (or longer, if required by applicable law) after the date notice of the Registered Exchange Offer is mailed to the Holders (such period being called the "**Exchange Offer Registration Period**").

If the Company effects the Registered Exchange Offer, the Company will be entitled to close the Registered Exchange Offer 20 business days after the commencement thereof provided that the Company has accepted all the Initial Securities theretofore validly tendered in accordance with the terms of the Registered Exchange Offer.

Following the declaration of the effectiveness of the Exchange Offer Registration Statement, the Company shall promptly commence the Registered Exchange Offer, it being the objective of such Registered Exchange Offer to enable each Holder of Transfer Restricted Securities (as defined in Section 6 hereof) electing to exchange the Initial Securities for Exchange Securities (assuming that such Holder is not an affiliate of the Company within the meaning of the Securities Act, acquires the Exchange Securities in the ordinary course of such Holder's business and has no arrangements with any person to participate in the distribution of the Exchange Securities and is not prohibited by any law or policy of the Commission from participating in the Registered Exchange Offer) to trade such Exchange Securities from and after their receipt without any limitations or restrictions under the Securities Act and without material restrictions under the securities laws of the several states of the United States.

The Company acknowledges that, pursuant to current interpretations by the Commission's staff of Section 5 of the Securities Act, in the absence of an applicable exemption therefrom, (i) each Holder which is a broker-dealer electing to exchange Initial Securities, acquired for its own account as a result of market making activities or other trading activities, for Exchange Securities (an "**Exchanging Dealer**"), is required to deliver a prospectus containing the information set forth in (a) Annex A hereto on the cover, (b) Annex B hereto in the "Exchange Offer Procedures" section and the "Purpose of the Exchange Offer" section, and (c) Annex C hereto in the "Plan of Distribution" section of such prospectus in connection with a sale of any such Exchange Securities received by such Exchanging Dealer pursuant to the Registered Exchange Offer and (ii) an Initial Purchaser that elects to sell Exchange Securities acquired in exchange for Initial Securities constituting any portion of an unsold allotment is required to deliver a prospectus containing the information required by Items 507 or 508 of Regulation S-K under the Securities Act, as applicable, in connection with such sale.

The Company shall use its commercially reasonable efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the prospectus contained

therein, in order to permit such prospectus to be lawfully delivered by all persons subject to the prospectus delivery requirements of the Securities Act for such period of time as such persons must comply with such requirements in order to resell the Exchange Securities; *provided, however,* that (i) in the case where such prospectus and any amendment or supplement thereto must be delivered by an Exchanging Dealer or an Initial Purchaser, such period shall be the lesser of 180 days and the date on which all Exchanging Dealers and the Initial Purchasers have sold all Exchange Securities held by them (unless such period is extended pursuant to Section 3(j) below) and (ii) the Company shall make such prospectus and any amendment or supplement thereto, available to any broker-dealer for use in connection with any resale of any Exchange Securities for a period of not less than 90 days after the consummation of the Registered Exchange Offer.

If, upon consummation of the Registered Exchange Offer, any Initial Purchaser holds Initial Securities acquired by it as part of its initial distribution, the Company, simultaneously with the delivery of the Exchange Securities pursuant to the Registered Exchange Offer, shall issue and deliver to such Initial Purchaser upon the written request of such Initial Purchaser, in exchange (the "**Private Exchange**") for the Initial Securities held by such Initial Purchaser, a like principal amount at maturity of debt securities of the Company issued under the Indenture and identical in all material respects (including the existence of restrictions on transfer under the Securities Act and the securities laws of the several states of the United States, but excluding provisions relating to the matters described in Section 6 hereof) to the Initial Securities (the "**Private Exchange Securities**"). The Initial Securities, the Exchange Securities and the Private Exchange Securities are herein collectively called the "**Securities**".

In connection with the Registered Exchange Offer, the Company shall:

(a) mail to each Holder a copy of the prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(b) keep the Registered Exchange Offer open for not less than 30 days (or longer, if required by applicable law) after the date notice thereof is mailed to the Holders;

(c) utilize the services of a depositary for the Registered Exchange Offer with an address in the Borough of Manhattan, The City of New York, which may be the Trustee or an affiliate of the Trustee;

(d) permit Holders to withdraw tendered Securities at any time prior to the close of business, New York time, on the last business day on which the Registered Exchange Offer shall remain open; and

(e) otherwise comply with all applicable laws.

As soon as practicable after the close of the Registered Exchange Offer or the Private Exchange, as the case may be, the Company shall:

(x) accept for exchange all the Securities validly tendered and not withdrawn pursuant to the Registered Exchange Offer and the Private Exchange;

(y) deliver to the Trustee for cancellation all the Initial Securities so accepted for exchange; and

(z) cause the Trustee to authenticate and deliver promptly to each Holder of the Initial Securities, Exchange Securities or Private Exchange Securities, as the case may be, equal in principal amount at maturity to the Initial Securities of such Holder so accepted for exchange.

The Indenture will provide that the Exchange Securities will not be subject to the transfer restrictions set forth in the Indenture and that all the Securities will vote and consent together on all matters as one class and that none of the Securities will have the right to vote or consent as a class separate from one another on any matter.

Interest on each Exchange Security and Private Exchange Security issued pursuant to the Registered Exchange Offer and in the Private Exchange will accrue from the last interest payment date on which interest was paid on the Initial Securities surrendered in exchange therefor or, if no interest has been paid on the Initial Securities, from the date of original issue of the Initial Securities.

Each Holder participating in the Registered Exchange Offer shall be required to represent to the Company that at the time of the consummation of the Registered Exchange Offer (i) any Exchange Securities received by such Holder will be acquired in the ordinary course of business, (ii) such Holder will have no arrangements or understanding with any person to participate in the distribution of the Securities or the Exchange Securities within the meaning of the Securities Act, (iii) such Holder is not an “affiliate,” as defined in Rule 405 of the Securities Act, of the Company or if it is an affiliate, such Holder will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable, (iv) if such Holder is not a broker-dealer, that it is not engaged in, and does not intend to engage in, the distribution of the Exchange Securities and (v) if such Holder is a broker-dealer, that it will receive Exchange Securities for its own account in exchange for Initial Securities that were acquired as a result of market-making activities or other trading activities and that it will be required to acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities.

Notwithstanding any other provisions hereof, the Company will ensure that (i) any Exchange Offer Registration Statement and any amendment thereto and any prospectus forming part thereof and any supplement thereto complies in all material respects with the Securities Act and the rules and regulations thereunder, (ii) any Exchange Offer Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any prospectus forming part of any Exchange Offer Registration Statement, and any supplement to such prospectus, does not include

an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

2. *Shelf Registration*. If, (i) because of any change in law or in applicable interpretations thereof by the staff of the Commission, the Company is not permitted to effect a Registered Exchange Offer, as contemplated by Section 1 hereof, (ii) the Registered Exchange Offer is not consummated within 240 days of the Issue Date, (iii) any Initial Purchaser so requests with respect to the Initial Securities (or the Private Exchange Securities) not eligible to be exchanged for Exchange Securities in the Registered Exchange Offer and held by it following consummation of the Registered Exchange Offer or (iv) any Holder (other than an Exchanging Dealer) is not eligible to participate in the Registered Exchange Offer or, in the case of any Holder (other than an Exchanging Dealer) that participates in the Registered Exchange Offer, such Holder does not receive freely tradeable Exchange Securities on the date of the exchange and any such Holder so requests, the Company shall take the following actions:

(a) The Company shall, at its cost, as promptly as practicable (but in no event more than 30 days after so required or requested pursuant to this Section 2) file with the Commission and thereafter shall use its commercially reasonable efforts to cause to be declared effective a registration statement (the "**Shelf Registration Statemen**t" and, together with the Exchange Offer Registration Statement, a "**Registration Statement**") on an appropriate form under the Securities Act relating to the offer and sale of the Transfer Restricted Securities (as defined in Section 6 hereof) by the Holders thereof from time to time in accordance with the methods of distribution set forth in the Shelf Registration Statement and Rule 415 under the Securities Act (hereinafter, the "**Shelf Registration**"); *provided*, *however*, that no Holder (other than an Initial Purchaser) shall be entitled to have the Securities held by it covered by such Shelf Registration Statement unless such Holder agrees in writing to be bound by all the provisions of this Agreement applicable to such Holder.

(b) The Company shall use its commercially reasonable efforts to keep the Shelf Registration Statement continuously effective in order to permit the prospectus included therein to be lawfully delivered by the Holders of the relevant Securities, for a period of two years (or for such longer period if extended pursuant to Section 3(j) below) from the date of its effectiveness or such shorter period that will terminate when all the Securities covered by the Shelf Registration Statement (i) have been sold pursuant thereto or (ii) are no longer restricted securities (as defined in Rule 144 under the Securities Act, or any successor rule thereof). The Company shall be deemed not to have used its commercially reasonable efforts to keep the Shelf Registration Statement effective during the requisite period if it voluntarily takes any action that would result in Holders of Securities covered thereby not being able to offer and sell such Securities during that period, unless such action is required by applicable law.

(c) Notwithstanding any other provisions of this Agreement to the contrary, the Company shall cause the Shelf Registration Statement and the related prospectus and any amendment or supplement thereto, as of the effective date of the Shelf Registration

Statement, amendment or supplement, (i) to comply in all material respects with the applicable requirements of the Securities Act and the rules and regulations of the Commission and (ii) not to contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

3. *Registration Procedures*. In connection with any Shelf Registration contemplated by Section 2 hereof and, to the extent applicable, any Registered Exchange Offer contemplated by Section 1 hereof, the following provisions shall apply:

(a) The Company shall (i) furnish to each Initial Purchaser, prior to the filing thereof with the Commission, a copy of the Registration Statement and each amendment thereof and each supplement, if any, to the prospectus included therein and, in the event that an Initial Purchaser (with respect to any portion of an unsold allotment from the original offering) is participating in the Registered Exchange Offer or the Shelf Registration Statement, the Company shall use its commercially reasonable efforts to reflect in each such document, when so filed with the Commission, such comments as such Initial Purchaser reasonably may propose; (ii) include the information set forth in Annex A hereto on the cover, in Annex B hereto in the "Exchange Offer Procedures" section and the "Purpose of the Exchange Offer" section and in Annex C hereto in the "Plan of Distribution" section of the prospectus forming a part of the Exchange Offer Registration Statement and include the information set forth in Annex D hereto in the Letter of Transmittal delivered pursuant to the Registered Exchange Offer; (iii) if requested by an Initial Purchaser, include the information required by Items 507 or 508 of Regulation S-K under the Securities Act, as applicable, in the prospectus forming a part of the Exchange Offer Registration Statement; (iv) include within the prospectus contained in the Exchange Offer Registration Statement a section entitled "Plan of Distribution," reasonably acceptable to the Initial Purchasers, which shall contain a summary statement of the positions taken or policies made by the staff of the Commission with respect to the potential "underwriter" status of any broker-dealer that is the beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) of Exchange Securities received by such broker-dealer in the Registered Exchange Offer (a "**Participating Broker-Dealer**"), whether such positions or policies have been publicly disseminated by the staff of the Commission or such positions or policies, in the reasonable judgment of the Initial Purchasers based upon advice of counsel (which may be in-house counsel), represent the prevailing views of the staff of the Commission; and (v) in the case of a Shelf Registration Statement, include the names of the Holders, who propose to sell Securities pursuant to the Shelf Registration Statement, as selling securityholders.

(b) The Company shall give written notice to the Initial Purchasers, the Holders of the Securities and any Participating Broker-Dealer from whom the Company has received prior written notice that it will be a Participating Broker-Dealer in the Registered Exchange Offer (which notice pursuant to clauses (ii)-(v) hereof shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made):

(i) when the Registration Statement or any post-effective amendment thereto has become effective;

(ii) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose;

(iii) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and

(iv) of the happening of any event that requires the Company to make changes in the Registration Statement or the prospectus in order that the Registration Statement or the prospectus do not contain an untrue statement of a material fact nor omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus, in light of the circumstances under which they were made) not misleading; *provided* that such notice need only state the happening of such an event and need not identify or describe such event.

(c) The Company shall make every reasonable effort to obtain the withdrawal at the earliest possible time, of any order suspending the effectiveness of the Registration Statement.

(d) The Company shall furnish to each Holder of Securities included within the coverage of the Shelf Registration, without charge, at least one copy of the Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all exhibits thereto (including those, if any, incorporated by reference).

(e) The Company shall deliver to each Exchanging Dealer and each Initial Purchaser, and to any other Holder who so requests, without charge, at least one copy of the Exchange Offer Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if any Initial Purchaser or any such Holder requests, all exhibits thereto (including those incorporated by reference).

(f) The Company shall, during the Shelf Registration Period, deliver to each Holder of Securities included within the coverage of the Shelf Registration, without charge, as many copies of the prospectus (including each preliminary prospectus) included in the Shelf Registration Statement and any amendment or supplement thereto as such person may reasonably request. The Company consents, subject to the provisions of this Agreement, to the use of the prospectus or any amendment or supplement thereto by each of the selling Holders of the Securities in connection with the offering and sale of the Securities covered by the prospectus, or any amendment or supplement thereto, included in the Shelf Registration Statement.

(g) The Company shall deliver to each Initial Purchaser, any Exchanging Dealer, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer, without charge, as many copies of the final prospectus included in the Exchange Offer Registration Statement and any amendment or supplement thereto as such persons may reasonably request. The Company consents, subject to the provisions of this Agreement, to the use of the prospectus or any amendment or supplement thereto by any Initial Purchaser, if necessary, any Participating Broker-Dealer and such other persons required to deliver a prospectus following the Registered Exchange Offer in connection with the offering and sale of the Exchange Securities covered by the prospectus, or any amendment or supplement thereto, included in such Exchange Offer Registration Statement.

(h) Prior to any public offering of the Securities, pursuant to any Registration Statement, the Company shall register or qualify or cooperate with the Holders of the Securities included therein and their respective counsel in connection with the registration or qualification of the Securities for offer and sale under the securities or "blue sky" laws of such states of the United States as any Holder of the Securities reasonably requests in writing and do any and all other acts or things reasonably necessary or advisable to enable the offer and sale in such jurisdictions of the Securities covered by such Registration Statement; *provided*, *however*, that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it is not then so qualified or (ii) take any action which would subject it to general service of process or to taxation in any jurisdiction where it is not then so subject.

(i) The Company shall cooperate with the Holders of the Securities to facilitate the timely preparation and delivery of certificates representing the Securities to be sold pursuant to any Registration Statement free of any restrictive legends and in such denominations and registered in such names as the Holders may request a reasonable period of time prior to sales of the Securities pursuant to such Registration Statement.

(j) Upon the occurrence of any event contemplated by paragraphs (ii) through (v) of Section 3(b) above during the period for which the Company is required to maintain an effective Registration Statement, the Company shall promptly prepare and file a post-effective amendment to the Registration Statement or a supplement to the related prospectus and any other required document so that, as thereafter delivered to Holders of the Securities or purchasers of Securities, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Initial Purchasers, the Holders of the Securities and any known Participating Broker-Dealer in accordance with paragraphs (ii) through (v) of Section 3(b) above to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Initial Purchasers, the Holders of the Securities and any such Participating Broker-Dealers shall suspend use of such prospectus, and the period of effectiveness of the Shelf Registration Statement provided for in Section 2(b) above and the Exchange Offer Registration Statement provided for in Section 1 above shall each be extended by the number of days from and including the

date of the giving of such notice to and including the date when the Initial Purchasers, the Holders of the Securities and any known Participating Broker-Dealer shall have received such amended or supplemented prospectus pursuant to this Section 3(j).

(k) Not later than the effective date of the applicable Registration Statement, the Company will provide a CUSIP number for the Initial Securities, the Exchange Securities or the Private Exchange Securities, as the case may be, and provide the applicable trustee with printed certificates for the Initial Securities, the Exchange Securities or the Private Exchange Securities, as the case may be, in a form eligible for deposit with The Depository Trust Company.

(l) The Company will comply with all rules and regulations of the Commission to the extent and so long as they are applicable to the Registered Exchange Offer or the Shelf Registration and will make generally available to its security holders (or otherwise provide in accordance with Section 11(a) of the Securities Act) an earnings statement satisfying the provisions of Section 11(a) of the Securities Act, no later than 45 days after the end of a 12-month period (or 90 days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement, which statement shall cover such 12-month period.

(m) The Company shall cause the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, in a timely manner and containing such changes, if any, as shall be necessary for such qualification. In the event that such qualification would require the appointment of a new trustee under the Indenture, the Company shall appoint a new trustee thereunder pursuant to the applicable provisions of the Indenture.

(n) The Company may require each Holder of Securities to be sold pursuant to the Shelf Registration Statement to furnish to the Company such information regarding the Holder and the distribution of the Securities as the Company may from time to time reasonably require for inclusion in the Shelf Registration Statement, and the Company may exclude from such registration the Securities of any Holder that unreasonably fails to furnish such information within a reasonable time after receiving such request.

(o) The Company shall enter into such customary agreements (including, if requested, an underwriting agreement in customary form) and take all such other action, if any, as any Holder of the Securities shall reasonably request in order to facilitate the disposition of the Securities pursuant to any Shelf Registration.

(p) In the case of any Shelf Registration, the Company shall (i) make reasonably available for inspection by the Holders of the Securities, any underwriter participating in any disposition pursuant to the Shelf Registration Statement and any attorney, accountant or other agent retained by the Holders of the Securities or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and (ii) cause the Company's officers, directors, employees, accountants and auditors to supply all relevant information reasonably requested by the Holders of the Securities or any such underwriter, attorney, accountant or agent in connection with the Shelf Registration Statement, in each case, as shall be reasonably necessary to enable

such persons, to conduct a reasonable investigation within the meaning of Section 11 of the Securities Act; *provided, however*, that the foregoing inspection and information gathering shall be coordinated on behalf of the Initial Purchasers by you and on behalf of the other parties, by one counsel designated by and on behalf of such other parties as described in Section 4 hereof and provided that the Company may require such persons to keep confidential any material non-public information relating to the Company received by such persons and to abstain from trading in violations of applicable securities laws on the basis of such information.

(q) In the case of any Shelf Registration, the Company, if requested by any Holder of Securities covered thereby, shall cause (i) its counsel (which may be in-house counsel) to deliver an opinion and updates thereof relating to the Securities in customary form addressed to such Holders and the managing underwriters, if any, thereof and dated, in the case of the initial opinion, the effective date of such Shelf Registration Statement (it being agreed that the matters to be covered by such opinion shall include, without limitation, the due incorporation and good standing of the Company and its subsidiaries; the qualification of the Company and its subsidiaries to transact business as foreign corporations; the due authorization, execution and delivery of the relevant agreement of the type referred to in Section 3(o) hereof; the due authorization, execution, authentication and issuance, and the validity and enforceability, of the applicable Securities; the absence of undisclosed material legal or governmental proceedings involving the Company and its subsidiaries; the absence of governmental approvals required to be obtained in connection with the Shelf Registration Statement, the offering and sale of the applicable Securities, or any agreement of the type referred to in Section 3(o) hereof; the compliance as to form of such Shelf Registration Statement and any documents incorporated by reference therein and of the Indenture with the requirements of the Securities Act and the Trust Indenture Act, respectively; and, as of the date of the opinion and as of the effective date of the Shelf Registration Statement or most recent post-effective amendment thereto, as the case may be, the absence from such Shelf Registration Statement and the prospectus included therein, as then amended or supplemented, and from any documents incorporated by reference therein of an untrue statement of a material fact or the omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any such documents, in the light of the circumstances existing at the time that such documents were filed with the Commission under the Exchange Act); (ii) its officers to execute and deliver all customary documents and certificates and updates thereof requested by any underwriters of the applicable Securities and (iii) its independent public accountants to provide to the selling Holders of the applicable Securities and any underwriter therefor a comfort letter in customary form and covering matters of the type customarily covered in comfort letters in connection with primary underwritten offerings, subject to receipt of appropriate documentation as contemplated, and only if permitted, by Statement of Auditing Standards No. 72.

(q) If a Registered Exchange Offer or a Private Exchange is to be consummated, upon delivery of the Initial Securities by Holders to the Company (or to such other Person as directed by the Company) in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be, the Company shall mark, or caused to be

marked, on the Initial Securities so exchanged that such Initial Securities are being canceled in exchange for the Exchange Securities or the Private Exchange Securities, as the case may be; in no event shall the Initial Securities be marked as paid or otherwise satisfied.

(s) The Company will use its commercially reasonable efforts to (a) if the Initial Securities have been rated prior to the initial sale of such Initial Securities, confirm such ratings will apply to the Securities covered by a Registration Statement, or (b) if the Initial Securities were not previously rated, cause the Securities covered by a Registration Statement to be rated with the appropriate rating agencies, if so requested by Holders of a majority in aggregate principal amount of Securities covered by such Registration Statement, or by the managing underwriters, if any.

(t) In the event that any broker-dealer registered under the Exchange Act shall underwrite any Securities or participate as a member of an underwriting syndicate or selling group or "assist in the distribution" (within the meaning of the Conduct Rules (the "**Rules**") of the National Association of Securities Dealers, Inc. ("**NASD**")) thereof, whether as a Holder of such Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, the Company will assist such broker-dealer in complying with the requirements of such Rules, including, without limitation, by (i) if such Rules, including Rule 2720, shall so require, engaging a "qualified independent underwriter" (as defined in Rule 2720) to participate in the preparation of the Registration Statement relating to such Securities, to exercise usual standards of due diligence in respect thereto and, if any portion of the offering contemplated by such Registration Statement is an underwritten offering or is made through a placement or sales agent, to recommend the yield of such Securities, (ii) indemnifying any such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 5 hereof and (iii) providing such information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the Rules.

(u) The Company shall use its commercially reasonable efforts to take all other steps necessary to effect the registration under the Securities Act of the Securities covered by a Registration Statement contemplated hereby.

4. *Registration Expenses*. The Company shall bear all fees and expenses incurred in connection with the performance of its obligations under Sections 1 through 3 hereof (including the reasonable fees and expenses, if any, of Cravath, Swaine & Moore LLP, counsel for the Initial Purchasers, incurred in connection with the Registered Exchange Offer not to exceed $20,000), whether or not the Registered Exchange Offer or a Shelf Registration is filed or becomes effective, and, in the event of a Shelf Registration, shall bear or reimburse the Holders of the Securities covered thereby for the reasonable fees and disbursements not to exceed $20,000 of one firm of counsel designated by the Holders of a majority in principal amount of the Initial Securities covered thereby to act as counsel for the Holders of the Initial Securities in connection therewith.

5. *Indemnification.*

(a) The Company agrees to indemnify and hold harmless each Holder of the Securities, any Participating Broker-Dealer and each person, if any, who controls such Holder or such Participating Broker-Dealer within the meaning of the Securities Act or the Exchange Act (each Holder, any Participating Broker-Dealer and such controlling persons are referred to collectively as the "**Indemnified Parties**") from and against any losses, claims, damages or liabilities, joint or several, or any actions in respect thereof (including, but not limited to, any losses, claims, damages, liabilities or actions relating to purchases and sales of the Securities) to which each Indemnified Party may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, or arise out of, or are based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse, as incurred, the Indemnified Parties for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action in respect thereof; *provided*, *however*, that (i) the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration in reliance upon and in conformity with written information pertaining to such Holder and furnished to the Company by or on behalf of such Holder specifically for inclusion therein and (ii) with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus relating to a Shelf Registration Statement, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Holder or Participating Broker-Dealer from whom the person asserting any such losses, claims, damages or liabilities purchased the Securities concerned, to the extent that a prospectus relating to such Securities was required to be delivered by such Holder or Participating Broker-Dealer under the Securities Act in connection with such purchase and any such loss, claim, damage or liability of such Holder or Participating Broker-Dealer results from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Securities to such person, a copy of the final prospectus if the Company had previously furnished copies thereof to such Holder or Participating Broker-Dealer if requested thereby; *provided further*, *however*, that this indemnity agreement will be in addition to any liability which the Company may otherwise have to such Indemnified Party. The Company shall also indemnify underwriters, their officers and directors and each person who controls such underwriters within the meaning of the Securities Act or the Exchange Act to the same extent as provided above with respect to the indemnification of the Holders of the Securities if requested by such Holders.

(b) Each Holder of the Securities, severally and not jointly, will indemnify and hold harmless the Company and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act from and against any losses, claims, damages or liabilities or any actions in respect thereof, to which the Company or any such controlling person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such

losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in a Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, or arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or omission or alleged untrue statement or omission was made in reliance upon and in conformity with written information pertaining to such Holder and furnished to the Company by or on behalf of such Holder specifically for inclusion therein; and, subject to the limitation set forth immediately preceding this clause, shall reimburse, as incurred, the Company for any legal or other expenses reasonably incurred by the Company or any such controlling person in connection with investigating or defending any loss, claim, damage, liability or action in respect thereof. This indemnity agreement will be in addition to any liability which such Holder may otherwise have to the Company or any of its controlling persons.

(c) Promptly after receipt by an indemnified party under this Section 5 of notice of the commencement of any action or proceeding (including a governmental investigation), such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 5, notify the indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have under subsection (a) or (b) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and *provided further* that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof the indemnifying party will not be liable to such indemnified party under this Section 5 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action, and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 5 is unavailable or insufficient to hold harmless an indemnified party under subsections (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the

other from the exchange of the Securities, pursuant to the Registered Exchange Offer, or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof) as well as any other relevant equitable considerations. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or such Holder or such other indemnified party, as the case may be, on the other, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding any other provision of this Section 5(d), the Holders of the Securities shall not be required to contribute any amount in excess of the amount by which the net proceeds received by such Holders from the sale of the Securities pursuant to a Registration Statement exceeds the amount of damages which such Holders have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls such indemnified party within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as such indemnified party and each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as the Company.

(e) The agreements contained in this Section 5 shall survive the sale of the Securities pursuant to a Registration Statement and shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any indemnified party.

6. *Additional Interest Under Certain Circumstances.*

(a) Additional interest (the "**Additional Interest**") with respect to the Initial Securities shall be assessed as follows if any of the following events occur (each such event in clauses (i) through (vi) below a "**Registration Default**":

(i) the Company fails to file an Exchange Offer Registration Statement with the Commission on or prior to the 90th day after the Issue Date;

(ii) the Exchange Offer Registration Statement is not declared effective by the Commission on or prior to the 210th day after the Issue Date or, if obligated to file a Shelf Registration Statement pursuant to Section 2(i), a Shelf Registration Statement is not declared effective by the Commission on or prior to the 210th day after the Issue Date;

(iii) the Registered Exchange Offer is not consummated on or before the 40th day after the Exchange Offer Registration Statement is declared effective;

(iv) if obligated to file a Shelf Registration Statement pursuant to Section 2(ii), (iii) or (iv), the Company fails to file the Shelf Registration Statement with the Commission on or prior to the 45th day (the "**Shelf Filing Date**") after the date on which the obligation to file a Shelf Registration Statement arises;

(v) if obligated to file a Shelf Registration Statement pursuant to Section 2(ii), (iii) or (iv), the Shelf Registration Statement is not declared effective on or prior to the 60th day after the Shelf Filing Date; or

(vi) after the Exchange Offer Registration Statement or the Shelf Registration Statement, as the case may be, is declared effective, (A) such Registration Statement thereafter ceases to be effective; or (B) such Registration Statement or the related prospectus ceases to be usable (except as permitted in paragraph (b) below) in connection with resales of Transfer Restricted Securities during the periods specified herein because either (1) any event occurs as a result of which the related prospectus forming part of such Registration Statement would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in light of the circumstances under which they were made not misleading or (2) it shall be necessary to amend such Registration Statement, or supplement the related prospectus, to comply with the Securities Act or the Exchange Act or the respective rules thereunder.

Additional Interest shall accrue on the Initial Securities over and above the interest set forth in the title of the Securities from and including the date on which any such Registration Default shall occur to but excluding the date on which all such Registration Defaults have been cured, at a rate of 0.50% per annum for the first 90-day period immediately following the occurrence of a Registration Default, and such rate shall increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum additional interest rate of 1.5% per annum. Such Additional Interest shall be in addition to any other interest payable from time to time with respect to the Initial Securities and the Exchange Securities.

(b) A Registration Default referred to in Section 6(a)(vi)(B) hereof shall be deemed not to have occurred and be continuing in relation to a Shelf Registration Statement or the related prospectus if (i) such Registration Default has occurred solely as a result of (x) the filing of a post-effective amendment to such Shelf Registration Statement to incorporate annual audited financial information with respect to the Company where such post-effective amendment is not yet effective and needs to be declared effective to permit Holders to use the related prospectus or (y) other material events, with respect to the Company that would need to be described in such Shelf Registration Statement or the related prospectus and (ii) in the case of clause (y), the Company is proceeding promptly and in good faith to amend or supplement such Shelf Registration Statement and related prospectus to describe such events; *provided*, *however*, that in any case if such Registration Default occurs for a continuous period in excess of 30 days, Additional Interest shall be payable in accordance with the above paragraph from the day such Registration Default occurs until such Registration Default is cured.

(c) Any amounts of Additional Interest due pursuant to Section 6(a) above on or after November 15, 2009 will be payable in cash on the regular interest payment dates with respect to the Securities. The amount of Additional Interest will be determined by multiplying the applicable Additional Interest rate by the Accreted Value (as such term is defined in the Indenture) of the Securities and further multiplied by a fraction, the numerator of which is the number of days such Additional Interest rate was applicable during such period (determined on the basis of a 360-day year comprised of twelve 30-day months), and the denominator of which is 360. Any amounts of Additional Interest due pursuant to Section 6(a) prior to November 15, 2009 will be added to the Accreted Value of the Securities; *provided*, *however*, that the Company, at its option, may elect to pay any such Additional Interest in cash.

(d) "**Transfer Restricted Securities**" means each Security until (i) the date on which such Transfer Restricted Security has been exchanged by a person other than a broker-dealer for a freely transferable Exchange Security in the Registered Exchange Offer, (ii) following the exchange by a broker-dealer in the Registered Exchange Offer of a Initial Security for an Exchange Note, the date on which such Exchange Note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (iii) the date on which such Initial Security has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Initial Securities is distributed to the public pursuant to Rule 144 under the Securities Act or is saleable pursuant to Rule 144(k) under the Securities Act.

7. *Rules 144 and 144A*. The Company shall use its commercially reasonable efforts to file the reports required to be filed by it under the Securities Act and the Exchange Act in a timely manner and, if at any time the Company is not required to file such reports, it will, upon the request of any Holder of Initial Securities, make publicly available other information so long as necessary to permit sales of their securities pursuant to Rules 144 and 144A. The Company covenants that it will take such further action as any Holder of Initial Securities may reasonably request, all to the extent required from time to time to enable such Holder to sell Initial Securities without registration under the Securities Act within the limitation of the exemptions provided by Rules 144 and 144A (including the requirements of Rule 144A(d)(4)). The Company will provide a copy of this Agreement to prospective purchasers of Initial Securities identified to the Company by the Initial Purchasers upon request. Upon the request of any Holder of Initial Securities, the Company shall deliver to such Holder a written statement as to whether it has complied with such requirements. Notwithstanding the foregoing, nothing in this Section 7 shall be deemed to require the Company to register any of its securities pursuant to the Exchange Act.

8. *Underwritten Registrations*. If any of the Transfer Restricted Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will administer the offering ("**Managing Underwriters**") will be selected by the Holders of a majority in aggregate principal amount of such Transfer Restricted Securities to be included in such offering, subject to the Company's consent to such selection, which consent shall not be unreasonably withheld or delayed.

No person may participate in any underwritten registration hereunder unless such person (i) agrees to sell such person's Transfer Restricted Securities on the basis reasonably provided in any underwriting arrangements approved by the persons entitled hereunder to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements.

9. *Miscellaneous.*

(a) *Remedies*. The Company acknowledges and agrees that any failure by the Company to comply with its obligations under Section 1 and 2 hereof may result in material irreparable injury to the Initial Purchaser or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchaser or any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Sections 1 and 2 hereof. The Company further agrees to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) *Amendments and Waivers*. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, except by the Company and the written consent of the Holders of a majority in principal amount of the Securities affected by such amendment, modification, supplement, waiver or consents.

(c) *Notices.* All notices and other communications provided for or permitted hereunder shall be made in writing by hand delivery, first-class mail, facsimile transmission, or air courier which guarantees overnight delivery:

(1) if to a Holder of the Securities, at the most current address given by such Holder to the Company.

(2) if to the Initial Purchasers;

Credit Suisse First Boston LLC
Eleven Madison Avenue
New York, NY 10010-3629
Fax No.: (212) 325-8278
Attention: Transactions Advisory Group

with a copy to:

Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019-7475
Attention: William J. Whelan, III

(3) if to the Company, at its address as follows:

KI Holdings Inc.
436 Seventh Avenue
Pittsburgh, PA 15219
Attention: Vice President, Law and Human Resources

with a copy to:

Cahill Gordon & Reindel LLP
80 Pine Street
New York, NY 10005
Attention: Richard E. Farley

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; three business days after being deposited in the mail, postage prepaid, if mailed; when receipt is acknowledged by recipient's facsimile machine operator, if sent by facsimile transmission; and on the day delivered, if sent by overnight air courier guaranteeing next day delivery.

(d) *No Inconsistent Agreements*. The Company has not, as of the date hereof, entered into, nor shall it, on or after the date hereof, enter into, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders herein or otherwise conflicts with the provisions hereof.

(e) *Successors and Assigns*. This Agreement shall be binding upon the Company and its successors and assigns.

(f) *Counterparts*. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) *Headings*. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) *Governing* Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

(i) *Severability*. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(j) *Securities Held by the Company*. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities is required hereunder,

Securities held by the Company or its affiliates (other than subsequent Holders of Securities if such subsequent Holders are deemed to be affiliates solely by reason of their holdings of such Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Initial Purchasers and the Company in accordance with its terms.

Very truly yours,

KI HOLDINGS INC.

By: /s/ Brian H. McCurrie

Name: Brian H. McCurrie
Title: Vice President and Chief Financial Officer

The foregoing Registration Rights Agreement is hereby confirmed and accepted as of the date first above written.

CREDIT SUISSE FIRST BOSTON LLC
DEUTSCHE BANK SECURITIES INC.
UBS SECURITIES LLC
NATCITY INVESTMENTS, INC.

By: CREDIT SUISSE FIRST BOSTON LLC

By: /s/ Maximillian C. Justicz

Name: Maximillian C. Justicz
Title: Director

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. The Letter of Transmittal 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 Securities received in exchange for Initial Securities where such Initial Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the Expiration Date (as defined herein), it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

Each broker-dealer that receives Exchange Securities for its own account in exchange for Securities, where such Initial Securities were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. See “Plan of Distribution.”

PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Securities for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Securities. 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 Securities received in exchange for Initial Securities where such Initial Securities were acquired as a result of market-making activities or other trading activities. The Company has agreed that, for a period of 180 days after the Expiration Date, it will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until , 20 , all dealers effecting transactions in the Exchange Securities may be required to deliver a prospectus.[1]

The Company will not receive any proceeds from any sale of Exchange Securities by broker-dealers. Exchange Securities received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Securities or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such Exchange Securities. Any broker-dealer that resells Exchange Securities that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Securities may be deemed to be an “underwriter” within the meaning of the Securities Act and any profit on any such resale of Exchange Securities and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that, by acknowledging that it will deliver 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.

For a period of 180 days after the Expiration Date the Company will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. The Company has agreed to pay all expenses incident to the Exchange Offer (including the expenses of one counsel for the Holders of the Securities) other than commissions or concessions of any brokers or dealers and will indemnify the Holders of the Securities (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

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[1] In addition, the legend required by Item 502(e) of Regulation S–K will appear on the back cover page of the Exchange Offer prospectus.

☐ CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: _____

Address: _____

_____

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Securities. If the undersigned is a broker-dealer that will receive Exchange Securities for its own account in exchange for Initial Securities that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Securities; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an “underwriter” within the meaning of the Securities Act.

Exhibit 5.1

Reed Smith LLP
435 Sixth Avenue
Pittsburgh, PA 15219-1886
412.288.3131
Fax 412.288.3063

February 11, 2005

KI HOLDINGS INC.
436 Seventh Avenue
Pittsburgh, PA 15219

Ladies and Gentlemen:

We have acted as counsel for KI Holdings Inc., a Pennsylvania corporation (the "Company"), in connection with the proposed offer (the "Exchange Offer") to exchange up to $203,000,000 million aggregate principal amount at maturity of the Company's 9 7/8% Senior Discount Notes due 2014 (the "Exchange Securities") for up to $203,000,000 million aggregate principal amount at maturity of its 9 7/8% Senior Discount Notes due 2014 (the "Original Securities") pursuant to a Registration Statement on Form S-4 filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"). Such Registration Statement, as amended or supplemented, is hereinafter referred to as the "Registration Statement." The Exchange Securities are to be issued pursuant to the Indenture, dated as of November 18, 2004, between the Company and The Bank of New York, as trustee.

For purposes of this opinion, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments as we have deemed necessary for the purposes of this opinion, including the following documents:

1. copies of the Articles of Incorporation and bylaws of the Company, each as amended and/or restated; and
2. resolutions of the Board of Directors of the Company dated November 12, 2004.

In making such examination and in rendering the opinions set forth below, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

Based on the foregoing, and subject to the exceptions, qualifications, limitations, assumptions and reliances stated herein, it is our opinion that:

1. The Company has been duly incorporated under the laws of the Commonwealth of Pennsylvania. Based solely on bring down telephone advice from the office of the Pennsylvania Secretary of State, the Company is validly existing and subsisting as a corporation under the laws of the Commonwealth of Pennsylvania.

2. The Exchange Securities have been duly authorized by the Company.

Our opinions are issued as of the date hereof and are limited to the laws now in effect as to which our opinions relate and facts and circumstances in existence on the date hereof, and we assume no undertaking to advise you of any changes in the opinions expressed herein as a result of any change in any laws, facts or circumstances which may come to our attention after the date hereof.

The opinions expressed herein are limited to matters governed by the laws of the Commonwealth of Pennsylvania as presently enacted and construed.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference of our firm under the caption “Legal Matters” in the Registration Statement and the prospectus forming a part thereof. Our consent to such reference does not constitute a consent under Section 7 of the Securities Act and in consenting to such reference we have not certified any part of the Registration Statement and do not otherwise come within the categories of persons whose consent is required under Section 7 or under the rules and regulations of the Commission thereunder.

This opinion is limited to the specific issues addressed herein, and no opinion may be inferred or implied beyond that expressly stated herein. We assume no obligation to revise or supplement this opinion should the present laws of the Commonwealth of Pennsylvania be changed by legislative action, judicial decision or otherwise.

This letter is furnished to you in connection with the filing of the Registration Statement and is not to be used, circulated, quoted or otherwise relied upon for any other purposes. Cahill Gordon & Reindel LLP may rely on this opinion as if it were addressed to them for purposes of rendering their opinion in connection with the filing of the Registration Statement.

Very truly yours,

/s/ Reed Smith LLP

Exhibit 5.2

[Letterhead of Cahill Gordon & Reindel LLP]

February 11, 2005

KI Holdings Inc.
436 Seventh Avenue
Pittsburgh, PA 15219-1800

Re: KI Holdings Inc. 9 7/8% Senior Discount Notes due 2014

Ladies and Gentlemen:

We have acted as counsel to KI Holdings Inc., a Pennsylvania corporation (the "Company"), in connection with the filing of a Registration Statement on Form S-4 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"), relating to the exchange offer set forth in the Registration Statement (the "Exchange Offer"), pursuant to which $203,000,000 aggregate principal amount at maturity of 9 7/8% Senior Discount Notes due 2014 (the "Exchange Securities") of the Company will be issued under the Indenture between the Company and The Bank of New York, as Trustee, dated as of November 18, 2004 (the "Indenture") for a like principal amount of the Company's outstanding 9 7/8% Senior Discount Notes due 2014.

We have examined such corporate records, documents, certificates and instruments as we deemed necessary and appropriate to enable us to render the opinions expressed below.

We advise you that, in our opinion:

(a) The Exchange Securities will constitute a valid and legally binding obligation of the Company, enforceable against the Company in accordance with their terms except as enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance or transfer, reorganization or other laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

In rendering the opinion set forth above, we express no opinion as to the laws of any jurisdiction other than the General Corporation Law of the State of Delaware, including the applicable provisions of the Delaware Constitution and the reported judicial decisions interpreting such laws, the

laws of the State of New York and the federal laws of the United States of America. We note that Reed Smith LLP, Counsel of the Company, has rendered an opinion to the Company, dated as of February 11, 2005, as to the due incorporation of the Company and the due authorization of the Exchange Securities by the Company. With the consent of Reed Smith LLP, we rely on their local counsel opinion in rendering the opinion set forth above.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference of our firm under the caption "Legal Matters" in the Registration Statement and the prospectus forming a part thereof. Our consent to such reference does not constitute a consent under Section 7 of the Act and in consenting to such reference we have not certified any part of the Registration Statement and do not otherwise come within the categories of persons whose consent is required under Section 7 or under the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

/s/ CAHILL GORDON & REINDEL LLP

Exhibit 10.31

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT (the "Second Amendment"), dated as of November 17, 2004, amends that certain Credit Agreement dated as of May 12, 2003, amended by that certain First Amendment to Credit Agreement dated as of October 15, 2003 (the "Credit Agreement"), by and among **KOPPERS INC**., a Pennsylvania corporation (the "Borrower"), **EACH OF THE GUARANTORS** (as defined in the Credit Agreement), the **BANKS** (as defined in the Credit Agreement), **PNC BANK, NATIONAL ASSOCIATION**, as Administrative Agent (the "Administrative Agent"), **NATIONAL CITY BANK OF PENNSYLVANIA**, as Syndication Agent, and **CITIZENS BANK OF PENNSYLVANIA, FLEET NATIONAL BANK** and **WACHOVIA BANK, NATIONAL ASSOCIATION**, as Co-Documentation Agents.

WITNESSETH:

WHEREAS, Borrower has requested, and the Required Banks have agreed, subject to the terms and conditions herein, to amend the Credit Agreement to, among other matters, permit the Borrower to merge with Merger Sub for KI Inc., a newly-formed Pennsylvania corporation, which merger will result in the Borrower becoming a wholly-owned subsidiary of KI Holdings Inc., a newly-formed Pennsylvania corporation.

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements herein contained and intending to be legally bound hereby, covenant and agree as follows:

1. Definitions.

Capitalized terms not otherwise defined herein have the meanings given to them in the Credit Agreement.

2. Amendments to Credit Agreement.

(a) Section 1.1 [Defined Terms].

(i) Existing Definitions. The definition of "Borrowing Base" in Section 1.1 of the Credit Agreement is hereby amended and restated as follows:

"Borrowing Base shall mean at any time the sum of (i) 85% of Qualified Accounts ("Accounts Portion"), plus (ii) 50% of Qualified Inventory ("Inventory Portion"), provided that at no time shall that portion of the Borrowing Base supported by Qualified Australian Accounts and Qualified Australian Inventory exceed 25% of the aggregate Borrowing Base. Notwithstanding anything to the contrary herein, the Required Banks may, in their reasonable discretion, at any time hereafter, decrease the advance percentage for Qualified Accounts and Qualified Inventory, or increase the level of any reserves or ineligibles, or define or maintain such

other reserves or ineligibles, as the Required Banks may deem necessary or appropriate as a result of any collateral audit or field examination of the Collateral and Borrowing Base conducted pursuant to Section 8.1.6 hereof. Any such change shall become effective immediately upon written notice from the Administrative Agent to the Borrower for the purpose of calculating the Borrowing Base hereunder."

(ii) New Definitions. The following new defined terms are hereby added to Section 1.1 of the Credit Agreement in alphabetical order as follows:

(A) "KI Holdings shall mean KI Holdings Inc., a Pennsylvania corporation."

(B) "Koppers Merger Sub shall mean Merger Sub for KI Inc., a Pennsylvania corporation."

(C) "2004 Permitted Merger shall have the meaning assigned to such term in Section 8.2.6(6) hereof."

(b) Section 8.2.6 [Liquidations, Mergers, Consolidations, Acquisitions] of the Credit Agreement is hereby amended by inserting an additional subsection (6) immediately following the existing subsection (5) as follows:

"(6) the Borrower may merge with Koppers Merger Sub (the "2004 Permitted Merger"), provided that each of the following conditions is met:

(i) the 2004 Permitted Merger occurs no later than November 30, 2004;

(ii) the terms of the 2004 Permitted Merger provide that the Borrower is the surviving corporation of the merger, the outstanding capital stock of Koppers Merger Sub will be converted into common stock of the Borrower, each outstanding share of common stock of the Borrower will be converted into one share of common stock of KI Holdings, and each outstanding share of the Senior Convertible Preferred Stock of the Borrower will be converted into one share of Senior Convertible Preferred Stock of KI Holdings;

(iii) Koppers Merger Sub shall have at the effective time of the merger no liabilities, contingent or otherwise;

(iv) with respect to the proposed issuance of notes by KI Holdings after giving effect to the 2004 Permitted Merger, the covenants with respect to the Borrower and its Subsidiaries set forth in the terms and conditions of any such notes and related documents shall be no more restrictive in any material respect than the covenants set forth in the 2003 Senior Note Indenture and the 2003 Senior Notes;

(v) the board of directors or other equivalent governing body of the Borrower, Koppers Merger Sub, and KI Holdings shall have approved the 2004 Permitted Merger and such approvals of the 2004 Permitted Merger from the board of directors or other equivalent governing body of each of the Borrower, Koppers Merger Sub, and KI Holdings shall have been delivered to the Banks;

(vi) no Potential Default or Event of Default shall exist immediately prior to and after giving effect to the 2004 Permitted Merger;

(vii) Consideration paid by the Borrower in the 2004 Permitted Merger shall only be in the form of common stock of the Borrower or Senior Convertible Preferred Stock of the Borrower; and

(viii) the Borrower shall deliver to the Administrative Agent prior to the date of the 2004 Permitted Merger, execution copies of such agreements entered into by the Borrower in connection with the 2004 Permitted Merger."

(c) Section 8.2.7 [Disposition of Assets or Subsidiaries] of the Credit Agreement is hereby amended and restated as follows:

"8.2.7 Dispositions of Assets or Subsidiaries.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest, partnership interests or limited liability company interests of a Subsidiary of such Loan Party), except:

(i) transactions involving the sale of inventory in the ordinary course of business and casualty losses to inventory to the extent that the insurance proceeds therefrom are used (a) to repair or replace such inventory, which inventory shall be subject to the Banks' Prior Security Interest, or (b) to prepay the Loans in accordance with this Agreement;

(ii) any sale, transfer or lease of assets in the ordinary course of business which are no longer necessary or required in the conduct of such Loan Party's or such Subsidiary's business;

(iii) any sale, transfer or lease of assets by any wholly owned Subsidiary of such Loan Party to another Loan Party;

(iv) any sale, transfer or lease of assets in the ordinary course of business which are replaced by substitute assets acquired or leased (it being understood that such replacement or substitution shall not, except to the extent of any cost in excess of the proceeds of such sale, transfer or lease, be required to be

within the parameters of Section 8.2.15 [Capital Expenditures and Leases]), provided such substitute assets are subject to the Banks' Prior Security Interest if the assets so sold, transferred or leased were so subject;

(v) provided no Event of Default or Potential Default exists, any sale, transfer or lease of assets, other than those specifically excepted pursuant to clauses (i) through (iv) above or (vi) below, for fair market value and not less than 80% cash consideration and for which (a) the net after-tax proceeds of such sale, transfer or lease, individually or in the aggregate, do not exceed $5,000,000, (b) the net after-tax proceeds of such sale, transfer or lease, individually or in the aggregate, exceeds $5,000,000 but does not exceed $25,000,000, so long as the net after-tax proceeds thereof are either (i) reinvested by the Loan Parties within 180 days after the receipt thereof and provided further, such reinvestment assets are subject to the Banks' Prior Security Interest if the assets so sold, transferred or leased were so subject, or (ii) applied as a mandatory prepayment of the Loans in accordance with the provisions of Section 5.5.1 hereof, or (c) the net after-tax proceeds of such sale, transfer or lease, individually or in the aggregate, exceeds $25,000,000 and such proceeds are applied as a mandatory prepayment of the Loans in accordance with the provisions of Section 5.5.1 hereof;

(vi) the sale or other disposition of the Monessen Facility; or

(vii) transactions permitted under Section 8.2.6(6) of this Agreement."

(d) Section 8.2.8 [Affiliate Transactions] of the Credit Agreement is hereby amended and restated as follows:

"8.2.8. Affiliate Transactions.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, enter into or carry out any transaction with an Affiliate (other than a Loan Party or a wholly-owned Subsidiary of a Loan Party to the extent not otherwise prohibited by this Agreement) (including purchasing property or services from or selling property or services to any Affiliate of any Loan Party or other Person) unless such transaction is not otherwise prohibited by this Agreement, is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and conditions which are of a type which are or have previously been fully disclosed to the Administrative Agent and is in accordance with all applicable Law; it being agreed that (i) the performance of the Advisory Services Agreement, dated as of December 1, 1997 (the "Advisory Services Agreement"), between the Borrower and Saratoga is permitted hereunder, and the payment by the Borrower of the fees in the amounts set forth in Sections 3(b) and (c), 4 and 5 of the Advisory Services Agreement is permitted hereunder and (ii) the transactions permitted under Section 8.2.6(6) of this Agreement are permitted hereunder."

3. Exhibit 8.3.4 [Borrowing Base Certificate] of the Credit Agreement is hereby amended and restated in its entirety in the form attached hereto as Exhibit 8.3.4.

4. Amendment of Guaranty, Security Interest, and Pledge.

Prior to KI Holdings and Merger Sub becoming Subsidiaries of the Borrower and provided that (a) the 2004 Permitted Merger occurs prior to November 30, 2004 and (b) KI Holdings, during the time it is a Subsidiary of the Borrower, shall have no liabilities, contingent or otherwise (other than contingent indemnification liabilities of KI Holdings to the placement agent for the proposed issuance of the KI Holdings' promissory notes and expense reimbursement obligations in connection with such proposed issuance), the Banks hereby:

(i) agree that the requirements of Sections 8.2.9 [Subsidiaries, Partnerships and Joint Ventures] and 11.18 [Joinder of Guarantors] shall not be applicable with respect to KI Holdings and Merger Sub,

(ii) agree that any security interest in any assets of KI Holdings and Merger Sub, as such security interest would otherwise be required to be granted under the Credit Agreement, Security Agreement, Pledge Agreement, or any other Loan Document, shall not be required, and

(iii) agree that the requirements of the Pledge Agreement and the Security Agreement with respect the ownership interests of KI Holdings and Merger Sub shall not be required;

provided further, that prior to the 2004 Permitted Merger, none of the Loan Parties shall make or suffer to remain outstanding any loans, advances, or investments to either KI Holdings or Merger Sub other than the nominal investment of the Borrower in acquiring the capital stock of KI Holdings. After the consummation of the 2004 Permitted Merger, the Borrower and its Subsidiaries shall have no liability or obligations with respect to the contingent indemnification liabilities of KI Holdings to the placement agent for the proposed issuance of the KI Holdings' promissory notes or the expense reimbursement obligations of KI Holdings to the placement agent in connection with such proposed issuance referred to above.

5. Conditions Precedent.

The Borrower, the Guarantors and the Banks acknowledge that this Second Amendment shall not be effective until each of the following conditions precedent has been satisfied (such date is referred to herein as the "Effective Date"):

(a) The Borrower, the Guarantors, and the Required Banks shall have executed this Second Amendment;

(b) The Borrower shall have delivered to the Administrative Agent and the Required Banks a final draft of all documents associated with the 2004 Permitted Merger and shall have delivered to the Administrative Agent such information with respect to such merger as the Administrative Agent shall have reasonably requested;

(c) Neither the execution and delivery of this Second Amendment or the documents associated with the 2004 Permitted Merger by the Borrower or Koppers Merger Sub nor the consummation of the transactions herein or therein contemplated or compliance with the terms and provisions hereof or thereof by any of them will conflict with, constitute a default under or result in any breach of (i) the terms and conditions of the certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents of the Borrower or Koppers Merger Sub or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which the Borrower or Koppers Merger Sub or any of their Subsidiaries is a party to or by which either the Borrower or Koppers Merger Sub or any of their Subsidiaries is bound or to which it is subject, or result in the creation or enforcement of any Lien, charge or encumbrance whatsoever upon any property (now or hereafter acquired) of the Borrower or Koppers Merger Sub or any of their Subsidiaries (other than Liens granted under the Loan Documents) and the Borrower shall have delivered to the Administrative Agent a closing certificate certifying to all of the foregoing;

(d) No Material Adverse Change shall have occurred with respect to the Borrower or any of the Guarantors;

(e) The Borrower and the Guarantors shall have obtained all approvals and consents necessary to consummate the transactions contemplated by this Second Amendment;

(f) The Borrower shall have delivered to the Administrative Agent an opinion or opinions of Borrower's counsel which shall opine as to (i) the due authorization, execution and delivery, and enforceability of this Second Amendment, (ii) the validity and legality regarding the consummation of the 2004 Permitted Merger and such matters incident to such transactions, and (iii) such other matters as reasonably requested by the Administrative Agent, which opinion shall be in form and substance reasonably satisfactory to the Administrative Agent;

(g) The Borrower shall have paid to the Administrative Agent, for the benefit of the Administrative Agent and each of the Banks executing this Second Amendment, an amendment fee in the amount of 25 basis points of such Bank's Commitment, one half of which will be earned by each approving Bank upon credit approval and one half of which will be earned upon execution by such Bank;

(h) The Borrower shall have paid to the Administrative Agent and its counsel all reasonable fees and expenses for which the Administrative Agent and such counsel are entitled to be reimbursed;

(i) All legal details and proceedings in connection with the transactions contemplated by this Second Amendment and all other Loan Documents to be delivered to the Banks shall be in form and substance reasonably satisfactory to the Administrative Agent.

6. Incorporation into Credit Agreement.

This Second Amendment shall be incorporated into the Credit Agreement by this reference.

7. Full Force and Effect.

Except as expressly modified by this Second Amendment, all of the terms, conditions, representations, warranties and covenants of the Credit Agreement and the other Loan Documents are true and correct and shall continue in full force and effect without modification, including without limitation, all liens and security interests securing the Borrower's indebtedness to the Banks and all Guaranty Agreements executed and delivered by the Guarantors.

8. Reimbursement of Expenses.

The Borrower unconditionally agrees to pay and reimburse the Administrative Agent and save the Administrative Agent harmless against liability for the payment of reasonable out-of-pocket costs, expenses and disbursements, including without limitation, fees and expenses of counsel incurred by the Administrative Agent in connection with the development, preparation, execution, administration, interpretation or performance of this Second Amendment and all other documents or instruments to be delivered in connection herewith.

9. Counterparts.

This Second Amendment may be executed by different parties hereto in any number of separate counterparts, each of which, when so executed and delivered shall be an original and all such counterparts shall together constitute one and the same instrument.

10. Entire Agreement.

This Second Amendment sets forth the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersedes all prior understandings and agreements, whether written or oral, between the parties hereto relating to the subject matter hereof. No representation, promise, inducement or statement of intention has been made by any party which is not embodied in this Second Amendment, and no party shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not set forth herein.

11. Governing Law.

This Second Amendment shall be deemed to be a contract under the laws of the Commonwealth of Pennsylvania and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles.

[SIGNATURE PAGES FOLLOW]

[SIGNATURE PAGE - SECOND AMENDMENT TO CREDIT AGREEMENT]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement as of the day and year first above written.

KOPPERS INC.

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE - SECOND AMENDMENT TO CREDIT AGREEMENT]

KOPPERS REDEMPTION, INC.

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE - SECOND AMENDMENT TO CREDIT AGREEMENT]

WORLD-WIDE VENTURES CORPORATION

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE - SECOND AMENDMENT TO CREDIT AGREEMENT]

KOPPERS INDUSTRIES OF DELAWARE, INC.

By: _____

Name: _____

Title: _____

KOPPERS INC., executing on behalf of the following Loan Parties pursuant to Section 11.1 of the Credit Agreement:

KOPPERS MAURITIUS
KOPPERS SHIPPING PTY LTD
CONTINENTAL CARBON AUSTRALIA PTY LTD
KOPPERS CARBON MATERIALS & CHEMICALS PTY LTD
KOPPERS WOOD PRODUCTS PTY LTD
KOPPERS AUSTRALIA PTY LTD
KOPPERS INVESTMENT SUBSIDIARY PTY LTD
KOPPERS AUSTRALIA HOLDING COMPANY PTY LTD

By: _____

Name: _____

Title: _____

KOPPERS CONCRETE PRODUCTS, INC.

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE - SECOND AMENDMENT TO CREDIT AGREEMENT]

CONCRETE PARTNERS, INC.

By: _____

Name: _____

Title: _____

PNC BANK, NATIONAL ASSOCIATION,
individually and as Administrative Agent

By: _____

Name: Thomas Majeski
Title: Vice President

NATIONAL CITY BANK OF PENNSYLVANIA,
individually and as Syndication Agent

By: _____

Name: Ervine H. Geiger, III
Title: Vice President

CITIZENS BANK OF PENNSYLVANIA,
individually and as a Co-Documentation Agent

By: _____

Name: Dwayne R. Finney
Title: Vice President

FLEET NATIONAL BANK, individually and as a Co-Documentation Agent

By: _____

Name: Kenneth S. Struglia
Title: Managing Director

WACHOVIA BANK, NATIONAL ASSOCIATION, individually and as a Co-Documentation Agent

By: _____

Name: Patrick J. Kaufmann
Title: Vice President

[SIGNATURE PAGE - SECOND AMENDMENT TO CREDIT AGREEMENT]

FIRST COMMONWEALTH BANK

By: _____

Name: Paul J. Oris
Title: Vice President

[SIGNATURE PAGE - SECOND AMENDMENT TO CREDIT AGREEMENT]

FIFTH THIRD BANK

By: _____

Name: John L. Hayes IV
Title: Vice President

[SIGNATURE PAGE - SECOND AMENDMENT TO CREDIT AGREEMENT]

FIRSTMERIT BANK, N.A.

By: _____

Name: Rose M. Crump
Title: Vice President

[SIGNATURE PAGE - SECOND AMENDMENT TO CREDIT AGREEMENT]

LASALLE BANK, NATIONAL ASSOCIATION

By: _____

Name: Mark H. Veach
Title: First Vice President

[SIGNATURE PAGE - SECOND AMENDMENT TO CREDIT AGREEMENT]

PROVIDENT BANK, A NATIONAL CITY COMPANY

By: _____

Name: Brian V. Ciaverella
Title: Senior Vice President

EXHIBIT 8.3.4

BORROWING BASE CERTIFICATE

[attached]

Exhibit 10.34

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER ("Agreement") dated as of the 18th day of November, 2004, by and among KOPPERS INC., a Pennsylvania corporation ("Koppers" or the "Surviving Corporation"), MERGER SUB FOR KI INC., a Pennsylvania corporation ("Merger Sub") (Koppers and Merger Sub being herein sometimes collectively referred to as the "Constituent Corporations") and KI Holdings Inc., a Pennsylvania corporation ("KI Holdings").

WITNESSETH:

WHEREAS, Merger Sub is a wholly-owned subsidiary of KI Holdings;

WHEREAS, the Constituent Corporations and KI Holdings desire that Merger Sub be merged with and into Koppers, with Koppers being the surviving corporation, upon the terms and conditions set forth herein (the "Proposed Merger");

WHEREAS, the Constituent Corporations and KI Holdings desire that in the Proposed Merger each share of the voting common stock, $.01 par value, of Koppers will be converted into one share of voting common stock, $.01 par value of KI Holdings, and each share of senior convertible preferred stock, $.01 par value, of Koppers will be converted into one share of senior convertible preferred stock, $.01 par value of KI Holdings, with the result that upon consummation of the Proposed Merger Koppers will be a wholly-owned subsidiary of KI Holdings;

WHEREAS, the Board of Directors and the sole shareholder of Merger Sub have adopted resolutions approving this Agreement in accordance with the Pennsylvania Business Corporation Law of 1988 (the "BCL");

WHEREAS, the Board of Directors and the shareholders of Koppers have adopted resolutions approving this Agreement in accordance with the BCL; and

WHEREAS, the Board of Directors of KI Holdings have adopted resolutions approving this Agreement in accordance with the BCL (it being noted that no approval of the shareholders of KI Holdings is required because KI Holdings does not have any shareholders at the time of the Proposed Merger).

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and intending to be legally bound hereby, Koppers, Merger Sub and KI Holdings hereby agree as follows:

1. Terms of Merger. At the Effective Time (as hereinafter defined), Merger Sub shall be merged with and into Koppers pursuant to the provisions of Section 1921 of the BCL (the "Merger").

2. Surviving Corporation. The corporation surviving the Merger shall be Koppers.

3. Treatment of Shares. At the Effective Time by virtue of the Merger and without any action on the part of any holder of any shares of the voting common stock of Koppers, the senior convertible preferred stock of Koppers or the common stock of Merger Sub (a) each share of voting common stock of Koppers issued and outstanding immediately prior to the Merger shall be converted into one share of voting common stock of KI Holdings, (b) each share of common stock of

Merger Sub issued and outstanding immediately prior to the Merger shall be converted into one share of voting common stock of Koppers, (c) each share of senior convertible preferred stock of Koppers issued and outstanding immediately prior to the Merger shall be converted into one share of senior convertible preferred stock of KI Holdings, (d) each share of voting common stock of Koppers held in the treasury of Koppers shall be deemed retired and cancelled without necessity of further action and (e) each share of senior convertible preferred stock of Koppers held in the treasury of Koppers, if any, shall be deemed retired and cancelled without necessity of further action. KI Holdings agrees that, immediately prior to the Effective Time, it will cause any and all shares of capital stock of KI Holdings issued and outstanding prior to the Effective Time to be cancelled, with the result that immediately upon the Effective Time the owners and percentages of ownership of the capital stock of KI Holdings will be identical to the owners and percentages of ownership of the capital stock of Koppers immediately prior to the Effective Time.

4. Options. At the Effective Time, by virtue of the Merger and without any action on the part of Koppers or the holder of any outstanding unexpired and unexercised option to purchase shares of voting common stock of Koppers (a "Koppers Stock Option"), each Koppers Stock Option granted under any employee stock option or compensation plan or other arrangement of Koppers, whether or not exercisable or vested, shall be automatically converted into an option to purchase, on the same terms, shares of voting common stock of KI Holdings. KI Holdings agrees that immediately prior to the Effective Time it will execute such agreements as are necessary or desirable to undertake obligations identical to those of Koppers with respect to any Koppers Stock Option which were in place immediately prior to the Effective Time.

5. Effective Time. If this Agreement is not terminated as contemplated by Section 9 hereof, Articles of Merger (the "Articles of Merger"), executed in accordance with the BCL, shall be delivered to the Department of State of the Commonwealth of Pennsylvania (the "Department"). The Merger shall become effective upon the filing of the Articles of Merger in the Department (the "Effective Time").

6. Articles of Incorporation. The Articles of Incorporation of Koppers as in effect at the Effective Time, from and after the Effective Time and until further amended as provided by applicable law, shall be, and may be separately certified as, the Articles of Incorporation of the Surviving Corporation.

7. Bylaws. The Bylaws of Koppers, as in effect at the Effective Time, shall be the Bylaws of the Surviving Corporation, to remain unchanged until amended in accordance with the provisions thereof and of applicable law.

8. Directors and Officers. At the Effective Time, the Board of Directors of the Surviving Corporation shall consist of those persons who were directors of Koppers immediately prior to the Effective Time, and the officers of the Surviving Corporation shall be the persons who were officers of Koppers immediately prior to the Effective Time, each such person to hold, in accordance with the Bylaws and at the pleasure of the Board of Directors of the Surviving Corporation, the same office or offices with the Surviving Corporation as he or she then held with Koppers.

9. Termination and Amendment. This Agreement may be terminated by the Board of Directors of any one of Koppers, Merger Sub and KI Holdings at any time prior to the Effective Time. In addition, the respective Boards of Directors and shareholders of Koppers, Merger Sub and KI Holdings may authorize amendment of this Agreement at any time prior to the Effective Time.

10. Miscellaneous. At the Effective Time, all the property, rights, privileges, franchises, patents, trademarks, licenses, registrations and other assets of every kind and description of

Merger Sub shall be transferred to, vested in and devolve upon Koppers without further act or deed and all property, rights, and every other interest of Koppers and Merger Sub shall be as effectively the property of Koppers as they were of Koppers and Merger Sub respectively. Merger Sub hereby agrees from time to time, as and when requested by Koppers or by its successors or assigns, to execute and deliver or cause to be executed and delivered all such deeds and instruments and to take or cause to be taken such further or other action as Koppers may deem necessary or desirable in order to vest in and confirm to Koppers title to and possession of any property of Merger Sub acquired or to be acquired by reason of or as a result of the Merger herein provided for and otherwise to carry out the intent and purposes hereof and the proper officers and directors of Merger Sub and the proper officers and directors of Koppers are fully authorized in the name of Merger Sub or otherwise to take any and all such action.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Koppers, Merger Sub and KI Holdings have caused this Agreement to be executed by their respective Chairmen of the Board of Directors or Presidents or Vice Presidents and attested by their respective Secretaries or Assistant Secretaries all as of the date first above written.

ATTEST:

By: /s/ Steven Lacy
Name: Steven Lacy
Title: Senior Vice President

KOPPERS INC.

By: /s/ Brian H. McCurrie
Name: Brian H. McCurrie
Title: Vice President and Chief Financial Officer

ATTEST:

By: /s/ Steven Lacy
Name: Steven Lacy
Title: Senior Vice President

MERGER SUB FOR KI INC.

By: /s/ M. Claire Schaming
Name: M. Claire Schaming
Title: Treasurer

ATTEST:

By: /s/ Steven Lacy
Name: Steven Lacy
Title: Senior Vice President

KI HOLDINGS INC.

By: /s/ Brian H. McCurrie
Name: Brian H. McCurrie
Title: Vice President and Chief Financial Officer

Exhibit 12.1

RATIO OF EARNINGS TO FIXED CHARGES

	1999	2000	2001	2002	2003	9/30/2003	9/30/2004
Fixed charges:							
Interest	28.1	28	24.5	22.9	37.7	16	26.6
Rents	19.6	19.9	24.4	25.2	28	21	21.941
Interest factor	31%	31%	31%	31%	31%	31%	31%
Rental interest	6.1	6.2	7.6	7.8	8.7	6.5	6.8
Total Fixed Charges	34.2	34.2	32.1	30.7	46.4	22.5	33.4
Earnings:							
Pretax income	24.4	31.3	25.4	30.3	-20.3	10.1	21.4
Fixed charges	34.2	34.2	32.1	30.7	46.4	22.5	33.4
Earnings	58.6	65.5	57.5	61.0	26.1	32.6	54.8
Ratio	**1.71**	**1.92**	**1.79**	**1.99**	**0.56**	**1.45**	**1.64**

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated February 6, 2004, (except for Note 4, as to which the date is February 27, 2004) in the Registration Statement (Form S-4, No. 333-00000) and related Prospectus of KI Holdings Inc. for the registration of $203,000,000 principal amount at maturity Senior Discount Notes Due 2014.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
February 10, 2005

FORM T-1
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2) ☐

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York **(State of incorporation if not a U.S. national bank)**	**13-5160382** **(I.R.S. employer identification no.)**
One Wall Street, New York, N.Y. **(Address of principal executive offices)**	**10286** **(Zip code)**

KI HOLDINGS INC.
(Exact name of obligor as specified in its charter)

Pennsylvania **(State or other jurisdiction of incorporation or organization)**	**20-1878963** **(I.R.S. employer identification no.)**
436 Seventh Avenue **Pittsburgh, Pennsylvania** **(Address of principal executive offices)**	**15219** **(Zip code)**

Series B 9-7/8% Senior Discount Notes due 2014
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672, Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637 and Exhibit 1 to Form T-1 filed with Registration Statement No. 333-121195.)
4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 333-121195.)
6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 333-106702.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 7th day of February, 2005.

THE BANK OF NEW YORK

By: /S/ KISHA HOLDER
Name: KISHA HOLDER
Title: ASSISTANT VICE PRESIDENT

Exhibit 7

Consolidated Report of Condition of

THE BANK OF NEW YORK

of One Wall Street, New York, N.Y. 10286 And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 2004, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

	Dollar Amounts In Thousands
ASSETS	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 3,036,306
Interest-bearing balances	9,034,655
Securities:	
Held-to-maturity securities	1,693,598
Available-for-sale securities	20,325,634
Federal funds sold and securities purchased under agreements to resell	
Federal funds sold in domestic offices	19,100
Securities purchased under agreements to resell	4,324,992
Loans and lease financing receivables:	
Loans and leases held for sale	6,685
Loans and leases, net of unearned income	37,402,355
LESS: Allowance for loan and lease losses	594,211
Loans and leases, net of unearned income and allowance	36,808,144
Trading Assets	3,420,107
Premises and fixed assets (including capitalized leases)	969,419
Other real estate owned	1,253
Investments in unconsolidated subsidiaries and associated companies	253,729
Customers' liability to this bank on acceptances outstanding	166,157
Intangible assets	
Goodwill	2,708,882
Other intangible assets	748,171
Other assets	6,998,625
Total assets	$ 90,515,457

LIABILITIES	
Deposits:	
In domestic offices	$ 40,236,165
Noninterest-bearing	15,201,748
Interest-bearing	25,034,417
In foreign offices, Edge and Agreement subsidiaries, and IBFs	24,110,224
Noninterest-bearing	300,559
Interest-bearing	23,809,665
Federal funds purchased and securities sold under agreements to repurchase	
Federal funds purchased in domestic offices	717,565
Securities sold under agreements to repurchase	812,853
Trading liabilities	2,598,442
Other borrowed money: (includes mortgage indebtedness and obligations under capitalized leases)	4,158,526
Not applicable	
Bank’s liability on acceptances executed and outstanding	167,267
Subordinated notes and debentures	2,389,088
Other liabilities	6,730,454
Total liabilities	$ 81,920,584
Minority interest in consolidated subsidiaries	142,058
EQUITY CAPITAL	
Perpetual preferred stock and related surplus	0
Common stock	1,135,284
Surplus	2,087,205
Retained earnings	5,213,125
Accumulated other comprehensive income	17,201
Other equity capital components	0
Total equity capital	8,452,815
Total liabilities, minority interest, and equity capital	$ 90,515,457

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

Thomas J. Mastro,
Senior Vice President and Comptroller

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

Thomas A. Renyi
Gerald L. Hassell
Alan R. Griffith

Directors

Exhibit 99.1

LETTER OF TRANSMITTAL

KI HOLDINGS INC.

OFFER TO EXCHANGE ITS ISSUED AND OUTSTANDING 9 7/8% SENIOR DISCOUNT NOTES DUE 2014 FOR ITS 9 7/8% SENIOR DISCOUNT NOTES DUE 2014 WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED

PURSUANT TO THE PROSPECTUS, DATED FEBRUARY , 2005

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 2005, UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

The Bank of New York, as *Exchange Agent*

By Registered or Certified Mail:	*By Hand:*	*By Courier:*
The Bank of New York Corporate Trust Operations Reorganization Unit 101 Barclay Street—7E New York, NY 10286 Attn: Ms. Carolle Montreuil	The Bank of New York Corporate Trust Operations Reorganization Unit 101 Barclay Street—7E New York, NY 10286 Attn: Ms. Carolle Montreuil	The Bank of New York Corporate Trust Operations Reorganization Unit 101 Barclay Street—7E New York, NY 10286 Attn: Ms. Carolle Montreuil

By Facsimile:
Attn: Ms. Carolle Montreuil
(212) 298-1915

Confirm by Telephone:
(212) 815-3687

Delivery of this instrument to an address other than as set forth above, or transmission of instructions other than as set forth above, will not constitute a valid delivery.

The instructions set forth in this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed. The undersigned acknowledges that he or she has received the Prospectus, dated February , 2005 (the "Prospectus"), of KI Holdings Inc., a Pennsylvania corporation (the "Company"), and this Letter of Transmittal (the "Letter of Transmittal"), which together constitute the Company's offer (the "Exchange Offer") to exchange up to $203,000,000 aggregate principal amount at maturity of the Company's 9 7/8% Senior Discount Notes due 2014 (the "Exchange Notes"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), for a like principal amount of the Company's issued and outstanding 9 7/8% Senior Discount Notes due 2014 (the "Old Notes"), which have not been so registered. The Bank of New York (the "Exchange Agent") has been appointed as exchange agent for the Exchange Offer.

For each Old Note accepted for exchange, the registered holder of such Old Note (collectively with all other registered holders of Old Notes, the "Holders") will receive an Exchange Note having a principal amount equal to that of the surrendered Old Note. Registered holders of Exchange Notes on the record date for the first interest payment date following the consummation of the Exchange Offer will receive interest accruing from the most recent date to which interest has been paid. Old Notes accepted for exchange will cease to accrue interest from and after the date of consummation of the Exchange Offer. Accordingly, Holders whose Old Notes are accepted

for exchange will not receive any payment in respect of accrued interest on such Old Notes otherwise payable on any interest payment date after consummation of the Exchange Offer and, in lieu thereof, will receive payment with respect to accrued interest on the Exchange Notes to the extent Old Notes or Exchange Notes were held on the applicable record date.

This Letter of Transmittal is to be completed by a Holder of Old Notes either if Old Notes are to be forwarded herewith or if a tender is made pursuant to the guaranteed delivery procedures in the section of the Prospectus entitled "The Exchange Offer—Procedures for Tendering Old Notes." Delivery of documents to DTC does not constitute delivery to the Exchange Agent.

Holders that are tendering by book-entry transfer to the Exchange Agent's account at DTC can execute the tender through ATOP for which the Exchange Offer will be eligible. DTC participants that are accepting the Exchange Offer must transmit their acceptance to DTC, which will verify the acceptance and execute a book-entry delivery to the Exchange Agent's account at DTC. DTC will then send an agent's message forming part of a book-entry transfer in which the participant agrees to be bound by the terms of the Letter of Transmittal (an "Agent's Message") to the Exchange Agent for its acceptance. Transmission of the Agent's Message by DTC will satisfy the terms of the Exchange Offer as to execution and delivery of a Letter of Transmittal by the participant identified in the Agent's Message.

The undersigned has completed the appropriate boxes below and signed this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer.

SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount of Old Notes indicated below. Subject to, and effective upon, the acceptance for exchange of the Old Notes tendered hereby, the undersigned hereby sells, assigns, transfers and exchanges to, or upon the order of, the Company all right, title and interest in and to all such Old Notes as are being tendered hereby.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, exchange, assign and transfer the Old Notes and to acquire Exchange Notes issuable upon the exchange of such tendered Old Notes, and that, when the same are accepted for exchange, the Company will acquire good and unencumbered title to the tendered Old Notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The undersigned hereby further represents that any Exchange Notes acquired in exchange for Old Notes tendered hereby will have been acquired in the ordinary course of such Holder's business, that such Holder has no arrangement or understanding with any person to participate in a distribution of such Exchange Notes and that the Holder is not an "affiliate" (as defined in Rule 405 under the Securities Act) of the Company.

The undersigned also acknowledges that this Exchange Offer is being made in reliance on interpretations by the staff of the Securities and Exchange Commission (the "Commission"), as set forth in no-action letters issued to third parties, that the Exchange Notes issued pursuant to the Exchange Offer in exchange for the Old Notes may be offered for resale, resold and otherwise transferred by a Holder thereof (other than a Holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such Holder's business and such Holder has no arrangement with any person to participate in a distribution of such Exchange Notes. However, the Commission has not considered the Exchange Offer in the context of a no-action letter and there can be no assurance that the staff of the Commission would make a similar determination with respect to the Exchange Offer as in other circumstances. If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes and has no arrangement or understanding to participate in a distribution of Exchange Notes. If any Holder is an affiliate of the Company, is engaged in or intends to engage in, or has any arrangement or understanding with any person to participate in, a distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, such Holder may not rely on the applicable interpretations of the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such Exchange Notes. However, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the exchange, assignment and transfer of the Old Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter of Transmittal and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and personal and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offer—Withdrawal Rights" section of the Prospectus.

Unless otherwise indicated herein in the box entitled "Special Issuance Instructions," please issue the Exchange Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Old Notes, please credit the account indicated below maintained at DTC. Similarly, unless otherwise indicated under the box entitled "Special Delivery Instructions" herein, please send the Exchange Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) to the undersigned at the address shown in the box herein entitled "Description of Old Notes Delivered."

THE UNDERSIGNED, BY COMPLETING THE BOX BELOW ENTITLED "DESCRIPTION OF OLD NOTES DELIVERED" AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED OLD NOTES AS SET FORTH IN SUCH BOX.

List below the Old Notes to which this Letter of Transmittal relates. If the space provided below is inadequate, the certificate numbers and principal amount of Old Notes should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF OLD NOTES DELIVERED

Name(s) and Address of Registered Holder(s) (Please fill-in, if blank)	Certificate Number(s)	Aggregate Principal Amount Represented by Certificate(s)	Principal Amount Tendered*
			$
			$
			$
			$
			$
			$
			$
Total:			$

* Unless otherwise indicated in this column, a Holder will be deemed to have tendered ALL of the Old Notes represented by the listed certificates. See Instruction 2. Old Notes tendered hereby must be in denominations of principal amount of $1,000 and any integral multiple thereof. See Instruction 1.

☐ **CHECK HERE IF TENDERED OLD NOTES ARE ENCLOSED HEREWITH.**

☐ **CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY AND COMPLETE THE FOLLOWING (FOR USE BY ELIGIBLE INSTITUTIONS ONLY):**

Name of Registered Holder _____

Window Ticket Number (if any) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution Which Guaranteed Delivery _____

☐ CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name _____

Address _____

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of the Exchange Notes. If the undersigned is a broker-dealer that will receive the Exchange Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a Prospectus in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a Prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Old Notes not exchanged and/or Exchange Notes are to be issued in the name of someone other than the person or persons whose signature(s) appear(s) on this Letter of Transmittal below or if Old Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at DTC other than the account indicated above.

Issue Exchange Notes and/or Old Notes to:

Name:_____
(Please Type or Print)

Address:_____

_____
(Zip Code)

☐ Credit unexchanged Old Notes delivered by book-entry transfer to the DTC account set forth below.

_____
(DTC Account)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Old Notes not exchanged and/or Exchange Notes are to be sent to someone other than the person or persons whose signature(s) appear(s) on this Letter of Transmittal below or to such person or persons at an address other than shown in the box entitled “Description of Old Notes Delivered” on this Letter of Transmittal above.

Mail Exchange Notes and/or Old Notes to:
Name:_____
(Please Type or Print)

Address:_____

_____
(Zip Code)

_____
(Taxpayer Identification or
Social Security Number)

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF OR AN AGENT'S MESSAGE IN LIEU HEREOF (TOGETHER WITH THE CERTIFICATES FOR OLD NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL CAREFULLY
BEFORE COMPLETING ANY BOX ABOVE

PLEASE SIGN HERE

(All Tendering Holders Must Complete This Letter of Transmittal
And The Accompanying Substitute Form W-9)

Dated: _____, 2005

X_____

X_____

(Signature(s) of Holders or Authorized Signatory)

Area Code and Telephone Number:_____

If a Holder is tendering any Old Notes, this letter must be signed by the Holder(s) as the name(s) appear(s) on the certificate(s) for the Old Notes or by any person(s) authorized to become Holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name:_____

_____

(Please Type or Print)

Capacity (full title):_____

Address:_____

_____

Telephone:_____

SIGNATURE GUARANTEE (If required by Instruction 3)

Signature(s) Guarantees by an Eligible Institution:_____

(Authorized Signature)

_____

(Title)

_____

(Name and Firm)

Dated: _____, 2005

INSTRUCTIONS

OFFER TO EXCHANGE ITS ISSUED AND OUTSTANDING 9 7/8% SENIOR DISCOUNT NOTES DUE 2014 FOR ITS 9 7/8% SENIOR DISCOUNT NOTES DUE 2014 WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED

1. Delivery of This Letter and Old Notes; Guaranteed Delivery Procedures.

This Letter of Transmittal is to be completed by Holders of Old Notes if certificates are to be forwarded herewith. Certificates for all physically tendered Old Notes, as well as a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile hereof) and any other documents required by this Letter of Transmittal, must be received by the Exchange Agent at the address set forth herein on or prior to the Expiration Date, or the tendering Holder must comply with the guaranteed delivery procedures set forth below. Old Notes tendered hereby must be in denominations of principal amount of $1,000 and any integral multiple thereof. Holders who tender their Old Notes using the DTC ATOP procedures need not submit this Letter of Transmittal.

Holders whose certificates for Old Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Old Notes pursuant to the guaranteed delivery procedures set forth in "The Exchange Offer—Procedures for Tendering Old Notes" section of the Prospectus. Pursuant to such procedures, (i) such tender must be made by or through an Eligible Institution, (ii) prior to the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, overnight delivery mail or hand delivery), setting forth the name and address of the Holder of such Old Notes, the certificate number(s) and the principal amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that within three Business Days after the Expiration Date, a properly completed and duly executed Letter of Transmittal or Agent's Message, as the case may be, the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by this Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent, and (iii) a properly completed and executed Letter of Transmittal or Agent's Message, as the case may be, the certificates for all physically tendered Old Notes, in proper form for transfer, or Book-Entry Confirmation, as the case may be, and any other documents required by this Letter of Transmittal are deposited by the Eligible Institution within three Business Days after the date of the Notice of Guaranteed Delivery. The term "Business Day" means any day that is not a Saturday, Sunday or legal Holiday in New York, New York, and on which commercial banks are open for business in New York, New York.

The method of delivery of this Letter of Transmittal, the Old Notes and all other required documents is at the election and risk of the tendering Holders, but delivery will be deemed made only upon actual receipt or confirmation by the Exchange Agent. If Old Notes are sent by mail, it is suggested that the mailing be registered mail, properly insured, with return receipt requested, and made sufficiently in advance of the Expiration Date to permit delivery to the Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date.

See "The Exchange Offer" section of the Prospectus.

2. Partial Tenders (Not Applicable to Holders Who Tender by Book-Entry Transfer).

If less than all of the Old Notes evidenced by a submitted certificate are to be tendered, the tendering Holder(s) should fill in the aggregate principal amount of Old Notes to be tendered in the box above entitled "Description of Old Notes Delivered—Principal Amount Tendered." A reissued certificate representing the balance of nontendered Old Notes will be sent to such tendering Holder, unless otherwise provided in the appropriate box of this Letter of Transmittal, promptly after the Expiration Date. See Instruction 4. All of the Old Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

3. Signatures on This Letter, Bond Powers and Endorsements, Guarantee of Signatures.

If this Letter of Transmittal is signed by the Holder of the Old Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Old Notes are owned of record by two or more joint owners, all of such owners must sign this Letter of Transmittal.

If any tendered Old Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this letter as there are different registrations of certificates.

When this Letter of Transmittal is signed by the Holder or Holders of the Old Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If however, the Exchange Notes are to be issued, or any untendered Old Notes are to be reissued, to a person other than the Holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificates(s) must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the Holder or Holders of any certificate(s) specified herein, such certificate(s) must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name or names of the Holder or Holders appear(s) on the certificate(s) and signatures on such certificate(s) must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted.

ENDORSEMENTS ON CERTIFICATES FOR OLD NOTES OR SIGNATURES ON BOND POWERS REQUIRED BY THIS INSTRUCTION 3 MUST BE GUARANTEED BY A FINANCIAL INSTITUTION WHICH IS A MEMBER OF THE SECURITY TRANSFER AGENTS MEDALLION PROGRAM OR BY ANY OTHER "ELIGIBLE GUARANTOR INSTITUTION" WITHIN THE MEANING OF RULE 17Ad-15 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (EACH, AN "ELIGIBLE INSTITUTION").

SIGNATURES ON THIS LETTER NEED NOT BE GUARANTEED BY AN ELIGIBLE INSTITUTION, PROVIDED THE OLD NOTES ARE TENDERED: (I) BY A REGISTERED HOLDER OF OLD NOTES (WHICH TERM, FOR PURPOSES OF THE EXCHANGE OFFER, INCLUDES ANY PARTICIPANT IN THE DTC SYSTEM WHOSE NAME APPEARS ON A SECURITY POSITION LISTING AS THE HOLDER OF SUCH OLD NOTES) WHO HAS NOT COMPLETED THE BOX ENTITLED "SPECIAL ISSUANCE INSTRUCTIONS" OR "SPECIAL DELIVERY INSTRUCTIONS" ON THIS LETTER OR (II) FOR THE ACCOUNT OF AN ELIGIBLE INSTITUTION.

4. Special Issuance and Delivery Instructions.

Tendering Holders of Old Notes should indicate in the applicable box the name and address to which Exchange Notes issued pursuant to the Exchange Offer and/or substitute certificates evidencing Old Notes not exchanged are to be issued or sent, if different from the name or address of the person signing this Letter of Transmittal. In the case of an issuance in a different name, the employer identification or social security number of the person named must also be indicated. Holders tendering Old Notes by book-entry transfer may request that Old Notes not exchanged be credited to such account maintained at DTC as such Holder may designate hereon. If no such instructions are given, such Old Notes not exchanged will be returned to the name and address of the person signing this Letter of Transmittal.

5. Transfer Taxes.

The Company will pay all transfer taxes, if any, applicable to the transfer of Old Notes to it or its order pursuant to the Exchange Offer. If, however, Exchange Notes and/or substitute Old Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the Holder of the Old Notes tendered hereby, or if tendered Old Notes are registered in the name of any person other than the person signing this Letter of Transmittal, or if a transfer tax is imposed for any reason other than the transfer of Old Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered Holder or any other persons) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed to such tendering Holder.

6. Waiver of Conditions.

The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus. Any condition that the Company waives for any Holder will be waived for all Holders.

7. No Conditional Tenders.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering Holders of Old Notes, by execution of this Letter of Transmittal, shall waive any right to receive notice of the acceptance of their Old Notes for exchange.

Neither the Company, the Exchange Agent, nor any other person will be under any duty to give notice of any defects or irregularities in tenders of Old Notes, or will incur any liability for failure to give any such notice.

8. Mutilated, Lost, Stolen or Destroyed Old Notes.

Any Holder whose Old Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

9. Withdrawal of Tenders.

For a withdrawal to be effective, a written notice of withdrawal sent by facsimile transmission or letter must be received by the Exchange Agent at the address set forth on the cover of this Letter of Transmittal before 5:00 p.m., New York City time, on the Expiration Date. To be effective, a notice of withdrawal must:

- specify the name of the person having tendered the Old Notes to be withdrawn (the “Depositor”);
- identify the Old Notes to be withdrawn (including the certificate number or numbers and principal amount of such Old Notes);
- include a statement that such Holder is withdrawing his election to have such Old Notes exchanged;
- be signed by the Holder in the same manner as the original signature on the Letter of Transmittal by which such Old Notes were tendered or as otherwise described above (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the trustee under the Indenture register the transfer of such Old Notes into the name of the person withdrawing the tender; and
- specify the name in which any such Old Notes are to be registered, if different from that of the Depositor.

The Exchange Agent will return the properly withdrawn Old Notes promptly following receipt of notice of withdrawal. If Old Notes have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at the book-entry transfer facility. All questions as to the validity of notices of withdrawals, including time of receipt, will be determined by the Company, and such determination will be final and binding on all parties.

Any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the Holder thereof without cost to such Holder (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the book-entry transfer facility pursuant to the book-entry transfer procedures described above, such Old Notes will be credited to an account with such book-entry transfer facility specified by the Holder) promptly after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described under the caption "The Exchange Offer—Procedures for Tendering Old Notes" in the Prospectus at any time prior to the Expiration Date.

10. Requests for Assistance or Additional Copies.

Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus, this Letter of Transmittal and other related documents may be directed to the Exchange Agent at the address indicated above.

IMPORTANT TAX INFORMATION

Under current United States federal income tax law, a prospective Holder of Exchange Notes to be issued pursuant to Special Issuance Instructions may be subject to backup withholding tax unless such prospective Holder provides the Company (as payor), through the Exchange Agent, with Substitute Form W-9, as described below in "Purpose of Substitute Form W-9," or otherwise establishes a basis for exemption. Accordingly, each prospective Holder of Exchange Notes to be issued pursuant to Special Issuance Instructions should complete the attached Substitute Form W-9. The Substitute Form W-9 need not be completed if the box entitled Special Issuance Instructions has not been completed.

Certain Holders of Exchange Notes (including, among others, all corporations and certain foreign persons) are not subject to these backup withholding tax and reporting requirements. Exempt prospective Holders of Exchange Notes should indicate their exempt status on Substitute Form W-9. A foreign person may qualify as an exempt recipient by submitting to the Company, through the Exchange Agent, a properly completed Internal Revenue Service Form W-8 (which the Exchange Agent will provide upon request) signed under penalty of perjury, attesting to the Holder's exempt status. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding tax applies, the Company is required to withhold 28% (31% after 2010) of any payment made to the Holder of Exchange Notes or other payee. Backup withholding tax is not an additional United States federal income tax. Rather, the United States federal income tax liability of persons subject to backup withholding tax will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is timely furnished to the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding tax on any Exchange Notes delivered pursuant to the Exchange Offer and any payments received in respect of the Exchange Notes, each prospective Holder of Exchange Notes to be issued pursuant to Special Issuance Instructions should provide the Company, through the Exchange Agent, with either: (i) (a) such prospective Holder's correct TIN on Substitute Form W-9 attached hereto, certifying that the TIN provided on Substitute Form W-9 is correct (or that such prospective Holder has applied for and is awaiting a TIN); (b) certification that (1) such prospective Holder has not been notified by the Internal Revenue Service that he or she is subject to backup withholding tax as a result of a failure to report all interest or dividends or (2) the Internal Revenue Service has notified such prospective Holder that he or she is no longer subject to backup withholding tax; and (c) certification that the Holder is a United States person as defined under the Internal Revenue Code and applicable Treasury regulations; or (ii) an adequate basis for exemption from backup withholding tax. If such Holder is an individual, the TIN is such Holder's social security number. If the Exchange Agent is not provided with the correct TIN, the Holder of the Exchange Notes may be subject to certain penalties imposed by the Internal Revenue Service unless such failure is due to reasonable cause and not to willful neglect.

WHAT NUMBER TO GIVE THE EXCHANGE AGENT

The prospective Holder of Exchange Notes to be issued pursuant to Special Issuance Instructions is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the prospective record owner of the Exchange Notes. If the Exchange Notes will be held in more than one name or are not held in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance regarding which number to report.

TO BE COMPLETED BY CERTAIN TENDERING HOLDERS
(SEE IMPORTANT TAX INFORMATION)

PAYOR'S NAME:

SUBSTITUTE **Form W-9**	**PART I—**PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT OR INDICATE THAT YOU APPLIED FOR A TIN AND CERTIFY BY SIGNING AND DATING BELOW.	TIN: _____ Social Security Number or Employer Identification Number TIN Applied for ☐
Department of the Treasury Internal Revenue Service **Payor's Request for Taxpayer Identification Number ("TIN") and Certification**	**PART 2—CERTIFICATION—UNDER PENALTIES OF PERJURY, I CERTIFY THAT:** (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me); (2) I am not subject to backup withholding either because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and (3) I am a United States person (including a United States resident alien). Signature: _____ Date: _____	

You must cross out item (2) of the above certification if you have been notified by the IRS that you are subject to backup withholding because you have failed to report all interest and dividends in your tax return.

NOTE: FAILURE BY A PROSPECTIVE HOLDER OF EXCHANGE NOTES TO BE ISSUED PURSUANT TO THE SPECIAL ISSUANCE INSTRUCTIONS ABOVE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING TAX OF 28% (31% AFTER 2010) OF THE EXCHANGE NOTES DELIVERED TO YOU PURSUANT TO THE EXCHANGE OFFER AND ANY PAYMENTS RECEIVED BY YOU IN RESPECT OF THE EXCHANGE NOTES. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 1 OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of the exchange, 28% (31% after 2010) of all reportable payments made to me will be withheld.

_____ _____

Signature Date

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Guidelines for Determining the Proper Identification Number to Give the Payer—Social Security numbers have nine digits separated by two hyphens: i.e., 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e., 00-0000000. The table below will help determine the number to give the payer.

For this type of account:	**Give the SOCIAL SECURITY number of —**
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account (1)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor (2)
4. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee (1)
b. So-called trust account that is not a legal or valid trust under State law	The actual owner (1)
For this type of account:	**Give the EIN of —**
5. Sole proprietorship account	The owner (3)
6. A valid trust, estate, or pension trust	The legal entity (4)
7. Corporate	The corporation
8. Religious, charitable, or educational organization	The organization
9. Partnership account held in the name of the business	The partnership
10. Association, club, or other tax-exempt organization	The organization
11. A broker or registered nominee	The broker or nominee
12. Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's social security number must be furnished.

(2) Circle the minor's name and furnish the minor's social security number.

(3) You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security number or your employer identification number (if you have one).

(4) List first and circle the name of the legal trust, estate, or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed

Obtaining a Number

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

Payees Exempt from Backup Withholding

Payees specifically exempted from backup withholding on ALL payments include the following:

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a),* an individual retirement plan or a custodial account under section 403(b)(7).
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A middleman known in the investment community as a nominee or custodian.
- A registered dealer in securities or commodities registered in the U.S., the District of Columbia or a possession of the U.S.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a).
- An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1).
- An entity registered at all times under the investment Company Act of 1940.
- A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. *Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.*
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).

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* Unless otherwise indicated, all section references are to the Internal Revenue Code of 1986, as amended.

- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE “EXEMPT” ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER. IF THE PAYMENTS ARE INTEREST, DIVIDENDS, OR PATRONAGE DIVIDENDS, ALSO SIGN AND DATE THE FORM.

Certain payments other than interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see sections 6041, 6041A(a), 6042, 6044, 6045, 6049, 6050A and 6050N, and their regulations.

Privacy Act Notice—Section 6109 requires most recipients of dividend, interest, or other payments to give their correct taxpayer identification numbers to payers who must report the payments to IRS. The IRS uses the numbers for identification purposes and to help verify the accuracy of tax returns. The IRS may also provide this information to the Department of Justice for civil and criminal litigation and to cities, states and the District of Columbia to carry out their tax laws. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold federal income tax on taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

Penalties

(1) **Penalty for Failure to Furnish Taxpayer Identification Number.**—If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) **Civil Penalty for False Information With Respect To Withholding.**—If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) **Criminal Penalty for Falsifying Information.**—Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

(4) **Misuse of Taxpayer Identification Numbers.**—If the requester discloses or uses taxpayer identification numbers in violation of federal law, the requester may be subject to civil and criminal penalties.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

Exhibit 99.2

NOTICE OF GUARANTEED DELIVERY

KI HOLDINGS INC.

OFFER TO EXCHANGE ITS ISSUED AND OUTSTANDING 9 7/8% SENIOR DISCOUNT NOTES DUE 2014 FOR ITS 9 7/8% SENIOR DISCOUNT NOTES DUE 2014 WHICH HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED

PURSUANT TO THE PROSPECTUS, DATED February , 2005

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON , 2005, UNLESS EXTENDED (THE "EXPIRATION DATE"). TENDERS MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

As set forth in the Prospectus dated February , 2005 (the "Prospectus") and the accompanying Letter of Transmittal (the "Letter of Transmittal") and Instruction 1 thereto, this form, or one substantially equivalent hereto, must be used to accept the Exchange Offer if certificates representing the 9 7/8% Senior Discount Notes due 2014 (the "Old Notes") of KI Holdings Inc., a Pennsylvania corporation (the "Company"), are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit a Holder's certificates or other required documents to reach the Exchange Agent prior to the Expiration Date. Such form may be delivered by hand, overnight courier, facsimile transmission or mail to the Exchange Agent and must include a guarantee by an Eligible Institution (as defined in the Letter of Transmittal) unless such form is submitted on behalf of an Eligible Institution. Capitalized terms used and not defined herein have the respective meanings ascribed to them in the Prospectus.

The Exchange Agent is

The Bank of New York

By Registered or Certified Mail:	*By Hand:*	*By Courier:*
The Bank of New York Corporate Trust Operations Reorganization Unit 101 Barclay Street—7E New York, NY 10286 Attn: Ms. Carolle Montreuil	The Bank of New York Corporate Trust Operations Reorganization Unit 101 Barclay Street—7E New York, NY 10286 Attn: Ms. Carolle Montreuil	The Bank of New York Corporate Trust Operations Reorganization Unit 101 Barclay Street—7E New York, NY 10286 Attn: Ms. Carolle Montreuil

By Facsimile:
Attn: Ms. Carolle Montreuil
(212) 298-1915

Confirm by Telephone:
(212) 815-3687

Delivery of this instrument to an address other than as set forth above, or transmission of instructions other than as set forth above, will not constitute a valid delivery.

This form is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies & Gentlemen:

Upon the terms and subject to the conditions set forth in the Prospectus and the accompanying Letter of Transmittal, receipt of which is hereby acknowledged, the undersigned hereby tenders to the Company $_____principal amount of Old Notes, pursuant to the guaranteed delivery procedures set forth in the Prospectus and accompanying Letter of Transmittal.

Certificate Numbers of Old Notes (if available)	**Principal Amount Tendered**

If Old Notes will be tendered by book-entry transfer to The Depositary Trust Company (the "DTC"), provide account number.

Account No. _____

The undersigned authorizes the Exchange Agent to deliver this Notice of Guaranteed Delivery to the Company and The Bank of New York, as Trustee with respect to the Old Notes tendered pursuant to the Exchange Offer.

All authority conferred or agreed to be conferred by this Notice of Guaranteed Delivery shall not be affected by, and shall survive, the death or incapacity of the undersigned, and every obligation of the undersigned under this Notice of Guaranteed Delivery shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the undersigned.

SIGN HERE

Signature(s) of Registered Holder(s) or Authorized Signatory

Name(s) of Registered Holder(s)
(Please Type or Print)

Address

Zip Code

Area code and Telephone Number

Dated:_____, 2005

GUARANTEE
(Not to be Used for Signature Guarantees)

The undersigned, a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (each, an "Eligible Institution"), hereby (a) represents that the above-named person(s) are deemed to own the Old Notes tendered hereby within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 14e-4"), (b) represents that such tender of Old Notes complies with Rule 14e-4 and (c) guarantees delivery to the Exchange Agent of certificates representing the Old Notes tendered hereby, in proper form for transfer, or confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at DTC, with a properly completed and duly executed Agent's Message (as defined in the Letter of Transmittal) or Letter of Transmittal, as the case may be, with any required signature guarantees and any other documents required by the Letter of Transmittal, within three Business Days after the date of execution hereof.

Name of Firm	Title
Authorized Signature	Name (Please Type or Print)
Address	Dated: _____, 2005
Area Code and Telephone Number	

NOTE: DO NOT SEND CERTIFICATES REPRESENTING OLD NOTES WITH THIS FORM. CERTIFICATES FOR OLD NOTES MUST BE SENT WITH YOUR LETTER OF TRANSMITTAL.