

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

KI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

2491
(Primary Standard Industrial
Classification Code Number)

20-1878963
(I.R.S. Employer
Identification No.)

**436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Telephone: (412) 227-2001**

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

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KI Holdings Inc.**

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, 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, please 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(c) 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.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price (1)(2)	Amount of registration fee
Common stock, par value \$0.01 per share	—	—	\$125,000,000	\$14,712.50

(1) Includes shares issuable upon exercise of the underwriters' option to purchase additional shares of common stock.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) 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 and the selling shareholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 12, 2005

Shares



KI Holdings Inc.

Common Stock

We are selling _____ shares of common stock and the selling shareholders are selling _____ shares of common stock. We will not receive any of the proceeds from the shares of common stock sold by the selling shareholders.

Prior to this offering, there has been no public market for our common stock. The initial public offering price of the common stock is expected to be between \$ _____ and \$ _____ per share. We will apply to list our common stock on the New York Stock Exchange under the symbol "KOP."

The underwriters have an option to purchase a maximum of _____ additional shares from us and the selling shareholders to cover over-allotments of shares.

Investing in our common stock involves risks. See "[Risk Factors](#)" on page 11.

	<u>Price to Public</u>	<u>Underwriting Discounts and Commissions</u>	<u>Proceeds to Issuer</u>	<u>Proceeds to Selling Shareholders</u>
Per Share	\$ _____	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____	\$ _____

Delivery of the shares of common stock will be made on or about _____, 2005.

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

Credit Suisse First Boston

UBS Investment Bank

The date of this prospectus is _____, 2005.

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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. The information in this document may only be accurate on the date of this document.

Dealer Prospectus Delivery Obligation

Until _____, 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 dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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 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., or 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 Inc. The use of these terms is not intended to imply that KI Holdings and Koppers Inc. are not separate and distinct legal entities.

Our Company

We are a leading integrated global provider of carbon compounds and commercial wood treatment products. Our products are used in a variety of niche applications in a diverse range of end-markets, including the aluminum, railroad, specialty chemical, utility, rubber and steel industries. We provide products which represent only a small portion of our customers' costs but are essential inputs into the products they produce and the services they provide. In the aggregate, we believe that we maintain the number one market position by volume in a majority of our principal product lines in North America, Australia and Europe. Approximately 56% of our net sales for 2004 were generated from products in which we have the number one market share position by volume in those three geographic regions. We serve our customers through a comprehensive global manufacturing and distribution network, including 36 manufacturing facilities located in North America, Australasia, China, Europe and South Africa. We conduct business in 73 countries with over 2,600 customers, many of which are leading companies in their respective industries, including Alcoa Inc., CSX Transportation, Inc., Union Pacific Railroad Company, Norfolk Southern Corporation and Burlington Northern Santa Fe Railway. We believe that our customers place significant value on our industry-leading "Koppers" brand, which for more than 70 years has maintained a reputation for quality, reliability and customer service. We maintain long-standing relationships with many of our customers and have conducted business with our top ten customers for an average of 16 years. For the twelve months ended June 30, 2005, we generated net sales of \$973.9 million and EBITDA of \$100.0 million.

We operate two principal businesses, Carbon Materials & Chemicals and Railroad & Utility Products. Through our Carbon Materials & Chemicals business (58% of 2004 net sales), we are the largest distiller of coal tar in North America, Australia, the United Kingdom and Scandinavia. We process coal tar into a variety of products, including carbon pitch, creosote and phthalic anhydride, which are critical intermediate materials 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 (42% of 2004 net sales), we are the largest North American supplier of railroad crossties. Our other commercial wood treatment products include the provision of utility poles to the electric and telephone utility industries.

The following charts provide a breakdown of our 2004 net sales by product and industry:



Industry Overview

We believe that demand for aluminum and railroad track maintenance substantially drive growth in our two principal businesses. Through our leading market positions and global presence, we believe we are uniquely well-positioned to capitalize on favorable trends within our end-markets. According to the King Report, worldwide aluminum production increased 6.5% to 29.8 million metric tons in 2004 and is expected to grow by 7.6% in 2005 and 6.8% in 2006. Carbon pitch requirements for the aluminum industry were 2.8 million metric tons in 2004 and are expected to grow as a function of growth in aluminum production.

The railroad crosstie business is benefiting and will likely continue to benefit from positive general economic conditions in the railroad industry and from expected increases in spending on both new track and existing track maintenance. The Railway Tie Association, or RTA, estimates that approximately 13.7 million crossties for the seven largest railroads in North America, which we refer to as the Class 1 railroads, were installed in the United States in 2004 and approximately 14.0 million crossties are projected to be installed in 2005. The RTA projects demand to increase by 9.2% to 15.3 million crossties in 2006. In addition, on August 10, 2005, a federal transportation bill was signed into law which provides \$286.5 billion of funding for various projects in the transportation industry. Although it is difficult to estimate the impact of this legislation on our business, we believe that it is likely to benefit us directly by increased sales related to projects identified in the legislation or indirectly as additional railroad capital can be reallocated to infrastructure maintenance priorities.

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 global provider of carbon compounds and commercial wood treatment products. With respect to coal tar distillation, we believe that we account for approximately 55% of the total North American capacity and 100% of the total capacity of each of Australia and the United Kingdom. We believe our leading market positions and excellent reputation provide us with significant advantages in gaining new business, sourcing raw materials cost-effectively and reliably providing products to our customers.

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The following table sets forth our leading market position for each of our principal product lines in our three major geographic regions:

	<u>2004 Net Sales</u>	<u>Estimated % of</u> <u>Market</u>	<u>Market Position</u>
	(in millions)		
North American Market			
Railroad Crossties (U.S.)	\$ 246.1	55%	#1
Carbon Pitch (1)	75.4	49%	#1
Phthalic Anhydride (2)	71.4	37%	#1
Australian Market			
Carbon Pitch	\$ 53.8	81%	#1
Wood Preservatives	48.1	50%	#1
Carbon Black	30.1	80%	#1
Utility Poles	11.8	66%	#1
European Market			
Carbon Pitch	\$ 47.6	14%	#3

(1) Only refers to carbon pitch sales to the aluminum industry.

(2) Only refers to merchant market sales of phthalic anhydride.

Strong Customer Relationships Under Contract Arrangements. Our reputation and industry-leading “Koppers” brand have enabled us to establish strong relationships with leading companies in their respective industries. We sell our products to six of the seven Class 1 railroads and to three of the five largest aluminum producers globally. All of our top ten customers are served under long-term contracts with an average length of six years, typically with provisions for periodic pricing reviews. Approximately 56% of our 2004 net sales were made to customers with whom we have contract arrangements of two or more years. Our global presence and strategically located facilities make us a preferred provider of our customers’ requirements. For example, we believe that in 2004 we provided, on average, a majority of the carbon materials and commercial wood treatment product requirements of our top ten customers.

Diverse End-Markets and Global Presence. We sell our carbon materials and wood treatment products to diverse markets. Our approximately 2,600 customers operate in diverse end-markets such as aluminum, railroads, specialty chemicals, including polyester resins, paints, coatings and plasticizers, steel, utilities, rubber, wood preservation, roofing and pavement sealers. During 2004, North America, Australasia, including China, and Europe represented 66%, 21% and 13% of our net sales, respectively. Our global presence enables us to capitalize on opportunities to increase sales of our existing product portfolio into higher-growth emerging economies, such as China, the Middle East, India and Eastern Europe. We believe that our broad product line, geographic presence and end-markets allow us to reduce our exposure to any one geographic region or end-market and to generate stable growth. Over the last five fiscal years, our revenues have grown at a compound annual growth rate of 5.4%.

Cost Advantage Through Vertical Integration. The degree of vertical integration in our business enables us to utilize products produced in our Carbon Materials & Chemicals business in our manufacturing processes, providing us with significant cost and supply advantages. In 2004, we used approximately 75% 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. In addition, internally generated products provide a more reliable source of feedstock for our wood treatment and phthalic anhydride products.

Experienced and Incentivized Management Team. Our senior management team has an average of 27 years of industry experience. Our president and chief executive officer, Walter W. Turner, has over 36 years of industry experience. Prior to the offering, our directors, management team and employees beneficially own approximately 24% of our equity.

Our Business Strategy

The key elements of our strategy are to:

Capitalize on Attractive Growth Opportunities. We believe our existing key end-markets, especially the aluminum and railroad industries, and geographic focus provide attractive growth opportunities. We are well positioned to capitalize on these opportunities. In addition, we intend to pursue growth opportunities in three ways:

- *New Regional Expansion:* We intend to leverage our global reach by capitalizing on opportunities in high-growth regions such as China, the Middle East, India and Eastern Europe and expect demand for our products in these regions to grow faster than in our core markets. For example, in 1999 we entered into a joint venture with Tangshan Iron and Steel Company, or TISCO, in Tangshan, China to establish a platform in the fast growing Asian markets.
- *Selective Acquisitions:* We intend to continue to selectively pursue complementary opportunities in areas that enable us to build upon our product portfolio, expand our customer base and leverage our existing customer relationships. For example, in April 2005, we acquired the business and assets of U.K. based Lambson Speciality Chemicals Limited. This acquisition provides us with an opportunity to expand and enhance our relationships with existing suppliers and customers and enables us to further diversify our product lines through the production and sale of various specialty chemicals.
- *Development of New Products:* We expect to expand many of our product lines through the development of related products to meet new end-use applications. For example, 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. In addition, we will soon introduce a new carbon foam product that has wide-ranging applications in the telecommunication and transportation markets. We also 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.

Maximize Cash Flow and Reduce Financial Leverage. We expect to reduce our financial leverage by using a portion of our net proceeds from this offering and a portion of cash flow from operations after required capital expenditures. We will maintain a disciplined approach to our capital spending and working capital management in order to maximize free cash flow, while continuing to support our well maintained fixed asset base and deliver superior service to our customers. We have historically generated substantial cash flow from operations and have funded our capital expenditure and working capital requirements through internal cash flow generation.

Continue Productivity and Cost Reduction Initiatives. We are focused on improving our profitability and cash flows by achieving productivity enhancements and by improving our cost platform. For example, in 2003 we implemented a number of initiatives to rationalize our capacity, streamline operations and improve productivity. These initiatives were completed on schedule and within budget and have improved our annual profitability by approximately \$4.9 million. Our current initiatives include the closure of our Montgomery, Alabama facility and the implementation of a new global ERP system. We have identified several opportunities available over the next two to three years to further enhance our productivity and profitability.

Recent Developments

On August 8, 2005, the President signed the Energy Policy Act of 2005 into law. Included in this legislation are Section 29 Energy Tax Credits earned for the production and sale of coke to a third party. These credits against federal income tax will be earned in conjunction with the coke operations at our Monessen, Pennsylvania facility. The tax credit generated per ton of coke sold is tied to a per barrel of oil equivalent on a BTU basis and adjusted annually for inflation. The credits are effective January 2006, expire December 2009 and can be carried forward for 20 years. Based on our understanding of the legislation and subject to final determination of an oil price range, we expect to earn up to \$4.0 million per year of credits that will reduce federal income taxes.

Principal Shareholder

Saratoga Partners III, L.P. has informed us that it is a New York based investment firm managed by Saratoga Management Company LLC making private equity investments in partnership with management in the business services and manufacturing industries. Saratoga Partners was founded in 1984 as the corporate buyout group of Dillon, Read & Co. Inc. and has been independent since 1998. Saratoga Partners is an experienced firm, having led buyout investments in 33 companies.

Corporate Information

We are a Pennsylvania corporation. Our principal offices are located at 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219-1800. Our telephone number is (412) 227-2001. We maintain a website at www.koppers.com. ***The information contained on or linked to from our website does not constitute a part of this prospectus and is not incorporated by reference herein.***

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The Offering

Shares of common stock offered by us	shares.
Shares of common stock offered by the selling shareholders	shares.
Shares of common stock to be outstanding following the offering	shares.

Use of Proceeds

We estimate that the net proceeds to us of this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately \$. We intend to use approximately \$ of the net proceeds to redeem up to \$ aggregate principal amount of Koppers Inc.'s 9 7/8% senior secured notes due 2013 at a price of 109 7/8% of the principal amount thereof plus accrued and unpaid interest and to use the balance for general corporate purposes. See "Use of Proceeds."

We will not receive any proceeds from the sale of shares by the selling shareholders.

Dividend Policy

Our board of directors is expected to adopt a dividend policy, effective upon the closing of this offering, which reflects an intention to distribute to our shareholders, in the amount of \$ per share as regular quarterly dividends, a portion of the cash generated by our business in excess of our expected cash needs and other possible uses. For more information see "Dividend Policy."

Listing

We will apply to have our common stock listed on the New York Stock Exchange under the trading symbol "KOP."

The calculation of shares of common stock to be outstanding after this offering as presented here and throughout this prospectus, unless otherwise indicated, is based on shares of our common stock outstanding on , 2005 and:

- assumes the underwriters do not exercise their over-allotment option;
- assumes a -for-one split of our common stock that will occur immediately prior to the consummation of this offering;
- excludes shares of our common stock reserved for issuance under our existing stock option plan; and
- assumes the conversion of all of our senior convertible preferred stock into shares of common stock prior to the consummation of this offering.

Risk Factors

Before making an investment in our common stock, you should consider carefully the information included in the "Risk Factors" section beginning on page 11 of this prospectus, as well as any other information contained in this prospectus.

Summary Historical Consolidated Financial Data

The following table contains our summary historical consolidated financial data for the three years ended December 31, 2004 and as of and for the six months ended June 30, 2005 and 2004 and the twelve months ended June 30, 2005. The summary historical consolidated financial data for each of the years ended December 31, 2004, 2003 and 2002 have been derived from our audited consolidated financial statements. The summary historical consolidated financial data as of and for the six months ended June 30, 2005 and 2004 have been derived from our unaudited consolidated financial statements, which were prepared on the same basis as our audited consolidated financial statements and, in our opinion, reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present our results of operations and financial condition for such periods. The summary historical consolidated financial data for the twelve months ended June 30, 2005 have been derived by adding our historical consolidated financial data for the year ended December 31, 2004 to our unaudited consolidated financial data for the six months ended June 30, 2005 and subtracting our unaudited consolidated financial data for the six months ended June 30, 2004. 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,			Six months ended June 30,		Twelve months ended June 30,
	2002	2003	2004	2004	2005	2005
	(unaudited)					
	(in millions, except for per share data)					
Statement of Operations Data:						
Net sales	\$ 776.5	\$ 842.9	\$ 952.5	\$ 476.9	\$ 498.3	\$ 973.9
Operating expenses:						
Cost of sales	659.5	726.0	798.4	402.0	413.5	809.9
Depreciation and amortization	28.7	33.7	32.9	16.4	16.2	32.7
Selling, general and administrative	44.0	55.6	56.8	26.7	32.7	62.8
Restructuring and impairment charges (1)	—	8.5	—	—	—	—
Total operating expenses	732.2	823.8	888.1	445.1	462.4	905.4
Operating profit	44.3	19.1	64.4	31.8	35.9	68.5
Equity in earnings (losses) of affiliates (2)	—	(0.1)	0.3	0.1	0.3	0.5
Other income (3)	9.8	0.1	0.1	—	0.3	0.4
Interest expense	22.9	37.7	38.5	17.9	25.3	45.9
Income (loss) before income tax provision (benefit) and minority interest	31.2	(18.6)	26.3	14.0	11.2	23.5
Income tax provision (benefit) (3)	13.8	(1.3)	13.3	7.4	5.8	11.7
Minority interest	0.9	1.7	3.4	1.9	0.6	2.1
Net income (loss) before cumulative effect of accounting change	16.5	(19.0)	9.6	4.7	4.8	9.7
Cumulative effect of change in accounting principle (4)	—	(18.1)	—	—	—	—
Net income (loss)	\$ 16.5	\$ (37.1)	\$ 9.6	\$ 4.7	\$ 4.8	\$ 9.7
Earnings (Loss) Per Share Data (5)						
Basic	\$	\$	\$	\$	\$	\$
Diluted	\$	\$	\$	\$	\$	\$
Weighted average common shares outstanding (in millions):						
Basic						
Diluted						
Other Data:						
Operating cash flows	\$ 46.0	\$ 12.4	\$ 18.5	\$ 2.1	\$ 13.6	\$ 30.0
Investing cash flows	(18.3)	(18.5)	(20.4)	(8.4)	(13.9)	(25.9)
Financing cash flows	(24.6)	5.0	33.6	1.8	(3.2)	28.6
Cash interest	22.3	20.3	32.8	16.5	19.3	35.6
Cash taxes	7.0	8.9	10.1	4.7	4.7	10.1
EBITDA (6)	81.9	51.1	94.3	46.4	52.1	100.0
Unusual items (increasing) decreasing EBITDA (7)	(9.4)	17.4	—	—	2.2	2.2
Capital expenditures	19.7	19.3	21.2	8.5	8.3	21.0
Cash dividends declared per common share (8)	\$	\$	\$	\$	\$	\$

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	Actual	As Adjusted
	As of June 30, 2005	
	(unaudited) (in millions)	
Balance Sheet Data:		
Cash and cash equivalents	\$ 37.8	\$
Working capital	144.9	
Total assets	577.6	
Total debt	515.7	
Total stockholders' (deficit) (9)	(168.4)	

- (1) Represents the 2003 charges 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.
- (2) January 1, 2004 we changed our method of accounting for Koppers (China) Carbon and Chemical Co., Limited from the equity method to consolidation due to our resumption of operating control. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (3) 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 2002 and 2003, we earned \$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.
- (4) 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.
- (5) Earnings per share are calculated by dividing net income less preferred dividends by the weighted average shares outstanding after giving effect to the conversion of our outstanding senior convertible preferred stock into common stock and the -for-one stock split. Unaudited pro forma as adjusted basic and diluted earnings per share have been calculated in accordance with the SEC rules for initial public offerings. These rules require that the weighted average share calculation give retroactive effect to any changes in our capital structure as well as the number of shares whose sale proceeds will be used to repay any debt as reflected in the pro forma adjustments.
- (6) EBITDA is defined as net income (loss) before interest expense, income taxes, depreciation and amortization and cumulative effect of change in accounting principle. EBITDA is not a presentation made in accordance with generally accepted accounting principles, or GAAP, is not a measure of financial condition or profitability and should not be considered as an alternative to, or more meaningful than, amounts determined in accordance with GAAP, including net income (loss) as an indicator of operating performance or net cash from operating activities as an indicator of liquidity. However, we believe that EBITDA is useful to an investor in evaluating our operating performance because:
 - EBITDA is widely used by securities analysts and investors to measure a company's operating performance without regard to items such as interest and debt expense, income tax expense and depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired;
 - EBITDA helps investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the impact of our capital structure, our asset base and the cumulative effect of change in accounting principle; and

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- EBITDA is used by our management for various purposes, including as a measure of operating performance to assist in comparing performance from period to period on a consistent basis, in presentations to our board of directors concerning our financial performance and as a basis for strategic planning and forecasting.

EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analyzing our results as reported under GAAP. Some of these limitations are:

- EBITDA does not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Although depreciation and amortization are noncash charges, the assets being depreciated will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- EBITDA is not calculated identically by all companies; therefore, our presentation of EBITDA may not be comparable to similarly titled measures of other companies.

Set forth below is a reconciliation of our net income (loss) to EBITDA:

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30, 2005
	2002	2003	2004	2004	2005	
	(in millions)					
Net income (loss)	\$ 16.5	\$ (37.1)	\$ 9.6	\$ 4.7	\$ 4.8	\$ 9.7
Interest expense	22.9	37.7	38.5	17.9	25.3	45.9
Depreciation and amortization	28.7	33.7	32.9	16.4	16.2	32.7
Income tax provision (benefit)	13.8	(1.3)	13.3	7.4	5.8	11.7
Cumulative effect of accounting change, net of income taxes	—	18.1	—	—	—	—
EBITDA	\$ 81.9	\$ 51.1	\$ 94.3	\$ 46.4	\$ 52.1	\$ 100.0

(7) Our net income (loss) was affected by the following unusual items:

	Year ended December 31,			Six months ended June 30,		Twelve months ended June 30, 2005
	2002	2003	2004	2004	2005	
	(in millions)					
Selling, general and administrative expenses (a)	\$ 0.4	\$ 2.7	\$ —	\$ —	\$ —	\$ —
Cost of sales (b)	—	6.3	—	—	2.2	2.2
Restructuring and impairment charges and related charges (c)	—	8.5	—	—	—	—
Other (income) (d)	(9.8)	(0.1)	—	—	—	—
Unusual items (increasing) decreasing EBITDA	\$ (9.4)	\$ 17.4	\$ —	\$ —	\$ 2.2	\$ 2.2

- (a) Selling, general and administrative expenses included \$1.4 million of non-cash bad debt write-offs for customers for 2003. Additionally, selling, general and administrative expenses include \$0.4 million and \$1.3 million of cash severance charges for 2002 and 2003, respectively.
- (b) Cost of sales for 2003 included \$6.1 million of cash asset retirement obligation charges related to plant closures and impairments, and \$0.2 million of cash severance charges. For 2005, cost of sales includes \$1.9 million for expected cash penalties related to the New Zealand anti-trust investigation and \$0.3 million of non-cash impairment charges related to our wood treating facility in Montgomery, Alabama.

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- (c) Restructuring and impairment charges for 2003 included fourth quarter charges of \$3.1 million for the ceasing of production at our carbon materials facility in Woodward, Alabama, \$3.1 million for the impairment of assets at the Company's carbon materials port operation in Portland, Oregon, and \$1.0 million for the impairment of certain carbon materials storage tanks which were permanently idled. Additionally, \$1.3 million of restructuring costs were incurred for the closure of our wood treating facility in Logansport, Louisiana in the third quarter of 2003. Of the \$8.5 million of restructuring and impairment charges, \$0.7 million were cash charges consisting primarily of severance charges.
- (d) Other income includes cash proceeds from the monetization of Section 29 tax credits of \$9.8 million and \$0.1 million for 2002 and 2003, respectively.
- (8) Cash dividends declared per common share gives effect to the conversion of our outstanding senior convertible preferred stock into common stock and the -for-one stock split.
- (9) Total stockholders' (deficit) refers to total assets less total liabilities less minority interest.

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 our common stock.

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.

Demand for our products is cyclical and we may experience prolonged depressed market conditions for our products, which may adversely affect our business.

Our products are sold primarily in mature markets which historically have been cyclical, such as the aluminum, specialty chemical and utility industries.

- The principal consumers of our carbon pitch are 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 global 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 steel industry 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 material adverse effect on the results of our operations.

For the year ended December 31, 2004, our top ten customers accounted for approximately 46% of our net sales. During this period, our two largest customers, Alcoa Inc. and CSX Transportation, Inc., each accounted for approximately 9% and 8%, respectively, 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 2005. 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 the results of our operations.

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

Our operations depend on an adequate supply of quality raw materials being available on a timely basis. The loss of a key source of supply or a delay in shipments could have an adverse effect on our business. For example,

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our operations in Australia and Europe are highly dependent on a relatively small number of freight transportation services. Interruptions in such freight services could impair our ability to receive raw materials and ship finished products in a timely manner. We are also exposed to price risks associated with raw material purchases. Such risks include:

- 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. Potential additional reductions in U.S. and Australian coking capacity and future coal tar availability are concerns for us, as is the potential increase in the use of coal tar as a fuel, which would lead to an increase in demand. A shortage in the supply of domestic coal tar could require us to increase coal tar and carbon pitch imports, as well as the use of petroleum substitutes to meet future carbon pitch demand. This 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 its 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, during periods of excess supplies of phthalic anhydride margins may be reduced despite high levels for orthoxylene prices.
- Rising energy costs may also increase our raw material costs. If energy prices fluctuate significantly, our business or operations may be adversely affected. In addition, rising energy costs also negatively impact our customers and the demand for our products. These risks will be heightened if our customers or production facilities are in locations experiencing severe energy shortages.

If the costs of raw materials increase significantly and we are unable to offset the increased costs with higher selling prices, our profitability will decline.

Our products may be rendered obsolete or less attractive by changes in regulatory, legislative or industry requirements.

Changes in regulatory, legislative or industry requirements may render certain of our products obsolete or less attractive. Our ability to anticipate changes in these requirements, especially changes in regulatory standards, will be a significant factor in our ability to remain competitive. We cannot assure you that we will be able to comply in the future with new regulatory, legislative and/or industrial standards that may be necessary for us to remain competitive or that certain of our products will not, as a result, become obsolete or less attractive to our customers.

The development of new technologies or changes in our customers' products could reduce the demand for our products.

Our products are used for a variety of applications by our customers. Changes in our customers' products or processes may enable our customers to reduce consumption of the products we produce or make our products unnecessary. Customers may also find alternative materials or processes that no longer require our products. For example, although there are currently no known viable substitutes for carbon pitch in the production of carbon anodes, 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

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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 five years. If a new technology were developed that replaced the need for carbon pitch in the production of carbon anodes, it is possible that these contracts would not be renewed in the future.

Hazards associated with chemical manufacturing could adversely affect our operations.

Due to the nature of our business, we are exposed to the hazards associated with chemical manufacturing and the related storage and transportation of raw materials, products and wastes in our manufacturing facilities or our distribution centers, such as fires, explosions and accidents that could lead to an interruption or suspension of operations. Any disruption could have an adverse effect on the productivity and profitability of a particular manufacturing facility or on our company as a whole. Other hazards include:

- piping and storage tank leaks and ruptures;
- mechanical failure;
- exposure to hazardous substances; and
- chemical spills and other discharges or releases of toxic or hazardous substances or gases.

These hazards, among others, may cause personal injury and loss of life, damage to property and contamination of the environment, which could lead to government fines or work stoppage injunctions, cleanup costs and lawsuits by injured persons. While we are unable to predict the outcome of such matters, if determined adversely to us, we may not have adequate insurance to cover related costs or liabilities and, if not, we may not have sufficient cash flow to pay for such costs or liabilities. Such outcomes could adversely affect our customer goodwill, cash flow and results of operations.

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 continued compliance with, 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;
- the marketing, sale, use and registration of our chemical products, such as creosote; 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. Contamination has been identified and is being investigated and remediated at many of our sites by us or other parties. For example:

- The Illinois Environmental Protection Agency, or the IEPA, has requested that Koppers Inc. conduct a voluntary investigation of soil and groundwater at its Stickney, Illinois carbon materials and chemicals facility. The IEPA advised Koppers Inc. that it made such request as a result of a reported release of

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oil-like material from Koppers Inc.'s property into an adjacent river canal. Koppers Inc. has agreed to conduct such investigation in cooperation with Beazer East and intends to seek contribution and/or indemnification from third parties with respect to a portion of such costs.

- In August 2005, Koppers Inc. received a Clean Water Act information request from Region 4 of the United States Environmental Protection Agency, or the EPA. Region 4 encompasses six of our facilities. 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 as well as engineering studies and a limited number of specific inspection records. Koppers Inc. intends to cooperate with the EPA and is currently unable to estimate a range of loss, if any, regarding this matter.
- In October 1996, Koppers Inc. received a Clean Water Act information request from the EPA relating to each of our U.S. facilities. 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. The EPA alleged that Koppers Inc. violated various provisions of the Clean Water Act. Koppers Inc. 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. The final payment of \$0.9 million was made in April 2005.

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. We also are involved in various litigation and proceedings relating to environmental matters and toxic tort claims. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Legal Matters," "—Environmental and Other Liabilities Retained or Assumed by Others", "—Other Environmental Matters" and "Business—Legal Proceedings."

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 Koppers Inc. 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, which we refer to herein as 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 we acquired from Beazer East. Currently, at the sites we 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 to indemnification 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 agreed to pay Beazer East a total of \$7.0 million in four installments over three years and to share toxic tort litigation defense costs arising from any sites acquired from Beazer East. The first two payments of \$2.0 million each were made in July 2004 and 2005.

Without reimbursement under the Indemnity, the obligation to pay the costs and assume the liabilities relating to these matters 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

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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” and “Business—Legal Proceedings.”

The insurance that we maintain may not fully cover all potential exposures.

We maintain property, casualty and workers’ compensation insurance but such insurance may not cover all risks associated with the hazards of our business and is subject to limitations, including deductibles and maximum liabilities covered. We may incur losses beyond the limits, or outside the coverage, of our insurance policies, including liabilities for environmental compliance and remediation. In addition, from time to time, various types of insurance for companies in our industry have not been available on commercially acceptable terms or, in some cases, have not been available at all. In the future, we may not be able to obtain coverage at current levels, and our premiums may increase significantly on coverage that we maintain.

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 inherent in foreign operations, including changes in social, political and economic conditions.

We have operations in the United States, Australasia, China, Europe and South Africa, and sell our products in many foreign countries. In 2003 and 2004, net sales from our products sold by Koppers Europe ApS and Koppers Australia Pty Ltd. accounted for approximately 34% of our total net sales in both years. 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 subject to potentially increasing transportation and shipping costs associated with international operations. Furthermore, 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.

Our strategy to selectively pursue complementary acquisitions may present unforeseen integration obstacles or costs.

Our business strategy includes the potential acquisition of businesses and entering into joint ventures and other business combinations that we expect would complement and expand our existing products and the markets where we sell our products and improve our market position. We may not be able to successfully identify suitable acquisition or joint venture opportunities or complete any particular acquisition, combination, joint venture or other transaction on acceptable terms. We cannot predict the timing and success of our efforts to acquire any particular business and integrate the acquired business into our existing operations. Also, efforts to acquire other businesses or the implementation of other elements of this business strategy may divert managerial

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resources away from our business operations. In addition, our ability to engage in strategic acquisitions may depend on our ability to raise substantial capital and we may not be able to raise the funds necessary to implement our acquisition strategy on terms satisfactory to us, if at all. Our failure to identify suitable acquisition or joint venture opportunities may restrict our ability to grow our business. In addition, we may not be able to successfully integrate businesses that we acquire in the future, which could have a material adverse effect on our business, results of operations and financial condition.

We have entered into a joint venture agreement for operations in China which may require continued investment and which may adversely affect our business.

In 1999, we entered into a joint venture agreement with TISCO to rehabilitate and operate a tar distillation facility in China. The joint venture agreement also includes a tar supply contract with TISCO. We participate in the international marketing of carbon pitch products for the joint venture. Koppers (China) Carbon and Chemical Co., Limited, or Koppers China, is 60% owned by us and began production of coal tar products in 2001. TISCO has guaranteed a bank loan of Koppers China, 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 business.

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.

In April 2005, the New Zealand Commerce Commission, or the NZCC, filed a statement of claim in the High Court of New Zealand against a number of corporate and individual defendants, including Koppers Arch Wood Protection (NZ) Limited, or KANZ, Koppers Arch Investments Pty Limited, or Koppers Arch Investments, Koppers Australia Pty Limited, TPL Limited, Nufarm Limited, Nufarm Australia Limited, Osmose New Zealand Limited, Osmose Australia Pty Limited and a number of current and former employees of such companies. This followed an investigation by the NZCC into the competitive practices of the wood preservative industry in New Zealand. The statement of claim contains a number of separate causes of action relating to alleged violations of the New Zealand Commerce Act of 1986, or the Act. The NZCC seeks, among other things, (i) pecuniary penalties for each cause of action in an unspecified amount pursuant to the Act, (ii) injunctions restraining defendants from further anticompetitive conduct, (iii) orders barring the named individual defendants from certain future corporate positions and (iv) reimbursement of legal costs. The Act provides that the NZCC may seek pecuniary penalties against each corporate defendant for each cause of action not to exceed the higher of \$NZ10,000,000 or three times the commercial gain from the contravention or if the commercial gain cannot be readily ascertained, 10% of the turnover of the corporate defendant and all interconnected companies. KANZ is seeking to cooperate with the NZCC and has engaged in settlement discussions with the NZCC. Although such settlement discussions are continuing, a settlement has not yet been reached. It is likely that penalties will be paid as a result of the proceedings. Such penalties could have a material adverse effect on the business, financial condition, cash flows and results of operations of those companies. Except as set forth above, we are not currently aware of any other claims (civil or governmental) related to competitive practices in New Zealand. Such other claims, if asserted and resolved unfavorably, could have a material adverse effect on the business, financial condition, cash flows and results of operations of KANZ and its interconnected companies.

Koppers Arch Wood Protection (Aust) Pty Limited, or Koppers Arch Australia, has made an application for leniency under the Australian Competition and Consumer Commission's, or the ACCC, policy for cartel conduct. The ACCC has granted immunity to Koppers Arch Australia, subject to the fulfillment of certain conditions, such as, but not limited to, continued cooperation. If the conditions are not fulfilled, Koppers Arch Australia may be penalized 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. We are not currently aware of any civil claims related to competitive practices in Australia. Such civil claims, if asserted and resolved unfavorably, could have a material adverse effect on the business, financial condition, cash flows and results of operations of Koppers Arch Australia.

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KANZ and Koppers Arch Australia are majority-owned subsidiaries of Koppers Arch Investments, which is an Australian joint venture owned 51% by World-Wide Ventures Corporation (our indirect subsidiary) and 49% by Hickson Nederland BV. KANZ and Koppers Arch Australia manufacture and market wood preservative products throughout New Zealand and Australia, respectively.

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

Litigation against us could be costly and time consuming to defend, and due to the nature of our business and products, we may be liable for damages arising out of our acts or omissions.

We produce hazardous chemicals that require appropriate procedures and care to be used in handling them or using them to manufacture other products. As a result of the hazardous nature of some of the products we use and produce, we may face product liability claims relating to incidents involving the handling, storage and use of and exposure to our products. For example:

- Koppers Inc., together with various co-defendants, has been named as a defendant in 15 cases in Pennsylvania and three cases in Texas in which the plaintiffs claim they suffered a variety of illnesses (including cancer) as a result of exposure to one or more of the defendants' products, including coal tar pitch and solvents. Koppers Inc. has been served with process in six additional cases in Pennsylvania that may involve claims related to coal tar pitch. The cases are in the early stages of discovery. Therefore, no determination can currently be made as to the likelihood or extent of any liability to Koppers Inc. Although Koppers Inc. is vigorously defending 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.
- Koppers Inc., together with various co-defendants (including Beazer East), has been named as a defendant in five toxic tort lawsuits in state court in Mississippi and in two toxic tort lawsuits in federal court in Mississippi arising from the operation of the Grenada facility. 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 four of the five state court cases, from an adjacent manufacturing facility operated by Heatcraft, Inc. In the state court actions, which include a total of approximately 225 plaintiffs, each plaintiff seeks compensatory damages from the defendants of at least \$5.0 million for each of seven counts and punitive damages of at least \$10.0 million for each of three counts. In the federal court action referred to as the Beck case, there were originally a total of approximately 110 plaintiffs. Pursuant to an order granting defendants' Motion to Sever, the Court dismissed the claims of 98 plaintiffs without prejudice to their right to refile their complaints. Each plaintiff in the Beck case seeks compensatory damages from the defendants in an unspecified amount and punitive damages of \$20.0 million for each of four counts. In the federal court 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 \$5.0 million for each of seven counts and punitive damages of at least \$10.0 million for each of three counts. The Mississippi Supreme Court recently ruled in favor of Koppers Inc.'s motion to transfer venue of four of the five state court cases to Grenada County, Mississippi (the fifth case was already filed in Grenada County) and to sever the claims of the plaintiffs. All of the state court cases which were not originally filed in Grenada County are in the process of being transferred to Grenada County. After such cases have been transferred to Grenada County, the stay of discovery in such cases will likely be lifted. Discovery in the federal court cases also has been stayed, except with respect to 12 plaintiffs in the Beck federal case. The Court ordered that the claims of the 12 Beck plaintiffs must be tried separately. The first of these trials is scheduled to commence on April 17, 2006. The remaining 11 trials are scheduled to commence at the rate of approximately one trial per calendar quarter beginning upon the conclusion of the first trial. Three plaintiffs in these cases have also filed a motion for injunctive relief contending that their

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properties are no longer habitable. They have requested remediation or, alternatively, condemnation of their properties. Koppers Inc. is vigorously contesting the motion. Based on the experience of Koppers Inc. in defending previous toxic tort cases, 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. Although Koppers Inc. intends 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.

In addition, we are regularly subject to legal proceedings and claims that arise in the ordinary course of business, such as workers' compensation claims, governmental investigations, employment disputes, customer and supplier disputes, toxic tort claims and product liability claims arising out of the conduct of our business. Litigation could result in substantial costs and may divert management's attention and resources, which could have a material adverse impact on our financial condition and results of operations.

Labor disputes could disrupt our operations and divert the attention of our management and may have a material adverse effect on our operations and profitability.

Of our employees, approximately 62% are represented by 22 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 expire in 2005 cover approximately 21% of our total employees. There can be no assurance that new agreements will be reached without union action or on terms satisfactory to us. Any future labor disputes with any such unions could result in strikes or other labor protests which could disrupt our operations and divert the attention of our management from operating our business. If we were to experience a strike or work stoppage, it may be difficult for us to find a sufficient number of employees with the necessary skills to replace these employees. Any such labor disputes could have a material adverse effect on our business, financial condition or results of operations.

Our pension obligations are currently underfunded. We may have to make significant cash payments to our pension plans, which would reduce the cash available for our business.

As of December 31, 2004, our projected benefit obligation under our defined benefit pension plans exceeded the fair value of plan assets by approximately \$49.5 million. The underfunding was caused, in part, by recent fluctuations in the financial markets that have caused the valuation of the assets in our defined benefit pension plans to decrease. During the year ended December 31, 2004, we contributed \$14.7 million to our pension plans. For the year 2005, as of June 30, 2005, we contributed \$5.2 million. Management expects that we will make an additional contribution in 2005 of approximately \$6.0 million. Management expects that any future obligations under our pension plans that are not currently funded will be funded from our future cash flow from operations. If our contributions to our pension plans are insufficient to fund the pension plans adequately to cover our future pension obligations, the performance of the assets in our pension plans does not meet our expectations or other actuarial assumptions are modified, our contributions to our pension plans could be materially higher than we expect, which would reduce the cash available for our business.

This offering may cause us to undergo an "ownership change" for purposes of Section 382 of the Internal Revenue Code, which may limit our ability to utilize our net operating loss benefit and certain other tax attributes.

As of December 31, 2004, our net operating loss benefit before valuation allowances was approximately \$20.9 million. Under Section 382 of the Internal Revenue Code, if a corporation undergoes an "ownership change" (generally defined as a greater than 50 percentage point change (by value) in its equity ownership over a three-year period), the corporation's ability to use its pre-change of control net operating loss benefit and other pre-change tax attributes against its post-change income may be limited. Although no definite determination can

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be made at this time, there is a significant possibility that this offering (along with other changes in ownership that have occurred within the past three years) will cause us to undergo an ownership change under the Internal Revenue Code. In addition, if we undergo an ownership change, we may be limited in our ability to use certain “built-in losses” or “built-in deductions” that exist at the time of the ownership change. These limitations may have the effect of reducing our after-tax cash flow. Even if this offering does not cause an ownership change to occur, we may undergo an ownership change after the offering due to subsequent changes in ownership of our common stock.

We have a substantial amount of indebtedness, which could harm our ability to operate our business, remain in compliance with debt covenants, make payments on our debt and pay dividends.

As of June 30, 2005, we and our subsidiaries had approximately \$ _____ million of indebtedness (excluding trade payables and intercompany indebtedness) after giving effect to this offering and the use of proceeds therefrom, consisting primarily of our senior discount notes, Koppers Inc.’s senior secured notes and \$45.0 million of indebtedness under our senior secured credit facility.

The degree to which we are leveraged could have important consequences, including:

- our ability to satisfy our obligations under our 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 agreements governing such indebtedness;
- 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;
- 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; and
- our ability to pay dividends to our shareholders.

Furthermore, we and our subsidiaries may be able to incur substantial additional indebtedness in the future. If we incur additional indebtedness, the risks associated with our substantial leverage, including our ability to service our debt, would increase. 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.

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.

Koppers Inc.’s senior secured credit facility and the indentures governing our senior discount notes and Koppers Inc.’s senior secured 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;

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- 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, Koppers Inc.'s senior secured credit facility contains other and more restrictive covenants. Additionally, it requires 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 Koppers Inc.'s senior secured credit facility and the indentures governing our senior discount notes and Koppers Inc.'s senior secured 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 indentures governing our senior discount notes and senior secured 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 Certain Indebtedness."

We have substantial negative net worth.

As of June 30, 2005, on a pro forma basis after giving effect to this offering and the use of proceeds herefrom, we had negative net worth of approximately \$. 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 incur significant charges in the event we close all or part of a manufacturing plant or facility.

We periodically assess our manufacturing operations in order to manufacture and distribute our products in the most efficient manner. Based on our assessments, we may make capital improvements to modernize certain units, move manufacturing or distribution capabilities from one plant or facility to another plant or facility, discontinue manufacturing or distributing certain products or close all or part of a manufacturing plant or facility. For example, we incurred significant charges in connection with the closure of our Woodward, Alabama and Logansport, Louisiana facilities. The closure of all or part of a manufacturing plant or facility could result in future charges which could be significant.

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.

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

Future terrorist attacks against U.S. and foreign 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. 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.

Risks Relating to Our Common Stock and This Offering

You will incur immediate and substantial dilution as a result of this offering.

Investors purchasing shares of our common stock in this offering will incur immediate and substantial dilution in net tangible book value per share because the price that new investors pay will be substantially greater than the net tangible book value per share of the shares acquired. This dilution is due in large part to the fact that our existing investors paid substantially less than the initial public offering price of the shares of common stock being sold in this offering when they purchased their shares. To the extent that we raise additional capital by issuing equity securities or shares of our common stock are issued upon the exercise of stock options or under our employee stock purchase plan, investors may experience additional substantial dilution.

Our stock price may be extremely volatile, and you may not be able to resell your shares at or above the public offering price.

There has been significant volatility in the market price and trading volume of equity securities, which is unrelated to the financial performance of the companies issuing the securities. These broad market fluctuations may negatively affect the market price of our common stock. The initial public offering price for the shares of common stock being sold in this offering will be determined by negotiations between the representative of the underwriters and us and may not be indicative of prices that will prevail in the open market following this offering. You may not be able to resell your shares at or above the initial public offering price due to fluctuations in the market price of our common stock caused by changes in our operating performance or prospects and other factors.

Some specific factors that may have a significant effect on our common stock market price include:

- actual or anticipated fluctuations in our operating results or future prospects;
- the public's reaction to our press releases, our other public announcements and our filings with the Securities and Exchange Commission, or the SEC;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- adverse conditions in the financial markets or general economic conditions, including those resulting from war, incidents of terrorism and responses to such events;
- sales of common stock by us or members of our management team; and
- changes in stock market analyst recommendations or earnings estimates regarding our common stock, other comparable companies or the aluminum or railroad industry generally.

Prior to this offering, there has not been a public market for our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on the New York Stock Exchange or otherwise or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. Consequently, you may not be able to sell our common stock at prices equal to or greater than the price you paid in this offering.

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Future sales, or the perception of future sales, of a substantial amount of our common stock may depress the price of the shares of our common stock.

Future sales, or the perception or the availability for sale in the public market, of substantial amounts of our common stock could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through future sales of equity securities at a time and price that we deem appropriate.

Upon consummation of this offering, there will be _____ shares of common stock outstanding. The shares of common stock sold by us and the selling shareholders in this offering will be freely transferable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act. The remaining shares of common stock owned by our existing equity investors will be restricted securities within the meaning of Rule 144 under the Securities Act but will be eligible for resale subject to applicable volume, manner of sale, holding period and other limitations of Rule 144. We, our executive officers and directors and the selling shareholders have agreed to a “lock-up,” meaning that, subject to specified exceptions, neither we nor they will sell any shares or engage in any hedging transactions without the prior consent of the representatives of the underwriters for 180 days after the date of this prospectus. Following the expiration of this 180-day lock-up period, all of these _____ shares of our common stock will be eligible for future sale, subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144. Finally, our existing equity investors have certain registration rights with respect to the common stock that they will retain following this offering. See “Shares Eligible for Future Sale” for a discussion of the shares of common stock that may be sold into the public market in the future.

We may issue shares of our common stock, or other securities, from time to time as consideration for future acquisitions and investments. In the event any such acquisition or investment is significant, the number of shares of our common stock or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be significant. We may also grant registration rights covering those shares or other securities in connection with any such acquisitions and investments. Any additional capital raised through the sale of our equity securities may dilute your percentage ownership in us.

You may not receive dividends because our board of directors could, in its discretion, depart from or change our dividend policy at any time.

We are not required to pay dividends, and our shareholders will not be guaranteed, or have contractual rights, to receive dividends. Our board of directors may decide at any time, in its discretion, to decrease the amount of dividends, otherwise change or revoke the dividend policy or discontinue entirely the payment of dividends. Our board of directors could depart from or change our dividend policy, for example, if it were to determine that we had insufficient cash to take advantage of other opportunities with attractive rates of return or if we failed to be profitable. In addition, if we do not pay dividends, for whatever reason, your shares of our common stock could become less liquid and the market price of our common stock could decline. The ability of Koppers Inc. and its subsidiaries to pay dividends or make other payments or distributions to us will depend on our operating results and may be restricted by, among other things, the covenants in Koppers Inc.’s senior secured credit facility and the covenants of any future outstanding indebtedness we or our subsidiaries incur. Furthermore, we are a holding company with no operations, and unless we receive dividends, distributions, advances, transfers of funds or other payments from our subsidiaries, we will be unable to pay dividends on our common stock.

Our principal shareholder is in a position to affect our ongoing operations, corporate transactions and other matters and its interests may conflict with or differ from your interests as a shareholder.

Upon the consummation of this offering, Saratoga Partners III, L.P. and its affiliates will own approximately _____ % of our common stock. As a result, Saratoga Partners III, L.P. and its affiliates effectively will be able to control the outcome on virtually all matters submitted to a vote of our shareholders, including the election of directors. So long as Saratoga Partners III, L.P. and its affiliates continue to own a significant portion of the

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outstanding shares of our common stock, it will continue to be able to significantly influence the election of our directors, subject to compliance with applicable New York Stock Exchange requirements, our decisions, policies, management and affairs and corporate actions requiring shareholder approval, including the approval of transactions involving a change in control. The interests of Saratoga Partners III, L.P. and its affiliates may not coincide with the interests of our other shareholders. In particular, Saratoga Partners III, L.P. and its affiliates are in the business of making investments in companies and it may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us. Saratoga Partners III, L.P. and its affiliates may also pursue, for their own account, acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us.

Provisions of our charter documents and the Pennsylvania Business Corporation Law may inhibit a takeover, which could negatively affect our stock price.

Provisions of our charter documents and the Business Corporation Law of Pennsylvania, the state in which we are organized, could discourage potential acquisition proposals or make it more difficult for a third party to acquire control of our company, even if doing so might be beneficial to our shareholders. Our Articles of Incorporation and Bylaws provide for various procedural and other requirements that could make it more difficult for shareholders to effect certain corporate actions. For example, our Articles of Incorporation authorizes our board of directors to determine the rights, preferences, privileges and restrictions of unissued series of preferred stock without any vote or action by our shareholders. Our board of directors can therefore authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock. Additional provisions that could make it more difficult for shareholders to effect certain corporate actions include:

- Our board of directors will be classified into three classes. Each director will serve a three year term and will stand for re-election once every three years.
- Our shareholders will be able to remove directors only for cause by the affirmative vote of the holders of a majority of the outstanding shares of our capital stock entitled to vote in the election of directors. Vacancies on our board of directors may be filled only by our board of directors.
- Our Articles of Incorporation will not permit shareholder action without a meeting by consent except for the unanimous consent of all holders of our common stock. It also will provide that special meetings of our shareholders may be called only by the board of directors or the chairman of the board of directors.
- Our Bylaws will provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary.

See “Description of Capital Stock.” These provisions may discourage acquisition proposals and may make it more difficult or expensive for a third party to acquire a majority of our outstanding voting stock or may delay, prevent or deter a merger, acquisition, tender offer or proxy contest, which may negatively affect our stock price.

We will need to comply with the reporting obligations of the Exchange Act and Section 404 of the Sarbanes-Oxley Act of 2002. If we fail to comply with the reporting obligations of the Exchange Act and Section 404 of the Sarbanes-Oxley Act of 2002 or if we fail to achieve and maintain adequate internal controls over financial reporting, our business, results of operations and financial condition could be materially adversely affected.

We are required to comply with the periodic reporting obligations of the Securities Exchange Act of 1934, or the Exchange Act, including preparing annual reports and quarterly reports. Our failure to prepare and disclose this information in a timely manner could subject us to penalties under federal securities laws, expose us to lawsuits and restrict our ability to access financing. In addition, we are required under applicable law and regulations to integrate our systems of internal controls over financial reporting, and we are presently evaluating our existing internal controls with respect to the standards adopted by the Public Company Accounting Oversight Board. During the course of our evaluation, we may identify areas requiring improvement and may be required to

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design enhanced processes and controls to address issues identified through this review. This could result in significant delays and cost to us and require us to divert substantial resources, including management time, from other activities. Although our review is not complete, we have taken steps to improve our internal control structure by engaging a consulting firm to assist us in the analysis of, and planning for, improving our internal controls, as well as the implementation of any such plans. However, we cannot be certain at this time that we will be able to comply with all of our reporting obligations and successfully complete the procedures, certification and attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 by the time that we are required to file our Annual Report on Form 10-K for the year ended December 31, 2006. If we fail to achieve and maintain the adequacy of our internal controls and do not address the deficiencies identified in the letter received by our audit committee, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with the Sarbanes-Oxley Act of 2002. Moreover, effective internal controls are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to satisfy the requirements of Section 404 on a timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our common stock.

Our management and auditors have identified certain deficiencies in the design and operation of our internal controls which, if not properly remediated, could result in material misstatements in our financial statements in future periods and could lead to a material weakness or significant deficiency at the time we complete our initial assessment of internal controls under Section 404 of the Sarbanes-Oxley Act of 2002, or in future assessments under Section 404.

We are not currently required to comply with Section 404 of the Sarbanes-Oxley Act of 2002, and are therefore not required to make an assessment of the effectiveness of our internal controls over financial reporting. Further, Ernst & Young LLP, our independent auditor, has not been engaged nor have they expressed an opinion on the effectiveness of our internal control over financial reporting. However, in connection with our fiscal 2004 financial statement audit, Ernst & Young LLP informed us that they have identified certain deficiencies in the design and operation of our internal controls. These deficiencies may represent “significant deficiencies” as defined in Auditing Standard No. 2 of the Public Company Accounting Oversight Board (United States). A significant deficiency is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected. A control deficiency exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

We are taking remedial measures to improve the effectiveness of our internal controls, and management believes that these efforts will not only address the internal control deficiencies identified above, but also improve the effectiveness of our disclosure and internal controls in the future. We plan to continue to assess our internal controls and procedures and will take further action as necessary or appropriate to address any other matters we identify, including to effect compliance with Section 404 of the Sarbanes-Oxley Act of 2002 when we are required to make an assessment of internal controls under Section 404 for fiscal 2006.

As a result of being a public company, we will incur increased costs that may place a strain on our resources and our management’s attention may be diverted from other business concerns.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the SEC, and the New York Stock Exchange have required changes in corporate governance practices of public companies. We expect these new rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act of 2002 requires that we maintain effective

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disclosure controls and procedures and internal controls for financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. This may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

FORWARD-LOOKING STATEMENTS

Some statements in this prospectus are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and may include, but are not limited to, statements about sales levels, profitability and anticipated expenses and cash outflows. We are including this cautionary statement to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any such forward-looking statements. Forward-looking statements can be identified by the use of terminology such as “believe,” “anticipate,” “expect,” “estimate,” “may,” “will,” “should,” “continue,” “plans,” “intends,” “likely” or other similar words or phrases. We caution you that forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from forward-looking statements. These risks and uncertainties include, without limitation, those identified under “Risk Factors” and elsewhere in this prospectus.

INDUSTRY AND MARKET DATA

Industry and market data used throughout this prospectus were obtained through internal company research, surveys and studies conducted by third parties and industry and general publications. We have not independently verified market and industry data from third-party sources. While we believe internal company research is reliable and market definitions are appropriate, neither such research nor these definitions have been verified by any independent sources.

USE OF PROCEEDS

We estimate that the net proceeds to us of this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately \$. We intend to use approximately \$ of the net proceeds to purchase stock of Koppers Inc., which will use such proceeds to redeem up to \$ aggregate principal amount of its 9⁷/₈% senior secured notes due 2013 at a price of 109⁷/₈% of the principal amount thereof plus accrued and unpaid interest, and to use the balance for general corporate purposes.

We will not receive any proceeds from the sale of shares by the selling shareholders.

CAPITALIZATION

The following table sets forth our cash and capitalization as of June 30, 2005 on an actual basis and as adjusted to give effect to this offering and the use of proceeds. 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.

The table set forth below is based on the number of shares of our common stock outstanding as of June 30, 2005. This table does not reflect _____ shares of our common stock issuable upon exercise of outstanding stock options and _____ shares of our common stock available for future issuance under our existing stock option plan as of June 30, 2005.

	As of June 30, 2005	
	Actual	As Adjusted
	(in millions)	
Cash and cash equivalents (1)	\$ 37.8	
Long-term debt (including current portion):		
Revolving credit facility (2)	\$ 53.5	
Other debt (3)	8.9	
Koppers Inc. 9 ⁷ / ₈ % senior secured notes due 2013	320.0	
KI Holdings 9 ⁷ / ₈ % senior discount notes due 2014	133.3	
Total debt including current portion	515.7	
Shareholders’ (deficit) (4)	(168.4)	
Total capitalization	\$ 347.3	

(1) Does not reflect a dividend of \$35.0 million which was paid in August 2005.

(2) Our revolving credit facility had a maximum amount available of \$100.0 million, subject to a borrowing base. As of June 30, 2005, we had approximately \$36.2 million of additional availability under our revolving credit facility. The balance also includes \$8.5 million of debt of Koppers Arch Investments Pty Ltd. In August 2005, Koppers Inc. amended and restated its senior secured credit facility to, among other things, provide for a revolving credit facility of up to \$115.0 million and for a term loan of \$10.0 million. As of July 31, 2005, the outstanding balance on our revolving credit facility was \$58.0 million and we had approximately \$31.3 million of additional availability under our revolving credit facility.

(3) Other debt consists of \$6.4 million for Koppers Europe and \$2.5 million of debt for Koppers China.

(4) Shareholders’ (deficit) refers to total assets less total liabilities less minority interest and includes (i) \$10.7 million of capital in excess of par value, (ii) \$(0.6) million for a loan to a director, (iii) \$(168.1) million of retained earnings, (iv) \$(8.9) million of accumulated other comprehensive loss and (v) \$(1.5) million of treasury stock at cost.

DIVIDEND POLICY

Our board of directors is expected to adopt a dividend policy, effective upon the closing of this offering, which reflects an intention to distribute as regular quarterly dividends to our shareholders a portion of the cash generated by our business in excess of our expected cash needs and other possible uses. These expected cash needs include operating expenses and working capital requirements, acquisitions, interest and principal payments on our indebtedness, capital expenditures, incremental costs associated with being a public company, taxes and certain other costs.

In accordance with our dividend policy, we currently intend to pay an initial dividend of \$ per share on or about , 2005 and to continue to pay quarterly dividends at an annual rate of \$ per share for the first full year following the closing of this offering, subject to our board of directors' decision to declare these dividends and various restrictions on our ability to do so. We are not required to pay dividends, and our shareholders will not be guaranteed, or have contractual or other rights, to receive dividends. Our board of directors may decide, in its discretion, at any time, to decrease the amount of dividends, otherwise modify or repeal the dividend policy or discontinue entirely the payment of dividends.

Our ability to pay dividends will be restricted by current and future agreements governing our debt, including Koppers Inc.'s senior secured credit facility and the indentures governing our senior discount notes and Koppers Inc.'s senior secured notes. As of June 30, 2005, after giving effect to this offering and the use of proceeds herefrom, we would have availability to pay dividends of \$ million under the indentures' buildup amount. See "Description of Indebtedness."

Since we are a holding company, substantially all of the assets shown on our consolidated balance sheet are held by our subsidiaries. Accordingly, our earnings and cash flow and our ability to pay dividends are largely dependent upon the earnings and cash flows of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends. Koppers Inc., our largest operating subsidiary, is party to a senior secured credit facility that restricts its ability to pay dividends to us.

Our ability to pay dividends is also restricted by Pennsylvania law. Under Pennsylvania law, a corporation has the power, subject to restrictions in its bylaws, to pay dividends or make other distributions to its shareholders unless, after giving effect thereto, (1) the corporation would not be able to pay its debts as they become due in the usual course of business or (2) the corporation's assets would be less than the sum of its total liabilities plus (unless otherwise provided in its articles) the amount that would be needed upon the dissolution of the corporation to satisfy the preferential rights, if any, of the shareholders having superior preferential rights to the shareholders receiving the distribution. Under Pennsylvania law, a corporation's board of directors may base its determination that a distribution is not prohibited by the second test on a number of valuation methods. Our Bylaws and Articles of Incorporation contain no restrictions regarding dividends.

DILUTION

If you purchase shares of our common stock, you will experience immediate and substantial dilution. Dilution is the amount by which the offering price paid by the purchasers of the common stock to be sold in this offering will exceed the net tangible book value per share of common stock after the offering. The net tangible book value per share presented below is equal to the amount of our total tangible assets (total assets less intangible assets) less total liabilities, divided by the number of shares of our common stock outstanding as of June 30, 2005. Our net tangible book value as of June 30, 2005 would have been \$ _____, or \$ _____ per share of common stock. This represents an immediate increase in net tangible book value of \$ _____ per share to the existing shareholders and an immediate dilution in net tangible book value of \$ _____ per share to new investors.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share	\$
Net tangible book value per share before the offering at June 30, 2005	
Increase in net tangible book value per share attributable to the offering	
Pro forma as adjusted net tangible book value per share after the offering	_____
Dilution per share to new investors	\$

The following table summarizes, on the same pro forma as adjusted basis as of June 30, 2005, the total number of shares of common stock purchased from us or from the selling shareholders, the total consideration paid and the average price per share paid by the existing shareholders and by new investors purchasing shares in this offering:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing shareholders		%	\$	%	\$
New investors					
Total		100.00%	\$	100.00%	

The tables and calculations above give effect to the _____-for-one stock split that will be effected prior to the consummation of this offering. The tables and calculations above assume no exercise of the underwriters' over-allotment option.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table contains our selected historical consolidated financial data for the five years ended December 31, 2004 and as of and for the six months ended June 30, 2005 and 2004. The selected historical consolidated financial data for each of the five years ended December 31, 2004, 2003, 2002, 2001 and 2000 have been derived from our audited consolidated financial statements. The selected historical consolidated financial data as of and for the six months ended June 30, 2005 and 2004 have been derived from our unaudited consolidated financial statements, which were prepared on the same basis as our audited consolidated financial statements and, in our opinion, reflect all adjustments, consisting only of normal recurring adjustments, necessary to fairly present our results of operations and financial condition for such periods. The selected historical consolidated financial data for the twelve months ended June 30, 2005 have been derived by adding our historical consolidated financial data for the year ended December 31, 2004 to our unaudited consolidated financial data for the six months ended June 30, 2005 and subtracting our unaudited consolidated financial data for the six months ended June 30, 2004. 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,					Six months ended June 30,		Twelve months ended June 30,
	2000	2001	2002	2003	2004	2004	2005	2005
(unaudited)								
(in millions, except for per share data)								
Statement of Operations Data:								
Net sales	\$770.6	\$753.7	\$776.5	\$842.9	\$952.5	\$476.9	\$498.3	\$ 973.9
Operating expenses:								
Cost of sales	645.9	631.4	659.5	726.0	798.4	402.0	413.5	809.9
Depreciation and amortization (1)	30.0	30.4	28.7	33.7	32.9	16.4	16.2	32.7
Selling, general and administrative	45.4	46.3	44.0	55.6	56.8	26.7	32.7	62.8
Restructuring and impairment charges (2)	—	3.3	—	8.5	—	—	—	—
Total operating expenses	721.3	711.4	732.2	823.8	888.1	445.1	462.4	905.4
Operating profit	49.3	42.3	44.3	19.1	64.4	31.8	35.9	68.5
Equity in earnings (losses) of affiliates (3)	2.2	0.3	—	(0.1)	0.3	0.1	0.3	0.5
Other income (4)	8.6	8.2	9.8	0.1	0.1	—	0.3	0.4
Interest expense	28.0	24.5	22.9	37.7	38.5	17.9	25.3	45.9
Income (loss) before income tax provision (benefit) and minority interest	32.1	26.3	31.2	(18.6)	26.3	14.0	11.2	23.5
Income tax provision (benefit) (4)	16.6	12.1	13.8	(1.3)	13.3	7.4	5.8	11.7
Minority interest	0.8	0.9	0.9	1.7	3.4	1.9	0.6	2.1
Net income (loss) before cumulative effect of accounting change	14.7	13.3	16.5	(19.0)	9.6	4.7	4.8	9.7
Cumulative effect of change in accounting principle (5)	—	—	—	(18.1)	—	—	—	—
Net income (loss)	\$ 14.7	\$ 13.3	\$ 16.5	\$ (37.1)	\$ 9.6	\$ 4.7	\$ 4.8	\$ 9.7
Earnings (Loss) Per Share Data (6)								
Basic	\$	\$	\$	\$	\$	\$	\$	\$
Diluted	\$	\$	\$	\$	\$	\$	\$	\$
Weighted average common shares outstanding (in millions):								
Basic								
Diluted								
Other Data:								
Operating cash flows	\$ 36.7	\$ 59.5	\$ 46.0	\$ 12.4	\$ 18.5	\$ 2.1	\$ 13.6	\$ 30.0
Investing cash flows	(29.6)	(18.3)	(18.3)	(18.5)	(20.4)	(8.4)	(13.9)	(25.9)
Financing cash flows	(17.2)	(41.6)	(24.6)	5.0	33.6	1.8	(3.2)	28.6
Cash interest	26.6	25.0	22.3	20.3	32.8	16.5	19.3	35.6
Cash taxes	9.4	8.6	7.0	8.9	10.1	4.7	4.7	10.1
EBITDA (7)	89.3	80.3	81.9	51.1	94.3	46.4	52.1	100.0
Unusual items (increasing) decreasing EBITDA (8)	(5.4)	(1.9)	(9.4)	17.4	—	—	2.2	2.2
Capital expenditures	14.8	14.6	19.7	19.3	21.2	8.5	8.3	21.0
Acquisitions (9)	15.3	6.4	—	—	—	—	5.8	5.8
Cash dividends declared per common share (10)	\$	\$	\$	\$	\$	\$	\$	\$

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	Actual	As Adjusted
	As of June 30, 2005	
	(unaudited) (in millions)	
Balance Sheet Data:		
Cash and cash equivalents	\$ 37.8	\$
Working capital	144.9	
Total assets	577.6	
Total debt	515.7	
Total stockholders' (deficit) (11)	(168.4)	

- (1) The 2002, 2003, 2004 and 2005 amounts do not include goodwill amortization as a result of the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*. Goodwill amortization amounted to \$1.3 million and \$1.5 million for 2000 and 2001, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (2) Represents the 2003 charges 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.
- (3) January 1, 2004 we changed our method of accounting for Koppers China from the equity method to consolidation due to our resumption of operating control. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (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 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) 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.
- (6) Earnings per share are calculated by dividing net income less preferred dividends by the weighted average shares outstanding after giving effect to the conversion of our outstanding senior convertible preferred stock into common stock and the -for-one stock split. Unaudited pro forma as adjusted basic and diluted earnings per share have been calculated in accordance with the SEC rules for initial public offerings. These rules require that the weighted average share calculation give retroactive effect to any changes in our capital structure as well as the number of shares whose sale proceeds will be used to repay any debt as reflected in the pro forma adjustments.
- (7) EBITDA is defined as net income (loss) before interest expense, income taxes, depreciation and amortization and cumulative effect of change in accounting principle. EBITDA is not a presentation made in accordance with generally accepted accounting principles, or GAAP, is not a measure of financial condition or profitability and should not be considered as an alternative to, or more meaningful than, amounts determined in accordance with GAAP, including net income (loss) as an indicator of operating performance or net cash from operating activities as an indicator of liquidity. However, we believe that EBITDA is useful to an investor in evaluating our operating performance because:
 - EBITDA is widely used by securities analysts and investors to measure a company's operating performance without regard to items such as interest and debt expense, income tax expense and

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depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired;

- EBITDA helps investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the impact of our capital structure, our asset base and the cumulative effect of change in accounting principle; and
- EBITDA is used by our management for various purposes, including as a measure of operating performance to assist in comparing performance from period to period on a consistent basis, in presentations to our board of directors concerning our financial performance and as a basis for strategic planning and forecasting.

EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analyzing our results as reported under GAAP. Some of these limitations are:

- EBITDA does not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Although depreciation and amortization are non-cash charges, the assets being depreciated will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- EBITDA is not calculated identically by all companies; therefore, our presentation of EBITDA may not be comparable to similarly titled measures of other companies.

Set forth below is a reconciliation of our net income (loss) to EBITDA:

	Year ended December 31,					Six months ended June 30,		Twelve months ended June 30, 2005
	2000	2001	2002	2003	2004	2004	2005	
	(in millions)							
Net income (loss)	\$14.7	\$13.3	\$16.5	\$(37.1)	\$ 9.6	\$ 4.7	\$ 4.8	\$ 9.7
Interest expense	28.0	24.5	22.9	37.7	38.5	17.9	25.3	45.9
Depreciation and amortization	30.0	30.4	28.7	33.7	32.9	16.4	16.2	32.7
Income tax provision (benefit)	16.6	12.1	13.8	(1.3)	13.3	7.4	5.8	11.7
Cumulative effect of accounting change, net of income taxes	—	—	—	18.1	—	—	—	—
EBITDA	\$89.3	\$80.3	\$81.9	\$ 51.1	\$94.3	\$46.4	\$52.1	\$100.0

(8) Our net income (loss) was affected by the following unusual items:

	Year ended December 31,					Six months ended June 30		Twelve months ended June 30, 2005
	2000	2001	2002	2003	2004	2004	2005	
	(in millions)							
Selling, general and administrative expenses (a)	\$ 3.2	\$ 3.0	\$ 0.4	\$ 2.7	\$ —	\$ —	\$ —	\$ —
Cost of sales (b)	—	—	—	6.3	—	—	2.2	2.2
Restructuring and Impairment Charges and related charges (c)	—	3.3	—	8.5	—	—	—	—
Other (income) (d)	(8.6)	(8.2)	(9.8)	(0.1)	—	—	—	—
Unusual items (increasing) decreasing EBITDA	\$ (5.4)	\$ (1.9)	\$ (9.4)	\$17.4	\$ —	\$ —	\$ 2.2	\$ 2.2

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- (a) Selling, general and administrative expenses included \$3.2 million, \$2.1 million and \$1.4 million of non-cash bad debt write-offs for customers for 2000, 2001 and 2003 respectively. Additionally, selling, general and administrative expenses include \$0.9 million, \$0.4 million and \$1.3 million of cash severance charges for 2001, 2002 and 2003 respectively.
 - (b) Cost of sales for 2003 included \$6.1 million of cash asset retirement obligation charges related to plant closures and impairments, and \$0.2 million of cash severance charges. For 2005, cost of sales includes \$1.9 million for expected cash penalties related to the New Zealand anti-trust investigation and \$0.3 million of non-cash impairment charges related to the Company's wood treating facility in Montgomery, Alabama.
 - (c) Restructuring and impairment charges for 2001 of \$3.3 million (all of which were cash charges) are related to the closure of our facility in Feather River, California. Restructuring and impairment charges for 2003 included fourth quarter charges of \$3.1 million for the ceasing of production at our carbon materials facility in Woodward, Alabama, \$3.1 million for the impairment of assets at the Company's carbon materials port operation in Portland, Oregon, and \$1.0 million for the impairment of certain carbon materials storage tanks which were permanently idled. Additionally, \$1.3 million of restructuring costs were incurred for the closure of our wood treating facility in Logansport, Louisiana in the third quarter of 2003. Of the \$8.5 million of restructuring and impairment charges in 2003, \$0.7 million were cash charges consisting primarily of severance charges.
 - (d) Other income includes cash proceeds from the monetization of Section 29 tax credits of \$8.6 million, \$8.2 million, \$9.8 million and \$0.1 million for 2000, 2001, 2002 and 2003, respectively.
- (9) Acquisitions include the purchase of the remaining 50% of our equity ownership in the European operations of Tarconord A/S, now known as Koppers Europe ApS, in May 2000 and the acquisition of the business and assets of Lambson Speciality Chemicals Limited, a subsidiary of Lambson Group Limited, in April 2005.
- (10) Cash dividends declared per common share gives effect to the conversion of our outstanding senior convertible preferred stock into common stock and the -for-one stock split.
- (11) Total stockholders' (deficit) refers to total assets less total liabilities less minority interest.

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

We are a leading integrated global provider of carbon compounds and commercial wood treatment products. Our products are used in a variety of niche applications in a diverse range of end-markets, including the aluminum, railroad, specialty chemical, utility, rubber and steel industries. We provide products which represent only a small portion of our customers' costs but are essential inputs into the products they produce and the services they provide. In the aggregate, we believe that we maintain the number one market position by volume in a majority of our principal product lines in North America, Australia and Europe. Approximately 56% of our net sales for 2004 were generated from products in which we have the number one market share position by volume in those three geographic regions. We serve our customers through a comprehensive global manufacturing and distribution network, including 36 manufacturing facilities located in North America, Australasia, China, Europe and South Africa. We conduct business in 73 countries with over 2,600 customers, many of which are leading companies in their respective industries, including Alcoa Inc., CSX Transportation, Inc., Union Pacific Railroad Company, Norfolk Southern Corporation and Burlington Northern Santa Fe Railway. We believe that our customers place significant value on our industry-leading "Koppers" brand, which for more than 70 years has maintained a reputation for quality, reliability and customer service. We maintain long-standing relationships with many of our customers and have conducted business with our top ten customers for an average of 16 years. For the twelve months ended June 30, 2005, we generated net sales of \$973.9 million and EBITDA of \$100.0 million.

We operate two principal businesses, Carbon Materials & Chemicals and Railroad & Utility Products. Through our Carbon Materials & Chemicals business (58% of 2004 net sales), we are the largest distiller of coal tar in North America, Australia, the United Kingdom and Scandinavia. We process coal tar into a variety of products, including carbon pitch, creosote and phthalic anhydride, which are critical intermediate materials 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 (42% of 2004 net sales), we are the largest North American supplier of railroad crossties. Our other commercial wood treatment products include the provision of utility poles to the electric and telephone utility industries.

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 Northwestern U.S. 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; and (iv) low margins in the utility pole business.

Trend Overview. Prior to 2004, our gross margins, operating margins, net income and operating cash flows deteriorated. This deterioration 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 began 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 contract with Mittal Steel Company, N.V. (formerly International Steel Group) in 2004 for 100% of our coke production for a three-year term, resulting in substantially higher pricing for furnace coke in 2004 and 2005, 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 2005 and has provided us with higher profits; and (iv) increases in volumes and pricing for phthalic anhydride in the U.S.

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Results of Operations

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

	Year ended December 31,			Six months ended June 30,	
	2002	2003	2004	2004	2005
Net sales (in millions):					
Carbon Materials & Chemicals	\$438.4	\$484.1	\$553.4	\$ 276.9	\$ 301.4
Railroad & Utility Products	338.1	358.8	399.1	200.0	196.9
Total	\$776.5	\$842.9	\$952.5	\$ 476.9	\$ 498.3
Segment sales as percentage of total net sales:					
Carbon Materials & Chemicals	56.5%	57.4%	58.1%	58.1%	60.5%
Railroad & Utility Products	43.5%	42.6%	41.9%	41.9%	39.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Gross margin by segment (after depreciation and amortization):					
Carbon Materials & Chemicals	13.4%	10.9%	15.1%	14.1%	15.4%
Railroad & Utility Products	9.2%	8.9%	9.3%	9.8%	11.2%
Total	11.4%	9.9%	12.7%	12.3%	13.8%
Operating margin by segment:					
Carbon Materials & Chemicals	6.7%	1.6%	8.1%	7.6%	7.8%
Railroad & Utility Products	5.0%	3.6%	4.9%	5.6%	6.3%
Total	5.7%	2.3%	6.8%	6.7%	7.2%

Comparison of Results of Operations for the Six Months Ended June 30, 2005 and 2004.

Net Sales. Net sales for the six months ended June 30, 2005 were higher than 2004 as higher sales for Carbon Materials & Chemicals more than offset lower sales for Railroad & Utility Products. Net sales for Carbon Materials & Chemicals increased as pricing increases for phthalic anhydride and furnace coke, primarily as the result of higher raw material costs, more than offset volume reductions of 17% for phthalic anhydride and 5% for furnace coke. Net sales for Railroad & Utility Products decreased compared to the prior year due primarily to a change in product mix and weather-related difficulties in procuring raw materials.

Gross Margin After Depreciation and Amortization. As a percentage of net sales, gross profit after depreciation and amortization increased in total as both business segments reported higher margins. Gross margin for Carbon Materials & Chemicals increased as the increases in pricing for phthalic anhydride and furnace coke noted above were partially offset by lower volumes for both products, as well as higher raw material and logistics costs. Additionally, margins were negatively impacted as the result of a \$1.9 million charge related to the anti-trust investigation in New Zealand and \$0.8 million of additional environmental reserves for cleanup costs associated with contamination in Australia. Gross margin for Railroad & Utility Products increased due primarily to a change in product mix.

Depreciation and Amortization. Depreciation and amortization for 2005 decreased compared to the prior year due primarily to certain assets becoming fully depreciated during 2004.

Selling, General and Administrative Expense. Selling, general and administrative expense as a percentage of net sales increased primarily as a result of \$1.4 million of increased legal expenses in Australasian operations primarily related to the New Zealand anti-trust investigation and a bad debt recovery of approximately \$0.4 million in the first quarter of 2004.

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Interest Expense. Interest expense increased due to higher average debt levels as a result of the issuance of our senior discount notes in November 2004.

Income Taxes. Our effective income tax rate for the six months ended June 30, 2005 was relatively unchanged as the effect of the composition of earnings among U.S. and foreign operations (as a result of the earnings of U.S. operations increasing relative to foreign earnings) was largely offset by the effect of higher interest expense.

Net Income. Net income for 2005 compared to the same period last year increased due primarily to higher gross margins as noted above. These changes more than offset higher selling, general and administrative costs related primarily to legal expenses in Australasia, as well as higher interest expense.

Comparison of Results of Operations for the Years Ended December 31, 2004 and 2003.

Net Sales. Net sales for the year ended December 31, 2004 were higher than 2003 as both business segments reported sales increases. Net sales for Carbon Materials & Chemicals increased due in part to approximately \$30.4 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 \$25.5 million compared to the prior year. Additionally, sales pricing for phthalic anhydride and furnace coke increased 27% and 25%, respectively, which more than offset reduced volume and pricing for carbon black and carbon black feedstock of 15% and 5%, respectively. Net sales for Railroad & Utility Products increased compared to the prior year due primarily to increases of 3% 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 percentage 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 \$4.7 million of charges for asset retirement obligations in 2003 due to restructuring, coupled with \$1.7 million of gains on settlements of asset retirement obligations during 2004. Gross margin for Carbon Materials & Chemicals also increased due to the increases in pricing for phthalic anhydride and furnace coke 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 that would have been incurred on impaired assets by approximately \$1.2 million in 2004.

Selling, General and Administrative Expense. Selling, general and administrative expense as a percentage of net sales decreased primarily as a result of higher sales in the current year, plus \$1.4 million of bad debt write-offs and \$1.3 million of severance charges in the prior year, which offset an increase of \$3.0 million as a result of foreign exchange rates and an increase of \$2.2 million of management incentive and restricted stock compensation expense in the current year.

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. Additionally, during the fourth quarter of 2003 we concluded that our carbon materials port operation in Portland, Oregon was an impaired facility based on its current and long-term economic prospects. 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 were permanently idled due to reduced demand for carbon

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materials products in U.S. markets. In September 2003, we closed our Logansport, Louisiana wood treating plant due to deteriorating local market conditions. 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 overcapacity, and will continue to evaluate future productivity and cost reduction initiatives in this and all of our other businesses.

Interest Expense. Interest expense increased due to higher debt levels in 2004 which more than offset \$14.2 million of additional interest expense in 2003 due to the refinancing of our debt. The additional interest expense in 2003 from the refinancing included a call premium, the write-off of deferred financing costs, and additional interest for the period between the receipt of proceeds from Koppers Inc.'s \$320 million 9⁷/₈% senior secured notes due 2013, or the Senior Secured Notes, and the redemption of the \$175 million 9⁷/₈% senior subordinated notes due 2007.

Income Taxes. Our effective income tax rate for the year ended December 31, 2004 increased 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 SFAS No. 143, *Accounting for Asset Retirement Obligations*. Previously, we had not been recognizing amounts related to asset retirement obligations. Under the new accounting method, Koppers Inc. now recognizes 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, net income before the cumulative effect of accounting change was higher in 2004 due to higher volumes and pricing of certain products, \$2.7 million of net income from the consolidation of China which included improved operating results and \$1.7 million of net income as a result of higher exchange rates, while net income in 2003 was adversely affected due to certain restructuring, impairment and related charges.

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

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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 No. 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. 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 were 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 overcapacity, and will continue to evaluate future productivity and cost reduction initiatives in this and all of our other businesses. 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 Senior Secured Notes and the redemption of the \$175 million 9⁷/₈% Senior Subordinated Notes due 2007. (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 SFAS 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.

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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.

Liquidity and Capital Resources

On November 12, 2004, KI Holdings 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.

On November 18, 2004, KI Holdings issued and sold \$203.0 million aggregate principal amount at maturity (\$125.5 million gross proceeds) of 9⁷/₈% Senior Discount Notes due 2014, or the Senior Discount Notes. A portion of the cash proceeds was used to pay a \$95.0 million dividend to KI Holdings' shareholders. KI Holdings has no direct operations and no significant assets other than approximately \$24.2 million of cash (at June 30, 2005, prior to the payment of a \$35.0 million dividend by us to our shareholders in August 2005) and the stock of Koppers Inc. No cash interest is required to be paid prior to November 15, 2009. The accreted value of each Senior Discount Note will increase from the date of issuance until November 15, 2009, at a rate of 9⁷/₈% per annum compounded semiannually such that on November 19, 2009 the accreted value will equal \$203 million, the principal amount due at maturity. Subsequent to November 19, 2009 cash interest on the Senior Discount Notes will accrue and be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2010. The Senior Discount Notes are effectively subordinated to our existing and future secured indebtedness, and are structurally subordinated to all of the existing and future indebtedness and other liabilities and preferred equity of our subsidiaries. KI Holdings depends on the dividends from the earnings of Koppers Inc. and its subsidiaries to generate the funds necessary to meet its financial obligations, including payments of principal, interest and other amounts on the Senior Discount Notes. The terms of Koppers Inc.'s senior secured credit facility prohibit Koppers Inc. from paying dividends and otherwise transferring assets except for certain limited dividends. Further, the terms of the indenture governing Koppers Inc.'s 9⁷/₈% Senior Secured Notes due 2013, or the Senior Secured Notes, significantly restrict Koppers Inc. from paying dividends and otherwise transferring assets to KI Holdings. For example, Koppers Inc.'s 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 Inc. must have a ratio of EBITDA (as defined in the indenture governing the Senior Secured Notes) to interest expense of at least 2.0 to 1.0, after giving effect to any such payments, and must not be in default under that indenture. Koppers Inc. was able to pay a \$13.0 million dividend to us in August 2005.

In August 2005, Koppers Inc. amended and restated its senior secured credit facility to, among other things, provide for a revolving credit facility of up to \$115.0 million and for a term loan of \$10.0 million. The senior secured credit facility is for a period of over four years, and the loans are secured by substantially all of Koppers Inc.'s assets, with revolving credit availability based on receivables and inventory as well as the attainment of certain ratios and covenants.

Our liquidity needs are primarily for debt service, working capital, capital maintenance and acquisitions. We believe that our cash flow from operations and available borrowings under Koppers Inc.'s senior secured credit facility will be sufficient to fund our anticipated liquidity requirements for at least the next twelve months. In the event that the foregoing sources are not sufficient to fund our expenditures and service our indebtedness, we would be required to raise additional funds.

As of June 30, 2005, we had \$37.8 million of cash and cash equivalents and \$36.2 million of unused revolving credit availability for working capital purposes after restrictions by various debt covenants and letter of credit commitments. As of June 30, 2005, \$18.8 million of commitments were utilized by outstanding standby letters of credit.

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In August 2005, we received a dividend payment of \$13.0 million from Koppers Inc. which was borrowed under the revolving credit facility. Using these proceeds and available cash, we declared a dividend totaling \$35.0 million (\$11.68 per share to common and preferred) on July 28, 2005 to holders of record as of August 1, 2005 which was paid on or about August 5, 2005.

Net cash provided by operating activities increased compared to the prior year due primarily to higher net income net of non-cash interest expense and an increase in working capital in 2005 of \$17.3 million compared to an increase in working capital in 2004 of \$21.4 million.

Net cash used in investing activities increased primarily as a result of the acquisition in the United Kingdom and related capital expenditures described herein.

Net cash used in financing activities in 2005 was for debt repayments on the revolving credit facility and the Monessen term loan, offset by new borrowing in the United Kingdom for the acquisition of a chemicals business. Net cash used in financing activities in 2004 related to revolver borrowings of \$33.1 million to provide for the payment of \$25.0 million in dividends, the repayment of \$4.0 million of the term loan and the purchase of \$2.1 million of common stock.

Legal Matters

We are involved in litigation and various proceedings relating to environmental laws and regulations and antitrust, toxic tort, product liability and other matters.

Government Investigations. In late 2002, Koppers Inc. contacted the Canadian Competition Bureau, or the CCB, and offered its cooperation with respect to industry competitive practices concerning the production, supply and sales of coal tar pitch, naphthalene, creosote oil and carbon black feedstock. As a result of such cooperation, in April 2003 the CCB granted Koppers Inc. a provisional guarantee of immunity from fines under the Canadian Competition Act with respect to the supply and sale of coal tar pitch, naphthalene, creosote oil and carbon black feedstock prior to 2001. There have been no recent communications with the CCB. Similar investigations of industry competitive practices by the European Commission and the United States Department of Justice have been terminated. Although the CCB has not indicated that its investigation has been terminated, the Company does not currently anticipate any adverse consequences from the CCB's investigation based on the lack of recent communications from the CCB and the termination of the concurrent investigations by the European Commission and the United States Department of Justice.

In April 2005, the New Zealand Commerce Commission, or the NZCC, filed a Statement of Claim in the High Court of New Zealand against a number of corporate and individual defendants, including Koppers Arch Wood Protection (NZ) Limited, or KANZ, Koppers Arch Investments Pty Limited, or Koppers Arch Investments, Koppers Australia Pty Limited, TPL Limited, Nufarm Limited, Nufarm Australia Limited, Osmose New Zealand Limited, Osmose Australia Pty Limited and a number of current and former employees of such companies. This followed an investigation by the NZCC into the competitive practices of the wood preservative industry in New Zealand. The Statement of Claim contains a number of separate causes of action relating to alleged violations of the New Zealand Commerce Act of 1986, or the Act. The NZCC seeks, among other things, (i) pecuniary penalties for each cause of action in an unspecified amount pursuant to the Act, (ii) injunctions restraining defendants from further anticompetitive conduct, (iii) orders barring the named individual defendants from certain future corporate positions and (iv) reimbursement of legal costs. The Act provides that the NZCC may seek pecuniary penalties against each corporate defendant for each cause of action not to exceed the higher of \$NZ10,000,000 or three times the commercial gain from the contravention or if the commercial gain cannot be readily ascertained, 10% of the turnover of the corporate defendant and all interconnected companies. KANZ is seeking to cooperate with the NZCC and has engaged in settlement discussions with the NZCC. Although such settlement discussions are continuing, a settlement has not yet been reached. It is likely that penalties will be paid as a result of the proceedings. Such penalties could have a material adverse effect on the business, financial

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condition, cash flows and results of operations of those companies. Except as set forth above, we are not currently aware of any other claims (civil or governmental) related to competitive practices in New Zealand. Such other claims, if asserted and resolved unfavorably, could have a material adverse effect on the business, financial condition, cash flows and results of operations of KANZ and its interconnected companies.

Koppers Arch Australia has made an application for leniency under the Australian Competition and Consumer Commission's, or the ACCC, policy for cartel conduct. The ACCC has granted immunity to Koppers Arch Australia, subject to the fulfillment of certain conditions, such as, but not limited to, continued cooperation. If the conditions are not fulfilled, Koppers Arch Australia may be penalized 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. We are not currently aware of any civil claims related to competitive practices in Australia. Such civil claims, if asserted and resolved unfavorably, could have a material adverse effect on the business, financial condition, cash flows and results of operations of Koppers Arch Australia.

We have reserved \$1.9 million for these penalties and believe that this represents the minimum of the potential range of losses. This amount is included in cost of sales.

KANZ and Koppers Arch Australia are majority-owned subsidiaries of Koppers Arch Investments, which is an Australian joint venture owned 51% by World-Wide Ventures Corporation (our indirect subsidiary) and 49% by Hickson Nederland BV. KANZ and Koppers Arch Australia manufacture and market wood preservative products throughout New Zealand and Australia, respectively.

Pacific Century. A subsidiary of Koppers Australia was 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 claimed that certain posts were defective in that they had either decay or excessive bark or were less than the minimum specified size. In addition, plaintiff alleged violations of the Australian Timber Utilization and Marketing Act. Plaintiff sought damages in the amount of AU\$6.6 million (approximately US\$5.0 million) for, among other things, the costs of removing and replacing the trellis posts. Plaintiff also filed a lawsuit against the constructor of the vineyard trellises, which lawsuit was consolidated with its claim against our subsidiary. Koppers Australia has settled with Pacific Century and is engaged in settlement discussions with the constructor of the trellises; a provision of approximately AU\$1.1 million (approximately US\$0.8 million) has been made for this matter, of which AU\$1.0 million (US\$0.7 million) was provided in 2004.

Product Liability Cases. Koppers Inc., along with other defendants, has been named as a defendant in 15 cases in Pennsylvania and three cases in Texas in which the plaintiffs claim they suffered a variety of illnesses (including cancer) as a result of exposure to one or more of the defendants' products, including coal tar pitch and solvents. Koppers Inc. has been served with process in six additional cases in Pennsylvania that may involve claims related to coal tar pitch. The cases are in the early stages of discovery. Therefore, no determination can currently be made as to the likelihood or extent of any liability to Koppers Inc. Although Koppers Inc. is vigorously defending 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.

Grenada. Koppers Inc., together with various co-defendants, has been named as a defendant in five toxic tort lawsuits in state court in Mississippi and in two toxic tort lawsuits in federal court in Mississippi arising from the operations of the Company's wood treating plant in Grenada, Mississippi. See "Environmental and Other Liabilities Retained or Assumed by Others."

Somerville. Koppers Inc. has been served with a putative class action lawsuit in federal court in Austin, Texas against it and other defendants. The lawsuit alleges that several classes of past and present property owners and residents in the Somerville, Texas area have suffered property damage and risk of personal injury as a result of exposure to various chemicals from the operations of the Somerville, Texas wood treatment plant of Koppers Inc. See "Environmental and Other Liabilities Retained or Assumed by Others."

Other Matters

Impairment and Restructuring. During the second quarter of 2005, we incurred an impairment charge of \$0.3 million related to assets at the wood treating facility in Montgomery, Alabama. The impairment charge is related to our expectation that the facility will cease production in September 2005. The planned ceasing of production and closure of the facility is expected to increase capacity utilization at certain other wood treating plants and provide for improved operating efficiencies and profitability for the business. Additional impairment and closure charges of approximately \$1.0 million are anticipated for the third quarter of 2005. During 2003 we incurred restructuring and impairment charges of \$8.5 million, of which \$0.7 were cash charges for severance and related charges. During the second quarter of 2005, approximately \$0.2 million of asset retirement obligation reserves related to the Logansport, Louisiana wood treating facility, which was closed in the third quarter of 2003, were reversed to profit as a result of the completion of the closure. At June 30, 2005, all of the cash charges have been paid and there are no remaining reserves.

Acquisition of Specialty Chemicals Business. On April 14, 2005, our subsidiary located in the United Kingdom entered into an agreement to purchase the specialty chemicals business and certain related assets of Lambson Speciality Chemicals Limited. The purchased assets consist primarily of certain assets related to production (excluding land), customer contracts and a non-compete agreement. The purchase price was approximately \$10.6 million plus contingent consideration based on earnings of the business over the next two years. The purchase, which was financed by a loan from a lending institution in the United Kingdom, was completed during the second quarter of 2005. The initial purchase price allocation resulted in approximately \$6.3 million of property, plant and equipment and \$4.9 million of amortizable intangible assets. Additionally, approximately \$0.6 million of liabilities were assumed. Bank loans outstanding related to this purchase amounted to \$6.4 million at June 30, 2005, and the purchase price also includes \$4.5 million of seller financing. Approximately \$0.3 million of acquisition costs were incurred prior to 2005. Operating results are included in the statement of operations from the acquisition forward. The *pro forma* effect of the acquisition for each of the three and six month periods ended June 30, 2005 was immaterial.

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 the Company's common stock at the then current fair value. Additionally, in August 2004 we granted 135,000 restricted stock units to certain officers, of which 20% vested August 31, 2004 and 20% vested August 31, 2005. The remaining units will vest annually at a rate of 20% per year. We recorded \$0.2 million of compensation expense for the vesting of restricted stock grants during the six months ended June 30, 2005 and \$0.7 million of compensation expense for the vesting of restricted stock grants and the issuance of 8,000 shares of common stock to certain officers during 2004.

Pension Funding. We contributed approximately \$14.7 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. We expect to make contributions of approximately \$11.1 million during 2005.

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.

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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 six months ended June 30, 2005, net sales and net income for Koppers China amounted to \$11.1 million and \$1.8 million, respectively. For the twelve months ended December 31, 2004 sales and net income for Koppers China were \$25.5 million and \$2.7 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 \$50.0 million of the 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 Senior Secured Notes. The impact on the six months ended June 30, 2005 was to lower interest expense by approximately \$0.4 million. The fair value of the swap agreement at June 30, 2005 was a liability of approximately \$0.4 million. The impact on the twelve months ended December 31, 2004 was to lower interest expense by approximately \$1.1 million. The fair value of the swap agreement at December 31, 2004 was a liability of \$0.9 million.

Stock Redemptions. For the six months ended June 30, 2005 and the year ended December 31, 2004, stock redemptions for terminated management investors for which we were not contractually obligated to redeem shares, including retirees, totaled \$0.2 million and \$1.3 million, respectively. 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 condensed consolidated balance sheet at June 30, 2005 and on our consolidated balance sheet at December 31, 2004 are realizable.

Foreign Operations and Foreign Currency Transactions. We are subject to foreign currency translation fluctuations due to our foreign operations. For the six months ended June 30, 2005, exchange rate fluctuations resulted in a decrease to comprehensive income of \$4.9 million. Exchange rate fluctuations for fiscal years 2004, 2003 and 2002 resulted in increases to comprehensive income of \$5.6 million, \$22.6 million and \$9.7 million, respectively. 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 June 30, 2005 and at December 31, 2004 and 2003 there were no deferred gains or losses on hedging of foreign currencies. The fair value of derivatives at June 30, 2005 and at December 31, 2004 and 2003 was \$0.0 million, \$0.1 million and \$0.3 million, respectively, and is included in Other Current Assets and Other Current Liabilities. For the six months ended June 30, 2005, \$0.1 million of gains on forward exchange contracts are included in costs of sales. For the years ended December 31, 2004, 2003 and 2002, \$0.0 million, \$0.2 million and \$0.0 million, respectively, of losses on forward exchange contracts are included in cost of sales. Realized foreign exchange gains for the six months ended June 30, 2005 and for the years ended December 31, 2004, 2003 and 2002 amounted to, \$0.1 million, \$0.4 million, \$0.3 million and \$0.1 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.

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Schedule of Certain Contractual Obligations

The following table details our projected payments for our significant contractual obligations as of December 31, 2004. 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	\$ 588.8	\$ 23.1	\$ 33.7	\$ —	\$532.0
Operating Leases	94.3	23.5	35.3	22.2	13.3
Environmental Fines	1.5	1.5	—	—	—
Beazer Indemnity Extension	5.0	2.0	3.0	—	—
Interest on Debt	388.5	35.0	67.0	64.3	222.2
Pension Funding (1)	45.7	11.1	20.9	13.7	—
Purchase Commitments (2)	536.1	124.1	227.7	134.9	49.4
Stock Liability (3)	0.8	0.4	0.4	—	—
Total Contractual Cash Obligations	\$1,660.7	\$ 220.7	\$ 388.0	\$ 235.1	\$816.9

- (1) Based on projected global contribution requirement for 2005 and projected U.S. contributions only for years beyond 2005.
- (2) 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.
- (3) Represents commitments to purchase common stock at December 31, 2004. 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.

The following table details our projected payments for our significant contractual obligations as of December 31, 2004 on a pro forma basis after giving effect to this offering and the use of proceeds here from. 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	\$	\$	\$	\$	\$
Operating Leases					
Environmental Fines					
Beazer Indemnity Extension					
Interest on Debt					
Pension Funding (1)					
Purchase Commitments (2)					
Stock Liability (3)					
Total Contractual Cash Obligations	\$	\$	\$	\$	\$

- (1) Based on projected global contribution requirement for 2005 and projected U.S. contributions only for years beyond 2005.
- (2) 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.

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- (3) Represents commitments to purchase common stock at December 31, 2004. 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, 2004. 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)	\$36.9	\$ 31.4	\$—	\$—	\$ 5.5
Standby Letters of Credit	18.9	18.9	—	—	—
Total Other Commercial Commitments	\$55.8	\$ 50.3	\$—	\$—	\$ 5.5

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 cross-ties 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.

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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 59% and 55% of the first-in, first-out inventory value at December 31, 2004 and 2003, 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 incur costs as a result of 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 June 30, 2005, December 31, 2004 and December 31, 2003 were approximately \$3.5 million, \$4.7 million and \$7.5 million, respectively, which include provisions primarily for environmental fines and remediation matters.

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 June 30, 2005 and at December 31, 2004, our balance sheet includes \$55.8 million and \$60.3 million, respectively, of deferred tax assets. We have determined that a reserve of \$6.9

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million 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 an increase in the 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 May 2005, the Financial Accounting Standards Board issued SFAS No. 154, *Accounting Changes and Error Corrections*, or SFAS 154. SFAS 154 replaces APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS 154 applies to all voluntary changes in accounting principle, and requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, and early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date SFAS 154 is issued. SFAS 154 does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of SFAS 154.

In April 2005, the FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*, or FIN No. 47. FIN No. 47 clarifies that the term conditional obligation as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN No. 47 requires that the uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation be factored into the measurement of the liability when sufficient information exists. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective for fiscal years ending after December 15, 2005. The Company has not yet determined the impact, if any, of the adoption of FIN No. 47 on its financial statements.

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), *Share-Based Payments*, or 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 December 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*, or 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 do not expect the adoption of SFAS 153 to have a material effect on our financial statements.

In December 2004, the FASB issued SFAS No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4*, or 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.

American Jobs Creation Act of 2004. In October 2004, the American Jobs Creation Act of 2004, or the AJCA, was signed into law. The AJCA allows companies to repatriate earnings from foreign subsidiaries at a

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reduced U.S. tax rate through December 31, 2005. The FASB issued FASB Staff Position 109-2 to provide accounting and disclosure guidance for the repatriation provision. We are evaluating the consequences of repatriating up to \$3.0 million with a related range of income tax effects that cannot be reasonably estimated currently. We expect to complete our review by December 31, 2005, and will recognize the income tax effect, if any, in the period when a decision whether to repatriate is made.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*, or 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, the 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. The adoption of FIN No. 46 did not have a material impact on our financial position, cash flows or results of operations.

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, assumed and/or agreed to indemnify us against certain environmental and other liabilities. The most significant of these agreements was entered into at Koppers Inc.'s formation on December 29, 1988, which we refer to as 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, which we refer to as the Indemnity. Beazer Limited unconditionally guaranteed Beazer East's performance of the Indemnity pursuant to a guarantee, which we refer to as 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 agreed to pay Beazer East a total of \$7.0 million in four installments over three years and to share toxic tort litigation defense costs arising from any sites acquired from Beazer East. The first two payments of \$2.0 million each were made in July 2004 and 2005.

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, or 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, California wood treating facility. Currently, at the properties acquired from Beazer East (which include all of the National Priorities List sites and all but one of the sites permitted under the Resource Conservation and Recovery Act, or RCRA, 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 at some of these sites.

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To date, the parties that retained, assumed and/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 \$11.6 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. Furthermore, we could be required to record a contingent liability on our balance sheets with respect to such matters, which could result in our having significant additional negative net worth.

Also, contamination has been detected at certain of our Australian facilities. These sites include our tar distillation facility in Mayfield, NSW, Australia and certain property adjacent to such facility 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 \$1.7 million for estimated remediation costs at these sites.

Grenada. Koppers Inc., together with various co-defendants (including Beazer East), has been named as a defendant in five toxic tort lawsuits in state court in Mississippi and in two toxic tort lawsuits in federal court in Mississippi arising from the operation of the Grenada facility. 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 four of the five state court cases, from an adjacent manufacturing facility operated by Heatcraft, Inc. In the state court actions, which include a total of approximately 225 plaintiffs, each plaintiff seeks compensatory damages from the defendants of at least \$5.0 million for each of seven counts and punitive damages of at least \$10.0 million for each of three counts. In the federal court action referred to as the Beck case, there were originally a total of approximately 110 plaintiffs. Pursuant to an order granting defendants' Motion to Sever, the Court dismissed the claims of 98 plaintiffs without prejudice to their right to refile their complaints. Each plaintiff in the Beck case seeks compensatory damages from the defendants in an unspecified amount and punitive damages of \$20.0 million for each of four counts. In the federal court 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 \$10.0 million for each of three counts. The Mississippi Supreme Court recently granted Koppers Inc.'s motions to transfer venue of four of the five state court cases to Grenada County, Mississippi (the fifth case was already filed in Grenada County) and to sever the claims of the plaintiffs. All of the state court cases which were not originally filed in Grenada County are in the process of being transferred to Grenada County. After such cases have been transferred to Grenada County, the stay of discovery in such cases will likely be lifted. Discovery in the federal court cases also has been stayed, except with respect to 12 plaintiffs in the Beck federal case. The Court ordered that the claims of the 12 Beck plaintiffs must be tried separately. The first of these trials is scheduled to commence on April 17, 2006. The remaining 11 trials are scheduled to commence at the rate of approximately one trial per calendar quarter beginning upon the conclusion of the first trial. Three plaintiffs in these cases have also filed a motion for injunctive relief contending that their properties are no longer habitable. They have requested remediation or, alternatively, condemnation of their properties. Koppers Inc. is vigorously contesting the motion. Based on the experience of Koppers Inc. in defending previous toxic tort cases, 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. Although Koppers Inc. intends 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.

Somerville. Koppers Inc. has been served with a putative class action lawsuit in federal court in Austin, Texas against it and other defendants. The lawsuit alleges that several classes of past and present property owners and residents in the Somerville, Texas area have suffered property damage and risk of personal injury as a result of exposure to various chemicals from the operations of the Somerville, Texas wood treatment plant of Koppers Inc. The complaint seeks certification of these classes and further seeks to recover damages for alleged injuries to property, medical monitoring costs and injunctive relief. Although Koppers Inc. intends to vigorously defend this

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case, 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.

Stickney. The Illinois Environmental Protection Agency, or the IEPA, has requested that Koppers Inc. conduct a voluntary investigation of soil and groundwater at its Stickney, Illinois carbon materials and chemicals facility. The IEPA advised Koppers Inc. that it made such request as a result of a reported release of oil-like material from Koppers Inc.'s property into an adjacent river canal. Koppers Inc. has agreed to conduct such investigation in cooperation with Beazer East and intends to seek contribution and/or indemnification from third parties with respect to a portion of such costs.

Additionally, the United States Environmental Protection Agency, or the EPA, has issued a notice of violation to the Stickney plant alleging certain violations of the Clean Air Act relating to fugitive emissions. The EPA has proposed a fine of \$146,000 plus an undetermined amount of stipulated penalties for any past, similar violations. We intend to cooperate with the EPA, including conducting an audit of relevant operations, and are currently unable to estimate a range of loss, if any, regarding the stipulated penalties.

Other Environmental Matters

In October 1996, we received a Clean Water Act information request from the 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. The EPA 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. The final payment of \$0.9 million was made in April 2005.

In August 2005, Koppers Inc. received a similar Clean Water Act information request from Region 4 of the EPA. Region 4 encompasses six of our facilities. 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 as well as engineering studies and a limited number of specific inspection records. We intend to cooperate with the EPA and are currently unable to estimate a range of loss, if any, regarding this matter.

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 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 payment of \$1.0 million was completed in January 2005. 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.

In August 2005, the Pennsylvania Department of Environment Protection, or the PADEP, proposed a fine of \$1.3 million related to alleged water discharge exceedances from a storm water sewer pipe at our tar distillation facility in Clairton, Pennsylvania. We have proposed to undertake certain engineering steps at a cost of approximately \$1.7 million to address this matter pursuant to a consent order we are currently discussing with the PADEP. We intend to cooperate with the PADEP to resolve this matter. We have not accrued any amount related to this matter pending the outcome of discussions with the PADEP.

Other Business 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. No commercial development of this technology has occurred since this announcement. 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 consumption 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.

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 excess capacity and deregulation. It is expected that excess capacity and 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 and all such contracts are marked to market with the recognition of a gain or loss at each reporting period.

As required by 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, 2004 and 2003. 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 \$50.0 million of the Senior Secured Notes. (See “— Liquidity and Capital Resources.”)

At December 31, 2004, we had \$400.8 million of fixed rate debt and \$112.0 million of variable rate debt (including the swap). At December 31, 2003 we had \$273.8 million of fixed rate debt and \$66.9 million of variable rate debt (including the swap referred to above). Our ratio of variable rate debt at December 31, 2004,

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including the interest rate swap referred to above, was approximately 22%, reflecting a small increase in the ratio from 20% in the previous period. 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, 2004 and 2003 would have increased the unrealized fair market value of the fixed rate debt by approximately \$24.0 million and \$19.4 million, respectively. The earnings and cash flows for the next year assuming a one percentage point increase in interest rates would decrease approximately \$1.1 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, 2004 and 2003, would be reductions of approximately \$1.6 million and \$1.5 million, respectively.

BUSINESS

General

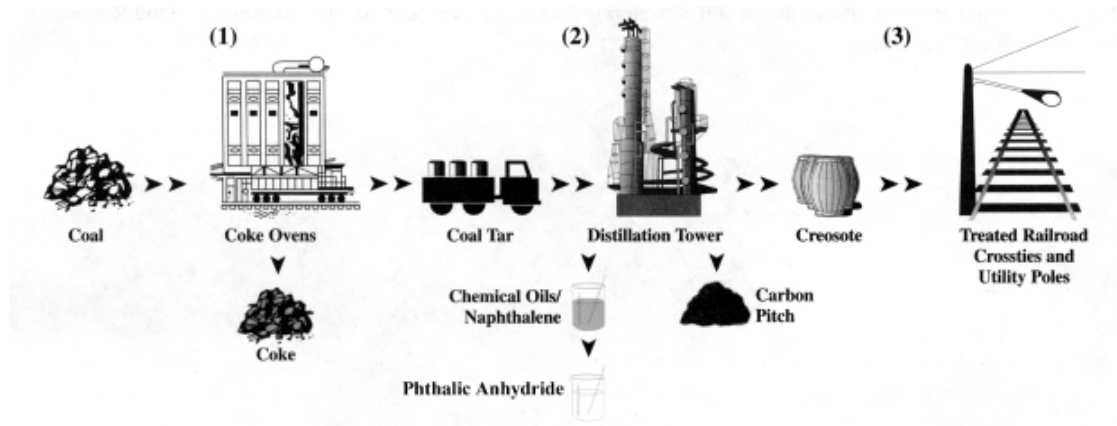
We are a leading integrated global provider of carbon compounds and commercial wood treatment products. Our products are used in a variety of niche applications in a diverse range of end-markets, including the aluminum, railroad, specialty chemical, utility, rubber and steel industries. We provide products which represent only a small portion of our customers' costs but are essential inputs into the products they produce and the services they provide. In the aggregate, we believe that we maintain the number one market position by volume in a majority of our principal product lines in North America, Australia and Europe. Approximately 56% of our net sales for 2004 were generated from products in which we have the number one market share position by volume in those three geographic regions. We serve our customers through a comprehensive global manufacturing and distribution network, including 36 manufacturing facilities located in North America, Australasia, China, Europe and South Africa. We conduct business in 73 countries with over 2,600 customers, many of which are leading companies in their respective industries, including Alcoa Inc., CSX Transportation, Inc., Union Pacific Railroad Company, Norfolk Southern Corporation and Burlington Northern Santa Fe Railway. We believe that our customers place significant value on our industry-leading "Koppers" brand, which for more than 70 years has maintained a reputation for quality, reliability and customer service. We maintain long-standing relationships with many of our customers and have conducted business with our top ten customers for an average of 16 years. For the twelve months ended June 30, 2005, we generated net sales of \$973.9 million and EBITDA of \$100.0 million.

We operate two principal businesses, Carbon Materials & Chemicals and Railroad & Utility Products. Through our Carbon Materials & Chemicals business (58% of 2004 net sales), we are the largest distiller of coal tar in North America, Australia, the United Kingdom and Scandinavia. We process coal tar into a variety of products, including carbon pitch, creosote and phthalic anhydride, which are critical intermediate materials 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 (42% of 2004 net sales), we are the largest North American supplier of railroad crossties. Our other commercial wood treatment products include the provision of utility poles to the electric and telephone utility industries.

The following charts provide a breakdown of our 2004 net sales by product and industry:



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



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.

We believe that demand for aluminum and railroad track maintenance substantially drive growth in our two principal businesses. Through our leading market positions and global presence, we believe we are uniquely well-positioned to capitalize on favorable trends within our end-markets. According to the King Report, worldwide aluminum production increased 6.5% to 29.8 million metric tons in 2004 and is expected to grow by 7.6% in 2005 and 6.8% in 2006. Carbon pitch requirements for the aluminum industry were 2.8 million metric tons in 2004 and are expected to grow as a function of growth in aluminum production.

The North American phthalic anhydride industry has production capacity of approximately 1.2 billion pounds and is a feedstock for plasticizers, unsaturated polyester resins, alkyd resins and other miscellaneous chemicals.

The railroad crosstie business is benefiting and will likely continue to benefit from positive general economic conditions in the railroad industry and from expected increases in spending on both new track and existing track maintenance. The RTA estimates that approximately 13.7 million crossties for Class 1 railroads, were installed in the United States in 2004 and approximately 14.0 million crossties are projected to be installed in 2005. The RTA projects demand to increase by 9.2% to 15.3 million crossties in 2006.

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.

On August 10, 2005, the President signed a federal transportation bill into law that provides \$286.5 billion of funding for various projects in the transportation industry. This legislation is the most comprehensive

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legislation for the transportation industry since the last transportation bill expired in 2003. Although it is difficult to estimate the impact of this legislation on our business, we believe that it is likely to benefit us directly by increased sales related to projects identified in the legislation or indirectly as additional railroad capital can be reallocated to infrastructure maintenance priorities.

Key Competitive Strengths

Leading Market Positions Across Business Segments. We are a leading integrated global provider of carbon compounds and commercial wood treatment products. With respect to coal tar distillation, we believe that we account for approximately 55% of the total North American capacity and 100% of the total capacity of each of Australia and the United Kingdom. We believe our leading market positions and excellent reputation provide us with significant advantages in gaining new business, sourcing raw materials cost-effectively and reliably providing products to our customers.

The following table sets forth our leading market position for each of our principal product lines in our three major geographic regions:

	2004 Net Sales	Estimated % of Market	Market Position
	(in millions)		
North American Market			
Railroad Crossties (U.S.)	\$ 246.1	55%	#1
Carbon Pitch (1)	75.4	49%	#1
Phthalic Anhydride (2)	71.4	37%	#1
Australian Market			
Carbon Pitch	\$ 53.8	81%	#1
Wood Preservatives	48.1	50%	#1
Carbon Black	30.1	80%	#1
Utility Poles	11.8	66%	#1
European Market			
Carbon Pitch	\$ 47.6	14%	#3

- (1) Only refers to carbon pitch sales to the aluminum industry.
- (2) Only refers to merchant market sales of phthalic anhydride.

Strong Customer Relationships Under Contract Arrangements. Our reputation and industry-leading “Koppers” brand have enabled us to establish strong relationships with leading companies in their respective industries. We sell our products to six of the seven Class 1 railroads and to three of the five largest aluminum producers globally. All of our top ten customers are served under long-term contracts with an average length of six years, typically with provisions for periodic pricing reviews. Approximately 56% of our 2004 net sales were made to customers with whom we have contract arrangements of two or more years. Our global presence and strategically located facilities make us a preferred provider of our customers’ requirements. For example, we believe that in 2004 we provided, on average, a majority of the carbon materials and commercial wood treatment product requirements of our top ten customers.

Diverse End-Markets and Global Presence. We sell our carbon materials and wood treatment products to diverse markets. Our approximately 2,600 customers operate in diverse end-markets such as aluminum, railroads, specialty chemicals, including polyester resins, paints, coatings and plasticizers, steel, utilities, rubber, wood preservation, roofing and pavement sealers. During 2004, North America, Australasia, including China, and Europe represented 66%, 21% and 13% of our net sales, respectively. Our global presence enables us to capitalize on opportunities to increase sales of our existing product portfolio into higher-growth emerging economies, such as China, the Middle East, India and Eastern Europe. We believe that our broad product line, geographic presence and

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end-markets allow us to reduce our exposure to any one geographic region or end-market and to generate stable growth. Over the last five fiscal years, our revenues have grown at a compound annual growth rate of 5.4%.

Cost Advantage Through Vertical Integration. The degree of vertical integration in our business enables us to utilize products produced in our Carbon Materials & Chemicals business in our manufacturing processes, providing us with significant cost and supply advantages. In 2004, we used approximately 75% 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 orthoxylylene, which is generally a higher-cost feedstock than naphthalene, in the production of phthalic anhydride. In addition, internally generated products provide a more reliable source of feedstock for our wood treatment and phthalic anhydride products.

Experienced and Incentivized Management Team. Our senior management team has an average of 27 years of industry experience. Our president and chief executive officer, Walter W. Turner, has over 36 years of industry experience. Prior to the offering, our directors, management team and employees beneficially own approximately 24% of our equity.

Our Business Strategy

Capitalize on Attractive Growth Opportunities. We believe our existing key end-markets, especially the aluminum and railroad industries, and geographic focus provide attractive growth opportunities. We are well positioned to capitalize on these opportunities. In addition, we intend to pursue growth opportunities in three ways:

- *New Regional Expansion:* We intend to leverage our global reach by capitalizing on opportunities in high-growth regions such as China, the Middle East, India and Eastern Europe and expect demand for our products in these regions to grow faster than in our core markets. For example, in 1999 we entered into a joint venture with TISCO in Tangshan, China to establish a platform in the fast growing Asian markets.
- *Selective Acquisitions:* We intend to continue to selectively pursue complementary opportunities in areas that enable us to build upon our product portfolio, expand our customer base and leverage our existing customer relationships. For example, in April 2005, we acquired the business and assets of U.K. based Lambson Speciality Chemicals Limited. This acquisition provides us with an opportunity to expand and enhance our relationships with existing suppliers and customers and enables us to further diversify our product lines through the production and sale of various specialty chemicals.
- *Development of New Products:* We expect to expand many of our product lines through the development of related products to meet new end-use applications. For example, 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. In addition, we will soon introduce a new carbon foam product that has wide-ranging applications in the telecommunication and transportation markets. We also 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.

Maximize Cash Flow and Reduce Financial Leverage. We expect to reduce our financial leverage by using a portion of our net proceeds from this offering and a portion of cash flow from operations after required capital expenditures. We will maintain a disciplined approach to our capital spending and working capital management in order to maximize free cash flow, while continuing to support our well maintained fixed asset base and deliver superior service to our customers. We have historically generated substantial cash flow from operations and have funded our capital expenditure and working capital requirements through internal cash flow generation.

Continue Productivity and Cost Reduction Initiatives. We are focused on improving our profitability and cash flows by achieving productivity enhancements and by improving our cost platform. For example, in 2003

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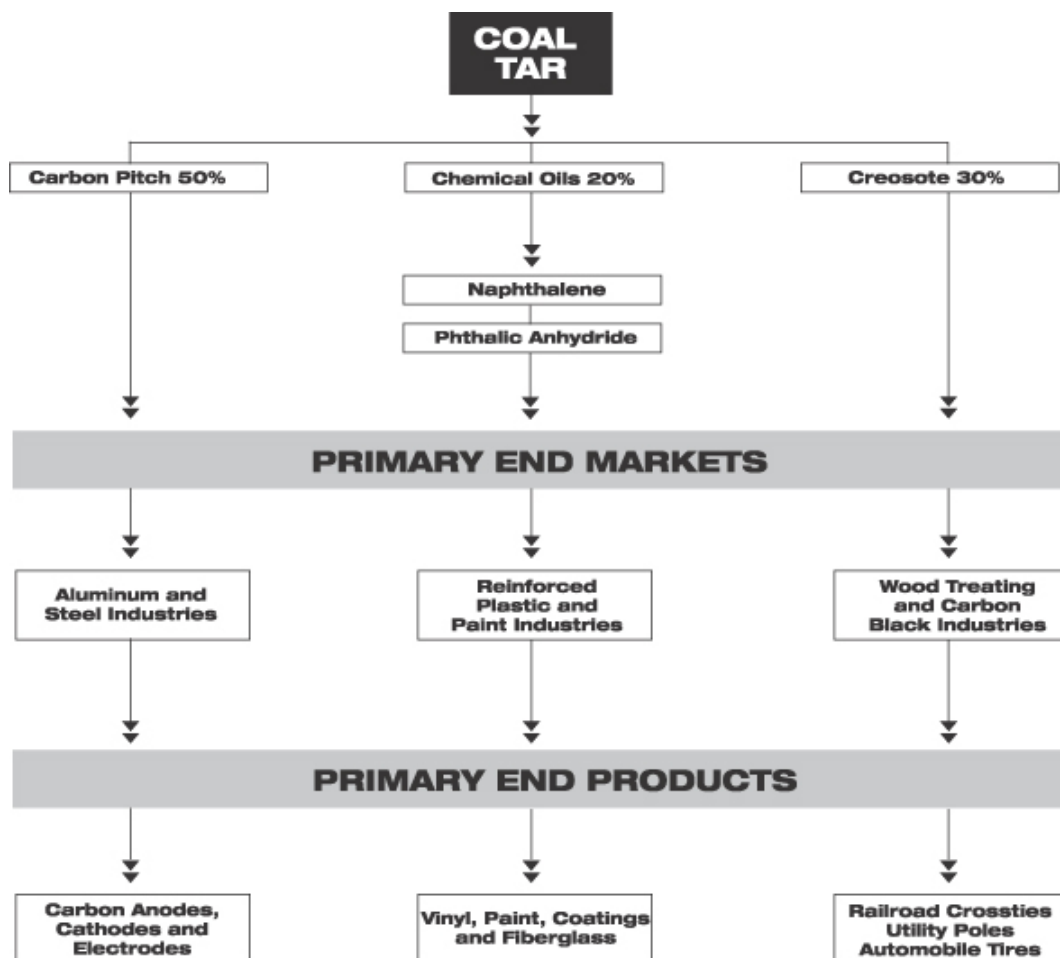
we implemented a number of initiatives to rationalize our capacity, streamline operations and improve productivity. These initiatives were completed on schedule and within budget and have improved our annual profitability by approximately \$4.9 million. Our current initiatives include the closure of our Montgomery, Alabama facility and the implementation of a new global ERP system. We have identified several opportunities available over the next two to three years to further enhance our productivity and profitability.

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 2004, 2003 and 2002, respectively, principal products comprised the following percentages of net sales for Carbon Materials & Chemicals (excluding intercompany sales): (i) carbon pitch, 36%, 38% and 39%; (ii) phthalic anhydride, 14%, 12% and 12%; (iii) carbon black (and carbon black feedstock), 9%, 10% and 9%; (iv) furnace coke, 9%, 8% and 9%; and (v) creosote, 3%, 4% and 5%.

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 three 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.

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 five 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 as a commercial wood treatment to preserve railroad crossties and lumber, utility poles and piling. To the extent that we have excess creosote that is not sold for use in treating wood products, distillate oils are sold into the carbon black market rather than being blended to creosote specifications.

Globally, approximately 75% of our total creosote production was sold to our Railroad & Utility Products business in 2004. The Railroad & Utility Products business 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.

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The remainder of our creosote is sold to railroads or to other wood treaters. We have several competitors in the creosote market.

We are also a 51% owner of a timber preservation chemicals business that operates throughout Australia, New Zealand, Southeast Asia 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 copper chrome arsenates, light organic solvent preservatives, copper co-biocides, sapstain control products and creosote.

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, one Chinese, and three European tar distillation facilities.

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 supply of feedstock. We believe that our ability to utilize our internally produced 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. However, prior to 2004 there were difficult market conditions and corresponding low operating rates for most producers. Market conditions for phthalic anhydride improved in 2004 and are expected to remain stable during 2005.

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, makes 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 sold was tied to a per barrel of oil equivalent determined on a BTU 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 a transaction 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 and 2002, we earned \$0.1 million and \$9.8 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.

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On August 8, 2005, the President signed the Energy Policy Act of 2005 into law. Included in this legislation are Section 29 Energy Tax Credits earned for the production and sale of coke to a third party. These credits against federal income tax will be earned in conjunction with the coke operations at our Monessen, Pennsylvania facility. The tax credit generated per ton of coke sold is tied to a per barrel of oil equivalent on a BTU basis and adjusted annually for inflation. The credits are effective January 2006, expire December 2009 and can be carried forward for 20 years. Based on our understanding of the legislation and subject to final determination of an oil price range, we expect to earn up to \$4 million per year of credits that will reduce federal income taxes.

The Carbon Materials & Chemicals business' ten largest customers represented approximately 44%, 44% and 47% of the business' net sales for 2004, 2003 and 2002, respectively. We have a number of global competitors 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.

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 TISCO to rehabilitate and operate a tar distillation facility in China. The joint venture, Koppers China, 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 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 commercial wood treatment 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 by Class 1 railroads, demand for transmission and distribution poles by electric and telephone utilities and its cost to procure wood. For the year ended December 31, 2004, sales of railroad products represented approximately 80% of the Railroad & Utility Products business' net sales. Railroad products include procuring and treating 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 18 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 79% 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 20 million replacement crossties purchased during 2004, representing an estimated \$560.0 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 have been further strengthened recently due to our ability to absorb additional treating volumes into our existing infrastructure, with such additional volumes resulting from the exit of a major competitor from the wood treating business. We intend to focus on integrating this additional treating volume while capitalizing on our relationships with railroads by offering an expanded list of complementary product offerings that the railroads may be interested in outsourcing.

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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.

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 eleven 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 68%, 70% and 66% of Railroad & Utility Products' net sales for 2004, 2003 and 2002, 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 2004, an estimated 0.7 million concrete crossties, or 4% 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. 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.

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 and creosote.

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 2.25 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, its impact on maintenance programs, and overcapacity in the pole treating business. 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 2004, sales of pole products accounted for approximately 20% 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 wood treatment crosstie business. We own 50% of KSA, with the other 50% owned by subsidiaries of Lehigh Cement Company. 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.

Research and Development

As of December 31, 2004, 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 2004, 2003 and 2002 were \$2.2 million, \$2.3 million and \$2.9 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 long-standing, 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 June 30, 2005, December 31, 2004 and December 31, 2003 were approximately \$3.5 million, \$4.7 million and \$7.5 million, respectively, which include provisions primarily for environmental fines and soil remediation. For the last three years, our annual capital expenditures in connection with environmental control facilities averaged approximately \$5.5 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 \$12.0 million for 2005. 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—Environmental and Other Liabilities Retained or Assumed by Others" and "—Other Environmental Matters."

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Employees and Employee Relations

As of December 31, 2004, we employed 690 salaried employees and 1,339 non-salaried employees. Listed below is a breakdown of employees by our businesses, including administration.

<u>Business</u>	<u>Salaried</u>	<u>Non-Salaried</u>	<u>Total</u>
Carbon Materials & Chemicals	356	607	963
Railroad & Utility Products	243	732	975
Administration	91	0	91
 Total Employees	 690	 1,339	 2,029

Of our employees, approximately 62% are represented by 22 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 expire in 2005 cover approximately 21% of our total employees. Our relationships with our hourly employees and the labor unions that represent them have been 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 19 Railroad & Utility Products facilities. As of December 31, 2004, the net book value of vehicles, machinery and equipment represented approximately 23% of our total assets, as reflected in our consolidated balance sheet. The following chart sets forth information regarding our production facilities:

<u>Primary Product Line</u>	<u>Location</u>	<u>Acreage</u>	<u>Description of Property Interest</u>
<i>Carbon Materials & Chemicals</i>			
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

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<u>Primary Product Line</u>	<u>Location</u>	<u>Acreage</u>	<u>Description of Property Interest</u>
<i>Railroad & Utility Products</i>			
Specialty Trackwork	Alorton, Illinois	12	6 Owned, 6 Leased
Utility Poles, Railroad Crossties	Bunbury, Western Australia, Australia	41	26 Owned, 15 Leased
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	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 environmental laws and regulations and antitrust, toxic tort and other 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.

Grenada. We, together with various co-defendants, have been named as a defendant in five toxic tort lawsuits in various state courts in Mississippi and in two toxic tort lawsuits in federal court in Mississippi arising from the operations of our wood treating plant in Grenada, Mississippi.

Somerville. Koppers Inc. has been served with a putative class action lawsuit in federal court in Austin, Texas against it and other defendants. The lawsuit alleges that several categories of past and present property owners and residents in the Somerville, Texas area have suffered property damage and risk of personal injury as a result of exposure to various chemicals from the operations of the Somerville, Texas wood treatment plant of Koppers Inc.

Government Investigations. The New Zealand Commerce Commission and the Canadian Competition Bureau are conducting investigations related to competitive practices for some of our products.

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Product Liability Cases. Koppers Inc., along with other defendants, has been named as a defendant in 15 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 tar pitch and solvents. Koppers Inc. has been served with process in six additional cases in Pennsylvania that may involve claims related to coal tar pitch.

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.

MANAGEMENT

Executive Officers and Directors

The following table sets forth the names, ages and positions of our and Koppers Inc.'s directors and executive officers as of June 30, 2005. Directors hold their positions until the annual meeting of the shareholders 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.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert Cizik	74	Non-Executive Chairman and Director of KI Holdings Inc. and Koppers Inc.
Walter W. Turner	58	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	45	Director of KI Holdings Inc. and Koppers Inc.
David M. Hillenbrand	58	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	52	Vice President and General Manager, Carbon Materials & Chemicals Division, Koppers Inc.
Ernest S. Bryon	59	Vice President, Australasian Operations, Koppers Inc. and Managing Director, Koppers Australia Pty Ltd.
David Whittle	63	Vice President, European Operations, Koppers Inc.
David T. Bryce	58	Vice President and General Manager, Utility Poles & Piling Products, Koppers Inc.
Mark R. McCormack	46	Vice President and General Manager, Global Marketing, Sales and Development Group, Koppers Inc.
Robert H. Wombles	53	Vice President, Technology, Koppers Inc.
M. Claire Schaming	52	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 Inc. since July 1999 and has been a director of Koppers Inc. 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. Since June 2004 Mr. Cizik has been Non-Executive Chairman of Advanced Lighting Technologies, Inc.

Mr. Turner was elected President and Chief Executive Officer in, and has been a director of KI Holdings since, November 2004. He has been President and Chief Executive Officer and director of Koppers Inc. since February 1998. Mr. Turner was appointed Vice President and General Manager, Carbon Materials & Chemicals business of Koppers Inc. 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 Inc. prior to that time.

Mr. Sweeney has been a director of KI Holdings since November 2004 and a director of Koppers Inc. 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.

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Mr. Oberbeck has been a director of KI Holdings since November 2004 and a director of Koppers Inc. 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. and other private companies.

Dr. Hillenbrand has been a director of KI Holdings since November 2004 and has been a director of Koppers Inc. 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. In July 2005 Dr. Hillenbrand was appointed President of the Carnegie Museums of Pittsburgh.

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 Inc. 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 Inc. since January 2004. Mr. Lacy had previously been elected Vice President, Law and Human Resources and Secretary of Koppers Inc. in July 2002 and Vice President, General Counsel and Corporate Secretary of Koppers Inc. 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.

Mr. Loadman was elected Vice President and General Manager, Railroad Products & Services of Koppers Inc. 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 Inc. 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 Inc. 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 Inc. in January 1998. He was Product Manager, Industrial Pitches of Koppers Inc. 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 Inc. in October 1998. Mr. Bryon served as General Manager of Koppers Inc. Carbon & Chemicals Pty Ltd. (a subsidiary of Koppers Inc. Australia Pty Ltd. and previously known as Koppers Inc. Coal Tar Products Pty Ltd.) since 1993.

Dr. Whittle was elected Vice President, European Operations of Koppers Inc. 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 Inc. in February 2002. Prior to joining Koppers Inc., Mr. Bryce worked for Atlantic Wood Industries and is a past chairman of the American Wood Preservers Institute and the Southern Pressure Treaters Association.

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

Mr. Wombles joined Koppers Inc. in June 1997, at which time he was elected Vice President, Technology. Prior to joining Koppers Inc., 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 Inc. since May 1992. Ms. Schaming's previous position was Assistant Treasurer and Manager of Cash Operations of Koppers Inc. Ms. Schaming is a certified cash manager.

Composition of the Board of Directors

Our board of directors currently consists of five directors. The board of directors has determined that Dr. Hillenbrand, _____ and _____ are independent in accordance with the currently effective listing standards of the New York Stock Exchange.

Under the New York Stock Exchange rules, we will be required to have a majority of independent directors on our board of directors within 12 months of the completion of our IPO and to have our audit committee be composed entirely of independent directors at the completion of our IPO. Our human resources and compensation committee and our nominating and corporate governance committee will be required to be composed of a majority of independent directors within 90 days following the completion of our IPO and entirely of independent directors within one year following the completion of our IPO.

Committees of the Board of Directors

Our board of directors currently has an audit committee, a human resources and compensation committee, a safety, health and environmental committee and a nominating and corporate governance committee.

Audit Committee

Our audit committee after the completion of our IPO will be composed of Dr. Hillenbrand, _____ and _____. Dr. Hillenbrand is our audit committee "financial expert" as such term is defined in Item 401(h) of Regulation S-K. The purpose of the audit committee is to assist the board of directors in its oversight of:

- The integrity of our financial statements;
- Our compliance with legal and regulatory requirements;
- Our independent auditor's qualifications and independence;
- The performance of our internal audit function and independent auditors; and
- The effectiveness of our disclosure and accounting controls.

The audit committee has approved and adopted a Code of Business Conduct and Ethics for all directors, officers and employees, a copy of which will be available on our website and upon written request by our shareholders at no cost.

Human Resources and Compensation Committee

Our current human resources and compensation committee consists of Mr. Oberbeck, Chairman; Dr. Hillenbrand; and Mr. Cizik. The human resources and compensation committee is responsible for

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establishing and reviewing staffing and compensation criteria at the executive level. The committee seeks to ensure that management is rewarded appropriately for its contributions to our growth and profitability and that our compensation and benefit strategy supports organization objectives and shareholder interests.

Nominating and Corporate Governance Committee

Our current nominating and corporate governance committee consists of Mr. Cizik, Chairman; Mr. Oberbeck; and Mr. Turner. The nominating and corporate governance committee is responsible for reviewing and administering the overall effectiveness of corporate governance and the management of the board of directors. The committee makes recommendations to the board of directors and to management on their respective organization and practices and participates in identifying and recruiting directors and, when appropriate, officer candidates.

Safety, Health and Environmental Committee

Our current safety, health and environmental committee consists of Mr. Sweeney, Chairman; Dr. Hillenbrand; Mr. Oberbeck; Mr. Turner; and Mr. Cizik (ex-officio). The safety, health and environmental committee is responsible for reviewing (i) our policies and practices that address safety, health and environmental concerns and (ii) significant legislative, regulatory and social trends and developments concerning safety, health and environmental issues.

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, 2004, 2003 and 2002, of those persons who were at December 31, 2004 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 2004, collectively known as the Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation		
		Salary	Bonus	Securities Underlying Options/SARs (#)	Restricted Stock (1)	All Other Compensation (2)
Walter W. Turner President and Chief Executive Officer	2004	\$ 440,000	\$ 440,000	—	\$ 525,600	\$ 160,521
	2003	400,000	344,000	—	—	111,268
	2002	381,250	175,000	15,000	—	133,259
Steven R. Lacy (3) Senior Vice President, Administration General Counsel and Secretary	2004	272,640	318,000	—	262,800	101,804
	2003	250,020	157,000	—	—	71,798
	2002	237,315	82,500	10,000	—	73,600
Brian H. McCurrie (4) Vice President and Chief Financial Officer	2004	228,000	328,000	—	262,800	85,090
	2003	74,728	25,000	—	—	—
David Whittle (5) Vice President, European Operations, Koppers Europe ApS	2004	271,294	173,405	—	—	36,682
	2003	235,289	127,073	—	—	36,621
	2002	209,880	145,890	—	—	22,264
Kevin J. Fitzgerald Vice President and General Manager, Carbon Materials & Chemical Division, Koppers Inc.	2004	212,400	122,560	—	262,800	80,669
	2003	200,400	88,000	—	—	58,739
	2002	190,500	40,706	3,000	—	69,527

- Amounts set forth in the restricted stock award column represent the grant-date value of time-based restricted stock units that were granted to Mr. Turner, Mr. Lacy, Mr. McCurrie and Mr. Fitzgerald in August 2004. The vesting schedule for these units to shares of KI Holdings is 20% in August 2004, 20% in August 2005, 20% in August 2006, 20% in August 2007 and 20% in November 2008. Non-vested restricted stock units do not have voting rights nor are they entitled to receive dividends. The total number of restricted stock units granted to the Named Executive Officers is as follows: Mr. Turner, 40,000 shares; Mr. Lacy, 20,000 shares; Mr. McCurrie, 20,000 shares; and Mr. Fitzgerald, 20,000 shares.
- 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, or SERP. For Mr. Turner, 401(k) matches for 2004, 2003 and 2002 were \$6,150, \$6,000 and \$6,000, respectively, and SERP credits for 2004, 2003 and 2002 were \$154,371, \$105,268 and \$127,259, respectively. For Mr. Lacy, 401(k) matches for 2004, 2003 and 2002 were \$6,150, \$6,000 and \$6,000, respectively, and SERP credits for 2003, 2002 and 2001 were \$96,654, \$65,798 and \$67,600, respectively. For Mr. McCurrie, 401(k) match for 2004 was \$6,150 and SERP credits for 2004 were \$78,940. For Mr. Fitzgerald, 401(k) matches for 2004, 2003 and 2002 were \$6,150, \$6,000 and \$6,000, respectively, and SERP credits for 2004, 2003 and 2002 were \$74,519, \$52,739 and \$63,527, respectively. All other compensation for Dr. Whittle consists of automobile allowances.

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- (3) Mr. Lacy's bonus for 2004 includes the fair value of a stock grant amounting to 4,000 shares.
- (4) Mr. McCurrie's bonus for 2004 includes the fair value of a stock grant amounting to 4,000 shares; for 2003, Mr. McCurrie's salary represents approximately two and one-half months of service.
- (5) For 2004, Dr. Whittle's bonus includes \$33,333 that represents the vested portion of a \$100,000 bonus he received in lieu of restricted stock. The remaining \$66,667 vests in two additional equal installments over the next two years.

Stock Options

There were no grants of stock appreciation rights, or SARs, or stock options during 2004.

Option Exercises and Fiscal Year-End Values

Shown below is information with respect to stock options exercised during 2004. There were no unexercised stock options held by any Named Executive Officers at December 31, 2004. 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/SARs Exercised in Last Fiscal Year and Fiscal Year-End Options/SARs 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 (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Walter W. Turner	17,400	\$ 148,800	—	—	\$ —	\$ —
Steven R. Lacy	8,000	54,800	—	—	—	—
Brian H. McCurrie	—	—	—	—	—	—
David Whittle	3,000	27,000	—	—	—	—
Kevin J. Fitzgerald	5,600	45,240	—	—	—	—

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, which we refer to as 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 included 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.

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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 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

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 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

The following describes the Terminal Salary and Years of Service, respectively, accrued as of December 31, 2004 for each participating Named Executive Officer: Walter W. Turner, \$518,392 and 16 years of service; Steven R. Lacy, \$289,787 and four years of service; Brian H. McCurrie, \$270,000 and one year of service; and Kevin J. Fitzgerald, \$227,440 and 16 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.

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)	81,000	\$ —	15,000

(1) Includes our Restricted Stock Unit Plan.

2005 Long-Term Incentive Plan

Prior to the completion of this offering, our board of directors and shareholders will adopt the 2005 Long-Term Incentive Plan, or the Incentive Plan.

General. The purposes of the Incentive Plan are to encourage selected of our salaried employees, and those of our subsidiaries and selected affiliates, to acquire a proprietary interest in our growth and performance, to generate an increased incentive to contribute to our future success and to enhance our ability and that of our subsidiaries and affiliates to attract and retain qualified individuals.

Eligibility and Administration. Our and our subsidiaries’ and selected affiliates’ salaried employees will be eligible to be granted awards under the Incentive Plan. The Incentive Plan will be administered by our compensation committee or such other board committee (or the entire board of directors) as may be designated by the board, which we refer to as the Committee. Unless otherwise determined by the board, the Committee will consist of two or more members of the board of directors who are “nonemployee directors” within the meaning of Rule 16b-3 of the Exchange Act and “outside directors” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. The Committee will determine, among other things, which eligible employees receive awards, the types of awards to be received and the terms and conditions thereof and will have authority to make any other determination or take any other action that it deems necessary or desirable for such administration.

Awards. The Incentive Plan provides for the grant to eligible persons of stock options, restricted stock, restricted stock units, or RSUs, performance shares, performance awards, dividend equivalents and other stock-based awards, which we refer to collectively as the awards. An aggregate of shares of our outstanding common stock on a fully diluted basis upon completion of this offering have been reserved for issuance under the Incentive Plan. In addition, during any one calendar year grants to any one participant which represent or are designated in common stock shall not exceed . These stock amounts are subject to anti-dilution adjustments in the event of certain changes in our capital structure, as described below.

Stock Options. Incentive stock options, or ISOs, which are intended to qualify for special tax treatment in accordance with the Code, and nonqualified stock options, which are not intended to qualify for special tax treatment under the Code, may be granted under the Incentive Plan. The Committee is authorized to set the terms relating to an option, including exercise price and the time and method of exercise.

Restricted Stock. Awards of restricted stock and restricted stock units, or RSUs, will be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose on the date of grant or thereafter. Such restrictions will lapse under circumstances as the Committee may deem appropriate, including, without limitation, upon a specified period of continued employment. Except as otherwise determined by the Committee, eligible participants granted restricted stock will have all of the rights of a shareholder, including the right to vote restricted stock and receive dividends thereon. Unvested restricted stock and RSUs will be forfeited upon termination of employment during the applicable restriction period, unless the Committee decides to waive, in whole or in part, any or all remaining restrictions.

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Performance Shares and Performance Units. The Committee is authorized to grant performance awards to participants. Subject to the terms of the Incentive Plan and any applicable award agreement, a performance award granted under the Incentive Plan (i) may be denominated or payable in cash, stock (including, without limitation, restricted stock or RSUs), other securities, other awards or other property and (ii) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the performance award, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Incentive Plan and any applicable award agreement, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any performance award granted and the amount of any payment or transfer to be made pursuant to any performance award shall be determined by the Committee, provided that a performance period shall be at least one year except upon a change of control.

Change of Control. Unless otherwise provided by the board of directors or the Committee prior to a change of control, in the event of a change in control (as defined in the Incentive Plan), all outstanding awards granted under the Incentive Plan shall become immediately exercisable, all restrictions or limitations shall lapse, and any performance criteria and other conditions to payment shall be deemed satisfied.

Capital Structure Changes. In the event that the Committee determines that any dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of common stock or other of our securities, issuance of warrants or other rights to purchase common stock or other of our securities, or other similar corporate transaction or event affects the stock such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits intended to be made available under the Incentive Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of common stock (or other securities or property) which thereafter may be made the subject of awards, (ii) the number and type of common stock (or other securities or property) subject to outstanding awards, (iii) the grant, purchase or exercise price with respect to any award, or, if the Committee deems it appropriate, make provision for a cash payment to the holder of an outstanding award and (iv) the limitation on grants of common stock exceeding _____ shares in any one calendar year. Notwithstanding the foregoing, a Participant to whom dividend equivalents or dividend units have been awarded shall not be entitled to receive a special or extraordinary dividend or distribution unless the Committee shall have expressly authorized such receipt.

Amendment and Termination. The board of directors (or any authorized committee thereof) may amend, suspend, discontinue or terminate the Incentive Plan, including, without limitation, any amendment, suspension, discontinuation or termination that would impair the rights of any participant, or any other holder or beneficiary of any award theretofore granted, without the consent of any shareholder, participant, other holder or beneficiary of an award, or other person, but may not, without the approval of the shareholders, make any such amendment, suspension, discontinuation or termination that would (i) amend the definition of "Participant" or the definition of "Salaried Employee" to include non-employee directors, (ii) except for the adjustments described in "—Capital Structure Changes", increase the number of shares available for issuance under the Incentive Plan, or (iii) permit any award encompassing rights to purchase common stock to be granted with per share purchase or exercise prices of less than the Fair Market Value (as defined in the Incentive Plan) of our common stock on the date of grant thereof.

Effective Date and Term. The Incentive Plan will be effective as of the completion of this offering. The Incentive Plan will terminate as to future awards on _____.

Employment Agreements

Employment Agreement with Brian H. McCurrie. We entered into an employment agreement with Mr. McCurrie in October 2003 that contains the terms of Mr. McCurrie's employment with Koppers Inc. The employment agreement provides that Mr. McCurrie will serve as Vice President and Chief Financial Officer at a

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beginning annual salary of \$225,000, subject to annual adjustments. The employment agreement provides for a signing bonus of \$50,000 and participation in our corporate senior management incentive pool with an annual incentive target of 55% 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 our benefits plans. The agreement provides that in the event of termination by us other than for cause, Mr. McCurrie shall be entitled to severance payments for a minimum of one year and a maximum of two years, based on the years of service to us prior to termination. In the event Mr. McCurrie is terminated due to a change of control, the employment agreement provides for 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. The term of the agreement began October 13, 2003 and continues in effect until October 12, 2005, and each October 12 thereafter, the term is automatically extended for one additional year unless, at least one hundred eighty days prior to such renewal, we or Mr. McCurrie shall have given notice to the other party that such party does not wish to extend such term; however, if a change of control shall have occurred during the original or extended term, the term shall continue for period of not less than twenty-four months following the month in which such change of control occurred. Neither Mr. McCurrie nor we provided timely notice of termination 180 days in advance of October 12, 2005. Therefore, Mr. McCurrie's agreement has been automatically extended until at least October 12, 2006.

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 Inc. 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 Inc. 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 2004, each director who is not an employee was paid a retainer fee of \$40,000 per year plus \$5,000 for each board committee (with the exception

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of the audit committee, which chair received \$10,000 in 2004) chaired, except the Saratoga Partners III, L.P. director is paid under the advisory services agreement between Koppers Inc. and an affiliate of Saratoga Partners III, L.P. in lieu of director's fees. See "Certain Relationships and Related Transactions."

Compensation Committee Interlocks and Insider Participation

Mr. Oberbeck, a principal for Saratoga Partners, 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 an affiliate of 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. The advisory services agreement will be terminated in connection with this offering for an aggregate consideration of \$ million. In addition, affiliates of 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 compensation comparable to compensation paid for such services by similarly situated companies. During 2004 and 2003 we paid an affiliate of Saratoga Partners III, L.P. \$0.5 million and \$1.6 million, respectively, for advisory services in connection with refinancing activities.

PRINCIPAL AND SELLING SHAREHOLDERS

In November 2004, KI Holdings was created to be the direct parent company of Koppers Inc. KI Holdings has no material assets or operations other than cash from the issuance of the Senior Discount Notes and its 100% ownership of Koppers Inc. Pursuant to an agreement and plan of merger, shareholders and option holders of Koppers Inc. became shareholders and option holders of KI Holdings on November 18, 2004 and are no longer shareholders 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 September 1, 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.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned Prior to the Offering		Shares of Convertible Preferred Stock Beneficially Owned Prior to the Offering (2)		Shares Offered Hereby		Shares Beneficially Owned After Offering			
	Number (1)	% (1)	Number	%	Assuming No Exercise of Over-Allotment Option	Assuming Full Exercise of Over-Allotment Option	Assuming No Exercise of Over-Allotment Option		Assuming Full Exercise of Over-Allotment Option	
							Number	%	Number	%
Saratoga Partners III, L.P. (3)			2,288,481	100.0%						
Walter W. Turner (4)	674,137	91.8%								
Randall D. Collins (4)	674,137	91.8%								
Clayton A. Sweeney (5)	5,000	*								
Christian L. Oberbeck (3)			2,288,481	100.0%						
Robert Cizik (6)	60,294	8.2%								
David M. Hillenbrand (7)	20,000	2.7%								
Steven R. Lacy (8)	38,000	5.2%								
Brian H. McCurrie (9)	12,000	1.6%								
David Whittle	—	*								
Kevin J. Fitzgerald (10)	24,925	3.4%								
All directors and officers as a group (14 persons) (4)	734,431	100.0%								
Total shares outstanding, including vested options	734,431	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 shareholder 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. and its affiliates have voting power with respect to such shares and we have been informed that Brown University Third Century Fund has dispositive

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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. and its affiliates is 535 Madison Avenue, New York, NY 10022. Saratoga Partners III, L.P. and its affiliates have generally authorized Mr. Oberbeck, a director, to vote the shares of Koppers Inc. held by Saratoga Partners III, L.P. and its affiliates. Mr. Oberbeck disclaims beneficial ownership of the preferred stock owned by Saratoga Partners III, L.P. and its affiliates. Saratoga Partners III, L.P. and its affiliates are 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 Mr. Collins were appointed as representatives of the approximately 125 management investors and granted irrevocable proxies to vote 674,137 shares of common stock owned by the management investors, including 72,646 shares directly owned by Mr. Turner, for the term of the stockholders' agreement. Mr. Turner and Mr. Collins disclaim beneficial ownership of the shares which they do not directly own.
- (5) Pursuant to the stockholders' agreement, Mr. Sweeney has granted an irrevocable proxy to the representatives to vote the shares owned by him. In 2005, 2003, 2002 and 2001, we purchased a total of 98,879 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 Inc. 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. McCurrie 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.

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, from 2002 to 2005 we redeemed from Mr. Sweeney a total of 72,963 shares for a total redemption amount of approximately \$1.4 million. The prices at which we redeemed Mr. Sweeney's shares were based on fair value less dividends paid. The board of directors (with Mr. Sweeney abstaining) determined the fair value of 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 Inc. 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 Inc. 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 Inc. 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. Mr. Cizik has the right to require us to redeem the 35,294 shares at any time at the lower of his cost or current fair value; however, the disposition or transfer of the shares requires the related loan to be repaid immediately.

Advisory Services Agreement with Saratoga Partners III, L.P. Koppers Inc. has an advisory and consulting agreement with an affiliate of Saratoga Partners III, L.P. pursuant to which Koppers Inc. pays a management fee of \$150,000 per quarter to an affiliate of Saratoga Partners III, L.P. in lieu of Director's fees to Mr. Oberbeck. In addition, affiliates of Saratoga Partners III, L.P. may provide Koppers Inc. 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 Inc. 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 Inc.'s board of directors and Saratoga Partners III, L.P. shall agree. For such services, Koppers Inc. will pay affiliates of Saratoga Partners III, L.P. compensation comparable to compensation paid for such services by similarly situated companies. During 2004 and 2003, Koppers Inc. paid an affiliate of Saratoga Partners III, L.P. \$0.5 million and \$1.6 million, respectively, related to advisory services related to refinancing activities. The advisory services agreement will be terminated in connection with this offering for an aggregate consideration of \$ _____ million.

Mr. Oberbeck has served as a director of Koppers Inc. since October 1997. Mr. Oberbeck is one of the founders of Saratoga Partners, 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 shareholders 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, 2004. 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 December 31, 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.

The stockholders' agreement will terminate automatically if upon the completion of our IPO more than 35.0% of our common stock is owned by persons that are not party thereto.

DESCRIPTION OF CERTAIN INDEBTEDNESS

Senior Secured Credit Facility of Koppers Inc.

In August 2005, Koppers Inc. amended and restated its senior secured credit facility. The description below gives effect to the terms of the amendment.

The following sets forth a description of some of the terms of Koppers Inc.'s senior secured credit facility:

- provides for a revolving credit facility of \$115.0 million, of which \$45.0 million was outstanding on June 30, 2005;
- provides for a term loan facility of \$10.0 million;
- provides for a borrowing base for loans under the revolving credit facility limited to the sum of 85% of qualified accounts plus 60% 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;
- bears 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 0.00% to 0.50%, or the Eurorate, plus an applicable margin of 1.50% to 2.00% determined, in each case, pursuant to a performance-based pricing grid;
- is secured by substantially all of Koppers Inc.'s assets;
- allows prepayment in whole or in part without premium or penalty;
- matures, in the case of the revolving credit facility, on December 31, 2009; and
- matures, in the case of the term loan facility, on November 1, 2009.

Koppers Inc.'s senior secured credit facility contains representations and affirmative covenants customary for financings of this type. Koppers Inc.'s senior secured credit facility also contains negative covenants that limit our ability and the ability of our 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 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 Koppers Inc. 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 June 30, 2005 was 1.54 to 1.0.

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- 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:

<u>Fiscal Quarters Ended</u>	<u>Ratio</u>
August 15, 2005 through March 31, 2008	5.0 to 1.0
June 30, 2008 and thereafter	4.5 to 1.0

- The total leverage ratio at June 30, 2005 was 4.0 to 1.0.

Koppers Inc.'s senior secured credit facility also contains 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 false or misleading representations or warranties;
- default in observance or performance of any of the affirmative or negative covenants included in the senior secured credit facility 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 facility 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.).

9⁷/₈% Senior Secured Notes due 2013 of Koppers Inc.

Koppers Inc. has issued and outstanding \$320.0 million aggregate principal amount of 9⁷/₈% senior secured notes due 2013. Interest is payable semiannually in arrears on April 15 and October 15 of each year. The senior secured notes are guaranteed, jointly and severally, on a senior secured basis by some of our current and future subsidiaries.

The senior secured notes and subsidiary guarantees are senior obligations of Koppers Inc. 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 Inc. and its subsidiary guarantors that secure Koppers Inc.'s obligations under its senior secured credit facility.

The 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 Inc. may redeem up to 35% of the aggregate principal amount of the 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 Inc. may redeem some or all of the 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 senior secured notes significantly restrict Koppers Inc. from paying dividends and otherwise transferring assets to KI Holdings. For example, Koppers Inc.'s 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 senior secured notes) to consolidated interest expense ratio of at least 2.0 to 1.

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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 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 senior secured notes. Koppers Inc. anticipates continued compliance with these covenants. Failure to comply with the covenants contained in the indenture governing the senior secured notes may result in an event of default. The indenture governing the 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.

9⁷/₈% Senior Discount Notes due 2014 of KI Holdings

KI Holdings has issued and outstanding \$203.0 million aggregate principal amount at maturity of 9⁷/₈% senior discount notes due 2014. No cash interest is required to be paid prior to November 15, 2009. The accreted value of each discount note will increase from the date of issuance until November 15, 2009, at a rate of 9⁷/₈% per annum compounded semiannually such that on November 19, 2009 the accreted value will equal \$203.0 million, the principal amount due at maturity. Subsequent to November 19, 2009 cash interest on the Discount Notes will accrue and be payable semiannually in arrears on May 15 and November 15 of each year, commencing on May 15, 2010.

The senior discount notes are senior obligations of KI Holdings and are effectively subordinated to our existing and future secured indebtedness, and are structurally subordinated to all of the existing and future indebtedness and other liabilities and preferred equity of our subsidiaries.

The senior discount 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 November 15, 2007, KI Holdings may redeem up to 35% of the aggregate principal amount of the senior discount 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 November 15, 2009, KI Holdings may redeem some or all of the senior discount notes at a redemption prices specified in the indenture governing such notes, plus accrued and unpaid interest to the date of such redemption.

The indenture governing the senior discount 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 senior discount notes. We anticipate continued compliance with these covenants. Failure to comply with the covenants contained in the indenture governing the senior discount notes may result in an event of default. The indenture governing the senior discount 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.

DESCRIPTION OF CAPITAL STOCK

The following is a description of the material terms of our Articles of Incorporation and Bylaws as each will be amended and in effect as of the date of consummation of this offering. We refer you to our Articles of Incorporation and Bylaws, copies of which, as amended and in effect as of the date of consummation of this offering, have been filed as exhibits to the registration statement relating to this offering.

As of _____, 2005 an aggregate of _____ shares of common stock were outstanding and held of record by _____ shareholders. As of _____, 2005, _____ shares of preferred stock were outstanding and held of record by _____ shareholders.

Common Stock

Pursuant to our Articles of Incorporation, we are authorized to issue up to 40,000,000 shares of common stock, \$0.01 par value per share. Holders of common stock will be entitled to one vote for each share held on all matters submitted to a vote of shareholders and will not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the board of directors out of funds legally available therefor, subject to any preferential dividend rights of outstanding preferred stock. Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of our common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of common stock are, and the shares offered by us hereby will be, when issued and paid for, fully paid and nonassessable. If we issue any preferred stock, the rights, preferences and privileges of holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of our preferred stock. See “—Preferred Stock.”

Preferred Stock

Pursuant to the terms of our Articles of Incorporation, we are authorized to issue up to 10,000,000 shares of preferred stock, \$0.01 par value per share. The board of directors is authorized, subject to any limitations prescribed by law, without further shareholder approval, to issue such shares of preferred stock in one or more series. Each such series of preferred stock shall have such rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be determined by the board of directors.

The purpose of authorizing the board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a shareholder vote on specific issuances. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, a majority of our outstanding voting stock. The existence of the authorized but undesignated preferred stock may have a depressive effect on the market price of our common stock.

Certain Corporate Anti-Takeover Provisions

Our Articles of Incorporation and Bylaws will contain a number of provisions relating to corporate governance and to the rights of shareholders. Certain of these provisions may be deemed to have a potential “anti-takeover” effect in that such provisions may delay, defer or prevent a change of control of the Company. These provisions include:

Preferred Stock

Our board of directors has authority to issue series of preferred stock with such voting rights and other powers as the board of directors may determine, as described above.

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Classified Board

Our board of directors will be classified into three classes. Each director will serve a three year term and will stand for re-election once every three years.

Removal of Directors, Vacancies

Our shareholders will be able to remove directors only for cause and only by the affirmative vote of the holders of a majority of the outstanding shares of our capital stock entitled to vote in the election of directors. Vacancies on our board of directors may be filled only by our board of directors.

No Cumulative Voting

Our Articles of Incorporation will provide that shareholders do not have the right to cumulative votes in the election of directors. Cumulative voting rights would have been available to the holders of our common stock if our Articles of Incorporation had not negated cumulative voting.

No Shareholder Action by Written Consent; Calling of Special Meetings of Shareholders

Our Articles of Incorporation will not permit shareholder action without a meeting by consent except for the unanimous consent of all holders of our common stock. They also will provide that special meetings of our shareholders may be called only by the board of directors or the chairman of the board of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our Bylaws will provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary.

In addition, the Pennsylvania Business Corporation Law, or the BCL, provides that directors may, in discharging their duties, consider the interests of a number of suppliers, customers, creditors and the community in which it is located. Directors are not required to consider the interests of shareholders to a greater degree than other constituencies' interests. The BCL expressly provides that directors do not violate their fiduciary duties solely by relying on "poison pills" or the anti-takeover provisions of the BCL. We do not currently have a "poison pill" and do not presently plan to adopt one.

Pennsylvania Anti-Takeover Law Provisions

The BCL provides, in its subchapters 25(E), 25(F), 25(G), 25(H), 25(I) and 25(J), certain anti-takeover protections with respect to corporations which do not elect out of them. Under our Articles of Incorporation, we will elect out of these subchapters.

The BCL permits an amendment of the corporation's articles or other corporate action, if approved by shareholders generally, to provide mandatory special treatment for specified groups of nonconsenting shareholders of the same class by providing, for example, that shares of common stock held only by designated shareholders of record, and no other shares of common stock, shall be cashed out at a price determined by the corporation, subject to applicable dissenters' rights.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is .

New York Stock Exchange Listing

We will apply to list our common stock on the New York Stock Exchange under the symbol "KOP".

SHARES ELIGIBLE FOR FUTURE SALE

We cannot predict what effect, if any, market sales of shares of common stock or the availability of shares of common stock for sale will have on the market price of our common stock. Nevertheless, sales of substantial amounts of common stock in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of our common stock and could impair our future ability to raise capital through the sale of our equity or equity-related securities at a time and price that we deem appropriate.

Upon the closing of this offering, we will have outstanding an aggregate of approximately _____ shares of common stock. Of the outstanding shares, the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our “affiliates,” as that term is defined under Rule 144 of the Securities Act, may be sold only in compliance with the limitations described below. The remaining outstanding shares of common stock will be deemed “restricted securities” as that term is defined under Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or 144(k) under the Securities Act, which are summarized below.

Rule 144

In general, under Rule 144 as currently in effect, any person, including an affiliate, who has beneficially owned shares of our common stock for a period of at least one year is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1.0% of the then-outstanding shares of common stock; and
- the average weekly trading volume in the common stock on the New York Stock Exchange during the four calendar weeks preceding the date on which notice of sale is filed with the SEC.

Sales under Rule 144 are also subject to provisions relating to notice, manner of sale, volume limitations and the availability of current public information about us.

Rule 144(k)

In addition, a person who is not deemed to have been an affiliate of ours at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years would be entitled to sell those shares under Rule 144(k) without regard to the manner of sale, public information, volume limitation or notice requirements of Rule 144. To the extent that our affiliates sell their shares, other than pursuant to Rule 144 or a registration statement, the purchaser’s holding period for the purpose of effecting a sale under Rule 144 commences on the date of transfer from the affiliate.

Rule 701

Under Rule 701, common stock acquired upon the exercise of certain currently outstanding options or pursuant to other rights granted under our stock plans may be resold, to the extent not subject to lock-up agreements, (1) by persons other than affiliates, beginning 90 days after the effective date of this offering, subject only to the manner-of-sale provisions of Rule 144, and (2) by affiliates, subject to the manner-of-sale, current public information and filing requirements of Rule 144, in each case, without compliance with the one-year holding period requirement of Rule 144.

Form S-8 Registration Statements

We intend to file one or more registration statements on Form S-8 under the Securities Act following this offering to register our shares of common stock that are issuable pursuant to our stock option plans. These

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registration statements are expected to become effective upon filing. Shares covered by these registration statements will then be eligible for sale in the public markets, subject to any applicable lock-up agreements and to Rule 144 limitations applicable to affiliates.

Registration Rights

Pursuant to our stockholders' agreement and subject to certain limitations (i) Saratoga Partners III, L.P. has the right to demand that we register its shares of our common stock in a public offering and (ii) Saratoga Partners III, L.P. and the management investors have piggy-back registration rights through which they can require us to include their shares in any registered offering of common stock that we make.

Lock-Up Agreements

We, our officers, directors and certain of our existing security holders have agreed with the underwriters not to sell, dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock, during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Credit Suisse First Boston LLC and UBS Securities LLC. See "Underwriting."

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income tax (and, in the case of non-U.S. holders, estate tax) considerations with respect to the ownership and disposition of our common stock by U.S. holders (as defined below) and non-U.S. holders (as defined below) as of the date hereof. This summary deals only with holders that hold our common stock as a capital asset.

For purposes of this summary, a “U.S. holder” means a beneficial owner of our common stock that is any of the following for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (1) its administration 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 of its substantial decisions, or (2) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person. A “non-U.S. holder” is a beneficial owner that is a nonresident alien individual or a corporation, trust or estate that is not a U.S. holder for U.S. federal income tax purposes.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended, and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, or be subject to differing interpretations, so as to result in U.S. federal tax considerations different from those summarized below. We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

This summary does not represent a detailed description of the U.S. federal tax consequences to you in light of your particular circumstances. In addition, it does not represent a description of the U.S. federal tax consequences to you if you are subject to special treatment under U.S. federal tax laws (including if you are a dealer in securities or currency trader in securities that uses a mark-to-market method of accounting for securities holdings, financial institution, tax-exempt entity, partnership or other pass-through entity or investor in such entity, insurance company, person holding common stock as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, person owning 10 percent or more of our voting stock, person subject to alternative minimum tax, U.S. holder whose functional currency is not the U.S. dollar, U.S. expatriate, “controlled foreign corporation” or “passive foreign investment company”), and it generally does not address any U.S. taxes other than the federal income tax.

If an entity classified as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partnership holding our common stock, or a partner in such a partnership, you should consult your tax advisors.

The following discussion of the material U.S. federal income tax consequences of the ownership of our common stock is for general information only and is not tax advice. If you are considering the purchase of our common stock, you should consult your own tax advisors concerning the particular U.S. federal income, estate and gift tax consequences to you of the ownership and disposition of the common stock, as well as the consequences to you arising under the laws of any other taxing jurisdiction, including any state, local or foreign tax consequences.

U.S. Holders

Dividends

The gross amount of dividends paid to U.S. holders of common stock will be treated as dividend income to such holders, to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such income will be includable in the gross income of a U.S. holder on the day

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actually or constructively received by the U.S. holder. Under current legislation, which is scheduled to “sunset” at the end of 2008, dividend income will generally be taxed to individual U.S. holders at rates applicable to long-term capital gains, provided that a minimum holding period and other limitations and requirements are satisfied. Dividends received after 2008 will be taxable at ordinary rates. Corporate U.S. holders may be entitled to a dividends received deduction with respect to distributions treated as dividend income for U.S. federal income tax purposes, subject to numerous limitations and requirements.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the shares of common stock to the extent thereof (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by the holder on a subsequent disposition of our common stock), and the balance in excess of the adjusted basis will be taxed as capital gain (short-term or long-term, as applicable) recognized on a sale or exchange.

Gain on Disposition of Common Stock

A U.S. holder will recognize taxable gain or loss on any sale or exchange of shares of our common stock in an amount equal to the difference between the amount realized and the U.S. holder’s basis in such shares of common stock. Such gain or loss will be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitation.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to dividends paid on our common stock and to the proceeds received on the sale, exchange or other disposition (including a redemption) of common stock by a U.S. holder other than certain exempt recipients (such as corporations). A backup withholding tax will apply to such payments if the U.S. holder fails to provide an accurate taxpayer identification number and to comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a refund or credit against the U.S. holder’s U.S. federal income tax liability provided that the required information is timely furnished to the Internal Revenue Service, or IRS.

Non-U.S. Holders

Dividends

Dividends paid to a non-U.S. holder of our common stock, to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles, generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by a non-U.S. holder within the United States and, where an income tax treaty applies, are attributable to a U.S. permanent establishment of the non-U.S. holder are not subject to this withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable individual or corporate rates. Certain certification and disclosure requirements (including the provision of a properly executed Form W-8ECI (or successor form)) must be complied with in order for effectively connected dividends to be exempt from this withholding tax. Any such effectively connected dividends received by a foreign corporation may be subject to an additional “branch profits tax” at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who is entitled to and wishes to claim the benefits of an applicable treaty rate (and avoid backup withholding as discussed below) for dividends, will be required to (i) complete IRS Form W-8BEN (or successor form) and make certain certifications, under penalty of perjury, to establish its status as a non-U.S. person and its entitlement to treaty benefits or (ii) if the common stock is held through

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certain foreign intermediaries, satisfy the relevant certification requirements of applicable U.S. Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are entities rather than individuals.

A non-U.S. holder of our common stock eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Gain on Disposition of Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale or other disposition of our common stock unless: (i) the gain is effectively connected with a trade or business of the non-U.S. holder in the U.S. and, where a tax treaty applies, is attributable to a U.S. permanent establishment of the non-U.S. holder (in which case, the non-U.S. holder will generally be taxed on its net gain derived from the disposition at the regular graduated U.S. federal income tax rates and in much the same manner applicable to U.S. persons and, if the non-U.S. holder is a foreign corporation, the “branch profits tax” described above may also apply); (ii) in the case of a non-U.S. holder who is an individual, such holder is present in the U.S. for 183 or more days in the taxable year of the sale or other disposition and certain other conditions are met (in which case, the non-U.S. holder 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 exceed capital losses allocable to U.S. sources); or (iii) we are or have been a “U.S. real property holding corporation” for U.S. federal income tax purposes.

We believe we currently are not, and do not anticipate becoming, a “U.S. real property holding corporation” for U.S. federal income tax purposes. If we are or if we become a U.S. real property holding corporation, if our common stock is regularly traded on an established securities market, a non-U.S. holder who (actually or constructively (applying certain ownership attribution rules)) holds or held (at any time during the shorter of the five year period preceding the date of disposition or the holder’s holding period) more than five percent of the common stock will be subject to U.S. federal income tax on a disposition of the common stock but other non-U.S. holders generally will not. If the common stock is not so traded, all non-U.S. holders will be subject to U.S. federal income tax on disposition of the common stock.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to such holder and the tax withheld (if any) with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and any withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty. In addition, dividends paid to a non-U.S. holder generally will be subject to backup withholding unless applicable certification requirements are met.

Payment of the proceeds of a sale (including a redemption) of our common stock within the United States or conducted through certain U.S. related financial intermediaries is subject to information reporting and, depending upon the circumstances, backup withholding unless the beneficial owner certifies under penalties of perjury that it is not a United States person or the holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder’s U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Federal Estate Tax

Common stock owned or treated as owned by an individual who is not a citizen or resident of the United States, as specifically defined for U.S. federal estate tax purposes, at the time of death will be included in such holder’s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and, therefore, may be subject to U.S. federal estate tax.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated _____, 2005, we and the selling shareholders have agreed to sell to the underwriters named below, for whom Credit Suisse First Boston LLC and UBS Securities LLC are acting as representatives, the following respective numbers of shares of common stock:

<u>Underwriter</u>	<u>Number of Shares</u>
Credit Suisse First Boston LLC	
UBS Securities LLC	
Total	

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the over-allotment option described below. The underwriting agreement also provides that, if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We and the selling shareholders have granted to the underwriters a 30-day option to purchase on a pro rata basis up to _____ additional shares from us and _____ additional outstanding shares from the selling shareholders at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of \$ _____ per share. The underwriters and selling group members may allow a discount of \$ _____ per share on sales to other broker/dealers. After the initial public offering, the representatives may change the public offering price and concession and discount to broker/dealers.

The following table summarizes the compensation and estimated expenses we and the selling shareholders will pay:

	<u>Per Share</u>		<u>Total</u>	
	<u>Without Over-allotment</u>	<u>With Over-allotment</u>	<u>Without Over-allotment</u>	<u>With Over-allotment</u>
Underwriting Discounts and Commissions paid by us	\$	\$	\$	\$
Expenses payable by us	\$	\$	\$	\$
Underwriting Discounts and Commissions paid by selling shareholders	\$	\$	\$	\$
Expenses payable by the selling shareholders	\$	\$	\$	\$

The representatives have informed us that they do not expect sales to accounts over which the underwriters have discretionary authority to exceed 5% of the shares of stock being offered.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the representatives for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then

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in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless the representatives waive, in writing, such an extension.

Our officers, directors and certain of our existing security holders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the representatives for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless the representatives waive, in writing, such an extension.

The underwriters have reserved for sale at the initial public offering price up to _____ shares of the common stock for employees, directors and other persons associated with us who have expressed an interest in purchasing common stock in the offering. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

We and the selling shareholders have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

We will apply to list the shares of common stock on the New York Stock Exchange under the symbol “KOP.”

Some of the underwriters and their affiliates have provided, and may provide in the future, investment banking and other financial services for us in the ordinary course of business for which they have received and would receive customary compensation. In particular, Credit Suisse First Boston LLC and UBS Securities LLC were both initial purchasers in connection with the offering of our 9^{7/8}% senior discount notes due 2014 and the 9^{7/8}% senior secured notes due 2013 of Koppers Inc.

Prior to this offering, there has been no public market for our common stock. The initial public offering price has been determined by a negotiation between us and the representatives and will not necessarily reflect the market price of our common stock following the offering. The principal factors that were considered in determining the public offering price included:

- the information presented in this prospectus and otherwise available to the underwriters;
- the history of and prospects for the industry in which we compete;
- the ability of our management;
- the prospects for our future earnings;
- the present state of our development and our current financial condition;
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies; and
- the general condition of the securities markets at the time of this offering.

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In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the common stock in Canada is being made only on a private placement basis exempt from the requirement that we and the selling shareholders prepare and file a prospectus with the securities regulatory authorities in each province where trades of common stock are made. Any resale of the common stock in Canada must be made under applicable securities laws which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the common stock.

Representations of Purchasers

By purchasing common stock in Canada and accepting a purchase confirmation a purchaser is representing to us, the selling shareholders and the dealer from whom the purchase confirmation is received that

- the purchaser is entitled under applicable provincial securities laws to purchase the common stock without the benefit of a prospectus qualified under those securities laws,
- where required by law, that the purchaser is purchasing as principal and not as agent, and
- the purchaser has reviewed the text above under Resale Restrictions.

Rights of Action (Ontario Purchasers)

Under Ontario securities legislation, a purchaser who purchases a security offered by this prospectus during the period of distribution will have a statutory right of action for damages, or while still the owner of the shares, for rescission against us and the selling shareholders in the event that this prospectus contains a misrepresentation. A purchaser will be deemed to have relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the shares. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the shares. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us or the selling shareholders. In no case will the amount recoverable in any action exceed the price at which the shares were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we and the selling shareholders, will have no liability. In the case of an action for damages, we and the selling shareholders, will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the shares as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein and the selling shareholders may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of common stock should consult their own legal and tax advisors with respect to the tax consequences of an investment in the common stock in their particular circumstances and about the eligibility of the common stock for investment by the purchaser under relevant Canadian legislation.

LEGAL MATTERS

The validity of the shares of common stock being offered will be passed upon for us by Reed Smith LLP, Pittsburgh, Pennsylvania. Certain legal matters relating to this offering will be passed upon for us by Cahill Gordon & Reindel LLP, New York, New York. The underwriters have been represented by Cravath, Swaine & Moore LLP, New York, New York.

EXPERTS

The consolidated financial statements of KI Holdings Inc. at December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004, 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.

WHERE YOU CAN FIND MORE INFORMATION

We file reports and other information with the SEC. You may read and, for a fee, copy any document that we file 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 we file electronically from the SEC's website at <http://www.sec.gov>. Our reports and other information that we have filed, or that we may in the future file, with the SEC are not incorporated in and do not constitute part of this prospectus.

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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.

KI HOLDINGS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(In millions)

	Six Months Ended June 30,	
	2005	2004
	<i>(Unaudited)</i>	
Net sales	\$498.3	\$476.9
Operating expenses:		
Cost of sales	413.5	402.0
Depreciation and amortization	16.2	16.4
Selling, general and administrative	32.7	26.7
	<hr/>	<hr/>
Total operating expenses	462.4	445.1
	<hr/>	<hr/>
Operating profit	35.9	31.8
Other income	0.6	0.1
	<hr/>	<hr/>
Income before interest expense, income taxes and minority interest	36.5	31.9
Interest expense	25.3	17.9
	<hr/>	<hr/>
Income before income taxes and minority interest	11.2	14.0
Income taxes	5.8	7.4
Minority interest	0.6	1.9
	<hr/>	<hr/>
Net income	\$ 4.8	\$ 4.7
	<hr/>	<hr/>

See accompanying notes.

KI HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(In millions)

	June 30, 2005	December 31, 2004
	<i>(Unaudited)</i>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 37.8	\$ 41.8
Accounts receivable less allowance for doubtful accounts of \$0.9 in 2005 and \$0.9 in 2004	123.5	113.0
Inventories:		
Raw materials	71.8	79.9
Work in process	3.8	4.4
Finished goods	70.4	68.6
LIFO reserve	(18.9)	(18.4)
Total inventories	127.1	134.5
Deferred tax benefit	10.3	10.3
Other	8.1	7.6
Total current assets	306.8	307.2
Equity in non-consolidated investments	2.9	2.9
Fixed assets	515.8	511.8
Less: accumulated depreciation	(361.0)	(355.1)
Net fixed assets	154.8	156.7
Goodwill	36.6	38.4
Deferred tax benefit	45.5	50.0
Other assets	31.0	28.4
Total assets	\$ 577.6	\$ 583.6

See accompanying notes.

KI HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(In millions except per share amounts)

	June 30, 2005	December 31, 2004
	<u>(Unaudited)</u>	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 73.2	\$ 77.4
Accrued liabilities	57.0	64.7
Revolving credit	27.3	20.6
Current portion of term loans	4.4	2.5
	<u> </u>	<u> </u>
Total current liabilities	161.9	165.2
Long-term debt:		
Revolving credit	26.2	38.9
Term loans	4.5	3.8
Senior Secured Notes due 2013	320.0	320.0
Senior Discount Notes due 2014	133.3	127.0
	<u> </u>	<u> </u>
Total long-term debt	484.0	489.7
Other long-term reserves	89.0	86.2
	<u> </u>	<u> </u>
Total liabilities	734.9	741.1
Minority interest	11.1	10.6
Senior Convertible Preferred Stock, \$.01 par value per share; 10.0 shares authorized; 2.3 shares issued in 2005 and 2004	—	—
Common stock, \$.01 par value per share; 37.0 shares authorized, 3.0 shares issued in 2005 and 2004	—	—
Capital in excess of par value	10.7	10.7
Receivable from Director for purchase of common stock	(0.6)	(0.6)
Retained (deficit)	(168.1)	(172.9)
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	8.7	13.6
Minimum pension liability, net of tax	(17.6)	(17.6)
	<u> </u>	<u> </u>
Total accumulated other comprehensive loss	(8.9)	(4.0)
Treasury stock, at cost, 0.1 shares in 2005 and 0.0 shares in 2004	(1.5)	(1.3)
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 577.6	\$ 583.6

See accompanying notes.

KI HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions)

	Six Months Ended June 30,	
	2005	2004
	<i>(Unaudited)</i>	
Cash provided by operating activities	\$ 13.6	\$ 2.1
Cash provided by (used in) investing activities:		
Capital expenditures	(8.3)	(8.5)
Acquisitions	(5.8)	—
Other	0.2	0.1
Net cash (used in) investing activities	(13.9)	(8.4)
Cash provided by (used in) financing activities:		
Borrowings from revolving credit	134.0	120.4
Repayments of revolving credit	(139.7)	(87.3)
Borrowings from long-term debt	6.6	—
Repayment of long-term debt	(3.8)	(4.0)
Dividends paid	—	(25.0)
Payment of deferred financing costs	—	(0.2)
Purchases of common stock	(0.3)	(2.1)
Net cash provided by (used in) financing activities	(3.2)	1.8
Effect of exchange rates on cash	(0.5)	0.3
Net (decrease) in cash	(4.0)	(4.2)
Cash and cash equivalents at beginning of period	41.8	9.6
Cash and cash equivalents at end of period	\$ 37.8	\$ 5.4

See accompanying notes.

KI HOLDINGS 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 KI Holdings Inc. and its subsidiaries' ("KI Holdings" or the "Company") financial position and interim results as of and for the periods presented have been included. Because the Company's 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, 2004 has been summarized from the audited fiscal year 2004 balance sheet.

The financial information included herein should be read in conjunction with the Company's 2004 consolidated financial statements and related notes in Amendment No. 1 to Form S-4 Registration Statement filed April 18, 2005. The Registration Statement for KI Holdings became effective on April 20, 2005.

(2) Formation of KI Holdings Inc.

On November 12, 2004, KI Holdings Inc. was incorporated. On November 18, 2004, all of the common and preferred stock of Koppers Inc., a wholly owned subsidiary of KI Holdings, was converted into shares of common and preferred stock of KI Holdings and KI Holdings issued and sold \$203.0 million aggregate principal amount at maturity (\$125.5 million gross proceeds) 9 7/8% Senior Discount Notes due 2014 (the "Senior Discount Notes"). A portion of the cash proceeds was used to pay a \$95 million dividend to KI Holdings' stockholders. KI Holdings has no direct operations and no significant assets other than approximately \$24.2 million of cash and the stock of Koppers Inc. No cash interest is required to be paid prior to November 15, 2009. The accreted value of each Discount Note will increase from the date of issuance until November 15, 2009, at a rate of 9 7/8% per annum compounded semiannually such that on November 19, 2009 the accreted value will equal \$203 million, the principal amount due at maturity. Subsequent to November 19, 2009 cash interest on the Discount Notes will accrue and be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2010. The Discount Notes are effectively subordinated to the Company's existing and future secured indebtedness, and are structurally subordinated to all of the existing and future indebtedness and other liabilities and preferred equity of the Company's subsidiaries. KI Holdings depends on dividends from the earnings of Koppers Inc. and its subsidiaries to generate the funds necessary to meet its financial obligations, including payments of principal, interest, and other amounts on the Senior Discount Notes. The terms of Koppers Inc.'s senior secured credit facility prohibit Koppers Inc. from paying dividends and otherwise transferring assets except for certain limited dividends. Further, the terms of the indenture governing Koppers Inc.'s Senior Secured Notes (as described herein) significantly restrict Koppers Inc. from paying dividends and otherwise transferring assets to KI Holdings.

In June 2005, the Company provided \$2.7 million in cash to Koppers Inc. which was used to repay a term loan and related accrued interest.

(3) Dividend Payments

In August 2005 the Company received a dividend payment of \$13 million from Koppers Inc. The Company declared a dividend totaling \$35 million (\$11.68 per share to common and preferred) on July 28, 2005 to holders of record as of August 1, 2005 which was paid on or about August 5, 2005.

KI HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

(4) Impairment and Restructuring

During the second quarter of 2005 the Company incurred an impairment charge of \$0.3 million related to assets at the wood treating facility in Montgomery, Alabama. The impairment charge is related to the Company's expectation that the facility will cease production in September 2005. The planned ceasing of production and closure of the facility is expected to increase capacity utilization at certain other wood treating plants and provide for improved operating efficiencies and profitability for the business. Additional impairment and closure charges of approximately \$1.0 million are anticipated for the third quarter of 2005.

Also during the second quarter of 2005, approximately \$0.2 million of asset retirement obligation reserves related to the Logansport, Louisiana wood treating facility, which was closed in the third quarter of 2003, were reversed to profit as a result of the completion of the closure.

(5) Acquisition of Specialty Chemicals Business

On April 14, 2005, the Company's subsidiary located in the United Kingdom entered into an agreement to purchase the specialty chemical business and certain related assets of Lambson Specialty Chemicals Limited. The purchased assets consist primarily of certain assets related to production (excluding land), customer contracts and a non-compete agreement. Additionally, approximately \$0.6 million of liabilities were assumed. The purchase price was approximately \$10.6 million plus contingent consideration based on earnings of the business over the next two years. The purchase, which was financed by a loan from a lending institution in the United Kingdom, was completed during the second quarter of 2005. The initial purchase price allocation resulted in approximately \$6.3 million of property, plant and equipment and \$4.9 million of amortizable intangible assets. Bank loans outstanding related to this purchase amounted to \$6.4 million at June 30, 2005, and the purchase price also includes \$4.5 million of seller financing. Approximately \$0.3 million of acquisition costs were incurred prior to 2005.

Operating results are included in the statement of operations from the acquisition date forward. The pro forma effect of the acquisition for the six month period ended June 30, 2005 was immaterial.

(6) Recently Issued Accounting Guidance

In May 2005, the Financial Accounting Standards Board issued SFAS No. 154, *Accounting Changes and Error Corrections* ("SFAS 154"). SFAS 154 replaces APB Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS 154 applies to all voluntary changes in accounting principle, and requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, and early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date SFAS 154 is issued. SFAS 154 does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of SFAS 154.

In April 2005, the Financial Accounting Standards Board issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* ("FIN No. 47"). FIN No. 47 clarifies that the term conditional obligation as used in FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are

KI HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

conditional on a future event that may or may not be within the control of the entity. FIN No. 47 requires that the uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation be factored into the measurement of the liability when sufficient information exists. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective for fiscal years ending after December 15, 2005. The Company has not yet determined the impact, if any, of the adoption of FIN No. 47 on its financial statements.

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. The Company is required to adopt the new standard in the fiscal year beginning after December 15, 2005. The Company has not yet determined the impact, if any, of the adoption of SFAS 123R on its 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. The Company is required to adopt the new standard in the first interim period beginning after June 15, 2005. The Company does not expect the adoption of SFAS 153 to have a material effect on its 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. The Company is required to adopt the new standard in the fiscal year beginning after June 15, 2005. The Company has not yet determined the impact, if any, of the adoption of SFAS 151 on its financial statements.

American Jobs Creation Act of 2004. In October 2004, the American Jobs Creation Act of 2004 (the “AJCA”) was signed into law. The AJCA allows companies to repatriate earnings from foreign subsidiaries at a reduced U.S. tax rate through December 31, 2005. The FASB issued FASB Staff Position 109-2 to provide accounting and disclosure guidance for the repatriation provision. The Company is evaluating the consequences of repatriating up to \$3 million with a related range of income tax effects that cannot be reasonably estimated as of the time of issuance of these financial statements. The Company expects to complete its review by December 31, 2005, and will recognize the income tax effect, if any, in the period when a decision whether to repatriate is made.

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. The Company has determined that the benefits provided under its plans are not 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.

KI HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

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 adoption of FIN No. 46 did not have a material impact on the Company’s financial position, cash flows or results of operations.

(7) Debt

	June 30, 2005	December 31, 2004
	(In millions)	
Revolving credit	\$ 53.5	\$ 59.5
Term loans	8.9	6.3
Senior Secured Notes due 2013	320.0	320.0
Senior Discount Notes due 2014	133.3	127.0
	<u>\$515.7</u>	<u>\$ 512.8</u>

Senior Discount Notes

On November 18, 2004, KI Holdings issued and sold \$203.0 million aggregate principal amount at maturity (\$125.5 million gross proceeds) 9⁷/₈% Senior Discount Notes. A portion of the cash proceeds was used to pay a \$95 million dividend to KI Holdings’ stockholders. No cash interest is required to be paid on the Senior Discount Notes prior to November 15, 2009. The accreted value of each Discount Note will increase from the date of issuance until November 15, 2009, at a rate of 9⁷/₈% per annum compounded semiannually such that on November 19, 2009 the accreted value will equal \$203 million, the principal amount due at maturity. Subsequent to November 19, 2009 cash interest on the Discount Notes will accrue and be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2010. The Discount Notes are effectively subordinated to the Company’s existing and future secured indebtedness, and are structurally subordinated to all of the existing and future indebtedness and other liabilities and preferred equity of the Company’s subsidiaries.

Senior Secured Notes

In October 2003, Koppers Inc. issued \$320 million of 9⁷/₈% Senior Secured Notes due 2013 (the “Senior Secured Notes”). Interest is payable semiannually in arrears on April 15 and October 15 of each year. The Senior Secured Notes are guaranteed, jointly and severally, on a senior secured basis by some of the Company’s current and future subsidiaries.

The Senior Secured Notes and subsidiary guarantees are senior obligations of Koppers Inc. 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 Inc. and its subsidiary guarantors that secure Koppers Inc.’s obligations under its senior secured credit facility.

The 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 of Koppers Inc. or its subsidiaries or enter into various transactions with affiliates.

KI HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Revolving Credit Facility

The revolving credit facility provides for up to \$100.0 million of availability at various interest rates. As of June 30, 2005, the Company had \$36.2 million of unused revolving credit availability for working capital purposes after restrictions by various debt covenants and letter of credit commitments. As of June 30, 2005, \$18.8 million of commitments were utilized by outstanding letters of credit.

The covenants related to the revolving credit facility include financial covenants that require Koppers Inc. to maintain certain financial ratios.

Term loans at June 30, 2005 consist of \$2.5 million for Koppers China and \$6.4 million for Koppers Europe related to the United Kingdom acquisition.

(8) Legal Proceedings

Product Liability Cases

Koppers Inc., along with other defendants, has been named as a defendant in 15 cases in Pennsylvania and three cases in Texas in which the plaintiffs claim they suffered a variety of illnesses (including cancer) as a result of exposure to one or more of the defendants' products, including coal, coke and coal tar pitch. Koppers Inc. has been served with process in six additional cases in Pennsylvania that may involve claims related to coal tar pitch. The cases are in the early stages of discovery. Therefore, no determination can currently be made as to the likelihood or extent of any liability to Koppers Inc. Although Koppers Inc. is vigorously defending these cases, there can be no assurance that an unfavorable resolution of these matters will not have a material adverse effect on the Company's business, financial condition, cash flows and results of operations.

Government Investigations

In late 2002 Koppers Inc. contacted the Canadian Competition Bureau ("CCB") and offered its cooperation with respect to industry competitive practices concerning the production, supply and sales of coal tar pitch, naphthalene, creosote oil and carbon black feedstock. As a result of such cooperation, in April 2003 the CCB granted Koppers Inc. a provisional guarantee of immunity from fines under the Canadian Competition Act with respect to the supply and sale of coal tar pitch, naphthalene, creosote oil and carbon black feedstock prior to 2001. There have been no recent communications with the CCB. Similar investigations of industry competitive practices by the European Commission and the United States Department of Justice have been terminated. Although the CCB has not indicated that its investigation has been terminated, the Company does not currently anticipate any material adverse consequences from the CCB's investigation based on the lack of recent communication from the CCB in conjunction with the termination of the investigations by the European Commission and the United States Department of Justice.

In April 2005, the New Zealand Commerce Commission (the "NZCC") filed a Statement of Claim in the High Court of New Zealand against a number of corporate and individual defendants, including Koppers Arch Wood Protection (NZ) Limited ("KANZ"), Koppers Arch Investments Pty Limited ("Koppers Arch Investments"), Koppers Australia Pty Limited, TPL Limited, Nufarm Limited, Nufarm Australia Limited, Osmose New Zealand Limited, Osmose Australia Pty Limited and a number of current and former employees of such companies. This followed an investigation by the NZCC into the competitive practices of the wood preservative industry in New Zealand. The Statement of Claim contains a number of separate causes of action relating to alleged violations of the New Zealand Commerce Act of 1986 (the "Act"). The NZCC seeks, among other things, (i) pecuniary penalties for each cause of action in an unspecified amount pursuant to the Act, (ii)

KI HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

injunctions restraining defendants from further anticompetitive conduct, (iii) orders barring the named individual defendants from certain future corporate positions and (iv) reimbursement of legal costs. The Act provides that the NZCC may seek pecuniary penalties against each corporate defendant for each cause of action not to exceed the higher of \$NZ10,000,000 or three times the commercial gain from the contravention or if the commercial gain cannot be readily ascertained, 10% of the turnover of the corporate defendant and all interconnected companies. KANZ is seeking to cooperate with the NZCC and has engaged in settlement discussions with the NZCC. Although such settlement discussions are continuing, a settlement has not yet been reached. It is likely that penalties will be paid as a result of the proceedings. Such penalties could have a material adverse effect on the business, financial condition, cash flows and results of operations of those companies. Except as set forth above, the Company is not currently aware of any other claims (civil or governmental) related to competitive practices in New Zealand. Such other claims, if asserted and resolved unfavorably, could have a material adverse effect on the business, financial condition, cash flows and results of operations of KANZ and its interconnected companies.

Koppers Arch Wood Protection (Aust) Pty Limited (“Koppers Arch Australia”) has also made an application for leniency under the Australian Competition and Consumer Commission’s (the “ACCC”) policy for cartel conduct. The ACCC has granted immunity to Koppers Arch Australia, subject to the fulfillment of certain conditions, such as, but not limited to, continued cooperation. If the conditions are not fulfilled, Koppers Arch Australia may be penalized for any violation 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. The Company is not currently aware of any civil claims related to competitive practices in Australia. Such civil claims, if asserted and resolved unfavorably, could have a material adverse effect on the business, financial condition, cash flows and results of operations of Koppers Arch Australia.

The Company has reserved \$1.9 million for these penalties and believes that this represents the minimum of the potential range of losses. This amount is included in cost of sales.

KANZ and Koppers Arch Australia are majority-owned subsidiaries of Koppers Arch Investments, which is an Australian joint venture owned 51% by World-Wide Ventures Corporation (a subsidiary of the Company) and 49% by Hickson Nederland BV. KANZ and Koppers Arch Australia manufacture and market wood preservative products throughout New Zealand and Australia, respectively.

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\$5.0 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 the Company’s subsidiary. Koppers Australia has settled with Pacific Century and is engaged in settlement discussions with the constructor of the trellises; a provision of approximately AU\$1.1 million (approximately US\$0.8 million), has been made for this matter, of which AU\$1.0 million (US\$0.7 million) was provided in 2004.

Grenada. Koppers Inc., together with various co-defendants, has been named as a defendant in five toxic tort lawsuits in various state courts in Mississippi and in two toxic tort lawsuits in federal court in Mississippi arising from the operations of a wood treating plant in Grenada, Mississippi (“Grenada”) which is owned by Koppers Inc. See “Environmental and Other Liabilities Retained or Assumed by Others.”

KI HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

(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's subsidiaries expect to incur substantial costs for ongoing compliance with such laws and regulations. The Company's subsidiaries 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. The Company 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

Koppers Inc. has agreements with former owners of certain of its operating locations under which the former owners retained or assumed and/or agreed to indemnify Koppers Inc. against certain environmental and other liabilities. The most significant of these agreements was entered into at Koppers Inc.'s formation on December 28, 1988 (the "Acquisition"). Under the related asset purchase agreement between Koppers Inc. and Beazer East, subject to certain limitations, Beazer East retained the responsibility for and agreed to indemnify Koppers Inc. 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 Koppers Inc.) 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 Koppers Inc. with regard to certain environmental and other liabilities and imposes certain conditions on Koppers Inc. before receiving such indemnification, including certain limitations regarding the time period as to which claims for indemnification can be brought. In July 2004, Koppers Inc. 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, Koppers Inc. agreed to pay Beazer East a total of \$7.0 million in four installments over three years and to share toxic tort litigation defense costs arising from any sites acquired from Beazer East. The first two payments of \$2 million each were made in July 2005 and 2004, respectively.

Contamination has been identified at most of the manufacturing and other sites of the Company's subsidiaries. Three sites owned and operated by the Company's subsidiaries 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 the 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. Currently, at the properties acquired from Beazer East (which include all of the National Priorities List sites and all but one of the sites permitted under the Resource Conservation and Recovery Act ("RCRA")), substantially all investigative, cleanup and closure activities are being conducted and paid for by Beazer East pursuant to the terms of the Indemnity. In

KI HOLDINGS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

addition, other of the sites of the Company's subsidiaries are or have been operated under RCRA and various other environmental permits, and remedial and closure activities are being conducted at some of these sites.

To date, the parties that retained, assumed and/or agreed to indemnify the Company's subsidiaries 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 \$11.6 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's subsidiaries are held liable for or otherwise required to pay all or part of such liabilities without reimbursement, the imposition of such liabilities could have a material adverse effect on the Company's business, financial condition, cash flows and results of operations. Furthermore, the Company could be required to record a contingent liability on its balance sheet with respect to such matters, which could result in the Company having significant additional negative net worth.

Also, contamination has been detected at certain Australian facilities of the Company's subsidiaries. These sites include a 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. The Company's total reserves include \$1.7 million for the estimated remediation costs at these sites.

Grenada. Koppers Inc., together with various co-defendants (including Beazer East), has been named as a defendant in five toxic tort lawsuits in state court in Mississippi and in two toxic tort lawsuits in federal court in Mississippi arising from the operation of the Grenada facility. 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 four of the five state court cases, from an adjacent manufacturing facility operated by Heatcraft, Inc. In the state court actions, which include a total of approximately 225 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 court action referred to as the Beck case, there were originally a total of approximately 110 plaintiffs. Pursuant to an Order granting defendants' Motion to Sever, the Court dismissed the claims of 98 plaintiffs without prejudice to their right to refile their complaints. 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 court 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. The Mississippi Supreme Court recently granted Koppers Inc.'s motions to transfer venue of four of the five state court cases to Grenada County, Mississippi (the fifth case was already filed in Grenada County) and to sever the claims of the plaintiffs. All of the state court cases which were not originally filed in Grenada County are in the process of being transferred to Grenada County. After such cases have been transferred to Grenada County, the stay of discovery in such cases will likely be lifted. Discovery in the federal court cases also has been stayed, except with respect to 12 plaintiffs in the Beck federal case. The Court ordered that the claims of the 12 Beck plaintiffs must be tried separately. The first of these trials is scheduled to commence on April 17, 2006. The remaining 11 trials are scheduled to commence at the rate of approximately one trial per calendar quarter beginning upon the conclusion of the first trial. Three plaintiffs in these cases have also filed a motion for injunctive relief contending that their properties are no longer habitable. They have requested remediation or, alternatively, condemnation of their properties. Koppers Inc. is vigorously contesting the motion. Based on the experience of Koppers Inc. in defending previous toxic tort cases, 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. Although Koppers

KI HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Inc. 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 Inc. has been served with a putative class action lawsuit in federal court in Austin, Texas against it and other defendants. The lawsuit alleges that several classes of past and present property owners and residents in the Somerville, Texas area have suffered property damage and risk of personal injury as a result of exposure to various chemicals from the operations of the Somerville, Texas wood treatment plant of Koppers Inc. The complaint seeks certification of these classes and further seeks to recover damages for alleged injuries to property, medical monitoring costs and injunctive relief. The Company has not yet been served with process in this case. Although Koppers Inc. intends to vigorously defend this case, 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.

Stickney. The Illinois Environmental Protection Agency ("IEPA") has requested that Koppers Inc. conduct a voluntary investigation of soil and groundwater at its Stickney, Illinois carbon materials and chemicals facility. The IEPA advised Koppers Inc. that it made such request as a result of a reported release of oil-like material from Koppers Inc.'s property into an adjacent river canal. Koppers Inc. has agreed to conduct such investigation and intends to seek contribution and/or indemnification from third parties with respect to a portion of such costs.

Additionally, the United States Environmental Protection Agency ("EPA") has issued a notice of violation to the Stickney plant alleging certain violations of the Clean Air Act relating to fugitive emissions. The EPA has proposed a fine of \$146,000 plus an undetermined amount for stipulated penalties. The Company intends to cooperate with the EPA and is currently unable to estimate a range of loss, if any, regarding the stipulated penalties.

Other Environmental Matters

In October 1996, Koppers Inc. 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 Koppers Inc. violated various provisions of the Clean Water Act. Koppers Inc. 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. The final payment of \$0.9 million was made in April 2005.

In August 2005, Koppers Inc. received a similar Clean Water Act information request from Region 4 of the EPA. Region 4 encompasses six Company facilities. 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, as well as engineering studies and a limited number of specific inspection records. The Company intends to cooperate with the EPA, and is currently unable to estimate a range of loss, if any, regarding this matter.

Additionally, during an investigation Koppers Inc. initiated 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 Koppers Inc. by EPA alleging

KI HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

certain civil and criminal violations of applicable environmental laws. Koppers Inc. subsequently entered into a plea agreement and a related compliance agreement addressing this matter, which together provide, among other things, for the payment 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 plea of Koppers Inc. 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 Koppers Inc. and the EPA. The first two payments, totaling \$1.0 million each, were made in December 2003 and 2002, respectively. The final payment of \$1.0 million was completed in January 2005. A failure on the part of Koppers Inc. 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 suspension or debarment from governmental contracts.

In August 2005, the Pennsylvania Department of Environment Protection, or the PADEP, proposed a fine of \$1.3 million related to alleged water discharge exceedances from a storm water sewer pipe at the Company's tar distillation facility in Clairton, Pennsylvania. The Company has proposed to undertake certain engineering steps at a cost of approximately \$1.7 million to address this matter pursuant to a consent order it is currently discussing with the PADEP. The Company intends to cooperate with the PADEP to resolve this matter. The Company has not accrued any amount related to this matter pending the outcome of discussions with the PADEP.

(10) Comprehensive Income

	Six Months Ended June 30,	
	2005	2004
	<i>(In millions)</i>	
Net income	\$ 4.8	\$ 4.7
Other comprehensive income (loss):		
Unrealized currency translation (loss)	(4.9)	(5.4)
Total comprehensive income (loss)	\$ (0.1)	\$ (0.7)

(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:

	Six Months Ended June 30,	
	2005	2004
	<i>(In millions)</i>	
Beginning warranty reserve	\$ 6.2	\$ 5.7
Warranty expense charged to reserve	0.6	0.6
Cash expenditures for warranty claims	(0.2)	(0.3)
Ending warranty reserve	\$ 6.6	\$ 6.0

KI HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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(12) Pension Expense

The following table provides the components of net periodic benefit cost for the six months ended June 30, 2005 and 2004:

	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
	<i>(In millions)</i>		<i>(In millions)</i>	
Components of net periodic benefit cost:				
Service cost	\$ 2.7	\$ 3.1	\$ 0.2	\$ 0.1
Interest cost	5.9	6.6	0.5	0.3
Expected return on plan assets	(5.9)	(5.9)	—	—
Amortization of prior service cost	0.1	0.3	(0.2)	(0.1)
Amortization of loss	1.4	1.3	0.1	—
Amortization of transition amounts	(0.5)	(0.3)	—	—
Curtailement charge	—	0.2	—	—
Net periodic benefit cost	\$ 3.7	\$ 5.3	\$ 0.6	\$ 0.3

(13) 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 six months ended June 30, 2005 and 2004 were \$19.8 million and \$16.6 million, respectively.

	Six Months Ended June 30,	
	2005	2004
	<i>(Dollars in millions)</i>	
Net sales (millions):		
Carbon Materials & Chemicals	\$ 301.4	\$ 276.9
Railroad & Utility Products	196.9	200.0
Total	\$ 498.3	\$ 476.9
Percentage of net sales:		
Carbon Materials & Chemicals	60.5%	58.1%
Railroad & Utility Products	39.5%	41.9%
Total	100.0%	100.0%
Gross margin (after depreciation and amortization):		
Carbon Materials & Chemicals	15.4%	14.1%
Railroad & Utility Products	11.2%	9.8%
Total	13.8%	12.3%
Operating profit (millions):		
Carbon Materials & Chemicals	\$ 23.4	\$ 21.0
Railroad & Utility Products	12.4	11.1
All Other	0.1	(0.3)
Total	\$ 35.9	\$ 31.8

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
KI Holdings Inc.

We have audited the accompanying consolidated balance sheets of KI Holdings Inc. as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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 KI Holdings Inc. at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, 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.

/s/ ERNST & YOUNG LLP

Pittsburgh, Pennsylvania
February 4, 2005

KI HOLDINGS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(In millions)

	Years Ended December 31,		
	2004	2003	2002
Net sales	\$952.5	\$842.9	\$776.5
Operating expenses:			
Cost of sales	798.4	726.0	659.5
Depreciation and amortization	32.9	33.7	28.7
Selling, general and administrative	56.8	55.6	44.0
Restructuring and impairment charges	—	8.5	—
Total operating expenses	888.1	823.8	732.2
Operating profit	64.4	19.1	44.3
Equity in earnings of affiliates	0.3	(0.1)	—
Other income	0.1	0.1	9.8
Income before interest expense, income tax provision and minority interest	64.8	19.1	54.1
Interest expense	38.5	37.7	22.9
Income (loss) before income tax provision and minority interest	26.3	(18.6)	31.2
Income tax provision (benefit)	13.3	(1.3)	13.8
Minority interest	3.4	1.7	0.9
Income (loss) before cumulative effect of accounting change	9.6	(19.0)	16.5
Cumulative effect of accounting change:			
Asset retirement obligations, net of tax of \$11.7	—	(18.1)	—
Net income (loss)	\$ 9.6	\$ (37.1)	\$ 16.5

See accompanying notes.

KI HOLDINGS INC.
CONSOLIDATED BALANCE SHEET
(In millions)

	December 31,	
	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 41.8	\$ 9.6
Accounts receivable less allowance for doubtful accounts of \$0.9 in 2004 and \$1.4 in 2003	113.0	99.6
Inventories:		
Raw materials	79.9	58.1
Work in process	4.4	4.3
Finished goods	68.6	68.3
LIFO reserve	(18.4)	(13.2)
Total inventories	134.5	117.5
Deferred tax benefit	10.3	8.9
Other	7.6	8.1
Total current assets	307.2	243.7
Equity in non-consolidated investments	2.9	10.3
Fixed assets:		
Land	7.2	7.2
Buildings	22.6	18.2
Machinery and equipment	482.0	450.1
	511.8	475.5
Less: accumulated depreciation	(355.1)	(324.5)
Net fixed assets	156.7	151.0
Goodwill	38.4	36.5
Deferred tax benefit	50.0	54.9
Other assets	28.4	17.6
Total assets	\$ 583.6	\$ 514.0

See accompanying notes.

KI HOLDINGS INC.
CONSOLIDATED BALANCE SHEET
(In millions except per share figures)

	December 31,	
	2004	2003
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 77.4	\$ 63.8
Accrued liabilities	64.7	60.6
Revolving credit	20.6	—
Dividend payable	—	25.0
Current portion of term loans	2.5	8.0
	<hr/>	<hr/>
Total current liabilities	165.2	157.4
Long-term debt:		
Revolving credit	38.9	8.9
Term loans	3.8	3.8
Senior Secured Notes due 2013	320.0	320.0
Senior Discount Notes due 2014	127.0	—
	<hr/>	<hr/>
Total long-term debt	489.7	332.7
Product warranty and insurance reserves	16.9	16.4
Accrued pension liabilities	31.7	29.4
Other long-term liabilities	37.6	47.9
	<hr/>	<hr/>
Total liabilities	741.1	583.8
Commitments and contingencies—See Note 8		
Minority interest	10.6	6.1
Common stock subject to redemption	—	13.2
Senior convertible preferred stock, \$.01 par value; 10.0 shares authorized; 2.3 shares issued in 2004 and 2003	—	—
Common stock, \$.01 par value; 37.0 shares authorized, 0.8 shares issued in 2004 and 3.0 shares issued in 2003	—	—
Capital in excess of par value	10.7	15.8
Receivable from Director for purchase of common stock	(0.6)	(0.6)
Retained (deficit)	(172.9)	(53.7)
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	13.6	8.0
Minimum pension liability, net of tax	(17.6)	(14.5)
	<hr/>	<hr/>
Total accumulated other comprehensive loss	(4.0)	(6.5)
Treasury stock, at cost, 0.1 shares in 2004 and 2.1 shares in 2003	(1.3)	(44.1)
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 583.6	\$514.0

See accompanying notes.

KI HOLDINGS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions)

	Years Ended December 31,		
	2004	2003	2002
Cash provided by (used in) operating activities:			
Net income (loss)	\$ 9.6	\$ (37.1)	\$ 16.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	32.9	33.7	28.7
Bad debt expense	—	2.1	0.1
Deferred income taxes	5.1	(8.9)	6.2
Write-offs of deferred financing costs	—	6.4	—
Equity income of affiliated companies, net of dividends received	0.2	1.0	0.9
Cumulative effect of accounting changes	—	18.1	—
Restructuring and impairment	(0.6)	8.4	(3.4)
Change in reserves	(14.1)	(3.5)	(3.9)
Non-cash interest expense	1.5	—	—
Other	1.5	(0.3)	(0.1)
(Increase) decrease in working capital:			
Accounts receivable	(8.0)	2.3	(7.0)
Inventories	(12.2)	(4.2)	7.2
Accounts payable	4.9	(10.0)	7.1
Accrued liabilities and other working capital	(2.3)	4.4	(6.3)
Net cash provided by operating activities	18.5	12.4	46.0
Cash provided by (used in) investing activities:			
Capital expenditures	(21.2)	(19.3)	(19.7)
Other	0.8	0.8	1.4
Net cash used in investing activities	(20.4)	(18.5)	(18.3)
Cash provided by (used in) financing activities, net of acquisitions:			
Borrowings of revolving credit	275.2	285.9	253.3
Repayments of revolving credit	(225.3)	(311.0)	(231.5)
Issuance of 9 7/8% Senior Secured Notes Due 2013	—	320.0	—
Issuance of 9 7/8% Senior Discount Notes Due 2014	125.5	—	—
Redemption of 9 7/8% Senior Subordinated Notes Due 2007	—	(175.0)	—
Borrowings on long-term debt	—	75.0	—
Repayments on long-term debt	(8.0)	(116.7)	(30.4)
Purchases of common stock	(0.3)	(9.0)	(6.2)
Payment of deferred financing costs	(5.6)	(16.1)	—
Dividends paid	(127.9)	(48.1)	(9.8)
Net cash provided by (used in) financing activities	33.6	5.0	(24.6)
Effect of exchange rates on cash	0.5	1.2	1.2
Net increase in cash and cash equivalents	32.2	0.1	4.3
Cash and cash equivalents at beginning of year	9.6	9.5	5.2
Cash and cash equivalents at end of year	\$ 41.8	\$ 9.6	\$ 9.5
Supplemental disclosure of cash flows information:			
Cash paid during the year for:			
Interest	\$ 32.8	\$ 20.3	\$ 22.3
Income taxes	\$ 10.1	\$ 8.9	\$ 7.0

See accompanying notes.

KI HOLDINGS 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, 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)	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance at December 31, 2002	\$ —	\$ —	\$ 12.9	\$ (0.6)
Net (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)	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance at December 31, 2003	\$ —	\$ —	\$ 15.8	\$ (0.6)
Net income for 2004	—	—	—	—
Foreign currency translation	—	—	—	—
Minimum pension liability adjustment, net of tax of \$2.0	—	—	—	—
Comprehensive income	—	—	—	—
Net change in common stock subject to redemption	—	—	11.2	—
Options exercised, 0.1 shares	—	—	2.8	—
Treasury stock purchases, 0.1 shares	—	—	—	—
Treasury stock retired and cancelled	—	—	(19.1)	—
Dividends declared (\$33.85 per share)	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance at December 31, 2004	\$ —	\$ —	\$ 10.7	\$ (0.6)

See accompanying notes.

KI HOLDINGS INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In millions except per share figures)

	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income	Treasury Stock
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 (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)
Net income for 2004	\$ 9.6	\$ —	\$ 9.6	\$ —
Foreign currency translation	—	5.6	5.6	—
Minimum pension liability adjustment, net of tax of \$2.0	—	(3.1)	(3.1)	—
Comprehensive income			\$ 12.1	
Net change in common stock subject to redemption	—	—		—
Options exercised, 0.1 shares	—	—		—
Treasury stock purchases, 0.1 shares	—	—		(2.2)
Treasury stock retired and cancelled	(25.9)	—		45.0
Dividends declared (\$33.85 per share)	(102.9)	—		—
Balance at December 31, 2004	\$ (172.9)	\$ (4.0)		\$ (1.3)

See accompanying notes.

KI HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Parent Company of Koppers Inc.

On November 12, 2004, KI Holdings Inc. (the "Company" or "KI Holdings") 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. In these financial statements, unless otherwise indicated or the context requires otherwise, when the terms "Koppers," the "Company," "we," "our" or "us," are used, they 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 has no direct operations and no significant assets other than the stock of Koppers Inc. and \$27.0 million of cash. It depends on the dividends from the earnings of Koppers Inc. and its subsidiaries to generate the funds necessary to meet its financial obligations, including payments of principal, interest, and other amounts on the Holdings Notes. The terms of Koppers Inc.'s senior secured credit facility prohibit Koppers Inc. from paying dividends and otherwise transferring assets except for certain limited dividends. Further, the terms of the indenture governing the Koppers Inc.'s Senior Secured Notes significantly restrict Koppers Inc. from paying dividends and otherwise transferring assets to KI Holdings.

Business

KI Holdings is a global integrated producer of carbon compounds and treated wood products for use in a variety of markets including the aluminum, railroad, specialty chemical, utility, rubber, 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.

Impact of Foreign Exchange Rates

The effect of changes in foreign exchange rates on net income for the years ended December 31, 2004, 2003, and 2002 was increases of approximately \$1.7 million, \$2.4 million, and \$0.8 million, respectively.

KI HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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.

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 59% and 55% of the first-in, first-out ("FIFO") inventory value at December 31, 2004 and 2003, respectively.

Revenue Recognition

The Company recognizes revenue from product sales at the time of shipment or when title passes to the customer. KI Holdings recognizes revenue related to the procurement of certain untreated railroad crossties upon transfer of title, which occurs upon delivery to the plant and acceptance by the customer. Service revenue, consisting primarily of wood treating services, is recognized at the time the service is provided. Shipping and handling costs are included as a component of cost of sales.

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.

	<u>Equity Income</u>	<u>Dividends Received</u>
		<i>(In millions)</i>
2004	\$ 0.3	\$ 0.5
2003	0.5	0.9
2002	0.6	0.8

KI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Koppers (China) Carbon & Chemical Co. Ltd. (Koppers China)

The Company holds a 60% ownership interest in Koppers China but accounted for this investment under the equity method prior to January 1, 2004 as described below.

	<u>Equity Income</u>	<u>Dividends Received</u>
		<i>(In millions)</i>
2003	\$ (0.6)	\$ 0.0
2002	(0.6)	0.0

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. The joint venture agreement also includes a tar supply contract with TISCO, which serves to ensure a long-term supply of coal tar products in the Company’s Australasian markets. The joint venture, Koppers (China) Carbon and Chemical Co., Limited (“Koppers China”) 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 at December 31, 2004.

In June 2001 the Company entered into an agreement with TISCO whereby TISCO assumed control of Koppers China through December 31, 2003. 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 Koppers Inc.’s 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. 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. TISCO has guaranteed a bank loan of Koppers China; the Company has issued a cross guarantee to TISCO in the amount of approximately \$1.5 million, representing 60% of the loan amount. The equity losses for 2003 and 2002 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 assumed operating control of Koppers China and therefore began to consolidate this entity in the first quarter of 2004. For the year ended December 31, 2004 the Company’s consolidated results include sales and net income of \$25.5 million and \$2.7 million, respectively.

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, 2004, 2003 and 2002 amounted to \$31.8 million, \$31.6 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, 2004, 2003 and 2002 amounted to \$13.3 million, \$12.9 million and \$12.9 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.

KI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 Discount Notes due 2014 (based on trading activity) at December 31, 2004 was \$129.9 million. The fair value of the Senior Secured Notes due 2013 (based on trading activity) at December 31, 2004 and 2003 was \$364.8 million and \$353.6 million, respectively.

Research and Development

Research and development costs, which are included in selling, general and administrative expenses, amounted to \$2.2 million for 2004, \$2.3 million for 2003 and \$2.9 million for 2002.

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 with definite lives continue to be amortized over their useful lives. The Company applied the rules on accounting for goodwill beginning in the first quarter of 2002. During 2004 the Company performed the required impairment tests of goodwill as of November 30, 2004 and determined that there is no impairment. Activity related to goodwill for the last three years consisted of the following: (i) for 2004, the balance increased from \$36.5 million to \$38.4 million as the result of \$1.9 million of foreign currency effect; (ii) for 2003, the balance increased from \$31.5 million to \$36.5 million as the result of \$5.0 million of foreign currency effect; and (iii) for 2002, the balance increased from \$29.4 million to \$31.5 million as a result of \$2.1 million of foreign currency effect.

Derivatives

Forward Exchange Contracts. 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, 2004 and 2003 there were no deferred gains or losses on hedging of foreign currencies. The fair value of these derivatives at December 31, 2004 and 2003 was \$0.1 million and \$0.3 million, respectively, and is included in other current assets. For the year ended December 31, 2004 there were no net gains or losses on forward exchange contracts, and, for the years ended December 31, 2003 and 2002 \$0.2 million and \$0.0 million, respectively, of losses on forward exchange contracts are included in cost of sales. Realized foreign exchange gains for the years ended December 31, 2004, 2003 and 2002 amounted to \$0.4 million, \$0.3 million and \$0.1 million, respectively.

Interest Rate Swap. In January 2004 the Company entered into an interest rate swap agreement for \$50 million of the 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 Senior Secured Notes. The swap is being accounted for as a fair value hedge and has been determined to have no ineffectiveness. The effect of the swap for the year ended December 31, 2004 was a reduction in interest expense of approximately \$1.3 million. The fair value of the swap agreement at December 31, 2004 was a liability of \$0.9 million.

KI HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2004 and 2003 were approximately \$4.7 million and \$7.5 million, respectively, which include provisions primarily for fines and soil remediation. The reduction in reserves relates primarily to the payment of environmental fines in the U.S. and removal and disposal of hazardous waste in Europe.

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):

	2004	2003	2002
Warranty reserve beginning of year	\$ 5.7	\$ 5.3	\$ 5.5
Warranty expense charged to income	1.1	0.9	0.8
Cash expenditures for warranty claims	(0.6)	(0.5)	(1.0)
Warranty reserve end of year	\$ 6.2	\$ 5.7	\$ 5.3

Stock-Based Compensation

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 \$0.7 million of compensation expense for the vesting of restricted stock grants and the issuance of 8,000 shares of common stock to certain officers during 2004.

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 SFAS No. 123, *Accounting for Stock-Based Compensation*:

	Years Ended December 31,		
	2004	2003	2002
	<i>(In millions)</i>		
Net income (loss), as reported	\$ 9.6	\$(37.1)	\$16.5
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
<i>Pro forma</i> net income (loss)	\$ 9.5	\$(37.2)	\$16.4

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.

KI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Impact of Other Recently Issued Accounting Guidance

In March 2005, the Financial Accounting Standards Board issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (“FIN No. 47”). FIN No. 47 clarifies that the term conditional obligation as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN No. 47 requires that the uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation be factored into the measurement of the liability when sufficient information exists. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective for fiscal years ending after December 15, 2005. The Company has not yet determined the impact, if any, of the adoption of FIN No. 47 on its financial statements.

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. The Company is required to adopt the new standard in the first interim period beginning after June 15, 2005. The Company has not yet determined the impact, if any, of the adoption of SFAS 123R on its 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. The Company is required to adopt the new standard in the first interim period beginning after June 15, 2005. The Company does not expect the adoption of SFAS 153 to have a material effect on its 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. The Company is required to adopt the new standard in the fiscal year beginning after June 15, 2005. The Company has not yet determined the impact, if any, of the adoption of SFAS 151 on its financial statements.

American Jobs Creation Act of 2004. In October 2004, the American Jobs Creation Act of 2004 (the “AJCA”) was signed into law. The AJCA allows companies to repatriate earnings from foreign subsidiaries at a reduced U.S. tax rate. The FASB issued FASB Staff Position 109-1 to provide guidance on the application of SFAS No. 109, *Accounting for Income Taxes*, and FASB Staff Position 109-2 to provide accounting and disclosure guidance for the repatriation provision. The Company is evaluating the consequences of repatriating up to \$3 million with a related range of income tax effects that cannot be reasonably estimated as of the time of issuance of these financial statements. The Company expects to complete its review by December 31, 2005, and will recognize the income tax effect, if any, in the period when a decision whether to repatriate is made.

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

KI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 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 SFAS Nos. No. 87, 88 and 106, and a revision of SFAS 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. The Company has adopted SFAS No. 132 by adding the required disclosures, which can be found in Note 5 to these financial statements.

In May 2003, FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, effective for the fiscal period beginning after December 15, 2003. SFAS 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 SFAS No. 150 required 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 Company's stockholders' agreement required the Company to redeem shares of common stock owned by officers, directors and the Company's current and former employees ("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 Company's option.

The initial adoption of SFAS No. 150 resulted in the recognition of a liability in the amount of \$13.2 million for shares with a mandatory redemption requirement. At December 31, 2004 after giving effect to the amendment to the Stockholders' Agreement as noted above, the remaining liability was \$0.8 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.

Asset Retirement Obligations. Effective January 1, 2003 the Company changed its method of accounting for asset retirement obligations in accordance with SFAS 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.

KI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 December 31, 2004 and 2003:

	December 31,	
	2004	2003
Asset retirement obligation at beginning of year	\$ 34.9	\$ —
Liability recognized in transition	—	33.4
Accretion expense	2.2	2.4
Effect of fixed asset additions	—	0.9
Acceleration of obligations due to restructuring	—	4.7
Gain on settlement of obligations	(1.7)	—
Expenses incurred	(7.3)	(6.5)
Asset retirement obligation at end of year	\$ 28.1	\$ 34.9

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. The *pro forma* effects of the application of SFAS No. 143 as if the Statement had been adopted on January 1, 2002 (rather than January 1, 2003) would have resulted in a reduction of \$1.3 million to net income for the twelve months ended December 31, 2002.

The *pro forma* asset retirement obligation liability balance if Statement No. 143 had been adopted on January 1, 2002 (rather than January 1, 2003) would have been \$31.1 million.

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.

In April 2002, the FASB issued SFAS 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, SFAS 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 SFAS No. 4. Extraordinary treatment will be required for certain extinguishments as provided in APB Opinion No. 30. SFAS No. 145 also amends SFAS 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 SFAS No. 44, which addressed the accounting for intangible assets of motor carriers and made numerous technical corrections. The Company's adoption of SFAS 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.

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

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business to increase competitiveness. Accordingly, in December 2003 the Company 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 was 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.

At December 31, 2004 all of the cash charges had been expended and there were no remaining reserves.

As a result of these restructuring programs, during 2003 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.

3. Debt

	December 31,	
	2004	2003
	<i>(In millions)</i>	
Revolving credit	\$ 59.5	\$ 8.9
Term loans	6.3	11.8
Senior Secured Notes due 2013	320.0	320.0
Senior Discount Notes due 2014	127.0	—
	<u>\$ 512.8</u>	<u>\$ 340.7</u>

Senior Discount Notes

On November 18, 2004, KI Holdings issued and sold \$203.0 million aggregate principal amount at maturity (\$125.5 million gross proceeds) 9⁷/₈% Senior Discount Notes due 2014 (the "Discount Notes"). A portion of the cash proceeds was used to pay a \$95 million dividend to KI Holdings' stockholders. As of December 31, 2004, fees and expenses for the transaction amounted to approximately \$4.2 million. The remainder has been retained for general corporate purposes, which could include dividends, acquisitions, or working capital requirements. No cash interest is required to be paid prior to November 15, 2009. The accreted value of each Discount Note will increase from the date of issuance until November 15, 2009, at a rate of 9⁷/₈% per annum compounded semiannually such that on November 19, 2009 the accreted value will equal \$203 million, the principal amount due at maturity. Subsequent to November 19, 2009 cash interest on the Discount Notes will accrue and be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on May 15, 2010. The Discount Notes are effectively subordinated to the Company's existing and future secured indebtedness, and is structurally subordinated to all of the existing and future indebtedness and other liabilities and preferred equity of the Company's subsidiaries. KI Holdings has no direct operations and no significant assets other than cash remaining from the proceeds of the Senior Discount Notes and the stock of Koppers Inc. It depends on the

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dividends from the earnings of Koppers Inc. and its subsidiaries to generate the funds necessary to meet its financial obligations, including payments of principal, interest, and other amounts on the Holdings Notes. The terms of Koppers Inc.'s senior secured credit facility prohibit Koppers Inc. from paying dividends and otherwise transferring assets except for certain limited dividends. Further, the terms of the indenture governing the Koppers Inc.'s Senior Secured Notes significantly restrict Koppers Inc. from paying dividends and otherwise transferring assets to KI Holdings.

October 2003 Refinancing

In October 2003, Koppers Inc. issued \$320 million of 9⁷/₈% Senior Secured Notes due 2013 (the "Senior Secured Notes"), with a portion of the proceeds from the Senior Secured Notes used to redeem \$175 million of senior subordinated notes due 2007 (the "2007 Notes"). The October refinancing also included an amendment to the existing senior secured credit facility, 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 associated with the 2007 Notes 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 2003 refinancing the senior secured credit facility 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, 2004 the term loan had been repaid and \$49.8 million of the revolving credit facility was outstanding, of which \$20.6 million is classified as a current obligation. The senior secured credit facility is for a period of four years, and the loans are secured by substantially all of Koppers Inc.'s assets, with revolving credit availability based on receivables and inventory as well as the attainment of certain ratios and covenants.

The revolving credit facility under the credit facilities provides for interest at variable rates. At December 31, 2004 and 2003 the effective rate on the revolving credit facility was 4.1% and 3.4%, respectively.

Substantially all of Koppers Inc.'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.

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, 2004 amounted to \$3.8 million.

A subsidiary of Koppers Australia has a loan outstanding in the amount of \$9.0 million at December 31, 2004 which is classified as revolving credit. There is no specified repayment period for this loan.

Koppers China has a loan outstanding in the amount of \$2.5 million at December 31, 2004 which is classified as current due to the intent to renew the loan during 2005.

KI HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At December 31, 2004 the aggregate debt maturities for the next five years are as follows (in millions):

2005	\$23.1
2006	3.8
2007	29.9
2008	—
2009	—

At December 31, 2004 the Company had \$18.9 million of standby letters of credit outstanding, all of which expire within one year.

Deferred financing costs associated with the credit facilities, the issuance of the Discount Notes, and the issuance of Senior Secured Notes totaled \$20.5 million and are being amortized over the life of the related debt. Deferred financing costs (net of accumulated amortization of \$2.7 million at December 31, 2004, \$1.9 million at December 31, 2003 and \$10.0 million at December 31, 2002) were \$17.8 million, \$14.2 million and \$6.5 million at December 31, 2004, 2003 and 2002, 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

In November 2004, all of the common and preferred stock of Koppers Inc. was converted on a one-for-one basis for shares of common and preferred stock of KI Holdings Inc. Additionally, in December 2004 all of the treasury stock of Koppers Inc. was retired and cancelled. When the common and preferred stock of Koppers Inc. was converted into common and preferred stock of KI Holdings Inc., the stockholders' agreement of Koppers Inc. was amended to provide for the transfer of the terms and conditions of the stockholders' agreement from Koppers Inc. to KI Holdings Inc.

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 Inc. common stock at the current fair value. Additionally, in August 2004 Koppers Inc. granted 135,000 restricted stock units to certain officers, of which 20% vested August 31, 2004. The remaining units vest annually at a rate of 20% per year. The Company recorded \$0.7 million of compensation expense for the vesting of restricted stock grants and the issuance of 8,000 shares of common stock to certain officers during 2004.

Common Stock Subject to Redemption

At December 31, 2004, 2003 and 2002 the maximum redemptions that could be paid under the Company's stockholders' agreement, subject to existing debt covenants, were \$0.8 million, \$13.2 million and \$23.1 million, respectively. The value of shares subject to redemption under the terms of the stockholders' agreement was previously segregated from other common stock on the face of the balance sheet. There were approximately 0.1 million shares of common stock at December 31, 2004 subject to the redemption provisions of the Stockholders' Agreement; the Company had committed to redeem these shares prior to the effectiveness of the amendment eliminating the mandatory redemption provision. The remaining liability is classified as accrued liabilities and other long-term liabilities on the balance sheet at December 31, 2004.

Prior to the reduction to zero in 2004 as a result of the adoption of SFAS No. 150, common stock subject to redemption decreased by \$9.9 million in 2003 and increased by \$0.8 million in 2002. Changes in this balance reflected retiree redemptions, revaluations and new shares issued as a result of stock option exercises.

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In each of 2003 and 2002 the Company redeemed 25% of a Director's shares at the respective fair values for a total of approximately \$0.7 million each year.

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 were restricted and vested at a rate of 20% per year. At December 31, 2004 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.

Senior Convertible Preferred Stock

In November 2004 the preferred stock of Koppers Inc. was exchanged for preferred stock of KI Holdings Inc.

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 (\$0.01 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 KI Holdings.

Dividends

In 2004, 2003 and 2002 the Koppers Inc. paid cash dividends of \$10.86, \$15.46 and \$2.85 per share, respectively, to common and preferred shareholders. In December 2003 Koppers Inc. declared a cash dividend of \$25 million (\$8.00 per share) which was paid in January 2004. Koppers Inc. is limited by its current lending covenants regarding the payment of dividends. KI Holdings paid a dividend of \$30.99 per share in December 2004 using part of the proceeds of the Senior Discount Notes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

5. Pension and Other Postretirement Benefit Plans

Expected Contributions for the 2005 Fiscal Year:

The expected contributions for 2005 are estimated to be \$11.1 million.

The measurement date for the U.S. pension and postretirement assets and obligations is December 31 for each respective year.

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
	<i>(In millions)</i>		<i>(In millions)</i>	
Change in benefit obligation:				
Benefit obligation at beginning of year	\$160.8	\$134.0	\$ 15.5	\$ 10.2
Service cost	4.4	4.1	0.3	0.2
Interest cost	9.5	9.2	0.9	0.7
Plan participants' contributions	0.4	0.4	—	—
Amendments	—	0.1	—	—
Actuarial losses	8.9	14.2	0.8	5.2
Foreign currency changes	3.2	5.3	—	—
Effect of curtailments	(5.9)	—	—	—
Benefits paid	(7.8)	(6.5)	(1.2)	(0.8)
Benefit obligation at end of year	\$173.5	\$160.8	\$ 16.3	\$ 15.5
Change in plan assets:				
Fair value of plan assets at beginning of year	\$103.4	\$ 85.4	\$ —	\$ —
Actual return on plan assets	10.7	13.4	—	—
Employer contribution	14.7	6.1	1.2	0.8
Plan participants' contributions	0.4	0.4	—	—
Foreign currency changes	2.6	4.6	—	—
Benefits paid	(7.8)	(6.5)	(1.2)	(0.8)
Fair value of plan assets at end of year	\$124.0	\$103.4	\$ 0.0	\$ 0.0
Funded status of the plan	\$ (49.5)	\$ (57.4)	\$(16.3)	\$(15.5)
Unrecognized transitional (asset)	(3.0)	(3.1)	—	—
Unrecognized actuarial loss	39.9	41.3	3.2	2.5
Unrecognized prior service cost	2.6	1.8	(1.5)	(1.8)
Net amount recognized	\$ (10.0)	\$ (17.4)	\$(14.6)	\$(14.8)
Disclosures:				
Amounts recognized in the statement of financial position consist of:				
Prepaid pension benefit	\$ 0.2	\$ 0.3	\$ —	\$ —
Accrued benefit liability	(40.6)	(42.9)	(14.6)	(14.8)
Intangible asset	1.4	1.8	—	—
Minimum pension liability adjustment-reduction of shareholders' equity	29.0	23.4	—	—
Net amount recognized	\$ (10.0)	\$ (17.4)	\$(14.6)	\$(14.8)

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 \$164.3 million, \$155.2 million

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and \$114.6 million, respectively, as of December 31, 2004, and \$160.9 million, \$145.9 million and \$103.4 million, respectively, as of December 31, 2003.

Projected Benefit Payments

Benefit payments, including those amounts to be paid out of corporate assets and reflecting future expected service as appropriate, are expected to be paid as follows:

	Pension Benefits	Other Benefits
	<i>(In millions)</i>	<i>(In millions)</i>
2005	\$ 8.0	\$ 1.2
2006	8.0	1.2
2007	8.8	1.2
2008	9.4	1.2
2009	10.1	1.2
2010-2014	58.2	6.6

Weighted-average assumptions as of December 31:

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
Discount rate	5.69%	6.16%	5.75%	6.25%
Expected return on plan assets	7.82%	7.86%		
Rate of compensation increase	3.17%	3.16%		
Initial medical trend rate			10.50%	11.00%

Basis for the Selection of the Long-Term Rate of Return on Assets

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 the Company's pension plans at December 31, 2004 amounted to \$164.0 million and \$124.0 million, respectively, and at December 31, 2003 amounted to \$145.9 million and \$103.4 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. To develop the expected long-term rate of return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 7.82% long-term rate of return on assets assumption.

Investment Strategy. The Company's investment strategy for its pension plans is to manage the plans on a going-concern basis. Current investment policy is to achieve a high return on assets, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for participants. For U.S. pension plans, this policy currently targets a 75% allocation to equity securities and a 25% allocation to debt securities. Various asset allocation strategies are in place for non-U.S. pension plans, with a weighted-average target allocation of 57% to equity securities, 36% to debt securities and 7% to other asset classes, including real estate.

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The weighted average asset allocation for the retirement plans for the Company at December 31 by asset category is as follows:

<u>Asset Class</u>	<u>2004</u>	<u>2003</u>
Equity Securities	69.0%	63.1%
Fixed Income Securities	28.4	34.5
Other	2.6%	2.4%
Totals	100.0%	100.0%

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<i>(In millions)</i>		<i>(In millions)</i>	
Components of net periodic benefit cost:				
Service cost	\$ 4.4	\$ 4.1	\$ 0.3	\$ 0.2
Interest cost	9.4	9.2	0.9	0.7
Expected return on plan assets	(8.4)	(6.7)	—	—
Amortization of prior service cost	0.4	0.5	(0.3)	(0.4)
Amortization of gain	1.8	2.4	0.1	—
Amortization of transition amounts	(0.4)	(0.3)	—	—
Curtailement charge	0.2	—	—	—
Net periodic benefit cost	\$ 7.4	\$ 9.2	\$ 1.0	\$ 0.5

In June 2004, the U.S. pension plan was amended to reduce benefits payable to current employees. The estimated effect of this amendment was to reduce 2004 pension expense by approximately \$0.9 million.

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 \$29.0 million and \$25.2 million as of December 31, 2004 and 2003, respectively. Intangible assets of \$1.4 million and \$1.8 million and stockholders' equity reductions, net of income taxes, of \$17.6 million and \$14.5 million, were recorded as of December 31, 2004 and 2003, respectively.

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 2004 initial medical trend rate is assumed to be 10.5% and is 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):

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total of service and interest cost components in 2004	\$ —	\$ —
Effect on postretirement benefit obligation as of December 31, 2004	\$ 0.6	\$ (0.5)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Cash Flows

Other postretirement benefits are funded on a cash basis. Therefore, the expected contribution in 2004 is approximately \$1.2 million.

Medicare Prescription Drug Act. 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. The Company has determined that the benefits provided under its plans are not 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.

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 \$4.9 million in 2004, \$2.7 million in 2003 and \$2.2 million in 2002.

Employee Savings Plan. The Company has established employee savings plans for all eligible U.S. salaried and hourly employees that conforms to Section 401(k) of the Internal Revenue Code. Subject to restrictions under applicable law, under the employee savings plans non-highly compensated participating employees can elect to contribute up to 20% of their salaries, and highly compensated participating employees can elect to contribute up to 7% 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 is 100% of the first 1% plus 50% of the next 2% of contributions.

The Company's contributions amounted to \$1.0 million in 2004, \$1.0 million in 2003 and \$0.9 million in 2002.

6. Income Taxes

Components of the Company's income tax provision (benefit) are as follows:

	Years Ended December 31,		
	2004	2003	2002
	(In millions)		
Current:			
Federal	\$ —	\$ —	\$ 0.1
State	0.1	0.1	0.1
Foreign	8.1	7.5	7.4
Total current tax provision	8.2	7.6	7.6
Deferred:			
Federal	3.6	(8.4)	6.1
State	1.7	(0.1)	0.1
Foreign	(0.2)	(0.4)	—
Total deferred tax provision (benefit)	5.1	(8.9)	6.2
Total income tax provision (benefit)	\$ 13.3	\$ (1.3)	\$ 13.8

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Tax Benefits Excluded from Net Income

The amount of income tax benefit included in comprehensive income but excluded from net income relating to minimum pension liability for 2004, 2003, and 2002 was \$1.5 million, \$0.9 million, and \$2.7 million, respectively.

The amount of income tax benefit included in stockholders' equity but excluded from net income relating to the expense for employee stock options recognized differently for financial reporting and tax reporting purposes for 2004, 2003, and 2002 was \$0.1 million, \$0.4 million, and \$0.1 million, respectively.

Deferred Tax Assets and Liabilities

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,	
	2004	2003
	<i>(In millions)</i>	
Deferred tax assets:		
Alternative minimum tax credits	\$13.4	\$12.1
Other postretirement benefits obligation	17.6	17.4
Reserves, including insurance and product warranty	14.9	14.2
Book/tax inventory accounting	2.6	2.4
Accrued vacation	3.2	2.7
Excess tax basis on Koppers Australia assets	8.7	10.0
Monessen Transaction	—	4.2
Asset retirement obligations	9.9	11.7
Net operating loss benefit	20.9	11.7
Accrued but unpaid interest	0.6	—
Other	4.3	4.3
Valuation allowance	(6.9)	(3.4)
	89.2	87.3
Deferred tax liabilities:		
Tax over book depreciation and amortization	23.7	19.4
Monessen Transaction	1.0	—
Other	4.2	5.3
	28.9	24.7
	\$60.3	\$62.6

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company has recorded a valuation allowance of \$6.9 million for certain net operating loss carryforwards anticipated to produce no tax benefit.

The Company has a federal net operating loss benefit of \$14.0 million; of this amount, \$9.8 million will expire at the end of 2023 and \$4.2 million will expire at the end of 2024. The Company has a state net operating loss benefit of \$6.9 million, which will expire from 2006 to 2024. To realize the benefit net of valuation allowances, the Company will need to generate approximately \$40.0 million of taxable income. The Company also has an alternative minimum tax credit carryforward of approximately \$13.4 million that has no expiration date.

Income before income taxes for 2004, 2003 and 2002 included \$26.9 million, \$22.6 million and \$23.5 million, respectively, from foreign operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The provision for income taxes is reconciled with the federal statutory rate as follows:

	Years Ended December 31,		
	2004	2003	2002
Federal	35.0%	(35.0)%	35.0%
State, net of federal tax benefit	4.4	(0.1)	0.4
Foreign taxes	9.2	28.6	10.0
Section 29 credits	—	—	(0.4)
Non-deductible environmental fines	—	0.1	0.1
Other	2.0	(0.6)	(0.9)
	<u>50.6%</u>	<u>(7.0)%</u>	<u>44.2%</u>

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, 2004 consolidated retained earnings of the Company included approximately \$17 million of undistributed earnings from these investments. The Company is currently evaluating the American Jobs Creation Act of 2004 provision that allows companies to repatriate earnings from foreign subsidiaries at a reduced U.S. tax rate. The Company is evaluating the consequences of repatriating up to \$3 million with a related range of income tax effects that cannot be reasonably estimated as of the time of issuance of these financial statements. The Company expects to complete its review by December 31, 2005, and will recognize the income tax effect, if any, in the period when a decision whether to repatriate is made.

Monessen Transaction

In December 1999 the Company entered into a transaction 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 and 2002 the Company received \$0.1 million (prior year inflation adjustment) and \$9.8 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.

Koppers China Tax Holiday

As a result of being a Foreign Investment Enterprise in the manufacturing sector, the Company's 60% owned joint venture in China is entitled to an income tax holiday under which it is exempted from corporate income tax for its first two profit making years (after deducting losses incurred in previous years), and is entitled to a 50% reduction in the corporate tax for the succeeding three years. The effect of the tax holiday on the Company's net income for the year ended December 31, 2004 (the first year Koppers China qualified for the tax holiday) was approximately \$0.9 million. Assuming Koppers China remains profitable, the tax holiday will expire on January 1, 2009.

7. 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 2004, 2003 and 2002 the Company recognized \$0.0 million, \$0.1 million and \$0.2 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 \$0.1 million, \$0.4 million and \$0.1 million for stock option exercises in 2004, 2003 and 2002, respectively, for active employees.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A summary of the Company's stock option activity (including activity for Koppers Inc. prior to the conversion of its stock options to stock options of the Company) and related information for the years ended December 31 follows:

	2004		2003		2002	
	Options (000)	Weighted- Average Exercise Price	Options (000)	Weighted- Average Exercise Price	Options (000)	Weighted- Average Exercise Price
Outstanding at beginning of year	110	\$ 22	258	\$ 19	235	\$ 16
Granted	—	—	—	—	67	25
Exercised	(110)	22	(148)	17	(38)	11
Forfeited	—	—	—	—	(6)	17
Outstanding at end of year	—	\$ —	110	\$ 22	258	\$ 19
Exercisable at end of year	—	\$ —	32	\$ 17	133	\$ 16
Weighted-average fair value of options granted during the year	\$ —		\$ —		\$ 3.62	

At December 31, 2004 there were no remaining unexercised options.

8. 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

The Company is involved in litigation and various proceedings relating to antitrust matters, environmental laws and toxic tort matters.

Product Liability Cases

The Company, along with other defendants, has been named as a defendant in eleven cases in Pennsylvania and four cases in Texas in which the plaintiffs claim they suffered a variety of illnesses (including cancer) 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 the Company. Although the Company intends 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 the Company's business, financial condition, cash flows and results of operation.

Government Investigations

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

KI HOLDINGS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 also contacted and coordinated with the Canadian Competition Bureau (“CCB”). The Company has cooperated with the EC, DOJ and CCB in their respective investigations. In 2004, the DOJ returned the documents which the Company had produced. The return of such documents indicates that the DOJ’s investigation has been terminated. The Company has had no recent communications with the CCB. As a result of the Company’s cooperation, (i) in February 2003, the EC granted the Company’s 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 the Company’s 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 the Company 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. The Company’s failure to comply with the applicable conditions that were attached to these grants of immunity could have subjected the Company to fines to the extent that the investigations continued. Such fines, if assessed against the Company, could have had a material adverse effect on its 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 the Company that it had closed its investigation without prejudice to its right to re-open such investigation if new facts come to light.

The New Zealand Commerce Commission (the “NZCC”) is conducting an investigation related to the competitive practices of Koppers Arch New Zealand. Koppers Arch New Zealand is seeking to cooperate with the NZCC. The NZCC can bring court proceedings seeking penalties against companies that have violated New Zealand’s competition laws. However, penalties are assessed by the court. For example, the NZCC can seek fines for each alleged contravention of the competition laws 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. Although it is likely that penalties will be assessed against Koppers Arch New Zealand as a result of the investigation, the Company does not currently have enough information to determine the amount of any such penalties. 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. Except as set forth above, the Company is not currently aware of any other claims (civil or governmental) related to competitive practices in New Zealand. Such other claims, if filed against Koppers Arch New Zealand and resolved unfavorably, could have a material adverse effect on its business, financial condition, cash flows and results of operations.

Koppers Arch Australia has also made an application for leniency under the Australian Competition and Consumer Commission’s (the “ACCC”) policy for cartel conduct. The ACCC has granted immunity to Koppers Arch Australia, subject to the fulfillment of certain conditions, such as, but not limited to, continued cooperation. If the conditions are not fulfilled, Koppers Arch Australia may be penalized 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. Except as set forth above, the Company is not currently aware of any other claims (civil or governmental) related to competitive practices in Australia. Such other claims, if filed against Koppers Arch Australia and resolved unfavorably, could have a material adverse effect on its business, financial condition, cash flows and results of operations.

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Koppers Arch New Zealand and Koppers Arch Australia are majority-owned subsidiaries of Koppers Arch Investments Pty Ltd, which is an Australian joint venture owned 51% by World-Wide Ventures Corporation (a subsidiary of the Company) and 49% by Hickson Nederland BV. Koppers Arch New Zealand and Koppers Arch Australia manufacture and market wood preservative products throughout New Zealand and Australia, respectively.

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 the Company. 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.

Grenada. Koppers, together with various co-defendants, 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 operations of the Company's wood treating plant in Grenada, Mississippi ("Grenada"). See "Environmental and Other Liabilities Retained or Assumed by Others."

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. The Company 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 retained 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.

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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, including certain limitations regarding the time period as to which claims for indemnification can be brought. 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 under the Indemnity through July 2019. As consideration for the agreement, the Company 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 the Company's manufacturing and other sites. Three sites owned and operated by the Company 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 the 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. 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 the Company's 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 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 \$11.6 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 its business, financial condition, cash flows and results of operations. In addition, if the Company were required to record a liability with respect to all or a portion of such matters on its balance sheet, the amount of its total liabilities could exceed the book value of its 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 its 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. The Company's total reserves include \$1 million 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 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 were originally a total of approximately 110 plaintiffs. Pursuant to an Order granting defendants' Motion to Sever, the Court dismissed the claims of 98 plaintiffs without prejudice to their right to refile their Complaints. Each plaintiff in the Beck case

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 the Company's experience in defending previous toxic tort cases (including the Company's victory in similar litigation involving Green Spring and its recent dismissal without prejudice from similar litigation involving Somerville, as 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 federal court cases has also been stayed. However, discovery with respect to 12 plaintiffs is proceeding in the Beck federal case. The Court recently granted the defendants' Motion to Sever in the Beck case, holding that the claims of the 12 Beck plaintiffs must be tried separately. Prior to the granting of such Motion to Sever on April 14, 2005, the trials of the 12 Beck plaintiffs were scheduled to commence in October 2005. It is expected that the trial of the first Beck plaintiff will occur in October 2005. 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 its business, financial condition, cash flows and results of operations.

Somerville. Koppers, 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 the Company's wood treating facility in Somerville, Texas ("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.

Other Environmental Matters

In October 1996, the Company 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 the Company violated various provisions of the Clean Water Act. The Company 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. The final payment of \$0.9 was made in April 2005.

Additionally, during an investigation the Company initiated 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 and a related compliance agreement addressing this matter, which together provide, among other things, for the payment 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 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. The final payment of \$1.0 million was completed in January 2005. A

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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 suspension or debarment from governmental contracts.

Rents

Rent expense including operating leases for 2004, 2003 and 2002 was \$29.0 million, \$28.0 million and \$25.2 million, respectively. Commitments during the next five years under operating leases aggregate to approximately \$81.0 million and are as follows (in millions):

2005	\$23.5
2006	19.0
2007	16.3
2008	11.8
2009	10.4

Labor Unions

Of the Company's employees, approximately 62% are represented by 22 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 nearly 300 employees. Another significant affiliation is the Paper, Allied-Industrial, Chemical & Energy Workers' International Union, with nearly 200 employees at four facilities. Labor contracts expiring in 2005 cover approximately 21% of total employees.

9. 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.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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			Total
	Carbon Materials & Chemicals	Railroad & Utility Products	All Other	
	<i>(In millions)</i>			
Year ended December 31, 2004:				
Revenues from external customers	\$ 553.4	\$ 399.1	\$ —	\$952.5
Intersegment revenues	32.1	—	—	32.1
Depreciation and amortization	24.2	8.4	0.3	32.9
Operating profit	44.6	19.4	0.4	64.4
Segment assets	333.5	148.6	101.5	583.6
Capital expenditures	12.3	8.7	0.2	21.2
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
Capital expenditures	12.9	6.6	0.2	19.7

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	Years Ended December 31,		
	2004	2003	2002
	<i>(In millions)</i>		
Profit or Loss			
Operating profit for reportable segments	\$ 64.0	\$ 20.7	\$46.3
Corporate depreciation and amortization	(0.3)	(2.2)	(2.1)
Other including Section 29 tax credits	1.1	0.6	9.9
	\$ 64.8	\$ 19.1	\$54.1
Assets			
Total assets for reportable segments	\$482.1	\$455.8	
Deferred financing	17.8	14.2	
Deferred taxes	47.0	52.3	
Fixed assets	1.1	1.2	
Other	9.7	6.5	
Cash and short-term investments	27.8	0.4	
Elimination of intercompany receivables	(1.9)	(16.4)	
	\$583.6	\$514.0	

Geographic Information

United States:			
Revenues from external customers	\$627.2	\$555.5	
Long-lived assets	197.2	199.0	
Australia and Pacific Rim:			
Revenues from external customers	\$197.4	\$158.4	
Long-lived assets	60.3	53.4	
Europe:			
Revenues from external customers	\$127.9	\$129.0	
Long-lived assets	18.9	16.7	

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:

	2004	2003	2002
	<i>(In millions)</i>		
Carbon Materials & Chemicals:			
Carbon pitch	\$ 199.9	\$ 185.7	\$ 170.7
Phthalic anhydride	74.8	59.7	51.6
Furnace coke	48.0	37.0	38.8
Carbon black and carbon black feedstock	47.7	46.1	39.4
Creosote	16.9	20.6	24.1
Naphthalene	30.3	19.8	15.0
Other	135.8	115.2	98.8
	\$ 553.4	\$ 484.1	\$ 438.4
Railroad & Utility Products:			
Railroad crossties	\$ 247.0	\$ 222.4	\$ 206.3
Utility poles	70.7	66.6	67.9
Other	81.4	69.8	63.9
	\$ 399.1	\$ 358.8	\$ 338.1

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

10. Selected Quarterly Financial Data (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2004 and 2003:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2004	2003	2004	2003	2004	2003	2004	2003
	<i>(In millions)</i>							
Net sales	\$ 227.4	\$ 191.0	\$ 249.5	\$ 219.4	\$ 243.8	\$ 214.4	\$ 231.8	\$ 218.1
Operating profit (loss)	10.7	6.7	21.1	10.1	18.9	10.6	13.7	(8.3)
Income (loss) before cumulative effect of accounting change	(0.1)	0.4	4.8	2.2	3.5	—	1.4	(21.6)
Net income (loss)	(0.1)	(17.7)	4.8	2.2	3.5	—	1.4	(21.6)

11. Related Party Transactions

Schnader Harrison Segal & Lewis LLP provided counsel to the Company during 2004 and 2003. A Director of the Company who is also a shareholder, is also counsel to Schnader Harrison Segal & Lewis LLP. During 2004 and 2003, the Company paid a total of \$0.2 million and \$0.3 million, respectively, in legal fees to this firm. Additionally, in 2003 and 2002 the Company redeemed from the Director 25,116 shares at \$29.00 per share and 23,913 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. Mr. Cizik has the right to require the Company to redeem the 35,294 shares at any time at the lower of cost or current fair market value; however, the disposition or transfer of the shares requires the related loan to be repaid immediately.

Advisory Services Agreement with Saratoga Partners III, L.P. The Company 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 the Company 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 shall agree. For such services, the Company will pay Saratoga compensation comparable to compensation paid for such services by similarly situated companies. During 2004 and 2003 the Company paid Saratoga \$0.5 million and \$1.6 million, respectively, related to advisory services for refinancing activities.

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SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 2004, 2003 and 2002
(In millions)

	<u>Balance at Beginning of Year</u>	<u>Increase (Decrease) to Expense</u>	<u>Net (Write-Offs) Recoveries</u>	<u>Foreign Exchange</u>	<u>Balance at Close of Year</u>
2004					
Allowance for doubtful accounts	\$ 1.4	\$ (0.6)	\$ 0.1	\$ —	\$ 0.9
Inventory obsolescence reserves	\$ 0.9	\$ 1.0	\$ 0.4	\$ 0.1	\$ 1.6
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



PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table shows the costs and expenses, other than underwriting discounts, payable in connection with the sale and distribution of the securities being registered. Except as otherwise noted, the registrant will pay all of these amounts. All amounts are estimated.

Securities and Exchange Commission Registration Fee	\$ 14,712.50
National Association of Securities Dealers, Inc. Filing Fee	13,000.00
New York Stock Exchange Listing Fees	*
Printing Expenses	*
Legal Fees and Expenses	*
Accounting Fees and Expenses	*
Transfer Agent and Registrar Agent Fees	*
Miscellaneous	*
Total	\$ *

* To be provided by amendment

Item 14. 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 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 disposition 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.

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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. The Named Executive Officers also have separate indemnification agreements with Koppers Inc.

Item 15. Recent Sales of Unregistered Securities.

In the three years preceding the filing of this registration statement, the Company has issued the following securities that were not registered under the Act:

During 2002 employees exercised options to purchase 37,615 shares of Common Stock at an aggregate exercise price of \$421,457. This transaction was exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act.

During 2003 employees exercised options to purchase 147,911 shares of Common Stock at an aggregate exercise price of \$1,840,431. This transaction was exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act.

During 2004 employees exercised options to purchase 109,751 shares of Common Stock at an aggregate exercise price of \$2,456,904. This transaction was exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act.

During 2002 the Company issued 2,038 shares of Common Stock from Treasury to the Company's 401(k) plan. This transaction was exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act.

During 2003 the Company issued 827 shares of Common Stock from Treasury to the Company's 401(k) plan. This transaction was exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act.

During 2002 the Company issued 953 shares of Common Stock from Treasury to the Company's Employee Stock Purchase plan. This transaction was exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act.

During 2003 the Company issued 453 shares of Common Stock from Treasury to the Company's Employee Stock Purchase plan. This transaction was exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act.

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During 2004 the Company issued 15,000 shares of Common Stock from Treasury to members of the Company's board of directors. This transaction was exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act.

During 2004 the Company issued 27,000 shares of Common Stock to key employees under the Company's 2004 Restricted Stock Unit Plan. This transaction was exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act.

During 2005 the Company issued 27,000 shares of Common Stock to key employees under the Company's 2004 Restricted Stock Unit Plan. This transaction was exempt from registration pursuant to Rule 504 of Regulation D of the Securities Act.

During 2004 the Company issued 8,000 shares of Common Stock to certain key employees for compensatory purposes.

On October 15, 2003 Koppers Inc. issued \$320,000,000 aggregate principal amount of 9⁷/₈% Senior Secured Notes due 2013 to Credit Suisse First Boston LLC and certain other initial purchasers. The issuance of the Senior Secured Notes was made in reliance on Section 4(2) under the Securities Act and the Senior Secured Notes were subsequently resold by the initial purchasers pursuant to Rule 144A promulgated thereunder. The sale of the Senior Secured Notes was made without general solicitation or advertising.

On November 18, 2004 KI Holdings Inc. issued \$203,000,000 aggregate principal amount of 9⁷/₈% Senior Discount Notes due 2014 to Credit Suisse First Boston LLC and certain other initial purchasers. The issuance of the Senior Discount Notes was made in reliance on Section 4(2) under the Securities Act and the Senior Discount Notes were subsequently resold by the initial purchasers pursuant to Rule 144A promulgated thereunder. The sale of the Senior Discount Notes was made without general solicitation or advertising.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

See Exhibit Index beginning on page II-6 of this registration statement.

(b) Financial Statement Schedules.

All schedules have been omitted because the information required to be set forth in schedules is not applicable or is shown in the consolidated financial statements, including the notes thereto.

Item 17. Undertakings.

(a) 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 against the registrant 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.

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(b) The undersigned registrant hereby undertakes that:

(1) It will provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(2) 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 shall be deemed to be part of this registration statement as of the time it was declared effective.

(3) 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.

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 September 12, 2005.

KI HOLDINGS INC.

By: /s/ WALTER W. TURNER

Name: Walter W. Turner
Title: President and Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned directors and officers of KI Holdings Inc., do hereby constitute and appoint Walter W. Turner and Brian H. McCurrie and each and any of them, our true and lawful attorneys-in-fact and agents to do any and all acts and things in our names and our behalf in our capacities as directors and officers and to execute any and all instruments for us and in our name in the capacities indicated below, which said attorneys and agents, or any of them, may deem necessary or advisable to enable KI Holdings Inc. to comply with the Securities Act of 1933 and any rules, regulations and requirements of the Securities and Exchange Commission in connection with this registration statement or any registration statement for this offering of securities that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, including specifically, but without limitation, any and all amendments (including post-effective amendments) hereto, and we hereby ratify and confirm all that said attorneys and agents, or any of them, shall do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed on September 12, 2005 by the following persons in the capacities indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ WALTER W. TURNER <hr/> Walter W. Turner	President and Chief Executive Officer and Director (Principal Executive Officer)	September 12, 2005
/s/ BRIAN H. MCCURRIE <hr/> Brian H. McCurrie	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	September 12, 2005
/s/ ROBERT CIZIK <hr/> Robert Cizik	Director	September 12, 2005
/s/ DAVID M. HILLENBRAND <hr/> David M. Hillenbrand	Director	September 12, 2005
/s/ CHRISTIAN L. OBERBECK <hr/> Christian L. Oberbeck	Director	September 12, 2005
/s/ CLAYTON SWEENEY <hr/> Clayton Sweeney	Director	September 12, 2005

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit</u>
1**	Underwriting Agreement.
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 KI Holdings Inc. and The Bank of New York, as Trustee, dated as of November 18, 2004 (incorporated by reference to respective exhibit to the KI Holdings Inc. Registration Statement on Form S-4 filed February 14, 2005).
4.4	Form of KI Holdings Inc. Note (included in Exhibit 4.3 hereto).
5.1**	Opinion of Reed Smith 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 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 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 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 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. Form 10-Q filed August 4, 2003).
10.8	Intercreditor Agreement by and among PNC Bank, National Association, as Credit Agent, JPMorgan Chase Bank, as Trustee, 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).
10.9	Employment agreement with Steven R. Lacy dated April 5, 2002 (incorporated by reference to Exhibit 10.35 of the Koppers Inc. Form 10-K filed March 5, 2003).

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<u>Exhibit No.</u>	<u>Exhibit</u>
10.10	Employment agreement with David Whittle dated August 18, 2000 (incorporated by reference to Exhibit 10.35 of the Koppers Inc. Form 10-K filed March 5, 2003).
10.11	Employment agreement with Robert H. Wombles dated August 1, 2001 (incorporated by reference to Exhibit 10.35 of the Koppers Inc. Form 10-K filed March 5, 2003).
10.12	Retirement Plan of Koppers Industries, Inc. and Subsidiaries for Salaried Employees (incorporated by reference to Exhibits to the Koppers Inc. 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).
10.13	Koppers Industries, Inc. Non-contributory Long Term Disability Plan for Salaried Employees (incorporated by reference to respective exhibits to the Koppers Inc. 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. Employee Savings Plan (incorporated by reference to respective exhibits to the Koppers Inc. Prospectus filed February 7, 1994 in connection with the offering of the 8 1/2% Senior Notes due 2004).
10.15	Koppers Industries, Inc. Survivor Benefit Plan (incorporated by reference to respective exhibits to the Koppers Inc. 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).
10.16	Restated and Amended Employee Stock Option Plan (incorporated by reference to respective exhibits to the Koppers Inc. 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).
10.17	Compensation contracts and Promissory Note for Robert Cizik (incorporated by reference to respective exhibits to the Koppers Inc. 10-K for the year ended December 31, 1999).
10.18	Koppers Industries, Inc. 1997 Stock Option Plan (incorporated by reference to respective exhibits to the Koppers Inc. Form 10-K for the year ended December 31, 2001).
10.19	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. Form 10-K for the year ended December 31, 2001).
10.20	Koppers Industries, Inc. 2001 Senior Management Incentive Plan (incorporated by reference to respective exhibits to the Koppers Inc. Form 10-K for the year ended December 31, 2001).
10.21	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. Form 10-K for the year ended December 31, 2003).
10.22	Employment agreement with Brian H. McCurrie dated October 13, 2003 (incorporated by reference to respective exhibits to the Koppers Inc. Form 10-K for the year ended December 31, 2003).
10.23	Compensation contracts and Promissory Note for Robert Cizik (incorporated by reference to respective exhibits to the Koppers Inc. Form 10-K for the year ended December 31, 1999).
10.24***	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. Form 10-Q for the quarter ended September 30, 2002).
10.25***	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. Form 10-Q for the quarter ended September 30, 2003).

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<u>Exhibit No.</u>	<u>Exhibit</u>
10.26***	Amendment to Credit Agreement, dated October 15, 2003, by and among 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. Form 10-Q for the quarter ended September 30, 2003).
10.27	Registration Rights Agreement dated September 30, 2003 between 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. Form 10-Q for the quarter ended September 30, 2003).
10.28	Employment Agreement with Mark R. McCormack dated September 29, 2003 (incorporated by reference to respective exhibits to the Koppers Inc. Form 10-K for the year ended December 31, 2003).
10.29***	Memorandum of Agreement between Koppers Inc. and Union Pacific Railroad Company, dated August 1, 2003 (incorporated by reference to Exhibit 10.45 to the Koppers Inc. Form 10-Q for the quarter ended September 30, 2003).
10.30	Amendment to Credit Agreement dated as of November 17, 2004, by and among 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 (incorporated by reference to respective exhibit to the KI Holdings Inc. Registration Statement on Form S-4 filed February 14, 2005).
10.31	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).
10.32	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).
10.33	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. (incorporated by reference to respective exhibit to the KI Holdings Inc. Registration Statement on Form S-4 filed February 14, 2005).
10.34*	Amendment to Credit Agreement dated as of August 15, 2005 by and among 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.
21**	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).
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).

* Exhibits filed herewith.

** To be filed by amendment.

*** Certain portions have been omitted pursuant to a Confidential Treatment Request. The entire document has been filed confidentially with the SEC.

**\$115,000,000 REVOLVING CREDIT FACILITY
\$10,000,000 TERM LOAN
AMENDED AND RESTATED CREDIT AGREEMENT**

**by and among
KOPPERS INC.**

and

THE GUARANTORS PARTY HERETO

and

THE BANKS PARTY HERETO

and

PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent

and

NATIONAL CITY BANK OF PENNSYLVANIA, as Syndication Agent

and

**CITIZENS BANK OF PENNSYLVANIA, BANK OF AMERICA, N.A. and FIRST
COMMONWEALTH BANK, as Co-Documentation Agents**

Dated as of August 15, 2005

**PNC CAPITAL MARKETS, INC. AND NATIONAL CITY BANK OF PENNSYLVANIA
AS CO-LEAD ARRANGERS**

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AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT is dated as of August 15, 2005, and is made by and among **KOPPERS INC.**, a Pennsylvania corporation (the "**Borrower**"), **EACH OF THE GUARANTORS** (as hereinafter defined), the **BANKS** (as hereinafter defined), **PNC BANK, NATIONAL ASSOCIATION**, in its capacity as administrative agent for the Banks under this Agreement (hereinafter referred to in such capacity as the "**Administrative Agent**") and **NATIONAL CITY BANK OF PENNSYLVANIA**, as Syndication Agent, and **CITIZENS BANK OF PENNSYLVANIA, BANK OF AMERICA, N.A.** and **FIRST COMMONWEALTH BANK**, as Co-Documentation Agents.

WITNESSETH:

WHEREAS, the Borrower, the Administrative Agent, the Guarantors and certain of the Banks are party to that certain Credit Agreement dated as of May 12, 2003, as amended by a First Amendment thereto dated as of October 15, 2003, and a Second Amendment thereto dated as of November 17, 2004 (the "Existing Credit Agreement") pursuant to which the Banks party thereto extended to the Borrower a \$100,000,000 revolving credit facility and a \$75,000,000 term loan, which term loan has been paid in full.

WHEREAS, the Borrower has requested the Banks to amend and restate the Existing Credit Agreement and, in connection therewith, provide (i) a revolving credit facility to the Borrower in an aggregate principal amount not to exceed \$115,000,000 and (ii) a \$10,000,000 term loan facility; and

WHEREAS, the revolving credit and term loan facilities shall be used (i) to refinance the loans under the Existing Credit Agreement, (ii) to provide working capital to the Borrower, (iii) to provide funding for acquisitions and capital expenditures of the Borrower, and (iv) for general corporate purposes of the Borrower, including transaction costs and expenses; and

WHEREAS, the Banks are willing to provide such credit facilities upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. CERTAIN DEFINITIONS

1.1 Certain Definitions.

In addition to words and terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof clearly requires otherwise:

Account shall mean any account, contract right, general intangible, chattel paper, instrument or document representing any right to payment for goods sold or services rendered, whether or not earned by performance and whether or not evidenced by a contract, instrument or document, which is now owned or hereafter acquired by the Borrower or any other Loan Party. All Accounts, whether Qualified Accounts or not, shall be subject to the Banks' Prior Security Interest.

Account Debtor shall mean any Person who is or who may become obligated to the Borrower or to any other Loan Party organized under the laws of the United States or any state thereof or under the laws of Australia under, with respect to, or on account of, an Account.

Acquisition Compliance Certificate shall have the meaning given to such term in Section 8.2.6(5)(vi) hereof.

Administrative Agent shall mean PNC Bank, National Association, and its successors and assigns.

Advisory Services Agreement shall have the meaning given to such term in Section 8.2.8 hereof.

Affiliate as to any Person shall mean any other Person (i) which directly or indirectly controls, is controlled by, or is under common control with such Person, (ii) which beneficially owns or holds 5% or more of any class of the voting or other equity interests of such Person, or (iii) 5% or more of any class of voting interests or other equity interests of which is beneficially owned or held, directly or indirectly, by such Person. Control, as used in this definition, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the power to elect a majority of the directors or trustees of a corporation or trust, as the case may be.

Agents shall mean, collectively, the Administrative Agent and the Syndication Agent.

Agent's Letter shall have the meaning given to such term in Section 10.15 hereof.

Agreement shall mean this Credit Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time, including all schedules and exhibits.

Anti-Terrorism Laws shall mean any Laws relating to terrorism or money laundering, including Executive Order No. 13224, the USA Patriot Act, the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by the United States Treasury Department's Office of Foreign Asset Control (as any of the foregoing Laws may from time to time be amended, renewed, extended, or replaced).

Applicable Letter of Credit Fee shall mean the percentage rate per annum at the indicated level of Senior Leverage Ratio in the pricing grid on Schedule 1.1(A) below the heading "Letter of Credit Fee." The Applicable Letter of Credit Fee shall be computed in accordance with the parameters set forth on Schedule 1.1(A).

Applicable Margin shall mean, as applicable:

(A) the percentage spread to be added to Base Rate under the Revolving Credit Base Rate Option at the indicated level of the Senior Leverage Ratio in the pricing grid on Schedule 1.1(A) below the heading "Revolving Credit Base Rate Spread,"

(B) the percentage spread to be added to Base Rate under the Term Loan Base Option at the indicated level of the Senior Leverage Ratio in the pricing grid on Schedule 1.1(A) below the heading "Term Loan Base Rate Spread,"

(C) the percentage spread to be added to Euro-Rate under the Revolving Credit Euro-Rate Option at the indicated level of the Senior Leverage Ratio in the pricing grid on Schedule 1.1(A) below the heading "Revolving Credit Euro-Rate Spread," or

(D) the percentage spread to be added to Euro-Rate under the Term Loan Euro-Rate Option at the indicated level of the Leverage Ratio in the pricing grid on Schedule 1.1(A) below the heading "Term Loan Euro-Rate Spread."

The Applicable Margin shall be computed in accordance with the parameters set forth on Schedule 1.1(A).

As-Offered Rate shall mean an interest rate per annum (computed on the basis of a year of 360 days and actual days elapsed) applicable to the Swing Loans offered by the Administrative Agent with respect to the Swing Loans, as determined in its sole discretion.

Assignment and Assumption Agreement shall mean an Assignment and Assumption Agreement by and among a Purchasing Bank, a Transferor Bank and the Administrative Agent, as Administrative Agent and on behalf of the remaining Banks, substantially in the form of Exhibit 1.1(A).

Authorized Officer shall mean those individuals, designated by written notice to the Administrative Agent from the Borrower, authorized to execute notices, reports and other documents on behalf of the Loan Parties required hereunder. The Borrower may amend such list of individuals from time to time by giving written notice of such amendment to the Administrative Agent.

Bank-Provided Interest Rate Hedge shall mean an Interest Rate Hedge which is provided by any Bank and with respect to which the Administrative Agent confirms meets the following requirements: such Interest Rate Hedge (i) is documented in a standard International Swap Dealer Association Agreement, (ii) provides for the method of calculating the reimbursable amount of the provider's credit exposure in a reasonable and customary manner, and (iii) is entered into for hedging (rather than speculative) purposes. The liabilities of the Loan Parties to the provider of any Bank-Provided Interest Rate Hedge (the "Hedge Liabilities") shall be "Obligations" hereunder, guaranteed obligations under the Guaranty Agreements and secured obligations under the Pledge Agreement and Security Agreements and otherwise treated as Obligations for purposes of each of the other Loan Documents. The Liens securing the Hedge Liabilities shall be pari passu with the Liens securing all other Obligations under this Agreement and the other Loan Documents.

Banks shall mean the financial institutions named on Schedule 1.1(B) and their respective successors and assigns as permitted hereunder, each of which is referred to herein as a Bank.

Base Rate shall mean the greater of (i) the interest rate per annum announced from time to time by the Administrative Agent at its Principal Office as its then prime rate, which rate may not be the lowest rate then being charged commercial borrowers by the Administrative Agent, or (ii) the Federal Funds Open Rate plus 1/2% per annum.

Base Rate Option shall mean either the Revolving Credit Base Rate Option or the Term Loan Base Rate Option.

Beazer Acquisition Agreement shall mean the Asset Purchase Agreement dated as of December 28, 1988, by and between the Borrower and Beazer East.

Beazer Acquisition Agreement Guarantee shall mean the Guarantee of Beazer Limited of all of Beazer East's liabilities and obligations under Article VII of the Beazer Acquisition Agreement.

Beazer East shall mean Beazer East, Inc., a Delaware corporation.

Beazer Limited shall mean Beazer Limited, an English corporation.

Benefit Arrangement shall mean at any time an "employee benefit plan," within the meaning of Section 3(3) of ERISA, which is neither a Plan nor a Multiemployer Plan and which is maintained, sponsored or otherwise contributed to by any member of the ERISA Group.

Borrower shall mean Koppers Inc., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania.

Borrowing Base shall mean at any time the sum of (i) 85% of Qualified Accounts (“Accounts Portion”), plus (ii) 60% 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 ineligible, or define or maintain such other reserves or ineligible, 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.

Borrowing Base Certificate shall have the meaning given to such term in Section 8.3.4 hereof.

Borrowing Date shall mean, with respect to any Loan, the date for the making thereof or the renewal or conversion thereof at or to the same or a different Interest Rate Option, which shall be a Business Day.

Borrowing Tranche shall mean specified portions of Loans outstanding as follows: (i) any Loans to which a Euro-Rate Option applies which become subject to the same Interest Rate Option under the same Loan Request by the Borrower and which have the same Interest Period shall constitute one Borrowing Tranche, and (ii) all Loans to which a Base Rate Option applies shall constitute one Borrowing Tranche.

Business Day shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business in Pittsburgh, Pennsylvania and if the applicable Business Day relates to any Loan to which the Euro-Rate Option applies, such day must also be a day on which dealings are carried on in the London interbank market.

Cash Equivalents shall mean, at any time, (i) Indebtedness with a maturity of one year or less issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided that the full faith and credit of the United States is pledged in support thereof), (ii) certificates of deposit or acceptances with a maturity of one year or less of any financial institution that is a member of the Federal Reserve System having combined capital and surplus and undivided profits of not less than \$500,000,000,

(iii) commercial paper with a maturity of 270 days or less issued by a corporation (except an Affiliate of the Borrower) organized under the laws of any state of the United States or the District of Columbia or of the Commonwealth of Australia or any state thereof or of England and rated at least A-1 by Standard & Poor's or at least P-1 by Moody's, (iv) repurchase agreements with institutions described in clause (ii) with respect to investments described in clause (i), and (v) money market mutual funds or cash management trusts rated in the highest rating by Standard & Poor's or Moody's (and not rated other than in the highest rating by Standard & Poor's or Moody's) or investing solely in investments described in clauses (i) through (iv) above.

Change of Control shall have the meaning set forth in Section 9.1.13.

Closing Date shall mean the Business Day on which the first Loan shall be made, which shall be August 15, 2005.

Collateral shall mean the Pledged Collateral, the UCC Collateral, and the Intellectual Property Collateral.

Collateral Agent shall have the meaning given to such term in Section 9.2.5.2 hereof.

Collateral Documents shall have the meaning given to such term in Section 9.2.5.2 hereof.

Commercial Letter of Credit shall mean any letter of credit which is a commercial letter of credit issued in respect of the purchase of goods or services by one or more of the Loan Parties in the ordinary course of their business.

Commitment shall mean as to any Bank the aggregate of its Revolving Credit Commitment and Term Loan Commitment, and, in the case of the Administrative Agent, its Swing Loan Commitment and Commitments shall mean the aggregate of the Revolving Credit Commitments, Term Loan Commitments and Swing Loan Commitment of all of the Banks.

Commitment Fee shall have the meaning assigned to that term in Section 2.3.

Compliance Certificate shall have the meaning assigned to such term in Section 8.3.3.

Computation Date shall have the meaning assigned to such term in Section 2.11.

Consideration shall mean with respect to any Permitted Acquisition, the aggregate of (i) the cash paid by the Borrower or any of its Subsidiaries, directly or indirectly, to the seller in connection therewith, (ii) the Indebtedness incurred or assumed by Borrower or any

of its Subsidiaries, whether in favor of the seller or otherwise and whether fixed or contingent, (iii) any Guaranty given or incurred by Borrower or any of its Subsidiaries in connection therewith, and (iv) any other consideration given or obligation incurred by Borrower or any of its Subsidiaries in connection therewith.

Consolidated EBITDA for any period of determination shall mean (i) the sum of (a) net income, (b) depreciation, (c) depletion, (d) amortization, (e) other non-recurring, non-cash charges to net income (including non-cash bad debt write-offs associated with Accounts of Weirton Steel), (f) losses on the sale of assets outside the ordinary course of business, (g) interest expense, (h) income tax expense, (i) cash dividends received from Affiliates to the extent not included in determining Consolidated Net Income, (j) equity losses of Affiliates (other than Consolidated Subsidiaries) to the extent included in determining Consolidated Net Income for such period, (k) the non-recurring, cash charges to net income in amounts not to exceed the amounts specified on Schedule 1.1(C) as such charges are incurred, and (l) non-recurring, cash charges associated with the closure of the U.S. utility business of the Borrower, to the extent that cash payments associated with such cash charges are offset by cash received from net working capital liquidations during the same period of determination, such charges to be acceptable to the Administrative Agent in its reasonable discretion minus (ii) the sum of non-recurring, non-cash credits to net income, gains on the sale of assets outside the ordinary course of business, and equity earnings of Affiliates (other than Consolidated Subsidiaries) to the extent included in determining Consolidated Net Income for such period, in each case of the Borrower and its Subsidiaries for such period determined and consolidated in accordance with GAAP. For purposes of determining Consolidated EBITDA, items related to Koppers-Arch Parent and its Subsidiaries and to Koppers China shall be excluded, except that cash dividends paid by Koppers-Arch Parent to WWV and cash dividends paid by Koppers China to Koppers-Mauritius shall be included in Consolidated EBITDA, but only to the extent that such dividends paid by Koppers-Arch Parent and Koppers China exceed the loans, advances and investments made by the Loan Parties in or to Koppers-Arch Parent and by the Loan Parties in or to Koppers China during the period of measurement.

Consolidated Net Income for any period of determination shall mean the consolidated net income (or loss) after taxes of the Borrower and its Consolidated Subsidiaries determined and consolidated in accordance with GAAP.

Consolidated Subsidiaries of the Borrower shall mean those Subsidiaries whose accounts are or should be consolidated with those of the Borrower at such time.

Contamination shall mean the presence or release or threat of release of Regulated Substances in, on, under or migrating to or from the Property, which pursuant to Environmental Laws requires notification or reporting to an Official Body, or which pursuant to Environmental Laws requires the performance of a Remedial Action or which otherwise constitutes a violation of Environmental Laws.

Controller shall have the meaning given to such term in the definition of the term “Insolvency Event”.

Corporations Act shall mean the Corporations Act 2001 (Cth).

Currency Agreement shall mean any foreign exchange contract, currency swap agreement or other similar agreement or arrangement, among the Borrower or any of its Subsidiaries, on the one hand, and one or more financial institutions, on the other hand, designed to protect the Borrower or any of its Subsidiaries against fluctuations in currency values.

Debenture Pledge Agreement shall mean the Debenture Pledge Agreement, substantially in the form of Exhibit 1.1(D)(1), executed and delivered by the Borrower in favor of the Administrative Agent for its own benefit and on behalf and for the benefit of the Banks, together with all amendments, extensions, renewals or replacements thereof or thereto.

Deed of Hypothec shall mean the Deed of Hypothec, substantially in the form of Exhibit 1.1(D)(2), executed by the Borrower in favor of the Administrative Agent for its own benefit and on behalf and for the benefit of the Banks, together with all amendments, extensions, renewals or replacements thereof or thereto.

Deferred Revenue Accounts shall mean unbilled accounts receivable arising in the ordinary course of business of the Loan Parties which represent treating and handling services provided by the Loan Parties to their customers with respect to items of Inventory in the wood treating business, which accounts receivable are contractually due and payable to the Loan Parties by such customers under valid written service agreements with such customers.

Demand Debenture shall mean the Demand Debenture, substantially in the form of Exhibit 1.1(D)(3), issued by the Borrower in favor of the Administrative Agent for its own benefit and on behalf and for the benefit of the Banks, together with all amendments, extensions, renewals or replacements thereof or thereto.

Dollar, Dollars, U.S. Dollars and the symbol \$ shall mean lawful money of the United States of America.

Dollar Equivalent shall mean, with respect to any amount of any currency, the Equivalent Amount of such currency expressed in Dollars.

Drawing Date shall have the meaning assigned to that term in Section 2.10.3.2.

Environmental Complaint shall mean any (i) notice of non-compliance or violation, citation or order relating in any way to any Environmental Law, Environmental Permit, Contamination or Regulated Substance; (ii) civil, criminal, administrative or regulatory

investigation instituted by an Official Body relating in any way to any Environmental Law, Environmental Permit, Contamination or Regulated Substance; (iii) administrative, regulatory or judicial action, suit, claim or proceeding instituted by any Person or Official Body or any written notice of liability or potential liability from any Person or Official Body, in either instance, setting forth allegations relating to or a cause of action for personal injury (including but not limited to death), property damage, natural resource damage, contribution or indemnity for the costs associated with the performance of Remedial Actions, direct recovery for the costs associated with the performance of Remedial Actions, liens or encumbrances attached to or recorded or levied against property for the costs associated with the performance of Remedial Actions, civil or administrative penalties, criminal fines or penalties, or declaratory or equitable relief arising under any Environmental Laws; or (iv) subpoena, request for information or other written notice or demand of any type issued by an Official Body pursuant to any Environmental Laws.

Environmental Laws shall mean all federal, territorial, tribal, state, local and foreign Laws (including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq., the Federal Safe Drinking Water Act, 42 U.S.C. § 300f-300j, the Federal Air Pollution Control Act, 42 U.S.C. § 7401 et seq., the Oil Pollution Act, 33 U.S.C. § 2701 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. § 136 to 136y, each as amended, and any regulations promulgated thereunder or any equivalent state or local Law, each as amended, and any regulations promulgated thereunder) and any consent decrees, settlement agreements, judgments, orders, directives, policies or programs issued by or entered into with an Official Body pertaining or relating to: (i) pollution or pollution control; (ii) protection of human health from exposure to Regulated Substances (iii) protection of the environment and/or natural resources; (iv) the presence, use, management, generation, manufacture, processing, extraction, treatment, recycling, refining, reclamation, labeling, sale, transport, storage, collection, distribution, disposal or release or threat of release of Regulated Substances; (v) the presence of Contamination; (vi) the protection of endangered or threatened species; and (vii) the protection of Environmentally Sensitive Areas.

Environmental Permits shall mean all permits, licenses, bonds or other forms of financial assurances, consents, registrations, identification numbers, approvals or authorizations required under Environmental Laws (i) to own, occupy or maintain the Property; (ii) for the operations and business activities of the Loan Parties or any Subsidiaries of any Loan Party; or (iii) for the performance of a Remedial Action.

Environmental Records shall mean all notices, reports, records, plans, applications, forms or other filings relating or pertaining to the Property, Contamination, the performance of a Remedial Action and the operations and business activities of the Loan Parties or any Subsidiaries of any Loan Party which pursuant to Environmental Laws, Required Environmental Permits or at the request or direction of an Official Body either must be submitted to an Official Body or which otherwise must be maintained.

Environmentally Sensitive Area shall mean (i) any wetland as defined by applicable Environmental Laws; (ii) any area designated as a coastal zone pursuant to applicable Laws, including Environmental Laws; (iii) any area of historic or archeological significance or scenic area as defined or designated by applicable Laws, including Environmental Laws; (iv) habitats of endangered species or threatened species as designated by applicable Laws, including Environmental Laws; (v) wilderness or refuge areas as defined or designated by applicable Laws, including Environmental Laws; or (v) a floodplain or other flood hazard area as defined pursuant to any applicable Laws.

Equivalent Amount shall mean, at any time, as determined by the Administrative Agent (which determination shall be conclusive absent manifest error), with respect to an amount of any currency (the "Reference Currency") which is to be computed as an equivalent amount of another currency (the "Equivalent Currency"): (i) if the Reference Currency and the Equivalent Currency are the same, the amount of such Reference Currency, or (ii) if the Reference Currency and the Equivalent Currency are not the same, the amount of such Equivalent Currency converted from such Reference Currency at the Administrative Agent's spot selling rate (based on the market rates then prevailing and available to the Administrative Agent) for the sale of such Equivalent Currency for such Reference Currency at a time determined by the Administrative Agent on the second Business Day immediately preceding the event for which such calculation is made.

Equivalent Currency shall have the meaning assigned to such term in the definition of Equivalent Amount.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

ERISA Group shall mean, at any time, the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

Euro-Rate shall mean, with respect to the Loans comprising any Borrowing Tranche to which the Euro-Rate Option applies for any Interest Period, the interest rate per annum determined by the Administrative Agent by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1% per annum) (i) the rate of interest determined by the Administrative Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the London interbank offered rates for U.S. Dollars quoted by the British Bankers' Association as set forth on Moneyline Telerate (or appropriate successor or, if the British Bankers' Association or its

successor ceases to provide such quotes, a comparable replacement determined by the Administrative Agent) display page 3750 (or such other display page on the Moneyline Telerate service as may replace display page 3750) two (2) Business Days prior to the first day of such Interest Period for an amount comparable to such Borrowing Tranche and having a borrowing date and a maturity comparable to such Interest Period by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage. The Euro-Rate may also be expressed by the following formula:

$$\text{Euro-Rate} = \frac{\text{Average of London interbank offered rates quoted by BBA or appropriate successor as shown on Moneyline Telerate Service display page 3750}}{1.00 - \text{Euro-Rate Reserve Percentage}}$$

The Euro-Rate shall be adjusted with respect to any Loan to which the Euro-Rate Option applies that is outstanding on the effective date of any change in the Euro-Rate Reserve Percentage as of such effective date. The Administrative Agent shall give prompt notice to the Borrower of the Euro-Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

Euro-Rate Option shall mean either the Revolving Credit Euro-Rate Option or the Term Loan Euro-Rate Option.

Euro-Rate Reserve Percentage shall mean as of any day the maximum percentage in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities").

Event of Default shall mean any of the events described in Section 9.1 and referred to therein as an "Event of Default."

Existing Bank shall have the meaning given to such term in Section 11.11 hereof.

Existing Credit Agreement shall have the meaning set forth in the recitals to this Agreement.

Expiration Date shall mean, with respect to the Revolving Credit Commitments, December 31, 2009.

Federal Funds Effective Rate for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank

computes and announces the weighted average it refers to as the “Federal Funds Effective Rate” as of the date of this Agreement; provided, if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the “Federal Funds Effective Rate” for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced.

Federal Funds Open Rate shall mean the rate per annum determined by the Administrative Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the “open” rate for federal funds transactions as of the opening of business for federal funds transactions among members of the Federal Reserve System arranged by federal funds brokers on such day, as quoted by Garvin Guybutler, any successor entity thereto, or any other broker selected by the Bank, as set forth on the applicable Telerate display page; provided, however; that if such day is not a Business Day, the Federal Funds Open Rate for such day shall be the “open” rate on the immediately preceding Business Day, or if no such rate shall be quoted by a Federal funds broker at such time, such other rate as determined by the Administrative Agent in accordance with its usual procedures.

Financial Projections shall have the meaning assigned to that term in Section 6.1.9(ii).

Fixed and Floating Charge (Australia) shall mean each fixed and floating charge granted by a Guarantor which is registered in Australia to the Administrative Agent for the benefit of the Banks.

Fixed Charge Coverage Ratio shall mean the ratio of (i) Consolidated EBITDA minus capital expenditures minus cash taxes to (ii) Fixed Charges.

Fixed Charges shall mean for any period of determination the sum of interest expense, contractual principal installments on Indebtedness, and contractual principal payments on capitalized leases, in each case of the Borrower and its Subsidiaries for such period determined and consolidated in accordance with GAAP.

GAAP shall mean generally accepted accounting principles as are in effect from time to time, subject to the provisions of Section 1.3, and applied on a consistent basis both as to classification of items and amounts.

Governmental Acts shall have the meaning assigned to that term in Section 2.10.8.

Guarantor shall mean each of the parties to this Agreement which is designated as a “Guarantor” on the signature page hereof and each other Person which joins this Agreement as a Guarantor after the date hereof pursuant to Section 11.18.

Guarantor Joinder shall mean a joinder by a Person as a Guarantor under this Agreement, any Guaranty Agreement and the other Loan Documents in the form of Exhibit 1.1(G)(1).

Guaranties of any Person, and Guaranty of any Person shall mean any obligation of such Person guaranteeing or in effect guaranteeing any liability or obligation of any other Person in any manner, whether directly or indirectly, including any agreement to indemnify or hold harmless any other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business.

Guaranty Agreement (Australia) shall mean each guarantee and indemnity granted by a Guarantor which is registered in Australia to the Administrative Agent for the benefit of the Banks.

Guaranty Agreement shall mean (i) the Guaranty and Suretyship Agreement in substantially the form of Exhibit 1.1(G)(2) executed and delivered by certain of the Guarantors to the Administrative Agent for the benefit of the Banks, and (ii) any Guaranty Agreement (Australia).

Hedge Liabilities shall have the meaning given to such term in the definition of the term "Bank-Provided Interest Rate Hedge".

Historical Statements shall have the meaning assigned to that term in Section 6.1.9(i).

Indebtedness shall mean, as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations (contingent or otherwise) under any letter of credit, currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device, (iv) any other transaction (including forward sale or purchase agreements, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness and which are not more than thirty (30) days past due), or (v) any Guaranty of Indebtedness for borrowed money.

Indebtedness for Borrowed Money shall mean, as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) the unreimbursed amount of all drafts drawn under letters of credit issued for the account of such Person and the undrawn stated amount of all letters of credit issued for the account of such Person, or (iv) obligations with respect to capitalized leases.

Ineligible Security shall mean any security which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

Insolvency Event shall mean in respect of a Person:

(a) an order being made, or the person passing a resolution, for its winding up or bankruptcy, or

(b) an application being made by such Person or its representatives to a court for an order for its winding up or bankruptcy, or an application being made by a third party to a court for an order for its winding up or bankruptcy unless the application is withdrawn or dismissed within 30 days, or

(c) an administrator being appointed to the Person, or

(d) (i) the Person resolving to appoint a receiver and manager or analogous Person (“Controller”) to the Person or any of the Person’s property, or (ii) an application being made by such Person to a court for an order to appoint a Controller, provisional liquidator, trustee for creditors or in bankruptcy or analogous Person to the Person or any of the Person’s property, or an application being made by a third party to a court for an order to appoint a Controller, provisional liquidator, trustee for creditors or in bankruptcy or analogous Person to the Person or any of the Person’s property unless the application is withdrawn or dismissed within 30 days, or (iii) an appointment of the kind referred to in subparagraph (ii) being made (whether or not following a resolution or application), or

(e) the Person being taken under Section 459F(1) of the Corporations Act to have failed to comply with a statutory demand, or

(f) the Person (i) suspending payment of its debts, ceasing (or threatening to cease) to carry on all or a material part of its business, stating that it is unable to pay its debts or being or becoming otherwise insolvent, or (ii) being taken by applicable law to be (or if a court would be entitled or required to presume that the Person is) unable to pay its debts or otherwise insolvent, or

(g) the Person taking any step toward entering into a compromise or arrangement with, or assignment for the benefit of, any of its members or creditors, unless this takes place as part of a solvent reconstruction, amalgamation, merger or consolidation that is in accordance with this Agreement.

Insolvency Proceeding shall mean, with respect to any Person, (a) a case, action or proceeding with respect to such Person (i) before any court or any other Official Body under any bankruptcy, insolvency, reorganization or other similar Law now or hereafter in effect, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or otherwise relating to the liquidation,

dissolution, winding-up or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of its creditors; undertaken under any Law or (c) an Insolvency Event in the case of a corporation registered in Australia.

Intellectual Property Collateral shall mean all of the property described in the Patent, Trademark and Copyright Security Agreement.

Intercompany Subordination Agreement shall mean an Intercompany Subordination Agreement among the Loan Parties in the form attached hereto as Exhibit 1.1(1)(2).

Intercreditor Agreement shall mean the Intercreditor Agreement dated as of October 15, 2003, by and among the Administrative Agent, the 2003 Trustee, the Borrower and the Subsidiary Guarantors, as the same may be amended, restated, supplemented or otherwise modified in accordance with this Agreement.

Interest Period shall mean the period of time selected by the Borrower in connection with (and to apply to) any election permitted hereunder by the Borrower to have Revolving Credit Loans or Term Loans bear interest under the Euro-Rate Option. Subject to the last sentence of this definition, such period shall be one, two, three or six Months if Borrower selects the Euro-Rate Option. Such Interest Period shall commence on the effective date of such Interest Rate Option, which shall be (i) the Borrowing Date if the Borrower is requesting new Loans, or (ii) the date of renewal of or conversion to the Euro-Rate Option if the Borrower is renewing or converting to the Euro-Rate Option applicable to outstanding Loans. Notwithstanding the second sentence hereof: (A) any Interest Period which would otherwise end on a date which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (B) the Borrower shall not select, convert to or renew an Interest Period for any portion of the Loans that would end after the Expiration Date.

Interest Rate Hedge shall mean an interest rate exchange, collar, cap, swap, adjustable strike cap, adjustable strike corridor or similar agreements entered into by the Loan Parties or their Subsidiaries in order to provide protection to, or minimize the impact upon, the Borrower, the Guarantors and/or their Subsidiaries of increasing floating rates of interest applicable to Indebtedness.

Interest Rate Option shall mean any Euro-Rate Option or Base Rate Option.

Internal Revenue Code shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

Inventory shall mean any and all goods, merchandise and other personal property, including, without limitation, goods in transit, wheresoever located and whether now owned or hereafter acquired by the Borrower which are or may at any time be held as raw materials, finished goods, work-in-process, supplies or materials used or consumed in the Borrower's business or held for sale or lease, including, without limitation, (a) all such property the sale or other disposition of which has given rise to Accounts and which has been returned to or repossessed or stopped in transit by the Borrower, and (b) all packing, shipping and advertising materials relating to all or any such property. All Inventory, whether Qualified Inventory or not, shall be subject to the Banks' Prior Security Interest.

IRH Provider shall have the meaning given to such term in Section 9.2.5.2 hereof.

Investors shall mean Saratoga and the Management Investors.

Issuing Bank shall mean individually and Issuing Banks shall mean collectively the Administrative Agent and any other Bank designated by the Administrative Agent as an Issuing Bank pursuant to Section 2.10 hereof, in their capacities as issuers of Letters of Credit.

KI Holdings shall mean KI Holdings Inc., a Pennsylvania corporation.

Koppers-Arch Parent shall mean Koppers Arch Investments Pty. Ltd. an Australian corporation of which 51% of the ownership interests are held by WWV.

Koppers Assurance shall mean Koppers Assurance, Inc., a South Carolina corporation and successor by merger to KHC Assurance, Inc., a Vermont corporation.

Koppers China shall mean Koppers (China) Carbon & Chemical Company Limited, a limited liability company organized under the laws of the Peoples Republic of China.

Koppers Investment Subsidiary shall mean Koppers Investment Subsidiary Pty Ltd., (ABN 99 081- 552 614), an Australian corporation.

Koppers-Mauritius shall mean Koppers Mauritius, a company organized under the laws of the Republic of Mauritius.

Koppers Merger Sub shall mean Merger Sub for KI Inc., a Pennsylvania corporation.

Koppers Monessen shall mean Koppers Monessen Partners LP, a Delaware limited partnership.

Labor Contracts shall mean all employment agreements, employment contracts, collective bargaining agreements and other agreements among any Loan Party or Subsidiary of a Loan Party and its employees.

Landlord's Waiver shall mean a Landlord's Waiver in substantially the form attached hereto as Exhibit 7.1.16 executed by the applicable Loan Parties and the lessor of certain of the leased locations of Collateral in favor of the Administrative Agent.

Law shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

Letter of Credit shall have the meaning assigned to that term in Section 2.10.1.

Letter of Credit Borrowing shall have the meaning assigned to such term in Section 2.10.3.4.

Letter of Credit Fee shall have the meaning assigned to that term in Section 2.10.2.

Letters of Credit Outstanding shall mean at any time the sum of (i) the aggregate undrawn face amount of outstanding Letters of Credit and (ii) the aggregate amount of all unpaid and outstanding Reimbursement Obligations and Letter of Credit Borrowings.

Lien shall mean any mortgage, deed of trust, pledge, lien, security interest, hypothec, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

LLC Interests shall have the meaning given to such term in Section 6.1.3.

Loan Documents shall mean this Agreement, the Guaranty Agreements, the Intercompany Subordination Agreement, the Intercreditor Agreement, the Notes, the Patent, Trademark and Copyright Security Agreement, the Pledge Agreement, the Security Agreements, the Security Trust Deed, the Quebec Security, agreements related to Bank-Provided Interest Rate Hedges, fee letters between the Borrower and the Administrative Agent and the Syndication Agent and any other instruments, certificates or documents delivered or contemplated to be delivered hereunder or thereunder or in connection herewith or therewith, as the same may be supplemented or amended from time to time in accordance herewith or therewith, and Loan Document shall mean any of the Loan Documents.

Loan Parties shall mean the Borrower and the Guarantors.

Loan Request shall have the meaning given to such term in Section 2.5.1.

Loans shall mean collectively and Loan shall mean separately all Revolving Credit Loans, the Term Loans, and the Swing Loans, or any Revolving Credit Loan, the Term Loan or the Swing Loan.

Management Investors shall mean the employees of the Borrower or its Subsidiaries who are stockholders of the Borrower.

Material Adverse Change shall mean any set of circumstances or events which (a) has a material adverse effect upon the validity or enforceability of this Agreement or any other Loan Document, (b) is material and adverse to the business, properties, assets, financial condition, or results of operations of the Loan Parties taken as a whole, (c) impairs materially the ability of the Loan Parties taken as a whole to duly and punctually pay or perform its Indebtedness, or (d) impairs materially the ability of the Administrative Agent or any of the Banks, to the extent permitted, to enforce their legal remedies pursuant to this Agreement or any other Loan Document.

Monessen Facility shall mean the Borrower's coke facility located in Monessen, Pennsylvania.

Monessen Section 29 Tax Credits shall mean the tax credits available under Section 29 of the U.S. Internal Revenue Code associated with the operations of the Monessen Facility.

Month, with respect to an Interest Period under the Euro-Rate Option, shall mean the interval between the days in consecutive calendar months numerically corresponding to the first day of such Interest Period. If any Euro-Rate Interest Period begins on a day of a calendar month for which there is no numerically corresponding day in the month in which such Interest Period is to end, the final month of such Interest Period shall be deemed to end on the last Business Day of such final month.

Moody's shall mean Moody's Investors Service, Inc. and its successors.

Multiemployer Plan shall mean any employee benefit plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which the Borrower or any member of the ERISA Group is then making or accruing an obligation to make contributions or, within the preceding five Plan years, has made or had an obligation to make such contributions.

Multiple Employer Plan shall mean a Plan which has two or more contributing sponsors (including the Borrower or any member of the ERISA Group) at least two of whom are not under common control, as such a plan is described in Sections 4063 and 4064 of ERISA.

Notes shall mean the Revolving Credit Notes, the Term Notes and the Swing Loan Notes.

Notices shall have the meaning assigned to that term in Section 11.6.

Obligation shall mean any obligation or liability of any of the Loan Parties to the Administrative Agent or any of the Banks, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or hereafter existing, or due or to become due, under or in connection with this Agreement, the Notes, the Letters of Credit, the Agents' Letters or any other Loan Document. Obligations shall include (i) the liabilities to any Bank under any Bank-Provided Interest Rate Hedge but shall not include the liabilities to other Persons under any other Interest Rate Hedge, and (ii) the liabilities under Purchasing Card Obligations.

Official Body shall mean any national, federal, state, local or other government or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

Optional Currency shall mean Australian dollars.

Order shall have the meaning given to such term in Section 2.10.9 hereof.

Original Currency shall have the meaning assigned to such term in Section 5.8.1.

Other Currency shall have the meaning assigned to such term in Section 5.8.1.

Participation Advance shall mean, with respect to any Bank, such Bank's payment in respect of its participation in a Letter of Credit Borrowing according to its Ratable Share pursuant to Section 2.10.3.

Partnership Interests shall have the meaning given to such term in Section 6.1.3.

Patent, Trademark and Copyright Security Agreement shall mean the Patent, Trademark and Copyright Security Agreement dated May 12, 2003 and recorded with the United States Patent and Trademark Office on May 15, 2003 at Reel 002736, Frames 0813-0840 with respect to trademarks, and on May 20, 2003 at Reel 01474, Frames 0880-0903 with respect to patents, as the same may amended from time to time, executed and delivered by each of the Loan Parties to the Administrative Agent for the benefit of the Banks.

PBGC shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

Permitted Acquisitions shall have the meaning assigned to such term in Section 8.2.6(5) hereof.

Permitted Investments shall mean:

(i) direct obligations of the United States of America, the Commonwealth of Australia, a State of the Commonwealth of Australia, or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America or the Commonwealth of Australia or a State of the Commonwealth of Australia maturing in twelve (12) months or less from the date of acquisition;

(ii) commercial paper maturing in 180 days or less rated not lower than A-1, by Standard & Poor's or P-1 by Moody's Investors Service, Inc. on the date of acquisition;

(iii) demand deposits, time deposits, term deposits, or certificates of deposit maturing within one year in commercial banks of the United States or Europe, or banks constituted under the legislation of a State of the Commonwealth of Australia whose obligations are given a short-term rating of A-1, or a long-term senior unsecured rating of A or the equivalent or better by Standard & Poor's or given a short-term rating of P-1, or a long-term senior unsecured rating of A2 or the equivalent or better by Moody's (and not rated other than the highest rating by Standard & Poor's or Moody's) on the date of acquisition; and

(iv) money market mutual funds or cash management trusts rated in the highest rating by Standard & Poor's or Moody's (and not rated other than the highest rating by Standard & Poor's or Moody's) or investing solely in investments described in clauses (i) through (iv) of the definition of Cash Equivalents.

Permitted Liens shall mean:

(i) Liens for taxes, assessments, or similar charges, incurred in the ordinary course of business and which are not yet due and payable;

(ii) Pledges or deposits made in the ordinary course of business to secure payment of workmen's compensation, or to participate in any fund in connection with workmen's compensation, unemployment insurance, old-age pensions or other social security programs;

(iii) Liens of mechanics, materialmen, warehousemen, carriers, or other like Liens, securing obligations incurred in the ordinary course of business that are not yet due and payable and Liens of landlords securing obligations to pay lease payments that are not yet due and payable or in default;

(iv) Good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business;

(v) Encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, or minor irregularities in title thereto and other immaterial liens that do not secure the payment of money, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use;

(vi) Liens, security interests and mortgages in favor of the Administrative Agent for the benefit of the Banks securing the Obligations including liabilities under any Bank-Provided Interest Rate Hedge;

(vii) Liens on property leased by any Loan Party or Subsidiary of a Loan Party under capital and operating leases securing obligations of such Loan Party or Subsidiary to the lessor under such leases;

(viii) Any Lien existing on the date of this Agreement and described on Schedule 1.1(P), and any extension, replacement or renewal thereof, provided that the principal amount secured thereby is not hereafter increased, and no additional assets become subject to such Lien;

(ix) Purchase Money Security Interests and liens on tangible property (excluding inventory) acquired pursuant to Permitted Acquisitions to the extent permitted under Section 8.2.1(vi);

(x) The following, (A) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed or (B) if a final judgment is entered and such judgment is discharged within thirty (30) days of entry, and in either case they do not affect the Collateral or, in the aggregate, materially impair the ability of any Loan Party to perform its Obligations hereunder or under the other Loan Documents:

(1) Claims or Liens for taxes, assessments or charges due and payable and subject to interest or penalty, provided that the applicable Loan Party maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any such Lien;

(2) Claims, Liens or encumbrances upon, and defects of title to, real or personal property other than the Collateral, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits;

(3) Claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens; or

(4) Liens resulting from final judgments or orders described in Section 9.1.6;

(xi) Liens on Inventory of Subsidiaries organized under Australian law arising from title retention arrangements with suppliers of such Subsidiaries, provided that such Liens do not encumber any other property;

(xii) Liens securing obligations in an aggregate amount not to exceed \$5,000,000 at any one time outstanding; and

(xiii) Liens on Collateral in favor of the 2003 Trustee granted to secure the 2003 Senior Notes pursuant to the 2003 Senior Note Debt Documents, provided that all such Liens are subordinated to the Liens in favor of the Administrative Agent for the benefit of the Banks pursuant to the Intercreditor Agreement.

Person shall mean any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, joint venture, government or political subdivision or agency thereof, or any other entity.

Plan shall mean at any time an employee pension benefit plan (including a Multiple Employer Plan, but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained by any entity which was at such time a member of the ERISA Group for employees of any entity which was at such time a member of the ERISA Group.

Pledge Agreement shall mean the Pledge Agreement in substantially the form of Exhibit 1.1(P)(2) executed and delivered by certain of the Loan Parties to the Administrative Agent for the benefit of the Banks.

Pledged Collateral shall mean the property of the Loan Parties in which security interests are to be granted under the Pledge Agreement.

PNC Bank shall mean PNC Bank, National Association, its successors and assigns.

Potential Default shall mean any event or condition which with notice, passage of time or a determination by the Administrative Agent or the Required Banks, or any combination of the foregoing, would constitute an Event of Default.

Principal Office shall mean the main banking office of the Administrative Agent in Pittsburgh, Pennsylvania.

Prior Security Interest shall mean a valid and enforceable perfected first-priority security interest under the Uniform Commercial Code or a first registered charge under the Corporations Act (in the case of a Security Agreement governed by Australian law) or a first ranking hypothec under the applicable laws of the Province Quebec, Canada (in the case of the Deed of Hypothec and the Debenture Pledge Agreement) in the UCC Collateral and the Pledged Collateral which is subject only to (i) Liens for taxes not yet due and payable to the extent such prospective tax payments are given priority by statute, (ii) Purchase Money Security Interests as permitted hereunder, (iii) Permitted Liens on tangible property (excluding inventory) acquired pursuant to Permitted Acquisitions, and (iv) other Permitted Liens to the extent given priority by statute, excluding Liens created by consensual security interests granted under the Uniform Commercial Code (assuming compliance, to the extent it is applicable, (i) with the requirements of laws of jurisdictions other than the United States, Australia, Canada or any state, province or subdivision thereof with respect to Collateral located in jurisdictions other than the United States, Australia or Canada, and (ii) with the requirements of the laws of the Republic of Mauritius with respect to the pledge of the shares of Koppers-Mauritius).

Prohibited Transaction shall mean any prohibited transaction as defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA for which neither an individual nor a class exemption has been issued by the United States Department of Labor.

Property shall mean all real property, both owned and leased, of any Loan Party or Subsidiary of a Loan Party.

Purchase Money Security Interest shall mean Liens upon tangible personal property securing loans to any Loan Party or Subsidiary of a Loan Party or deferred payments by such Loan Party or Subsidiary for the purchase of such tangible personal property, which Liens do not encumber any other property.

Purchasing Bank shall mean a Bank which becomes a party to this Agreement by executing an Assignment and Assumption Agreement.

Purchasing Card Obligations shall mean obligations of the Borrower or any Subsidiary pursuant to any and all arrangements with one or more Banks to provide company paid credit cards that permit employees to make purchases on behalf of the Borrower or such Subsidiary.

Qualified Accounts shall mean any Accounts which the Administrative Agent in its reasonable discretion determines to have met all of the minimum requirements set forth on Schedule 1.1(Q)(1).

Qualified Australian Accounts shall mean any Accounts of any Loan Party that is an Australian Subsidiary or any Accounts owed by any Australian Account Debtor to any Loan Party which the Administrative Agent in its reasonable discretion determines to have met all of the minimum requirements set forth on Schedule 1.1(Q)(1).

Qualified Australian Inventory shall mean any Inventory valued at the lower of cost or market of any Loan Party that is an Australian Subsidiary which the Administrative Agent in its reasonable discretion determines to have met all of the minimum requirements set forth on Schedule 1.1(Q)(2).

Qualified Inventory shall mean any Inventory valued at the lower of cost or market which the Administrative Agent in its reasonable discretion determines to have met all of the minimum requirements set forth on Schedule 1.1(Q)(2).

Quebec Security shall mean (i) the Deed of Hypothec, (ii) the Demand Debenture, and (iii) the Debenture Pledge Agreement.

Ratable Share shall mean the proportion that a Bank's Commitment (excluding the Swing Loan Commitment) bears to the Commitments of all of the Banks (excluding the Swing Loan Commitment).

Re-Aged Accounts shall mean Accounts which have been rebilled or reissued by a Loan Party after the initial invoice date for reasons of discrepancies between the shipping weight as recorded by such Loan Party and the destination weight as recorded by the Account Debtor or such other party receiving the Inventory giving rise to such Accounts.

Real Property shall mean the real estate owned by certain of the Loan Parties listed on Schedule 6.1.8 hereto.

Reference Currency shall have the meaning assigned to such term in the definition of Equivalent Amount.

Regulated Substances shall mean, without limitation, any substance, material or waste, regardless of its form or nature, defined under Environmental Laws as a "hazardous substance," "pollutant," "pollution," "contaminant," "hazardous or toxic substance," "extremely hazardous substance," "toxic chemical," "toxic substance," "toxic waste," "hazardous waste," "special handling waste," "industrial waste," "residual waste," "solid waste," "municipal waste," "mixed waste," "infectious waste," "chemotherapeutic waste," "medical waste," "pesticide" or "regulated substance" or any other substance, material or waste, regardless of its form or nature, which is regulated, controlled or governed by Environmental Laws due to its radioactive, ignitable, corrosive, reactive, explosive, toxic, carcinogenic or infectious properties

or nature or any other material, substance or waste, regardless of its form or nature, which otherwise is regulated, controlled or governed by Environmental Laws including without limitation, petroleum and petroleum products (including crude oil and any fractions thereof), natural gas, synthetic gas and any mixtures thereof, asbestos, urea formaldehyde, polychlorinated biphenyls, mercury, radon and radioactive materials.

Regulations shall have the meaning given to such term in Section 11.17 hereof.

Regulation U shall mean Regulation U, T, or X as promulgated by the Board of Governors of the Federal Reserve System, as amended from time to time.

Reimbursement Obligation shall have the meaning assigned to such term in Section 2.10.3.2.

Remedial Action shall mean any investigation, identification, preliminary assessment, characterization, delineation, feasibility study, cleanup, corrective action, removal, remediation, risk assessment, fate and transport analysis, in-situ treatment, containment, operation and maintenance or management in-place, control or abatement of or other response actions to Regulated Substances and any closure or post-closure measures associated therewith.

Reportable Event shall mean a reportable event described in Section 4043 of ERISA and regulations thereunder with respect to a Plan or Multiemployer Plan for which notice has not been waived by regulation of the PBGC.

Required Banks shall mean

(i) if there are no Loans, Reimbursement Obligations or Letter of Credit Borrowings outstanding, Banks whose Commitments (excluding the Swing Loan Commitments) aggregate at least 51% of the Commitments (excluding the Swing Loan Commitments) of all of the Banks, or

(ii) if there are Loans, Reimbursement Obligations, or Letter of Credit Borrowings outstanding, any Bank or group of Banks if the sum of the Loans (excluding the Swing Loans), Reimbursement Obligations and Letter of Credit Borrowings of such Banks then outstanding aggregates at least 51% of the total principal amount of all of the Loans (excluding the Swing Loans), Reimbursement Obligations and Letter of Credit Borrowings then outstanding. Reimbursement Obligations and Letter of Credit Borrowings shall be deemed, for purposes of this definition, to be in favor of the Administrative Agent and not a participating Bank if such Bank has not made its Participation Advance in respect thereof and shall be deemed to be in favor of such Bank to the extent of its Participation Advance if it has made its Participation Advance in respect thereof.

Responsible Officer of a Loan Party shall mean the Chief Executive Officer, President, Chief Financial Officer, Treasurer, or Director of such Loan Party.

Restricted Payment shall mean with respect to any Person (i) the declaration or payment of any dividend or other distribution on account of any shares of such Person's capital stock, (ii) any payment on account of the purchase, redemption, retirement or other acquisition of (a) any shares of such Person's capital stock or (b) any option, warrant or other right to acquire shares of such Person's capital stock, or (iii) any voluntary prepayment or defeasance, redemption, repurchase or other acquisition or retirement for value of any Indebtedness ranked subordinate in right of payment to the 2003 Senior Notes. Notwithstanding the foregoing, "Restricted Payment" shall not include (i) any dividend on shares of capital stock payable solely in shares of capital stock or in options, warrants or other rights to purchase capital stock; (ii) any dividend or other distribution or payment in respect of redemption of capital stock payable to the Borrower by any of its Subsidiaries or by a Subsidiary to another Subsidiary or the retirement of any shares of the Borrower held by any wholly-owned Subsidiary of the Borrower; (iii) the repurchase or other acquisition or retirement for value of any shares of the Borrower's capital stock, or any option, warrant or other right to purchase shares of the Borrower's capital stock with additional shares of, or out of the net proceeds of a substantial contemporaneous issuance of, capital stock; and (iv) the retirement of any shares of capital stock by conversion into, or by exchange for, additional shares of capital stock, or out of the net proceeds of the substantial contemporaneous issuance (other than to a Subsidiary of the Borrower) of other shares of capital stock.

Revolving Credit Base Rate Option shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 4.1.1(i).

Revolving Credit Commitment shall mean, as to any Bank at any time, the amount initially set forth opposite its name on Schedule 1.1(B) in the column labeled "Amount of Commitment for Revolving Credit Loans," and thereafter on Schedule I to the most recent Assignment and Assumption Agreement, and Revolving Credit Commitments shall mean the aggregate Revolving Credit Commitments of all of the Banks.

Revolving Credit Euro-Rate Option shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 4.1.1(ii).

Revolving Credit Loans shall mean collectively and Revolving Credit Loan shall mean separately all Revolving Credit Loans or any Revolving Credit Loan made by the Banks or one of the Banks to the Borrower pursuant to Section 2.1 or 2.9.

Revolving Credit Notes shall mean collectively and Revolving Credit Note shall mean separately all the Revolving Credit Notes of the Borrower in the form of Exhibit 1.1(R) evidencing the Revolving Credit Loans together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

Revolving Facility Usage shall mean at any time the sum of the Revolving Credit Loans and Swing Loans outstanding and the Dollar Equivalent amount of Letters of Credit Outstanding.

Safety Complaints shall mean any (i) notice of non-compliance or violation, citation or order relating in any way to any Safety Law; (ii) civil, criminal, administrative or regulatory investigation instituted by an Official Body relating in any way to any Safety Law; (iii) administrative, regulatory or judicial action, suit, claim or proceeding instituted by any Person or Official Body or any written notice of liability or potential liability from any Person or Official Body, in either instance, setting forth allegations relating to or a cause of action for civil or administrative penalties, criminal fines or penalties, or declaratory or equitable relief arising under any Safety Laws; or (iv) subpoena, request for information or other written notice or demand of any type issued by an Official Body pursuant to any Safety Laws.

Safety Filings and Records shall mean all notices, reports, records, plans, applications, forms, logs, programs, manuals or other filings or documents relating or pertaining to compliance with Safety Laws, including, but not limited to, employee safety in the workplace, employee injuries or fatalities, employee training, or the protection of employees from exposure to Regulated Substances which pursuant to Safety Laws or at the direction or order of any Official Body the Loan Parties or any Subsidiaries of any Loan either must be submit to an Official Body or otherwise must maintain in their records.

Safety Laws shall mean the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq., as amended, and any regulations promulgated thereunder or any equivalent foreign, territorial, provincial state or local Law, each as amended, and any regulations promulgated thereunder or any other foreign, territorial, provincial, federal, state or local Law, each as amended, and any regulations promulgated thereunder, pertaining or relating to the protection of employees from exposure to Regulated Substances in the workplace (but excluding workers compensation and wage and hour laws).

Saratoga shall mean Saratoga Partners III L.P., a Delaware limited partnership.

Schedule of Accounts shall mean a detailed aged trial balance of all then existing Accounts in form and substance satisfactory to Administrative Agent, specifying in each case the names, addresses, face amount and dates of invoice(s) for each Account Debtor obligated on an Account so listed and, if requested by the Administrative Agent, copies of proof of delivery and customer statements and the original copy of all documents, including, without limitation, repayment histories and present status reports, and such other matters and information relating to the status of the Accounts and/or the Account Debtors so scheduled as the Administrative Agent may from time to time reasonably request.

Schedule of Inventory shall mean a current schedule of Inventory in form and substance satisfactory to the Administrative Agent on a FIFO basis, itemizing and describing the type and quantity of Inventory, as determined by the Borrower, and the Borrower's costs therefor.

Schedule of Payables shall mean a detailed listing of Borrower's existing accounts payable, specifying the names of each creditor and the amount owed to such creditor and such matters and information relating to the status of Borrower's accounts payable so scheduled as the Administrative Agent may from time to time reasonably request.

Section 20 Subsidiary shall mean the Subsidiary of the bank holding company controlling any Bank, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

Security Agreement shall mean (i) the Security Agreements in substantially the form of Exhibit 1.1(S)(1) executed and delivered by certain of the Loan Parties to the Administrative Agent for the benefit of the Banks, and (ii) any Fixed and Floating Charge (Australia).

Security Trust Deed shall mean the Security Trust Deed dated 11 May 2003 executed and delivered by Koppers Australia Pty Limited to the Administrative Agent for the benefit of the Banks.

Senior Debt shall mean Total Debt but specifically excluding the 2003 Senior Note Debt outstanding at such time.

Senior Leverage Ratio shall mean, as of any date of determination, the ratio of (i) Senior Debt less cash and Cash Equivalents of the Borrower and its consolidated Subsidiaries (excluding Koppers Arch Parent and its Subsidiaries and Koppers-China and its Subsidiaries) in excess of \$5,000,000 on such date to (ii) Consolidated EBITDA for the four fiscal quarters ending on such date.

Shares shall have the meaning assigned to that term in Section 6.1.2.

Solvent shall mean, with respect to any Person on a particular date, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (ii) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (iv) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (v) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged. In computing the amount

of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

Standard & Poor's shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Standby Letter of Credit shall mean a Letter of Credit issued to support obligations of one or more of the Loan Parties, contingent or otherwise, which finance the working capital and business needs of the Loan Parties incurred in the ordinary course of business, but excluding any Letter of Credit under which the stated amount of such Letter of Credit increases automatically over time.

Subsidiary of any Person at any time shall mean (i) any corporation or trust of which more than 50% (by number of shares or number of votes) of the outstanding capital stock or shares of beneficial interest normally entitled to vote for the election of one or more directors or trustees (regardless of any contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, (ii) any partnership of which such Person is a general partner or of which 50% or more of the partnership interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries, (iii) any limited liability company of which such Person is a member or of which 50% or more of the limited liability company interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries or (iv) any corporation, trust, partnership, limited liability company or other entity which is controlled or capable of being controlled by such Person or one or more of such Person's Subsidiaries; provided, that Koppers China shall be deemed not to be a "Subsidiary", notwithstanding the Borrower's indirect ownership interest therein, for so long as neither the Borrower nor any of its other Subsidiaries manages the operations of Koppers China.

Subsidiary Shares shall have the meaning assigned to that term in Section 6.1.3.

Swing Loan Commitment shall mean PNC Bank's commitment to make Swing Loans to the Borrower pursuant to Section 2.1.2 hereof in an aggregate principal amount up to \$10,000,000.

Swing Loan Notes shall mean collectively and Swing Loan Note shall mean separately all the Swing Loan Notes of the Borrower in the form of Exhibit 1.1(S)(2) evidencing the Swing Loans, together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

Swing Loan Request shall mean a request for Swing Loans made in accordance with Section 2.5.2 hereof.

Swing Loans shall have the meaning given to such term in Section 2.1.2 hereof.

Syndication Agent shall mean National City Bank of Pennsylvania, and its successors and assigns.

Term Loan shall have the meaning given to such term in Section 3.1; Term Loans shall mean collectively all of the Term Loans.

Term Loan Base Rate Option shall mean the option of the Borrower to have Term Loans bear interest at the rate and under the terms and conditions set forth in Section 4.1.2(i).

Term Loan Commitment shall mean, as to any Bank at any time, the amount initially set forth opposite its name on Schedule 1.1(B) in the column labeled "Amount of Commitment for Term Loans," and thereafter on Schedule I to the most recent Assignment and Assumption Agreement, and Term Loan Commitments shall mean the aggregate Term Loan Commitments of all of the Banks.

Term Loan Euro-Rate Option shall mean the option of the Borrower to have Term Loans bear interest at the rate and under the terms and conditions set forth in Section 4.1.2(ii).

Term Loan Maturity Date shall mean November 1, 2009.

Term Notes shall mean collectively and Term Note shall mean separately all of the Term Notes of the Borrower in the form of Exhibit 1.1(T) evidencing the Term Loans together with all amendments, extensions, renewals, replacements, refinancings or refunds thereof in whole or in part.

Total Debt shall mean, without duplication, total Indebtedness for Borrowed Money of the Borrower and its Subsidiaries, exclusive of Indebtedness for Borrowed Money of Koppers Arch Parent and its Subsidiaries and of Koppers China and its Subsidiaries, determined and consolidated in accordance with GAAP. For purposes of the foregoing calculation, Letters of Credit or letters of credit issued solely to support the line of credit and letter of credit subfacility of National Australia Bank (or a replacement lender) to certain of the Australian Subsidiaries of the Borrower shall not be included in the calculation of Total Debt.

Total Leverage Ratio shall mean, as of any date of determination, the ratio of (i) Total Debt less cash and Cash Equivalents of the Borrower and its consolidated Subsidiaries (excluding Koppers Arch Parent and its Subsidiaries and Koppers China and its Subsidiaries) in excess of \$5,000,000 on such date to (ii) Consolidated EBITDA for the four fiscal quarters ending on such date.

Transferor Bank shall mean the selling Bank pursuant to an Assignment and Assumption Agreement.

2003 Note Closing Date shall mean October 15, 2003

2003 Senior Note Debt shall mean the Indebtedness of the Borrower under the 2003 Senior Notes.

2003 Senior Note Debt Documents shall mean the 2003 Senior Note Indenture, the 2003 Senior Notes, and the Security Documents (as defined in the 2003 Senior Note Indenture).

2003 Senior Note Indenture shall mean the Indenture, dated as of October 15, 2003, between the Borrower, the Guarantors and J.P. Morgan Trust Company, N.A., as trustee, relating to the 2003 Senior Notes, as the same may be amended, restated, supplemented or otherwise modified in accordance with this Agreement.

2003 Senior Notes shall mean the Borrower's 9-7/8% Senior Secured Notes Due 2013, issued pursuant to the 2003 Senior Note Indenture (including the exchange notes issued under the 2003 Senior Note Indenture in a registered exchange offering for the original 2003 Senior Notes sold pursuant to Rule 144A and Regulation S promulgated under the Securities Exchange Act of 1934), as the same may be amended, restated, supplemented or otherwise modified in accordance with this Agreement.

2003 Trustee shall mean J.P. Morgan Chase Bank, and its permitted successors and assigns under the 2003 Senior Note Indenture.

2004 Permitted Merger shall mean the merger of Koppers Merger Sub with and into the Borrower, effected November 18, 2004, pursuant to which (i) the Borrower was the surviving corporation, and (ii) the Borrower became a wholly-owned subsidiary of KI Holdings.

UCC Collateral shall mean the property of the Loan Parties in which security interests are to be granted under the Security Agreements and the Quebec Security.

Undrawn Availability shall mean, as of any date of determination, an amount equal to (a) the lesser of (i) the Borrowing Base or (ii) the Revolving Credit Commitments, minus (b) the sum of (i) the Revolving Facility Usage plus (ii) all amounts due and owing to Borrower's trade creditors which are outstanding beyond normal trade terms, plus (iii) fees and expenses then due from the Borrower hereunder which have not been paid or charged to the account of the Borrower.

Uniform Commercial Code shall have the meaning assigned to that term in Section 6.1.16.

Withholding Certificate shall have the meaning given to such term in Section 11.17 hereof.

USA Patriot Act shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

WWV shall mean World-Wide Ventures Corporation, a Delaware corporation.

1.2 Construction.

Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents:

1.2.1. Number; Inclusion.

references to the plural include the singular, the plural, the part and the whole; “or” has the inclusive meaning represented by the phrase “and/or,” and “including” has the meaning represented by the phrase “including without limitation”;

1.2.2. Determination.

references to “determination” of or by the Administrative Agent or the Banks shall be deemed to include good-faith estimates by the Administrative Agent or the Banks (in the case of quantitative determinations) and good-faith beliefs by the Administrative Agent or the Banks (in the case of qualitative determinations) and such determination shall be conclusive absent, in the case of quantitative determinations, manifest error; provided, that with respect to qualitative determinations made hereunder, such determinations shall be conclusive to the extent that the Administrative Agent or the Banks act in accordance with the other provisions of this Agreement applicable to such determinations (including any requirement to act reasonably with respect thereto);

1.2.3. Administrative Agent’s Discretion and Consent.

whenever the Administrative Agent or the Banks are granted the right herein to act in its or their sole discretion or to grant or withhold consent such right shall be exercised in good faith;

1.2.4. Documents Taken as a Whole.

the words “hereof,” “herein,” “hereunder,” “hereto” and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole and not to any particular provision of this Agreement or such other Loan Document;

1.2.5. Headings.

the section and other headings contained in this Agreement or such other Loan Document and the Table of Contents (if any), preceding this Agreement or such other Loan Document are for reference purposes only and shall not control or affect the construction of this Agreement or such other Loan Document or the interpretation thereof in any respect;

1.2.6. Implied References to this Agreement.

article, section, subsection, clause, schedule and exhibit references are to this Agreement or other Loan Document, as the case may be, unless otherwise specified;

1.2.7. Persons.

reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement or such other Loan Document, as the case may be, and reference to a Person in a particular capacity excludes such Person in any other capacity;

1.2.8. Modifications to Documents.

reference to any agreement (including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto), document or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded or restated;

1.2.9. From, To and Through.

relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding," and "through" means "through and including"; and

1.2.10. Shall; Will.

references to "shall" and "will" are intended to have the same meaning.

1.3 Accounting Principles.

Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have

the meanings ascribed to such terms by GAAP; provided, however, that all accounting terms used in Section 8.2 [Negative Covenants] (and all defined terms used in the definition of any accounting term used in Section 8.2 shall have the meaning given to such terms (and defined terms) under GAAP as in effect on the date hereof applied on a basis consistent with those used in preparing the Historical Statements referred to in Section 6.1.9 [Financial Statements]. In the event of any change after the date hereof in GAAP, and if such change would result in the inability to determine compliance with the financial covenants set forth in Section 8.2 based upon the Borrower's regularly prepared financial statements by reason of the preceding sentence, then the parties hereto agree to endeavor, in good faith, to agree upon an amendment to this Agreement that would adjust such financial covenants in a manner that would not affect the substance thereof, but would allow compliance therewith to be determined in accordance with the Borrower's financial statements at that time.

2. REVOLVING CREDIT AND SWING LOAN FACILITIES

2.1 Revolving Credit Loans and Swing Loans.

2.1.1. Revolving Credit Loans.

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Bank severally agrees to make Revolving Credit Loans to the Borrower at any time or from time to time on or after the date hereof to the Expiration Date provided that after giving effect to such Loan (i) the aggregate amount of Revolving Credit Loans from such Bank shall not exceed such Bank's Revolving Credit Commitment minus such Bank's Ratable Share of the Dollar Equivalent amount of Letters of Credit Outstanding, and (ii) the Revolving Facility Usage shall not exceed the Borrowing Base. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.1.1.

2.1.2. Swing Loans.

Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, PNC Bank may, at its option, cancelable at any time for any reason whatsoever, make overnight swing loans (the "Swing Loans") to the Borrower at any time or from time to time after the date hereof to, but not including, the Expiration Date, in an aggregate principal amount up to but not in excess of the Swing Loan Commitment, provided that the aggregate principal amount of PNC Bank's Swing Loans and the Revolving Credit Loans of all the Banks at any one time outstanding plus the Dollar Equivalent amount of Letters of Credit Outstanding shall not exceed the Revolving Credit Commitments of all the Banks. Within such limits of time and amount and subject to the other provisions of this Agreement, the Borrower may borrow, repay and reborrow pursuant to this Section 2.1.2.

2.2 Nature of Banks' Obligations with Respect to Revolving Credit Loans.

Each Bank shall be obligated to participate in each request for Revolving Credit Loans pursuant to Section 2.5 [Revolving Credit Loan Requests] in accordance with its Ratable Share. The aggregate of each Bank's Revolving Credit Loans outstanding hereunder to the Borrower at any time shall never exceed its Revolving Credit Commitment minus its Ratable Share of the Dollar Equivalent amount of Letters of Credit Outstanding, subject to Section 5.5.5 hereof. The obligations of each Bank hereunder are several. The failure of any Bank to perform its obligations hereunder shall not affect the Obligations of the Borrower to any other party nor shall any other party be liable for the failure of such Bank to perform its obligations hereunder. The Banks shall have no obligation to make Revolving Credit Loans hereunder on or after the Expiration Date.

2.3 Commitment Fees.

Accruing from the date hereof until the Expiration Date, the Borrower agrees to pay to the Administrative Agent for the account of each Bank, as consideration for such Bank's Revolving Credit Commitment hereunder, a nonrefundable commitment fee (the "Commitment Fee") equal to 0.375% per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) on the average daily difference between the amount of (i) such Bank's Revolving Credit Commitment as the same may be constituted from time to time (for purposes of this computation, PNC Bank's Swing Loans shall be deemed to be borrowed amounts under its Revolving Credit Commitment) and the (ii) the sum of such Bank's Revolving Credit Loans outstanding plus its Ratable Share of Letters of Credit Outstanding. All Commitment Fees shall be payable in arrears on the first day of each November, February, May and August after the date hereof and on the Expiration Date or upon acceleration of the Notes.

2.4 Reduction of Commitment.

The Borrower shall have the right at any time and from time to time upon five (5) Business Days' prior written notice to the Administrative Agent to permanently reduce, in whole multiples of \$1,000,000 of principal, or terminate the Revolving Credit Commitment without penalty or premium, except as hereinafter set forth, provided that any such reduction or termination shall be accompanied by (a) the payment in full of any Commitment Fee then accrued on the amount of such reduction or termination and (b) prepayment of the Revolving Credit Notes, together with the full amount of interest accrued on the principal sum to be prepaid (and all amounts referred to in Section 5.6 hereof), to the extent that the aggregate amount thereof then outstanding exceeds the Revolving Credit Commitment as so reduced or terminated. From the effective date of any such reduction or termination the obligations of Borrower to pay the Commitment Fee pursuant to Section 2.3 shall correspondingly be reduced or cease.

2.5 Revolving Credit Loan Requests; Swing Loan Requests.

2.5.1. Revolving Credit Loan Requests.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request the Banks to make Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Revolving Credit Loans or Term Loans pursuant to Section 4.2 [Interest Periods], by delivering to the Administrative Agent, not later than 11:00 a.m., Pittsburgh time, (i) three (3) Business Days prior to the proposed Borrowing Date with respect to the making of Revolving Credit Loans to which the Euro-Rate Option applies or the conversion to or the renewal of the Euro-Rate Option for any Loans; and (ii) on either the proposed Borrowing Date with respect to the making of a Revolving Credit Loan to which the Base Rate Option applies or the last day of the preceding Interest Period with respect to the conversion to the Base Rate Option for any Loan, of a duly completed request therefor substantially in the form of Exhibit 2.5.1 or a request by telephone immediately confirmed in writing by letter, facsimile or telex in such form (each, a "Loan Request"), it being understood that the Administrative Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify (i) the proposed Borrowing Date; (ii) the aggregate amount of the proposed Loans comprising each Borrowing Tranche, which shall be in integral multiples of \$500,000 and not less than \$1,000,000 for each Borrowing Tranche to which the Euro-Rate Option applies and not less than the lesser of \$100,000 or the maximum amount available for Borrowing Tranches to which the Base Rate Option applies; (iii) whether the Euro-Rate Option or Base Rate Option shall apply to the proposed Loans comprising the applicable Borrowing Tranche; and (iv) in the case of a Borrowing Tranche to which the Euro-Rate Option applies, an appropriate Interest Period for the Loans comprising such Borrowing Tranche.

2.5.2. Swing Loan Requests.

Except as otherwise provided herein, the Borrower may from time to time prior to the Expiration Date request PNC Bank to make Swing Loans by delivery to PNC Bank not later than 11:00 a.m., Pittsburgh time, on the proposed Borrowing Date of a duly completed request therefor substantially in the form of Exhibit 2.5.2 hereto or a request by telephone immediately confirmed in writing by letter, facsimile or telex (each, a "Swing Loan Request"), it being understood that the Administrative Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Swing Loan Request shall be irrevocable and shall specify the proposed Borrowing Date and the principal amount of such Swing Loan, which shall be in integral multiples of \$100,000 and not less than \$500,000.

2.6 Making Revolving Credit Loans and Swing Loans.

2.6.1. Making Revolving Credit Loans

The Administrative Agent shall, promptly after receipt by it of a Loan Request pursuant to Section 2.5.1 [Revolving Credit Loan Requests], notify the Banks of its receipt of such Loan Request specifying: (i) the proposed Borrowing Date and the time and method of disbursement of the Revolving Credit Loans requested thereby; (ii) the amount and type of each such Revolving Credit Loan and the applicable Interest Period (if any); and (iii) the apportionment among the Banks of such Revolving Credit Loans as determined by the Administrative Agent in accordance with Section 2.2 [Nature of Banks' Obligations]. Each Bank shall remit the principal amount of each Revolving Credit Loan to the Administrative Agent such that the Administrative Agent is able to, and the Administrative Agent shall, to the extent the Banks have made funds available to it for such purpose and subject to Section 7.2 [Each Additional Loan], fund such Revolving Credit Loans to the Borrower in U.S. Dollars and immediately available funds at the Principal Office prior to 2:00 p.m., Pittsburgh time, on the applicable Borrowing Date, provided that if any Bank fails to remit such funds to the Administrative Agent in a timely manner, the Administrative Agent may elect in its sole discretion to fund with its own funds the Revolving Credit Loans of such Bank on such Borrowing Date, and such Bank shall be subject to the repayment obligation in Section 10.16 [Availability of Funds].

2.6.2. Making Swing Loans.

So long as PNC Bank elects to make Swing Loans, PNC Bank shall, after receipt by it of a Swing Loan Request pursuant to Section 2.5.2, fund such Swing Loan to the Borrower in U.S. Dollars and immediately available funds at the Principal Office prior to 2:00 p.m., Pittsburgh time, on the Borrowing Date.

2.7 Revolving Credit Notes; Swing Loan Notes.

2.7.1. Revolving Credit Notes.

The Obligation of the Borrower to repay the aggregate unpaid principal amount of the Revolving Credit Loans made to it by each Bank, together with interest thereon, shall be evidenced by a Revolving Credit Note dated the Closing Date in substantially the form attached hereto as Exhibit 1.1(R) payable to the order of such Bank in a face amount equal to the Revolving Credit Commitment of such Bank.

2.7.2. Swing Loan Notes.

The Obligation of the Borrower to repay the unpaid principal amount of the Swing Loans made to it by PNC Bank together with interest thereon shall be evidenced by demand promissory notes of the Borrower dated the Closing Date in substantially the form attached hereto as Exhibit 1.1(S)(2) payable to the order of PNC Bank, the aggregate face amount of which notes equals the Swing Loan Commitment.

2.8 Use of Proceeds.

The proceeds of the Revolving Credit Loans shall be used (i) to repay certain existing senior secured Indebtedness of the Borrower, (ii) to provide working capital to the Borrower, (iii) for general corporate purposes of the Borrower, including advances to Subsidiaries permitted under this Agreement and transaction costs and expenses, and (iv) in accordance with Section 8.1.10 [Use of Proceeds].

2.9 Borrowings to Repay Swing Loans.

PNC Bank may, at its option, exercisable at any time for any reason whatsoever, demand repayment of the Swing Loans, and each Bank shall make a Revolving Credit Loan in an amount equal to such Bank's Ratable Share of the aggregate principal amount of the outstanding Swing Loans, plus, if PNC Bank so requests, accrued interest thereon, provided that no Bank shall be obligated in any event to make Revolving Credit Loans in excess of its Revolving Credit Commitment. Revolving Credit Loans made pursuant to the preceding sentence shall bear interest at the Base Rate Option and shall be deemed to have been properly requested in accordance with Section 2.5.1 without regard to any of the requirements of that provision. PNC Bank shall provide notice to the Banks (which may be telephonic or written notice by letter, facsimile or telex) that such Revolving Credit Loans are to be made under this Section 2.9 and of the apportionment among the Banks, and the Banks shall be unconditionally obligated to fund such Revolving Credit Loans (whether or not the conditions specified in Section 2.5.1 are then satisfied) by the time PNC Bank so requests, which shall not be earlier than 2:00 p.m. Pittsburgh time on the Business Day next after the date the Banks receive such notice from PNC Bank.

2.10 Letter of Credit Subfacility.

2.10.1. Issuance of Letters of Credit.

Borrower may request the issuance of a letter of credit (each a "Letter of Credit") on behalf of itself or another Loan Party by delivering or having such other Loan Party deliver to the Administrative Agent a completed application and agreement for letters of credit in such form as the Administrative Agent may specify from time to time by no later than 10:00 a.m., Pittsburgh time, at least five (5) Business Days, or such shorter period as may be agreed to by the Administrative Agent, in advance of the proposed date of issuance. Each Letter of Credit shall be a Standby Letter of Credit or a Commercial Letter of Credit and may be denominated in either Dollars or the Optional Currency. Subject to the terms and conditions hereof and in reliance on the agreements of the other Banks set forth in this Section 2.10, the Administrative Agent (and, upon request of the Borrower, consent of the Administrative Agent, and consent of the requested Issuing Bank, any other Issuing Bank designated by the Administrative Agent in accordance with the terms of this Section) will issue a Letter of Credit provided that each Letter

of Credit shall (A) have a maximum maturity of twelve (12) months from the date of issuance (but may include a provision for the automatic extension of the Letter of Credit absent notice by the Issuing Bank to the beneficiary), and (B) in no event expire later than ten (10) Business Days prior to the Expiration Date, and provided that in no event shall (i) the Dollar Equivalent amount of Letters of Credit Outstanding exceed, at any one time, \$35,000,000, or (ii) the Revolving Facility Usage exceed, at any one time, the Revolving Credit Commitments. From time to time the Borrower may request that a Bank other than the Administrative Agent issue Letters of Credit on its behalf (or on behalf of another Loan Party) hereunder by submitting a written request to such effect to the Administrative Agent, which request the Administrative Agent shall forward to the requested Bank; in the event that such requested Bank consents thereto, and subject to the consent of the Administrative Agent, the Administrative Agent shall be permitted to designate one or more of such additional Banks as "Issuing Banks" hereunder. Those letters of credit issued by the Administrative Agent described on Schedule 2.10 shall from and after the Closing Date be deemed to be Letters of Credit issued pursuant to the terms of this Agreement.

2.10.2. Letter of Credit Fees.

The Borrower shall pay in Dollars (i) to the Administrative Agent for the ratable account of the Banks a fee (the "Letter of Credit Fee") equal to the Applicable Letter of Credit Fee then in effect (computed on the basis of a year of 360 days and actual days elapsed) per annum, and (ii) to each Issuing Bank (including the Administrative Agent) for its own account a fronting fee equal to .250% per annum (computed on the basis of a year of 360 days and actual days elapsed), which fees shall be computed on the daily average Dollar Equivalent amount of Letters of Credit Outstanding issued by such Issuing Bank and shall be payable quarterly in arrears commencing with the first day of each November, February, May and August following issuance of each Letter of Credit and on the Expiration Date. The Borrower shall also pay to each Issuing Bank (including the Administrative Agent) in Dollars for its own account such Issuing Bank's then in effect customary fees and administrative expenses payable with respect to the Letters of Credit as such Issuing Bank may generally charge or incur from time to time in connection with the issuance, maintenance, modification (if any), assignment or transfer (if any), negotiation, and administration of Letters of Credit.

2.10.3. Disbursements, Reimbursement.

2.10.3.1. Immediately upon the Issuance of each Letter of Credit, each Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from each Issuing Bank a participation in such Letter of Credit and each drawing thereunder in an amount equal to such Bank's Ratable Share of the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively.

2.10.3.2. In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the relevant Issuing Bank will promptly notify the Administrative Agent and the Borrower. Provided that it shall have received such notice, the Borrower shall reimburse (such obligation to reimburse such Issuing Bank

sometimes be referred to as a “Reimbursement Obligation”) such Issuing Bank in Dollars prior to 12:00 noon, Pittsburgh time on each date that an amount is paid by such Issuing Bank under any Letter of Credit (each such date, a “Drawing Date”) in an amount equal to the Dollar Equivalent amount so paid by such Issuing Bank. In the event the Borrower fails to reimburse such Issuing Bank for the full Dollar Equivalent amount of any drawing under any Letter of Credit by 12:00 noon, Pittsburgh time, on the Drawing Date, such Issuing Bank will promptly notify the Administrative Agent, which will in turn promptly notify each Bank thereof, and the Borrower shall be deemed to have requested that Revolving Credit Loans be made by the Banks in Dollars under the Base Rate Option to be disbursed on the Drawing Date under such Letter of Credit, subject to the amount of the unutilized portion of the Revolving Credit Commitment and subject to the conditions set forth in Section 7.2 [Each Additional Loan] other than any notice requirements. Any notice given by such Issuing Bank or the Administrative Agent pursuant to this Section 2.10.3.2 may be oral if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

2.10.3.3. Each Bank shall upon any notice pursuant to Section 2.10.3.2 make available to the Administrative Agent for the account of the relevant Issuing Bank an amount in Dollars in immediately available funds equal to its Ratable Share of the Dollar Equivalent amount of the drawing, whereupon the participating Banks shall (subject to Section 2.10.3.4) each be deemed to have made a Revolving Credit Loan in Dollars under the Base Rate Option to the Borrower in that amount. If any Bank so notified fails to make available in Dollars to the Administrative Agent for the account of the relevant Issuing Bank the amount of such Bank’s Ratable Share of such Dollar Equivalent amount by no later than 2:00 p.m., Pittsburgh time on the Drawing Date, then interest shall accrue on such Bank’s obligation to make such payment, from the Drawing Date to the date on which such Bank makes such payment (i) at a rate per annum equal to the Federal Funds Effective Rate during the first three days following the Drawing Date and (ii) at a rate per annum equal to the rate applicable to Loans under the Revolving Credit Base Rate Option on and after the fourth day following the Drawing Date. The relevant Issuing Bank and, in turn, the Administrative Agent will promptly give notice of the occurrence of the Drawing Date, but failure of the Issuing Bank or the Administrative Agent to give any such notice on the Drawing Date or in sufficient time to enable any Bank to effect such payment on such date shall not relieve such Bank from its obligation under this Section 2.10.3.3.

2.10.3.4. With respect to any unreimbursed drawing that is not converted into Revolving Credit Loans under the Base Rate Option to the Borrower in whole or in part as contemplated by Section 2.10.3.2, because of the Borrower’s failure to satisfy the conditions set forth in Section 7.2 [Each Additional Loan] other than any notice requirements or for any other reason, the Borrower shall be deemed to have incurred from the relevant Issuing Bank a borrowing (each a “Letter of Credit Borrowing”) in Dollars in the Dollar Equivalent amount of such drawing. Such Letter of Credit Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the rate per annum applicable to the Revolving Credit Loans under the Base Rate Option. Each Bank’s payment to the

Administrative Agent pursuant to Section 2.10.3.3 shall be deemed to be a payment in respect of its participation in such Letter of Credit Borrowing and shall constitute a "Participation Advance" from such Bank in satisfaction of its participation obligation under this Section 2.10.3.

2.10.4. Repayment of Participation Advances.

2.10.4.1. Upon (and only upon) receipt by the relevant Issuing Bank for its account of immediately available funds from the Borrower (i) in reimbursement of any payment made by such Issuing Bank under the Letter of Credit with respect to which any Bank has made a Participation Advance to the Administrative Agent, or (ii) in payment of interest on such a payment made by such Issuing Bank under such a Letter of Credit, such Issuing Bank will pay to each Bank, in the same funds as those received by such Issuing Bank, the amount of such Bank's Ratable Share of such funds, except such Issuing Bank shall retain the amount of the Ratable Share of such funds of any Bank that did not make a Participation Advance in respect of such payment by such Issuing Bank.

2.10.4.2. If any Issuing Bank or the Administrative Agent is required at any time to return to any Loan Party, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by any Loan Party to such Issuing Bank or the Administrative Agent pursuant to Section 2.10.4.1 in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Bank shall, on demand of the Administrative Agent, forthwith return to the Administrative Agent the amount of its Ratable Share of any amounts so returned by such Issuing Bank or the Administrative Agent plus interest thereon from the date such demand is made to the date such amounts are returned by such Bank to the Administrative Agent, at a rate per annum equal to the Federal Funds Effective Rate in effect from time to time.

2.10.5. Documentation.

Each Loan Party agrees to be bound by the terms of each Issuing Bank's (including the Administrative Agent's) application and agreement for letters of credit and each Issuing Bank's (including the Administrative Agent's) written regulations and customary practices relating to letters of credit, though such interpretation may be different from such Loan Party's own. In the event of a conflict between such application or agreement and this Agreement, this Agreement shall govern. It is understood and agreed that, except in the case of gross negligence or willful misconduct and in the case of a violation of Section 2.10.6 by the Issuing Bank in a material manner, each Issuing Bank shall not be liable for any error, negligence and/or mistakes, whether of omission or commission, in following any Loan Party's instructions or those contained in the Letters of Credit or any modifications, amendments or supplements thereto.

2.10.6. Determinations to Honor Drawing Requests.

In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, each Issuing Bank shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

2.10.7. Nature of Participation and Reimbursement Obligations.

Each Bank's obligation in accordance with this Agreement to make the Revolving Credit Loans or Participation Advances, as contemplated by Section 2.10.3, as a result of a drawing under a Letter of Credit, and the Obligations of the Borrower to reimburse each Issuing Bank upon a draw under a Letter of Credit, shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Section 2.10 under all circumstances, including the following circumstances:

- (i) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against such Issuing Bank or the Administrative Agent or any of their Affiliates, the Borrower or any other Person for any reason whatsoever;
- (ii) the failure of any Loan Party or any other Person to comply, in connection with a Letter of Credit Borrowing, with the conditions set forth in Section 2.1 [Revolving Credit Commitments], 2.5.1 [Revolving Credit Loan Requests], 2.6.1 [Making Revolving Credit Loans] or 7.2 [Each Additional Loan] or as otherwise set forth in this Agreement for the making of a Revolving Credit Loan, it being acknowledged that such conditions are not required for the making of a Letter of Credit Borrowing and the obligation of the Banks to make Participation Advances under Section 2.10.3;
- (iii) any lack of validity or enforceability of any Letter of Credit;
- (iv) any claim of breach of warranty that might be made by any Loan Party or any Bank against any beneficiary of a Letter of Credit, or the existence of any claim, set-off, recoupment, counterclaim, crossclaim, defense or other right which any Loan Party or any Bank may have at any time against a beneficiary, successor beneficiary any transferee or assignee of any Letter of Credit or the proceeds thereof (or any Persons for whom any such transferee may be acting), such Issuing Bank or the Administrative Agent or their Affiliates or any Bank or any other Person or, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Loan Party or Subsidiaries of a Loan Party and the beneficiary for which any Letter of Credit was procured);
- (v) the lack of power or authority of any signer of (or any defect in or forgery of any signature or endorsement on) or the form of or lack of validity, sufficiency, accuracy, enforceability or genuineness of any draft, demand, instrument, certificate

or other document presented under or in connection with any Letter of Credit, or any fraud or alleged fraud in connection with any Letter of Credit, or the transport of any property or provisions of services relating to a Letter of Credit, in each case even if such Issuing Bank or the Administrative Agent or any of their Affiliates has been notified thereof;

(vi) payment by such Issuing Bank or the Administrative Agent or any of their Affiliates under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(vii) the solvency of, or any acts of omissions by, any beneficiary of any Letter of Credit, or any other Person having a role in any transaction or obligation relating to a Letter of Credit, or the existence, nature, quality, quantity, condition, value or other characteristic of any property or services relating to a Letter of Credit;

(viii) any failure by such Issuing Bank or the Administrative Agent or any of their Affiliates to issue any Letter of Credit in the form requested by any Loan Party, unless such party has received written notice from such Loan Party of such failure within three Business Days after such party shall have furnished such Loan Party a copy of such Letter of Credit and such error is material and no drawing has been made thereon prior to receipt of such notice;

(ix) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Loan Party or Subsidiaries of a Loan Party;

(x) any breach of this Agreement or any other Loan Document by any party thereto;

(xi) the occurrence or continuance of an Insolvency Proceeding with respect to any Loan Party;

(xii) the fact that an Event of Default or a Potential Default shall have occurred and be continuing;

(xiii) the fact that the Expiration Date shall have passed or this Agreement or the Commitments hereunder shall have been terminated;

and

(xiv) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

2.10.8. Indemnity.

In addition to amounts payable as provided in Section 10.5 [Reimbursement of Administrative Agent by Borrower, Etc.], the Borrower hereby agrees to protect, indemnify, pay and save harmless each Issuing Bank and any of its Affiliates that has

issued a Letter of Credit from and against any and all claims, demands, liabilities, damages, taxes, penalties, interest, judgments, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which such Issuing Bank or any of its Affiliates may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit, other than as a result of (A) the gross negligence or willful misconduct of such Issuing Bank as determined by a final judgment of a court of competent jurisdiction, (B) failure by such Issuing Bank to comply with Section 2.10.6 in a material manner, or (C) the wrongful dishonor by such Issuing Bank or any of its Affiliates of a proper demand for payment made under any Letter of Credit, except if such dishonor resulted from any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions herein called "Governmental Acts").

2.10.9. Liability for Acts and Omissions.

As between any Loan Party and each Issuing Bank, or its Affiliates, such Loan Party assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, each Issuing Bank shall not be responsible for any of the following including any losses or damages to any Loan Party or other Person or property relating therefrom: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if such Issuing Bank or its Affiliates shall have been notified thereof); (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) the failure of the beneficiary of any such Letter of Credit, or any other party to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any Loan Party against any beneficiary of such Letter of Credit, or any such transferee, or any dispute between or among any Loan Party and any beneficiary of any Letter of Credit or any such transferee; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of such Issuing Bank or its Affiliates, as applicable, including any Governmental Acts, and none of the above shall affect or impair, or prevent the vesting of, any of such Issuing Bank's or its Affiliates rights or powers hereunder. Nothing in the preceding sentence shall relieve any Issuing Bank from liability for such Issuing Bank's gross negligence or willful misconduct in connection with actions or omissions described in such clauses (i) through (viii) of such sentence. In no event shall any Issuing Bank or its Affiliates be liable to any Loan Party for any indirect, consequential, incidental, punitive, exemplary or special damages or expenses (including without limitation attorneys' fees), or for any damages resulting from any change in the value of any property relating to a Letter of Credit.

Without limiting the generality of the foregoing, each Issuing Bank and the Administrative Agent and their Affiliates (i) may rely on any oral or other communication believed in good faith by such Issuing Bank, the Administrative Agent or such Affiliate to have been authorized or given by or on behalf of the applicant for a Letter of Credit, (ii) may honor any presentation if the documents presented appear on their face substantially to comply with the terms and conditions of the relevant Letter of Credit; (iii) may honor a previously dishonored presentation under a Letter of Credit, whether such dishonor was pursuant to a court order, to settle or compromise any claim of wrongful dishonor, or otherwise, and shall be entitled to reimbursement to the same extent as if such presentation had initially been honored, together with any interest paid by such Issuing Bank or its Affiliate; (iv) may honor any drawing that is payable upon presentation of a statement advising negotiation or payment, upon receipt of such statement (even if such statement indicates that a draft or other document is being delivered separately), and shall not be liable for any failure of any such draft or other document to arrive, or to conform in any way with the relevant Letter of Credit; (v) may pay any paying or negotiating bank claiming that it rightfully honored under the laws or practices of the place where such bank is located; and (vi) may settle or adjust any claim or demand made on such Issuing Bank or its Affiliate in any way related to any order issued at the applicant's request to an air carrier, a letter of guarantee or of indemnity issued to a carrier or any similar document (each an "Order") and honor any drawing in connection with any Letter of Credit that is the subject to such Order, notwithstanding that any drafts or other documents presented in connection with such Letter of Credit fail to conform in any way with such Letter of Credit.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by any Issuing Bank, the Administrative Agent or their Affiliates under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not put such Issuing Bank, the Administrative Agent or their Affiliates under any resulting liability to the Borrower or any Bank.

2.11 Periodic Computations of Dollar Equivalent Amounts of Letters of Credit Outstanding.

The Administrative Agent will determine the Dollar Equivalent amount of (i) proposed Letters of Credit to be denominated in an Optional Currency as of the requested date of issuance, as the case may be, and (ii) outstanding Letters of Credit Outstanding denominated in an Optional Currency as of the last Business Day of each month, (each such date under clauses (i) and (ii), a "Computation Date").

3. TERM LOANS

3.1 Term Loan Commitments.

Subject to the terms and conditions hereof, and relying upon the representations and warranties herein set forth, each Bank severally agrees to make a term loan (each, a "Term Loan") to the Borrower on the Closing Date in such principal amount as the Borrower shall request up to, but not exceeding such Bank's Term Loan Commitment.

3.2 Nature of Banks' Obligations with Respect to Term Loans.

The obligations of each Bank to make Term Loans to the Borrower shall be in the proportion that such Bank's Term Loan Commitment bears to the Term Loan Commitments of all Banks to the Borrower, but each Bank's Term Loan to the Borrower shall never exceed its Term Loan Commitment. The failure of any Bank to make a Term Loan shall not relieve any other Bank of its obligations to make a Term Loan nor shall it impose any additional liability on any other Bank hereunder. The Banks shall have no obligation to make Term Loans hereunder after the Closing Date. The Term Loan Commitments are not revolving credit commitments, and the Borrower shall not have the right to borrow, repay and reborrow under Section 3.1 [Term Loan Commitments].

3.3 Term Loan Notes.

The Obligation of the Borrower to repay the unpaid principal amount of the Term Loans made to it by each Bank, together with interest thereon, shall be evidenced by a Term Note dated the Closing Date in substantially the form attached hereto as Exhibit 1.1(T) payable to the order of each Bank in a face amount equal to the Term Loan of such Bank. The principal amount as provided therein of the Term Notes shall be payable in 16 quarterly installments on the first day of each November, February, May and August hereafter, each in the amount of \$500,000, commencing on November 1, 2005, and continuing through August 1, 2009, with a final payment of all outstanding principal and interest on the Term Loans due on the Term Loan Maturity Date.

3.4 Use of Proceeds.

The proceeds of the Term Loans shall be used (i) to refinance a portion of the balance of principal and interest outstanding under the Existing Credit Agreement, and (ii) in accordance with Section 8.1.10 [Use of Proceeds].

4. INTEREST RATES

4.1 Interest Rate Options.

The Borrower shall pay interest in respect of the outstanding unpaid principal amount of the Loans as selected by it from the Base Rate Option or Euro-Rate Option set forth

below applicable to the Loans, it being understood that, subject to the provisions of this Agreement, the Borrower may select different Interest Rate Options and different Interest Periods to apply simultaneously to the Loans comprising different Borrowing Tranches and may convert to or renew one or more Interest Rate Options with respect to all or any portion of the Loans comprising any Borrowing Tranche, provided that there shall not be at any one time outstanding more than twelve (12) Borrowing Tranches in the aggregate among all of the Loans, and provided further that only the As-Offered Rate shall apply to the Swing Loans. If at any time the designated rate applicable to any Loan made by any Bank exceeds such Bank's highest lawful rate, the rate of interest on such Bank's Loan shall be limited to such Bank's highest lawful rate.

4.1.1. Revolving Credit Interest Rate Options.

The Borrower shall have the right to select from the following Interest Rate Options applicable to the Revolving Credit Loans (subject to the provisions above regarding Swing Loans):

(i) Revolving Credit Base Rate Option: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate plus the Applicable Margin, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) Revolving Credit Euro-Rate Option: A rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the Euro-Rate plus the Applicable Margin.

4.1.2. Term Loan Interest Rate Options.

The Borrower shall have the right to select from the following Interest Rate Options applicable to the Term Loans:

(i) Term Loan Base Rate Option: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate plus the Applicable Margin, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) Term Loan Euro-Rate Option: A rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the Euro-Rate plus the Applicable Margin.

4.1.3. Rate Quotations.

The Borrower may call the Administrative Agent on or before the date on which a Loan Request is to be delivered to receive an indication of the rates then in effect, but it

is acknowledged that such projection shall not be binding on the Administrative Agent or the Banks nor affect the rate of interest which thereafter is actually in effect when the election is made.

4.2 Interest Periods.

At any time when the Borrower shall select, convert to or renew a Euro-Rate Option, the Borrower shall notify the Administrative Agent thereof at least three (3) Business Days prior to the effective date of such Euro-Rate Option by delivering a Loan Request. The notice shall specify an Interest Period during which such Interest Rate Option shall apply. Notwithstanding the preceding sentence, the following provisions shall apply to any selection of, renewal of, or conversion to a Euro-Rate Option:

4.2.1. Amount of Borrowing Tranche.

each Borrowing Tranche of Euro-Rate Loans shall be in integral multiples of \$500,000 and not less than \$1,000,000;

4.2.2. Renewals.

in the case of the renewal of a Euro-Rate Option at the end of an Interest Period, the first day of the new Interest Period shall be the last day of the preceding Interest Period, without duplication in payment of interest for such day.

4.3 Interest After Default.

To the extent permitted by Law, upon the occurrence of an Event of Default and until such time such Event of Default shall have been cured or waived, the Borrower may not select, convert to or renew a Euro-Rate Option, and:

4.3.1. Letter of Credit Fees, Interest Rate.

the Letter of Credit Fees and the rate of interest for each Loan otherwise applicable pursuant to Section 2.10.2 [Letter of Credit Fees] or Section 4.1 [Interest Rate Options], respectively, shall be increased by 2.0% per annum; and

4.3.2. Other Obligations.

each other Obligation hereunder if not paid when due shall bear interest at a rate per annum equal to the sum of the rate of interest applicable under the Revolving Credit Base Rate Option plus an additional 2.0% per annum from the time such Obligation becomes due and payable and until it is paid in full.

4.3.3. Acknowledgment.

The Borrower acknowledges that the increase in rates referred to in this Section 4.3 reflects, among other things, the fact that such Loans or other amounts have become a substantially greater risk given their default status and that the Banks are entitled to additional compensation for such risk; and all such interest shall be payable by Borrower upon demand by Administrative Agent.

4.4 Euro-Rate Unascertainable; Illegality; Increased Costs; Deposits Not Available.

4.4.1. Unascertainable.

If on any date on which a Euro-Rate would otherwise be determined, the Administrative Agent shall have determined that:

(i) adequate and reasonable means do not exist for ascertaining such Euro-Rate, or

(ii) a contingency has occurred which materially and adversely affects the London interbank eurodollar market relating to the Euro-Rate, the Administrative Agent shall have the rights specified in Section 4.4.3.

4.4.2. Illegality; Increased Costs; Deposits Not Available.

If at any time any Bank shall have determined that:

(i) the making, maintenance or funding of any Loan to which a Euro-Rate Option applies has been made impracticable or unlawful by compliance by such Bank in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any such Official Body (whether or not having the force of Law), or

(ii) such Euro-Rate Option will not adequately and fairly reflect the cost to such Bank of the establishment or maintenance of any such Loan, or

(iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a Loan, or to banks generally, to which a Euro-Rate Option applies, respectively, are not available to such Bank with respect to such Loan, or to banks generally, in the interbank eurodollar market,

then the Administrative Agent shall have the rights specified in Section 4.4.3.

4.4.3. Administrative Agent's and Bank's Rights.

In the case of any event specified in Section 4.4.1 above, the Administrative Agent shall promptly so notify the Banks and the Borrower thereof, and in the case of an event specified in Section 4.4.2 above, such Bank shall promptly so notify the Administrative Agent and endorse a certificate to such notice as to the specific circumstances of such notice, and the Administrative Agent shall promptly send copies of such notice and certificate to the other Banks and the Borrower. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of (A) the Banks, in the case of such notice given by the Administrative Agent, or (B) such Bank, in the case of such notice given by such Bank, to allow the Borrower to select, convert to or renew a Euro-Rate Option shall be suspended until the Administrative Agent shall have later notified the Borrower, or such Bank shall have later notified the Administrative Agent, of the Administrative Agent's or such Bank's, as the case may be, determination that the circumstances giving rise to such previous determination no longer exist. If at any time the Administrative Agent makes a determination under Section 4.4.1 and the Borrower has previously notified the Administrative Agent of its selection of, conversion to or renewal of a Euro-Rate Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Base Rate Option otherwise available with respect to such Loans. If any Bank notifies the Administrative Agent of a determination under Section 4.4.2, the Borrower shall, subject to the Borrower's indemnification Obligations under Section 5.6.2 [Indemnity], as to any Loan of the Bank to which a Euro-Rate Option applies, on the date specified in such notice either convert such Loan to the Base Rate Option otherwise available with respect to such Loan or prepay such Loan in accordance with Section 5.4 [Voluntary Prepayments]. Absent due notice from the Borrower of conversion or prepayment, such Loan shall automatically be converted to the Base Rate Option otherwise available with respect to such Loan upon such specified date.

4.5 Selection of Interest Rate Options.

If the Borrower fails to select a new Interest Period to apply to any Borrowing Tranche of Loans under the Euro-Rate Option at the expiration of an existing Interest Period applicable to such Borrowing Tranche in accordance with the provisions of Section 4.2 [Interest Periods], the Borrower shall be deemed to have converted such Borrowing Tranche to the Revolving Credit Base Rate Option or Term Loan Base Rate Option, as applicable, commencing upon the last day of the existing Interest Period.

4.6 Canadian Interest Provisions.

Whenever interest is payable hereunder on the basis of a year of 365 or 360 days, for the purposes of the Interest Act (Canada), the yearly rate of interest which is equivalent to the rate payable hereunder is the rate payable hereunder multiplied by the actual number of days in the year and divided by 365 or 360, as applicable. All interest will be calculated using the

nominal rate method and not the effective rate method and the deemed reinvestment principle shall not apply to such calculations.

The amount of the interest or fees exigible in applying this agreement shall not exceed the maximum rate permitted by Law. Where the amount of such interest or such fees is greater than the maximum rate, the amount shall be reduced to the highest rate which may be recovered in accordance with the applicable provisions of Law.

5. PAYMENTS

5.1 Payments.

All payments and prepayments to be made in respect of principal, interest, Commitment Fees, Letter of Credit Fees, or other fees or amounts due from the Borrower hereunder shall be payable prior to 11:00 a.m., Pittsburgh time, on the date when due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower, and without set-off, counterclaim or other deduction of any nature, and an action therefor shall immediately accrue. Such payments shall be made to the Administrative Agent at the Principal Office for the account of PNC Bank with respect to the Swing Loans and for the ratable accounts of the Banks with respect to the Revolving Credit Loans or Term Loans in U.S. Dollars and in immediately available funds, and the Administrative Agent shall promptly distribute such amounts to the Banks in immediately available funds, provided that in the event payments are received by 11:00 a.m., Pittsburgh time, by the Administrative Agent with respect to the Loans and such payments are not distributed to the Banks on the same day received by the Administrative Agent, the Administrative Agent shall pay the Banks the Federal Funds Effective Rate with respect to the amount of such payments for each day held by the Administrative Agent and not distributed to the Banks. The Administrative Agent's and each Bank's statement of account, ledger or other relevant record shall, in the absence of manifest error, be conclusive as the statement of the amount of principal of and interest on the Loans and other amounts owing under this Agreement (including the Equivalent Amounts of the applicable currencies where such computations are required) and shall be deemed an "account stated."

5.2 Pro Rata Treatment of Banks.

Each borrowing shall be allocated to each Bank according to its Ratable Share, and each selection of, conversion to or renewal of any Interest Rate Option and each payment or prepayment by the Borrower with respect to principal, interest, Commitment Fees, Letter of Credit Fees, or other fees (except for payments for fees of the Administrative Agent or the Syndication Agent) or amounts due from the Borrower hereunder to the Banks with respect to the Loans, shall (except as provided in Section 4.4.3 [Administrative Agent's and Bank's Rights] in the case of an event specified in Section 4.4 [Euro-Rate Unascertainable; Etc.], 5.4.2 [Replacement of a Bank] or 5.6 [Additional Compensation in Certain Circumstances]) be made in proportion to the applicable Loans outstanding from each Bank and, if no such Loans are then outstanding, in proportion to the Ratable Share of each Bank. Notwithstanding any of the

foregoing, each borrowing or payment or prepayment by the Borrower of principal, interest, fees or other amounts with respect to Swing Loans shall be made by or to PNC Bank according to Section 2.

5.3 Interest Payment Dates.

Interest on Loans to which the Base Rate Option applies shall be due and payable in arrears on the first day of each November, February, May and August after the date hereof and on the Expiration Date or the Term Loan Maturity Date (as applicable) or upon acceleration of the Notes. Interest on Loans to which the Euro-Rate Option applies shall be due and payable on the last day of each Interest Period for those Loans and, if such Interest Period is longer than three (3) Months, also on the 90th day of such Interest Period. Interest on mandatory prepayments of principal under Section 5.5 [Mandatory Prepayments] shall be due on the date such mandatory prepayment is due. Interest on the principal amount of each Loan or other monetary Obligation shall be due and payable on demand after such principal amount or other monetary Obligation becomes due and payable (whether on the stated maturity date, upon acceleration or otherwise).

5.4 Voluntary Prepayments.

5.4.1. Right to Prepay.

The Borrower shall have the right at its option from time to time to prepay the Loans in whole or part without premium or penalty (except as provided in Section 5.4.2 below or in Section 5.6 [Additional Compensation in Certain Circumstances]):

(i) at any time with respect to any Loan to which the Base Rate Option applies,

(ii) on the last day of the applicable Interest Period with respect to Loans to which a Euro-Rate Option applies,

(iii) on the date specified in a notice by any Bank pursuant to Section 4.4 [Euro-Rate Unascertainable, Etc.] with respect to any Loan to which a Euro-Rate Option applies.

Whenever the Borrower desires to prepay any part of the Loans, it shall provide a prepayment notice to the Administrative Agent by 1:00 p.m. (i) at least one (1) Business Day prior to the date of prepayment of the Revolving Credit Loans or Term Loans which bear interest at the Base Rate Option, (ii) at least three (3) Business Days prior to the date of prepayment of the Revolving Credit Loans or Term Loans which bear interest at the Euro-Rate Option, and (iii) or no later than 1:00 p.m., Pittsburgh time, on the date of prepayment of Swing Loans, setting forth the following information:

- (x) the date, which shall be a Business Day, on which the proposed prepayment is to be made;
- (y) a statement indicating the application of the prepayment between the Swing Loans, Revolving Credit Loans and Term Loans; and
- (z) the total principal amount of such prepayment, which shall not be less than \$100,000 for any Swing Loan or \$500,000 for any Revolving Credit Loan or Term Loan.

All prepayment notices shall be irrevocable. The principal amount of the Loans for which a prepayment notice is given, together with interest on such principal amount except with respect to Loans to which the Base Rate Option applies, shall be due and payable on the date specified in such prepayment notice as the date on which the proposed prepayment is to be made. All Term Loan prepayments permitted pursuant to this Section 5.4.1 shall be applied pro rata to the remaining scheduled amortization payments thereunder; provided, however, that the Term Loan prepayment in the amount of \$62,187,500 to be made by the Borrower in connection with the issuance of the 2003 Senior Notes shall not be applied ratably to reduce the quarterly payments to be made under the Agreement as in effect prior to the 2003 Note Closing Date but shall be applied to reduce the principal of the Term Loan outstanding and remaining payments of the Term Loan shall be made as set forth in Section 3.3 of the Agreement as amended pursuant to the First Amendment. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Banks under Section 5.6.2 [Indemnity].

5.4.2. Replacement of a Bank.

In the event any Bank (i) gives notice under Section 4.4 [Euro-Rate Unascertainable, Etc.] or Section 5.6.1 [Increased Costs, Etc.], (ii) does not fund Revolving Credit Loans because the making of such Loans would contravene any Law applicable to such Bank, or (iii) becomes subject to the control of an Official Body (other than normal and customary supervision), then the Borrower shall have the right at its option, with the consent of the Administrative Agent, which shall not be unreasonably withheld, to prepay the Loans of such Bank in whole, together with all interest accrued thereon, and terminate such Bank's Commitment within ninety (90) days after (x) receipt of such Bank's notice under Section 4.4 [Euro-Rate Unascertainable, Etc.] or 5.6.1 [Increased Costs, Etc.], (y) the date such Bank has failed to fund Revolving Credit Loans because the making of such Loans would contravene Law applicable to such Bank, or (z) the date such Bank became subject to the control of an Official Body, as applicable; provided that the Borrower shall also pay to such Bank at the time of such prepayment any amounts required under Section 5.6 [Additional Compensation in Certain Circumstances] and any accrued interest due on such amount and any related fees; provided, however, that the Commitment and any Term Loan of such Bank shall be provided by one or more of the remaining Banks or a replacement bank acceptable to the Administrative Agent; provided, further, the remaining Banks shall have no obligation hereunder to increase their Commitments. Notwithstanding the foregoing, the Administrative Agent may only be replaced subject to the requirements of Section 10.14 [Successor Agent] and provided that all Letters of Credit issued by the Administrative Agent have expired or been terminated or replaced.

5.4.3. Change of Lending Office.

Each Bank agrees that upon the occurrence of any event giving rise to increased costs or other special payments under Section 4.4.2 [Illegality, Etc.] or 5.6.1 [Increased Costs, Etc.] with respect to such Bank, it will if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Bank) to designate another lending office for any Loans or Letters of Credit affected by such event, provided that such designation is made on such terms that such Bank and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of such Section. Nothing in this Section 5.4.3 shall affect or postpone any of the Obligations of the Borrower or any other Loan Party or the rights of the Administrative Agent or any Bank provided in this Agreement.

5.5 Mandatory Prepayments.

5.5.1. Sale of Assets.

Within five (5) days of the receipt of the proceeds of sale or other disposition by a Loan Party or a Subsidiary of a Loan Party from any asset sale permitted under Section 8.2.7(v)(c), the Borrower shall make a mandatory prepayment of principal equal to the net after-tax proceeds of such sale (as estimated in good faith by the Borrower), together with accrued interest on such principal amount. Within one hundred eighty (180) days of the receipt of the proceeds of sale or other disposition by a Loan Party or a Subsidiary of a Loan Party from any asset sale permitted under Section 8.2.7(v)(b) (or within sixty (60) days after such receipt, to the extent such Loan Party or Subsidiary has failed to provide to the Administrative Agent satisfactory evidence of such Loan Party's or Subsidiary's commitment to reinvest such proceeds as provided in Section 8.2.7(v)(b), to the extent that such Loan Party or Subsidiary has not reinvested such proceeds), the Borrower shall make a mandatory prepayment of principal equal to the net after-tax proceeds of such sale or other disposition (as estimated in good faith by the Borrower), together with accrued interest on such principal amount.

5.5.2. Equity Proceeds.

Within five (5) Business Days of the receipt of proceeds from any issuance of equity securities of the Loan Parties (other than any equity contributed by Saratoga), the Borrower shall make a mandatory prepayment of principal equal to 50% of the net after-tax proceeds of such issuance, together with accrued interest on such principal amount.

5.5.3. Recovery of Insurance Proceeds.

Within one hundred eighty (180) days of the receipt of insurance proceeds from a loss described in Section 8.1.3 (v)(c) (or, within sixty (60) days after such receipt, to the

extent such Loan Party or Subsidiary has failed to provide to the Administrative Agent satisfactory evidence of such Loan Party's or Subsidiary's commitment to reinvest such proceeds as provided in Section 8.1.3(v)(c), to the extent that such Loan Party or Subsidiary has not reinvested such proceeds), the Borrower shall make a mandatory prepayment of principal equal to 100% of the net after tax proceeds thereof, together with accrued interest on such principal amount. Within one hundred eighty (180) days of the receipt of insurance proceeds by a Loan Party or a Subsidiary of a Loan Party from a loss which are not reinvested as described in Section 8.1.3(v)(b) (or, within sixty (60) days after such receipt, to the extent a Loan Party has failed to provide to the Administrative Agent satisfactory evidence of such Loan Party's commitment to reinvest such proceeds as provided in Section 8.1.3(v)(b)), the Borrower shall make a mandatory prepayment of principal equal to 100% of the net after tax proceeds thereof, together with accrued interest on such principal amount.

5.5.4. Borrowing Base Exceeded.

Whenever the outstanding principal balance of Revolving Credit Loans and Swing Loans by the Banks plus Letters of Credit Outstanding exceed the Borrowing Base, the Borrower shall make, within one (1) Business Day after the Borrower learns of such excess and whether or not the Administrative Agent has given notice to such effect, a mandatory prepayment of principal equal to the excess of the Revolving Facility Usage over the Borrowing Base, together with accrued interest on such principal amount.

5.5.5. Currency Fluctuations.

If on any Computation Date the Revolving Facility Usage is equal to or greater than the Revolving Credit Commitments as a result of a change in exchange rates between the Optional Currency and Dollars, then the Administrative Agent shall notify the Borrower of the same. The Borrower shall pay or prepay the Loans (subject to Borrower's indemnity obligations under Sections 4.4 and 5.6 hereof) within one (1) Business Day after receiving such notice such that the Revolving Facility Usage shall not exceed the Revolving Credit Commitments after giving effect to such payments or prepayments.

5.5.6. Application Among Loans and Interest Rate Options.

All prepayments pursuant to this Section 5.5 shall first be applied to the Term Loans pro rata to the remaining scheduled amortization payments thereunder, and then to the Revolving Credit Loans outstanding, if any, and the excess, if any, shall be returned to the Borrower. All prepayments required pursuant to this Section 5.5 shall first be applied among the Interest Rate Options to the principal amount of the Loans subject to the Base Rate Option, then to Loans subject to a Euro-Rate Option. In accordance with Section 5.6.2 [Indemnity], the Borrower shall indemnify the Banks for any loss or expense, including loss of margin, incurred with respect to any such prepayments applied against Loans subject to a Euro-Rate Option on any day other than the last day of the applicable Interest Period.

5.6 Additional Compensation in Certain Circumstances.

5.6.1. Increased Costs or Reduced Return Resulting from Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc.

If any Law, guideline or interpretation or any change in any Law, guideline or interpretation or application thereof by any Official Body charged with the interpretation or administration thereof or compliance with any request or directive (whether or not having the force of Law) of any central bank or other Official Body:

(i) subjects any Bank to any tax or changes the basis of taxation with respect to this Agreement, the Notes, the Loans or payments by the Borrower of principal, interest, Commitment Fees, or other amounts due from the Borrower hereunder or under the Notes (except for taxes on the overall net income of such Bank),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, any Bank, or

(iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or letters of credit, other credits or commitments to extend credit extended by, any Bank, or (B) otherwise applicable to the obligations of any Bank under this Agreement,

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon any Bank with respect to this Agreement, the Notes or the making, maintenance or funding of any part of the Loans (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on any Bank's capital, taking into consideration such Bank's customary policies with respect to capital adequacy) by an amount which such Bank in its sole discretion deems to be material, such Bank shall from time to time notify the Borrower and the Administrative Agent of the amount determined in good faith (using any averaging and attribution methods employed in good faith) by such Bank to be necessary to compensate such Bank for such increase in cost, reduction of income, additional expense or reduced rate of return. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank ten (10) Business Days after such notice is given.

5.6.2. Indemnity.

In addition to the compensation required by Section 5.6.1 [Increased Costs, Etc.], the Borrower shall indemnify each Bank against all liabilities, losses or expenses (including loss of margin, any loss or expense incurred in liquidating or employing deposits from third parties and any loss or expense incurred in connection with funds acquired by a Bank to fund or maintain Loans subject to a Euro-Rate Option) which such Bank sustains or incurs as a consequence of any

(i) payment, prepayment, conversion or renewal of any Loan to which a Euro-Rate Option applies on a day other than the last day of the corresponding Interest Period (whether or not such payment or prepayment is mandatory, voluntary or automatic and whether or not such payment or prepayment is then due),

(ii) attempt by the Borrower to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any Loan Requests under Section 2.5 [Revolving Credit Loan Requests] or Section 4.2 [Interest Periods] or notice relating to prepayments under Section 5.4 [Voluntary Prepayments], or

(iii) default by a Loan Party in the performance or observance of any covenant or condition contained in this Agreement or any other Loan Document, including any failure of the Borrower to pay when due (by acceleration or otherwise) any principal, interest, Commitment Fee or any other amount due hereunder.

If any Bank sustains or incurs any such loss or expense, it shall from time to time notify the Borrower of the amount determined in good faith by such Bank (which determination may include such assumptions, allocations of costs and expenses and averaging or attribution methods as such Bank shall deem reasonable) to be necessary to indemnify such Bank for such loss or expense. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrower to such Bank ten (10) Business Days after such notice is given.

5.7 Collections; Administrative Agent's Right to Notify Account Debtors.

After the occurrence of any Event of Default, the Administrative Agent may, and upon request of the Required Banks, shall (i) notify any or all Account Debtors that the Accounts have been assigned to the Banks and that the Banks have a security interest therein, and (ii) direct such Account Debtors to make all payments due from them to the Loan Parties upon the Accounts directly to the Administrative Agent or to a lockbox designated by the Administrative Agent. The Administrative Agent shall promptly furnish the Borrower with a copy of any such notice sent. Any such notice, in the Administrative Agent's sole discretion, may be sent on the Borrower's stationery, in which event the Borrower shall co-sign such notice with the Administrative Agent. To the extent that any Law or custom or any contract or agreement with any Account Debtor requires notice to or the approval of the Account Debtor in order to perfect such assignment of a security interest in Accounts, the Borrower agrees to give such notice or obtain such approval.

5.8 Judgment Currency.

5.8.1. Currency Conversion Procedures for Judgments.

If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in any currency (the “Original Currency”) into another currency (the “Other Currency”), the parties hereby agree, to the fullest extent permitted by Law, that the rate of exchange used shall be that at which in accordance with normal banking procedures each Bank could purchase the Original Currency with the Other Currency after any premium and costs of exchange on the Business Day preceding that on which final judgment is given.

5.8.2. Indemnity in Certain Events.

The obligation of Borrower in respect of any sum due from Borrower to any Bank hereunder shall, notwithstanding any judgment in an Other Currency, whether pursuant to a judgment or otherwise, be discharged only to the extent that, on the Business Day following receipt by any Bank of any sum adjudged to be so due in such Other Currency, such Bank may in accordance with normal banking procedures purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to such Bank in the Original Currency, Borrower agrees, as a separate obligation and notwithstanding any such judgment or payment, to indemnify such Bank against such loss.

6. REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties.

The Loan Parties, jointly and severally, represent and warrant to the Administrative Agent and each of the Banks as follows:

6.1.1. Organization and Qualification.

Each Loan Party and each Subsidiary of each Loan Party is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Each Loan Party and each Subsidiary of each Loan Party has the lawful power to own or lease its properties and to engage in the business it presently conducts or proposes to conduct. Each Loan Party and each Subsidiary of each Loan Party is duly licensed or qualified and in good standing in each jurisdiction listed on Schedule 6.1.1 and in all other jurisdictions where the property owned or leased by it or the nature of the business transacted by it or both makes such licensing or qualification necessary, except to the extent that any failure to be so qualified and in good standing would not constitute a Material Adverse Change.

6.1.2. Capitalization and Ownership.

As of the Closing Date, the authorized capital stock of the Borrower consists of 37,000,000 shares of common stock and 10,000,000 shares of senior convertible preferred stock, of which 991,053 shares of common stock and 2,288,481 shares of senior convertible preferred stock (collectively referred to herein as the “Shares”) are issued and outstanding and are owned as indicated on Schedule 6.1.2. All of the Shares have been validly issued and are fully paid and nonassessable. As of the Closing Date, there are no options, warrants or other rights outstanding to purchase any such shares except as indicated on Schedule 6.1.2.

6.1.3. Subsidiaries.

Schedule 6.1.3 states as of the Closing Date the name of each of the Borrower’s Subsidiaries, its jurisdiction of organization, its authorized capital stock, the issued and outstanding shares (referred to herein as the “Subsidiary Shares”) and the owners thereof if it is a corporation, its outstanding partnership interests (the “Partnership Interests”) if it is a partnership and its outstanding limited liability company interests, interests assigned to managers thereof and the voting rights associated therewith (the “LLC Interests”) if it is a limited liability company. The Borrower and each Subsidiary of the Borrower has good and marketable title to all of the Subsidiary Shares, Partnership Interests and LLC Interests it purports to own, free and clear in each case of any Lien. All Subsidiary Shares, Partnership Interests and LLC Interests have been validly issued, and all Subsidiary Shares are fully paid and nonassessable. All capital contributions and other consideration required to be made or paid in connection with the issuance of the Partnership Interests and LLC Interests have been made or paid, as the case may be. As of the Closing Date, there are no options, warrants or other rights outstanding to purchase any such Subsidiary Shares, Partnership Interests or LLC Interests except as indicated on Schedule 6.1.3.

6.1.4. Power and Authority.

Each Loan Party has full power to enter into, execute, deliver and carry out this Agreement and the other Loan Documents to which it is a party, to incur the Indebtedness contemplated by the Loan Documents and to perform its Obligations under the Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part.

6.1.5. Validity and Binding Effect.

This Agreement has been duly and validly executed and delivered by each Loan Party, and each other Loan Document which any Loan Party is required to execute and deliver on or after the date hereof will have been duly executed and delivered by such Loan Party on the required date of delivery of such Loan Document. This Agreement and each other Loan Document constitutes, or will constitute, legal, valid and binding obligations of each Loan Party which is or will be a party thereto on and after its date of delivery thereof, enforceable against

such Loan Party in accordance with its terms, except to the extent that enforceability of any of such Loan Document may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance.

6.1.6. No Conflict.

Neither the execution and delivery of this Agreement or the other Loan Documents by any Loan Party 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, constitution, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents of any Loan Party or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which any Loan Party or any of its Subsidiaries is a party or by which it or any of its 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 any Loan Party or any of its Subsidiaries (other than Liens granted under the Loan Documents).

6.1.7. Litigation.

Except as set forth on Schedule 6.1.7, there are no actions, suits, proceedings or investigations pending or, to the knowledge of any Loan Party, threatened against such Loan Party or any Subsidiary of such Loan Party at law or equity before any Official Body as to which there is a reasonable probability of such actions, suits, proceedings or investigations being adversely decided and, if adversely decided, which would reasonably be expected to have a Material Adverse Change. None of the Loan Parties or any Subsidiaries of any Loan Party is in violation of any order, writ, injunction or any decree of any Official Body which may result in any Material Adverse Change.

6.1.8. Title to Properties.

The real property owned or leased by each Loan Party and each Subsidiary of each Loan Party as of the Closing Date is described on Schedule 6.1.8. Each Loan Party and each Subsidiary of each Loan Party has good and marketable title to or valid leasehold interest in all material properties, assets and other rights which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all Liens and encumbrances except Permitted Liens, and subject to the terms and conditions of the applicable leases. All material leases of property are in full force and effect without the necessity for any consent which has not previously been obtained upon consummation of the transactions contemplated hereby.

6.1.9. Financial Statements.

(i) Historical Statements. The Borrower has delivered to the Administrative Agent copies of its audited consolidated year-end financial statements for and as of the fiscal year ended December 31, 2004, and its unaudited consolidated financial statements for and as of the fiscal quarter ended March 31, 2005 (collectively, the "Historical Statements"). The Historical Statements were compiled from the books and records maintained by the Borrower's management, are correct and complete and fairly represent the consolidated financial condition of the Borrower and its Subsidiaries as of their dates and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied.

(ii) Financial Projections. The Borrower has delivered to the Administrative Agent financial projections of the Borrower and its Subsidiaries for the period January 1, 2005 through December 31, 2009 derived from various assumptions of the Borrower's management, including balance sheets, income statements and statements of cash flows and assumptions with respect thereto (the "Financial Projections"). The Financial Projections represent a reasonable range of possible results in light of the history of the business, present and foreseeable conditions and the intentions of the Borrower's management. The Financial Projections accurately reflect the liabilities of the Borrower and its Subsidiaries upon consummation of the transactions contemplated hereby as of the Closing Date.

(iii) Accuracy of Financial Statements. Neither the Borrower nor any Subsidiary of the Borrower had, as of the date of the Historical Statements, any material liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the Historical Statements or in the notes thereto, and except as disclosed therein there are no unrealized or anticipated losses from any commitments of the Borrower or any Subsidiary of the Borrower which would cause a Material Adverse Change. Since December 31, 2004, no Material Adverse Change has occurred.

6.1.10. Use of Proceeds; Margin Stock; Section 20 Subsidiaries.

6.1.10.1. General.

The Loan Parties intend to use the proceeds of the Loans in accordance with Sections 2.8, 3.4 and 8.1.10.

6.1.10.2. Margin Stock.

None of the Loan Parties or any Subsidiaries of any Loan Party engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U). No part of the proceeds of any Loan has been or will be used, immediately, incidentally or ultimately, to purchase or carry any

margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or to refund Indebtedness originally incurred for such purpose, or for any purpose which entails a violation of or which is inconsistent with the provisions of the regulations of the Board of Governors of the Federal Reserve System. None of the Loan Parties or any Subsidiary of any Loan Party holds or intends to hold margin stock in such amounts that more than 25% of the reasonable value of the assets of any Loan Party or Subsidiary of any Loan Party are or will be represented by margin stock.

6.1.10.3. Section 20 Subsidiaries.

The Loan Parties do not intend to use and shall not use any portion of the proceeds of the Loans, directly or indirectly, to purchase during the underwriting period, or for thirty (30) days thereafter, Ineligible Securities being underwritten by a Section 20 Subsidiary.

6.1.11. Full Disclosure.

Neither this Agreement nor any other Loan Document, nor any certificate, statement, agreement or other documents furnished to the Administrative Agent or any Bank in connection herewith or therewith, in each case on the respective dates thereof, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading. As of the Closing Date, there is no fact known to any Loan Party which materially adversely affects the business, property, assets, financial condition, or results of operations specific to any Loan Party or Subsidiary of any Loan Party which has not been set forth in this Agreement or in the certificates, statements, agreements or other documents furnished in writing to the Administrative Agent and the Banks prior to or at the date hereof in connection with the transactions contemplated hereby.

6.1.12. Taxes.

All federal, state, local and other tax returns required to have been filed with respect to each Loan Party and each Subsidiary of each Loan Party have been filed, and payment or adequate provision has been made for the payment of all taxes, fees, assessments and other governmental charges which have or may become due pursuant to said returns or to assessments received, except to the extent that such taxes, fees, assessments and other charges are being contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made. As of the Closing Date there are no agreements or waivers extending the statutory period of limitations applicable to any federal income tax return of any Loan Party or Subsidiary of any Loan Party for any period.

6.1.13. Consents and Approvals.

Except for the filing of financing statements in the state and county filing offices, no consent, approval, exemption, order or authorization of, or a registration or filing with, any Official Body or any other Person is required by any Law or any agreement in connection with the execution, delivery and carrying out of this Agreement and the other Loan Documents by any Loan Party, except as listed on Schedule 6.1.13, all of which shall have been obtained or made on or prior to the Closing Date except as otherwise indicated on Schedule 6.1.13.

6.1.14. No Event of Default; Compliance with Instruments.

No event has occurred and is continuing and no condition exists or will exist after giving effect to the borrowings or other extensions of credit to be made on the Closing Date under or pursuant to the Loan Documents which constitutes an Event of Default or Potential Default. None of the Loan Parties or any Subsidiaries of any Loan Party is in violation of (i) any term of its certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties may be subject or bound where such violation constitutes a Material Adverse Change.

6.1.15. Patents, Trademarks, Copyrights, Licenses, Etc.

Each Loan Party and each Subsidiary of each Loan Party owns or possesses or otherwise has the right to use all the material patents, trademarks, service marks, trade names, copyrights, licenses, registrations, franchises, permits and rights necessary to own and operate its properties and to carry on its business as presently conducted and planned to be conducted by such Loan Party or Subsidiary, without known conflict with the rights of others. All material patents, trademarks, service marks, trade names, copyrights, licenses, registrations, franchises and permits of each Loan Party and each Subsidiary of each Loan Party as of the Closing Date are listed and described on Schedule 6.1.15.

6.1.16. Security Interests.

The Liens and security interests granted to the Administrative Agent for the benefit of the Banks pursuant to the Patent, Trademark and Copyright Security Agreement, the Pledge Agreement, the Security Agreements and the Quebec Security in the Collateral (other than the Real Property) constitute and will continue to constitute Prior Security Interests under the Uniform Commercial Code or the Corporations Act or the applicable laws of the Province of Quebec (as the case may be) as in effect in each applicable jurisdiction (the "Uniform Commercial Code") or other applicable Law entitled to all the rights, benefits and priorities provided by the Uniform Commercial Code or such Law. Upon the filing of financing statements, the necessary Australian Securities and Investments Commission forms and the

registration of the Deed of Hypothec relating to said security interests in each office and in each jurisdiction where required in order to perfect the security interests described above, taking possession of any stock certificates or other certificates evidencing the Pledged Collateral and recordation of the Patent, Trademark and Copyright Security Agreement in the United States Patent and Trademark Office and United States Copyright Office, as applicable, all such action as is necessary or advisable to establish such rights of the Administrative Agent will have been taken, and there will be upon execution and delivery of the Patent, Trademark and Copyright Security Agreement, the Pledge Agreement, the Security Agreements and the Quebec Security, such filings and such taking of possession, no necessity for any further action in order to preserve, protect and continue such rights, except the filing of continuation statements with respect to such financing statements within six months prior to each five-year anniversary of the filing of such financing statements. All filing or registration fees and other expenses in connection with each such action have been or will be paid by the Borrower.

6.1.17. [Intentionally Omitted].

6.1.18. Status of the Pledged Collateral.

All the shares of capital stock, Partnership Interests or LLC Interests included in the Pledged Collateral to be pledged pursuant to the Pledge Agreement are or will be upon issuance validly issued and nonassessable and owned beneficially and of record by the pledgors thereunder free and clear of any Lien or restriction on transfer, except for taxes not yet due and payable to the extent such prospective tax payments are given priority by statute or as otherwise provided by the Pledge Agreement and except as the right of the Banks to dispose of the Shares, Partnership Interests or LLC Interests may be limited by the Securities Act of 1933, as amended, and the regulations promulgated by the Securities and Exchange Commission thereunder and by applicable state securities laws. There are no shareholder, partnership, limited liability company or other agreements or understandings with respect to the shares of capital stock, Partnership Interests or LLC Interests included in the Pledged Collateral except for the partnership agreements and limited liability company agreements described on Schedule 6.1.18. The Loan Parties have delivered true and correct copies of such partnership agreements and limited liability company agreements to the Administrative Agent.

6.1.19. Insurance.

Schedule 6.1.19 lists as of the Closing Date all insurance policies and other bonds to which any Loan Party or Subsidiary of any Loan Party is a party, all of which are valid and in full force and effect. No notice has been given or claim made and no grounds exist to cancel or avoid any of such policies or bonds or to reduce the coverage provided thereby. Such policies and bonds provide adequate coverage from reputable and financially sound insurers in amounts sufficient to insure the assets and risks of each Loan Party and each Subsidiary of each Loan Party in accordance with prudent business practice in the industry of the Loan Parties and their Subsidiaries.

6.1.20. Compliance with Laws.

The Loan Parties and their Subsidiaries are in compliance in all material respects with all applicable Laws (other than Environmental Laws which are specifically addressed in Section 6.1.25 [Environmental Matters]) in all jurisdictions in which any Loan Party or Subsidiary of any Loan Party is presently or will be doing business.

6.1.21. Material Contracts.

Schedule 6.1.21 lists as of the Closing Date all contracts relating to the business operations of each Loan Party and each Subsidiary of any Loan Party required to be filed by Item 601 of Regulation S-K of the Securities Act of 1933, as amended. All such material contracts are valid, binding and enforceable upon such Loan Party or Subsidiary and each of the other parties thereto in accordance with their respective terms. The Borrower and its Subsidiaries are not in material default with respect to any such material contracts, nor do the Loan Parties have knowledge of any material default with respect to the other parties to such material contracts.

6.1.22. Investment Companies; Regulated Entities.

None of the Loan Parties or any Subsidiaries of any Loan Party is an “investment company” registered or required to be registered under the Investment Company Act of 1940 or under the “control” of an “investment company” as such terms are defined in the Investment Company Act of 1940 and shall not become such an “investment company” or under such “control.” None of the Loan Parties or any Subsidiaries of any Loan Party is subject to any other Federal or state statute or regulation limiting its ability to incur Indebtedness for borrowed money.

6.1.23. Plans and Benefit Arrangements.

Except as set forth on Schedule 6.1.23:

(i) The Borrower and each other member of the ERISA Group are in compliance in all material respects with any applicable provisions of ERISA with respect to all Benefit Arrangements, Plans and Multiemployer Plans. There has been no Prohibited Transaction with respect to any Benefit Arrangement or any Plan or, to the best knowledge of the Borrower, with respect to any Multiemployer Plan or Multiple Employer Plan, which could result in any material liability of the Borrower or any other member of the ERISA Group. The Borrower and all other members of the ERISA Group have made when due any and all payments required to be made under any agreement relating to a Multiemployer Plan or a Multiple Employer Plan or any Law pertaining thereto. With respect to each Plan and Multiemployer Plan, the Borrower and each other member of the ERISA Group (i) have fulfilled in all material respects their obligations under the minimum funding standards of ERISA, (ii) have not incurred any liability to the PBGC, and (iii) have not had asserted against them any penalty for failure to fulfill the minimum funding requirements of ERISA.

(ii) To the best of the Borrower's knowledge, each Multiemployer Plan and Multiple Employer Plan is able to pay benefits thereunder when due.

(iii) Neither the Borrower nor any other member of the ERISA Group has instituted or intends to institute proceedings to terminate any Plan under Section 4041 of ERISA.

(iv) No event requiring notice to the PBGC under Section 302(f)(4)(A) of ERISA has occurred or is reasonably expected to occur with respect to any Plan, and no amendment with respect to which security is required under Section 307 of ERISA has been made or is reasonably expected to be made to any Plan.

(v) Neither the Borrower nor any other member of the ERISA Group has incurred or reasonably expects to incur any material withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Borrower nor any other member of the ERISA Group has been notified by any Multiemployer Plan or Multiple Employer Plan that such Multiemployer Plan or Multiple Employer Plan has been terminated within the meaning of Title IV of ERISA and, to the best knowledge of the Borrower, no Multiemployer Plan or Multiple Employer Plan is reasonably expected to be reorganized or terminated, within the meaning of Title IV of ERISA.

(vi) To the extent that any Benefit Arrangement is insured, the Borrower and all other members of the ERISA Group have paid when due all premiums required to be paid for all periods through the Closing Date. To the extent that any Benefit Arrangement is funded other than with insurance, the Borrower and all other members of the ERISA Group have made when due all contributions required to be paid for all periods through the Closing Date.

(vii) All Plans, Benefit Arrangements and Multiemployer Plans have been administered in accordance with their terms and applicable Law in all material respects.

6.1.24. Employment Matters.

Each of the Loan Parties and each of their Subsidiaries is in compliance with the Labor Contracts and all applicable federal, state and local labor and employment Laws including those related to equal employment opportunity and affirmative action, labor relations, minimum wage, overtime, child labor, medical insurance continuation, worker adjustment and relocation notices, immigration controls and worker and unemployment compensation, where the failure to comply constitutes a Material Adverse Change. As of the Closing Date, there are no outstanding grievances, arbitration awards or appeals therefrom arising out of the Labor

Contracts or current or threatened strikes, picketing, handbilling or other work stoppages or slowdowns at facilities of any of the Loan Parties or any of their Subsidiaries which in any case would constitute a Material Adverse Change. The Borrower has delivered to the Administrative Agent true and correct copies of each of the Labor Contracts.

6.1.25. Environmental Matters and Safety Matters.

Except as set forth on Schedule 6.1.25:

(i) None of the Loan Parties has received any Environmental Complaint which there is a reasonable probability of the same being adversely decided and, if adversely decided, would reasonably be expected to result whether individually or in the aggregate, in a Material Adverse Change, whether directed or issued to any Loan Party or relating or pertaining to any predecessor of any Loan Party or to any prior owner, operator or occupant of the Property, and none of the Loan Parties is aware of any acts or omissions or any conditions or circumstances, not subject to indemnification by Beazer East, which could reasonably be expected to give rise to such an Environmental Complaint;

(ii) No activity or operation of any Loan Party at the Property is being or has been conducted in violation of any Environmental Law or Environmental Permit where such violation would reasonably be expected to result whether individually or in the aggregate in a Material Adverse Change, and to the knowledge of any Loan Party no activity or operation of any predecessor of any Loan Party or any prior owner, operator or occupant of the Property was conducted in material violation of any Environmental Law in effect as of the date such predecessor, prior owner, operator or occupant conducted such activity or operation;

(iii) All Regulated Substances which are or are likely to result in Contamination and are present on, in, under, or migrating from, or to any Loan Party's knowledge migrating to, the Property or any portion thereof are being managed, including pursuant to Remedial Action, either (A) by a Person (other than a Loan Party) in material compliance with applicable Environmental Laws and Environmental Permits issued to such Person (other than a Loan Party), or (B) by a Loan Party in compliance with applicable Environmental Laws and Environmental Permits, except (in the case of this clause (B)), where such failure to so manage would not reasonably be expected to result in Material Adverse Change;

(iv) Each Loan Party in its current operations uses, generates, treats, collects, stores, disposes, deposits, emits, releases, discharges and transports to or from the Property all Regulated Substances in material compliance with applicable Environmental Laws and Environmental Permits;

(v) Each Loan Party has all Environmental Permits except for any such Environmental Permits the absence of which whether individually or in the aggregate, would result in a Material Adverse Change; all such Environmental Permits are in full force and

effect, each Loan Party's operations at the Property are conducted in compliance in all material respects with the terms and conditions of such Environmental Permits, and none of the Loan Parties has received any written notice from an Official Body that such Official Body has or intends to suspend, revoke or adversely alter, whether in whole or in part, any such Environmental Permit which would reasonably be expected to result whether individually or in the aggregate in a Material Adverse Change;

(vi) Each Loan Party has submitted to an Official Body and/or maintains in its files, as applicable, all material Environmental Records;

(vii) No structures, improvements, equipment, fixtures, impoundments, pits, lagoons or aboveground or underground storage tanks, operated or owned by any Loan Party, located on the Property contain or use, except in compliance in all material respects with Environmental Laws and Environmental Permits, Regulated Substances or otherwise are operated or owned except in compliance in all material respects with Environmental Laws and Environmental Permits.

(viii) To the knowledge of each Loan Party, all structures, improvements, equipment, fixtures, impoundments, pits, lagoons or aboveground or underground storage tanks that contained or used Regulated Substances and were operated or maintained by prior owners, operators or occupants of the Property have been identified and/or located. To the knowledge of each Loan Party, any such structure, improvement, equipment, fixture, impoundment, pit, lagoon or aboveground or underground storage tank located on Property not acquired from Beazer East, the presence of which does not comply in all material respects with applicable Environmental Laws, or from which there has been or is a release of Regulated Substances which has or could result in Contamination, is the subject of a Remedial Action;

(ix) To the knowledge of each Loan Party, no facility or site to which any Loan Party, either directly or indirectly by a third party, has sent Regulated Substances for storage, treatment, disposal or other management has been or is being operated in material violation of Environmental Laws or pursuant to Environmental Laws is identified or proposed to be identified on any list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of a Remedial Action by an Official Body or any other Person (including any Loan Party);

(x) No portion of the Property is identified or to the knowledge of any Loan Party proposed to be identified on any Official Body's list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of a Remedial Action by an Official Body or any other Person (including any Loan Party), nor to the knowledge of any Loan Party is any property adjoining or in the proximity of the Property identified or proposed to be identified on any such list or the subject of a Remedial Action;

(xi) To the knowledge of each Loan Party, no portion of the Property constitutes an Environmentally Sensitive Area;

(xii) No Official Body has filed or recorded a lien for the recovery of Remedial Action costs against the Property or any other assets of any Loan Party and none of the Loan Parties is aware of any acts or omissions by any Loan Party or any conditions or circumstances caused or created by any Loan Party which could reasonably be expected to result in the filing or recording by an Official Body of any such lien, nor have any restrictions been imposed upon the type of use or any Loan Party's ability to transfer, as authorized by Environmental Laws, the Property or any portion thereof, and none of the Loan Parties is aware of any facts, conditions or circumstances which could reasonably be expected to result in any such restriction on use or transferability being imposed upon the Property, or any portion thereof;

(xiii) Neither the transaction contemplated by the Loan Documents nor any other transaction involving the sale, transfer or exchange of the Property will trigger or has triggered any obligation under any applicable Environmental Laws to make a filing, provide a notice, provide other disclosure or take any other action the failure to accomplish which whether individually or in the aggregate would reasonably be expected to result in a Material Adverse Change, or in the event that any such transaction-triggered obligation does arise or has arisen under any Environmental Laws, all such actions required thereby have been taken in compliance with applicable Environmental Laws (it being understood that the foregoing does not constitute a representation or warranty that any transferee or creditor could conduct operations on any Property under existing Environmental Permits);

(xiv) The activities and operations of the Loan Parties are being conducted in compliance with applicable Safety Laws, except where the failure, whether individually or in the aggregate, to do so would not reasonably be expected to result in a Material Adverse Change;

(xv) The Loan Parties have not received any Safety Complaints, the Loan Parties are not aware of any acts or omissions by any Loan Party or any conditions or circumstances caused or created by any Loan Party which could reasonably be expected to give rise to any Safety Complaints and, to the knowledge of the Loan Parties no Safety Complaints are being threatened in each case as to which there is a reasonable probability of the same being adversely decided and, if adversely decided, would reasonably be expected to result whether individually or in the aggregate in a Material Adverse Change; and

(xvi) Each Loan Party has submitted to an Official Body and/or maintains in its files, as applicable, all material Safety Filings and Records.

It is expressly understood and agreed that for purposes of this Section 6.1.25 only to the extent any of the preceding requires the Loan Parties to make representations and warranties which relate or pertain to: (a) any Person (other than a Loan Party); or (b) the operations and activities of any Person (other than a Loan Party), including Beazer East under the Beazer Acquisition Agreement, such representations and warranties are being made to the knowledge of the Loan Parties; it is further expressly understood and agreed that for purposes of this Section 6.1.25 only to the extent any of the preceding requires the Loan Parties to make representations

and warranties which relate or pertain to portions of the Property leased by a Loan Party, such representations and warranties are limited to the operations conducted by the Loan Parties on such portions of the Property.

6.1.26. Senior Debt Status.

The Obligations of each Loan Party under this Agreement, the Notes, the Guaranty Agreements and each of the other Loan Documents to which it is a party do rank and will rank at least pari passu in priority of payment with all other Indebtedness of such Loan Party except Indebtedness of such Loan Party to the extent secured by Permitted Liens (other than Liens in favor of the 2003 Trustee securing the 2003 Senior Notes). There is no Lien upon or with respect to any of the properties or income of any Loan Party or Subsidiary of any Loan Party which secures indebtedness or other obligations of any Person except for Permitted Liens. The Obligations of the Borrower hereunder constitute and will constitute "Senior Indebtedness" within the meaning of such term in the 2003 Senior Note Indenture, and all or a portion of the Obligations of the Borrower hereunder constitute or will constitute "First Lien Obligations" within the meaning of such term in the 2003 Senior Note Indenture. The lien subordination provisions of the Intercreditor Agreement are enforceable by the Banks against the Loan Parties and the holders from time to time of the 2003 Senior Notes.

6.1.27. Solvency.

Each of the Loan Parties is Solvent. After giving effect to the transactions contemplated by the Loan Documents, including all Indebtedness incurred thereby, the Liens granted by the Loan Parties in connection therewith and the payment of all fees related thereto, each of the Loan Parties will be Solvent, determined as of the Closing Date.

6.2 Updates to Schedules.

Should any of the information or disclosures provided on any of the Schedules attached hereto which are not limited to matters disclosed as of the Closing Date become outdated or incorrect in any material respect, the Borrower shall promptly provide the Administrative Agent in writing with such revisions or updates to such Schedule as may be necessary or appropriate to update or correct same; provided, however, that no Schedule shall be deemed to have been amended, modified or superseded by any such correction or update, nor shall any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule be deemed to have been cured thereby, unless and until the Required Banks, in their sole and absolute discretion, shall have accepted in writing such revisions or updates to such Schedule.

7. CONDITIONS OF LENDING AND ISSUANCE OF LETTERS OF CREDIT

The obligation of each Bank to make Loans and of the Administrative Agent or any other Issuing Bank to issue Letters of Credit hereunder is subject to the performance by each of the

Loan Parties of its Obligations to be performed hereunder at or prior to the making of any such Loans or issuance of such Letters of Credit and to the satisfaction of the following further conditions:

7.1 First Loans and Letters of Credit.

On the Closing Date:

7.1.1. Officer's Certificates.

The representations and warranties of each of the Loan Parties contained in Section 6.1 and in each of the other Loan Documents shall be true and accurate on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein), and each of the Loan Parties shall have performed and complied with all covenants and conditions hereof and thereof, no Event of Default or Potential Default shall have occurred and be continuing or shall exist; and there shall be delivered to the Administrative Agent for the benefit of each Bank a certificate of each of the Loan Parties, dated the Closing Date and signed by the Chief Executive Officer, President, Chief Financial Officer or other Responsible Officer of each of the Loan Parties, to each such effect.

7.1.2. Secretary's or Director's Certificates.

There shall be delivered to the Administrative Agent for the benefit of each Bank a certificate dated the Closing Date and signed by the Secretary, an Assistant Secretary, or Director (in the case of a Loan Party registered in Australia) of each of the Loan Parties, certifying as appropriate as to:

(i) all action taken by each Loan Party in connection with this Agreement and the other Loan Documents;

(ii) the names of the officer or officers authorized to sign this Agreement and the other Loan Documents and the true signatures of such officer or officers and specifying the Authorized Officers permitted to act on behalf of each Loan Party for purposes of this Agreement and the true signatures of such officers, on which the Administrative Agent and each Bank may conclusively rely; and

(iii) copies of its organizational documents (except in the case of a Loan Party registered in Australia), including its certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, and limited liability company agreement as in effect on the Closing Date certified by the appropriate state official where such documents are filed in a state office and/or the corporate secretary of other appropriate officer, together with certificates from the appropriate state officials (or on an interim basis, by a corporation service company acceptable to the Agent) as to the continued existence and good standing of each Loan Party in each state where organized or qualified to do business and a bring-down certificate by facsimile dated the Closing Date.

7.1.3. Delivery of Loan Documents.

The Guaranty Agreements, Notes, Patent, Trademark and Copyright Security Agreement, Pledge Agreement, Intercompany Subordination Agreement, Security Agreements and the Quebec Security shall have been duly executed and delivered to the Administrative Agent for the benefit of the Banks, together with all appropriate financing statements, evidence that the document has been registered or is in a registrable form including any necessary Australian Securities and Investments Commission forms and evidence that the document has been duly stamped or that it will be duly stamped (including if appropriate, sufficient funds to pay all stamp duty which is payable) in the case of the Security Agreements which are governed by Australian law and appropriate stock powers and certificates (other than with respect to Koppers Assurance) evidencing the Shares, the Partnership Interests and the LLC Interests.

7.1.4. Opinion of Counsel.

There shall be delivered to the Administrative Agent for the benefit of each Bank a written opinion of (i) Reed Smith, LLP, and (ii) Baker & McKenzie, counsel for the Loan Parties (who may rely on the opinions of such other counsel as may be acceptable to the Administrative Agent), dated the Closing Date and in form and substance satisfactory to the Administrative Agent and its counsel:

(i) as to the matters set forth in Exhibit 7.1.4; and

(ii) as to such other matters incident to the transactions contemplated herein as the Administrative Agent may reasonably request.

7.1.5. Legal Details.

All legal details and proceedings in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be in form and substance satisfactory to the Administrative Agent and counsel for the Administrative Agent, and the Administrative Agent shall have received all such other counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance satisfactory to the Administrative Agent and said counsel, as the Administrative Agent or said counsel may reasonably request.

7.1.6. Payment of Fees.

The Borrower shall have paid or caused to be paid to the Administrative Agent for itself and for the account of the Banks to the extent not previously paid all fees accrued through the Closing Date and the costs and expenses for which the Administrative Agent and the Banks are entitled to be reimbursed.

7.1.7. [Intentionally Omitted].

7.1.8. Management Agreements and Employment Contracts.

The Borrower shall have delivered to the Administrative Agent true, correct and complete copies of all management agreements and material employment contracts to which any of the Loan Parties are party, which shall be in form and substance satisfactory to the Administrative Agent.

7.1.9. Consents.

All material consents required to effectuate the transactions contemplated hereby as set forth on Schedule 6.1.13 shall have been obtained.

7.1.10. Officer's Certificates Regarding MACs.

Since December 31, 2004, no Material Adverse Change shall have occurred; prior to the Closing Date, there shall have been no material change in the management of any Loan Party or Subsidiary of any Loan Party; and there shall have been delivered to the Administrative Agent for the benefit of each Bank a certificate dated the Closing Date and signed by the Chief Executive Officer, President, Chief Financial Officer or other Responsible Officer of each Loan Party to each such effect.

7.1.11. No Violation of Laws.

The making of the Loans and the issuance of the Letters of Credit shall not contravene any Law applicable to any Loan Party or any of the Banks.

7.1.12. No Actions or Proceedings.

No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, this Agreement, the other Loan Documents or the consummation of the transactions contemplated hereby or thereby or which, in the Administrative Agent's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or any of the other Loan Documents.

7.1.13. Insurance Policies; Certificates of Insurance; Endorsements.

The Loan Parties shall have delivered evidence acceptable to the Administrative Agent that adequate insurance in compliance with Section 8.1.3 [Maintenance of Insurance] is in full force and effect and that all premiums then due thereon have been paid, together with certificates of insurance from the Loan Parties' independent insurance broker describing and certifying as to the existence of the insurance and evidencing coverage satisfactory to the Administrative Agent, with additional insured and lender loss payable special endorsements attached thereto in form and substance satisfactory to the Administrative Agent and its counsel naming the Administrative Agent as additional insured and lender loss payee.

7.1.14. [Intentionally Omitted].

7.1.15. Financing Statements and Lien Searches.

The Administrative Agent shall have received (1) financing statements in proper form for recordation necessary to perfect the Lien of the Banks on the Collateral and (2) the results of a satisfactory Lien, tax and judgment search in a form acceptable to the Administrative Agent evidencing the absence of any Liens on such Collateral (other than those in favor of the Banks and those that terminate prior to or simultaneously with the closing of the transactions contemplated by this Agreement) and that, upon filing of such financing statements, such Liens in favor of the Banks shall constitute Prior Security Interests in favor of the Banks.

7.1.16. Landlord's Waivers.

The Landlord's Waivers in substantially the form of Exhibit 7.1.16 previously executed and delivered to the Agent from the lessors of certain of the leased Collateral locations, as listed on Part II of Schedule A of the Borrower to the Security Agreement, shall continue in full force and effect with respect to the Obligations, as amended and restated pursuant to this Agreement.

7.1.17. Borrowing Base Certificate.

The Borrower shall have delivered to the Administrative Agent a Borrowing Base Certificate calculating Qualified Accounts and Qualified Inventory as of June 30, 2005, in substantially the form attached hereto as Exhibit 8.3.4, showing Undrawn Availability, after giving effect to the Loans and Letters of Credit made and outstanding on the Closing Date and consummation of the transactions contemplated hereby, of at least \$42,000,000.

7.1.18. Financial Statements, Contingent Liabilities, ERISA, Other Due Diligence.

The Administrative Agent shall have completed its due diligence with all aspects of the Loan Parties and their Subsidiaries including a review of the books and records, accounting policies, and historical financial statements, asset valuation, tax exposure due diligence and site visits. The Administrative Agent shall be reasonably satisfied as to the amount and nature of all tax, ERISA, labor, employee retirement benefit, litigation, and other contingent liabilities to which the Loan Parties and their Subsidiaries may be subject.

7.1.19. Capital Structure of Loan Parties.

With respect to each Loan Party and each Subsidiary of each Loan Party, the capital structure, ownership, organization documents (including, without limitation, articles or certificate of incorporation, certificate of limited partnership, certificate of limited liability company, bylaws, partnership agreements, and limited liability company agreements), shareholder agreements or similar agreements among equity owners shall be reasonably satisfactory, in form and substance, to the Administrative Agent.

7.1.20. Projected Financial Statements.

The Borrower shall have delivered to the Administrative Agent copies of its projected financial statements for a period of five years following the Closing Date (and including a pro forma balance sheet as of the Closing Date), which shall be in form and substance satisfactory to the Administrative Agent.

7.2 Each Additional Loan or Letter of Credit.

At the time of making any Loans or issuing any Letters of Credit other than Loans made or Letters of Credit issued on the Closing Date and after giving effect to the proposed extensions of credit: the representations and warranties of the Loan Parties contained in Section 6.1 and in the other Loan Documents shall be true on and as of the date of such additional Loan or Letter of Credit with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein) and the Loan Parties shall have performed and complied with all covenants and conditions hereof; no Event of Default or Potential Default shall have occurred and be continuing or shall exist; the making of the Loans or issuance of such Letter of Credit shall not contravene any Law applicable to any Loan Party or Subsidiary of any Loan Party or any of the Banks or the terms of the 2003 Senior Note Indenture including, without limitation, Section 4.03 thereof [Limitation on Indebtedness]; and the Borrower shall have delivered to the Administrative Agent a duly executed and completed Loan Request or application for a Letter of Credit as the case may be.

8. COVENANTS

8.1 Affirmative Covenants.

The Loan Parties, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings, and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations under the Loan Documents and termination of the Commitments, the Loan Parties shall comply at all times with the following affirmative covenants:

8.1.1. Preservation of Existence, Etc.

Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain its legal existence as a corporation, limited partnership or limited liability company and its license or qualification and good standing in each jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except as otherwise expressly permitted in Section 8.2.6 [Liquidations, Mergers, Etc.] and except to the extent that any failure to be so licensed or qualified and in good standing would not constitute a Material Adverse Change.

8.1.2. Payment of Liabilities, Including Taxes, Etc.

Each Loan Party shall, and shall cause each of its Subsidiaries to, duly pay and discharge all liabilities to which it is subject or which are asserted against it, promptly as and when the same shall become due and payable, including all taxes, assessments and governmental charges upon it or any of its properties, assets, income or profits, prior to the date on which penalties attach thereto, except to the extent that such liabilities, including taxes, assessments or charges, are being contested in good faith and by appropriate and lawful proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made, but only to the extent that failure to discharge any such liabilities would not result in any additional liability which would adversely affect to a material extent the financial condition of any Loan Party or Subsidiary of any Loan Party or which would materially adversely affect the Collateral, provided that the Loan Parties and their Subsidiaries will pay all such liabilities forthwith upon the commencement of proceedings to foreclose or enforce any Lien which may have attached as security therefor.

8.1.3. Maintenance of Insurance.

Each Loan Party shall, and shall cause each of its Subsidiaries to, insure its properties and assets against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation, public liability and business interruption insurance) and against other risks (including errors and omissions) in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable

and financially sound insurers, including self-insurance to the extent customary, all as reasonably satisfactory to the Administrative Agent. At the request of the Administrative Agent, the Loan Parties shall deliver to the Administrative Agent and each of the Banks (x) on the Closing Date and annually thereafter an original certificate of insurance signed by the Loan Parties' independent insurance broker describing and certifying as to the existence of the insurance on the Collateral required to be maintained by this Agreement and the other Loan Documents, together with a copy of the endorsement described in the next sentence attached to such certificate and (y) from time to time a summary schedule indicating all insurance then in force with respect to each of the Loan Parties. Such policies of insurance shall contain special endorsements, in form and substance reasonably acceptable to the Administrative Agent, which shall (i) specify the Administrative Agent as an additional insured and lender loss payee as its interests may appear, with the understanding that any obligation imposed upon the insured (including the liability to pay premiums) shall be the sole obligation of the applicable Loan Parties and not that of the insured, (ii) provide that the interest of the Banks shall be insured regardless of any breach or violation by the applicable Loan Parties of any warranties, declarations or conditions contained in such policies or any action or inaction of the applicable Loan Parties or others insured under such policies, (iii) provide a waiver of any right of the insurers to set off or counterclaim or any other deduction, whether by attachment or otherwise, (iv) provide that any and all rights of subrogation which the insurers may have or acquire shall be, at all times and in all respects, junior and subordinate to the prior payment in full of the Indebtedness hereunder and that no insurer shall exercise or assert any right of subrogation until such time as the Indebtedness hereunder has been paid in full and the Commitments have terminated, (v) provide, except in the case of liability insurance and workmen's compensation insurance, that (a) provided no Event of Default or Potential Default exists, all insurance proceeds for losses of \$5,000,000 or less shall be adjusted with and payable to the applicable Loan Parties, (b) provided no Event of Default or Potential Default exists, all insurance proceeds for losses greater than \$5,000,000 but less than \$25,000,000 shall be either used by the Loan Parties within 180 days of the receipt of such proceeds to rebuild or replace the property subject to such loss (provided that the Loan Parties shall have provided to the Administrative Agent within 60 days of the receipt of such proceeds satisfactory evidence of such Loan Parties' commitment to rebuild or replace such property in the form of executed purchase orders, construction contracts and the like) or applied as a mandatory prepayment of the Loans in accordance with the provisions of Section 5.5.3, and (c) all insurance proceeds for losses of \$25,000,000 or more shall be adjusted with and payable to the Administrative Agent; provided that in the event of such a loss under this clause (c), the Loan Parties may provide the Administrative Agent with a written request within 10 days of such loss that the Loan Parties be permitted to use the insurance proceeds associated with such loss for rebuilding or replacing the property subject to such loss, and upon receipt of such request, the Administrative Agent shall distribute such request to the Banks, which shall have 15 days to decide whether to approve or deny such request, and, (i) in the event that the Required Banks approve such request, the Administrative Agent shall provide notice of such approval to the Borrower, and the Borrower shall have 180 days from the receipt of such proceeds to rebuild or replace the property subject to such loss (provided that the Loan Parties shall have provided to the Administrative Agent within 60 days of the receipt of such proceeds satisfactory evidence of

such Loan Parties' commitment to rebuild or replace such property in the form of executed purchase orders, construction contracts and the like), and (ii) in the event that the Required Banks fail to approve such request or the Loan Parties fail to reinvest such funds within 180 days from the date of receipt of such proceeds (or fail to provide the Administrative Agent with satisfactory evidence of such parties' commitment to rebuild or replace such property within 60 days of the receipt of such proceeds), such proceeds shall be applied as a mandatory prepayment of the Loans in accordance with the provisions of Section 5.5.3, (vi) include effective waivers by the insurer of all claims for insurance premiums against the Administrative Agent, (vii) provide that no cancellation of such policies for any reason (including non-payment of premium) nor any change therein shall be effective until at least thirty (30) days after receipt by the Administrative Agent of written notice of such cancellation or change, (viii) be primary without right of contribution of any other insurance carried by or on behalf of any additional insureds with respect to their respective interests in the Collateral, and (ix) provide that inasmuch as the policy covers more than one insured, all terms, conditions, insuring agreements and endorsements (except limits of liability) shall operate as if there were a separate policy covering each insured. The applicable Loan Parties shall notify the Administrative Agent promptly of any occurrence causing a material casualty loss and associated decline in value of the Collateral and the estimated (or actual, if available) amount of such loss and decline in value. Except for monies which the applicable Loan Party or Subsidiary is entitled to use for replacement or rebuilding as permitted herein, any monies received by the Administrative Agent constituting insurance proceeds or condemnation proceeds may, at the option of the Administrative Agent, (i) be applied by the Administrative Agent to the payment of the Loans in such manner as the Administrative Agent may reasonably determine, or (ii) be disbursed to the applicable Loan Parties on such terms as are deemed appropriate by the Administrative Agent for the repair, restoration and/or replacement of property in respect of which such proceeds were received.

8.1.4. Maintenance of Properties and Leases.

Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain in good repair, working order and condition (ordinary wear and tear excepted) in accordance with the general practice of other businesses of similar character and size, all of those properties useful or necessary to its business, and from time to time, such Loan Party will make or cause to be made all appropriate repairs, renewals or replacements thereof, except to the extent that the failure to so maintain, repair, renew or replace such properties would not constitute a Material Adverse Change.

8.1.5. Maintenance of Patents, Trademarks, Etc.

Each Loan Party shall, and shall cause each of its Subsidiaries to, maintain in full force and effect all patents, trademarks, service marks, trade names, copyrights, licenses, franchises, permits and other authorizations necessary for the ownership and operation of its properties and business if the failure so to maintain the same would constitute a Material Adverse Change.

8.1.6. Visitation Rights; Collateral Examinations.

Each Loan Party shall, and shall cause each of its Subsidiaries to, permit any of the officers or authorized employees or representatives of the Administrative Agent or any of the Banks to visit and inspect any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances and accounts with its officers, all in such detail and at such times and as often as any of the Banks may reasonably request, provided that so long as an Event of Default has not occurred, each Bank shall provide the Borrower and the Administrative Agent with reasonable notice prior to any visit or inspection. The foregoing obligations of the Loan Parties shall include collateral audits and field examinations to audit the Collateral and the Borrowing Base, which collateral audits and field examinations shall be required to occur once annually at the Loan Parties' expense; provided, however that so long as an Event of Default has not occurred there shall be no more than one field examination of the Borrower in any year, which annual examinations shall be conducted by an independent examiner selected by the Administrative Agent, with such examinations at the sole cost and expense of the Loan Parties.

8.1.7. Keeping of Records and Books of Account.

The Borrower shall, and shall cause each Subsidiary of the Borrower to, maintain and keep proper books of record and account which enable the Borrower and its Subsidiaries to issue financial statements in accordance with GAAP and as otherwise required by applicable Laws of any Official Body having jurisdiction over the Borrower or any Subsidiary of the Borrower, and in which full, true and correct entries shall be made in all material respects of all its dealings and business and financial affairs.

8.1.8. Plans and Benefit Arrangements.

The Borrower shall, and shall cause each other member of the ERISA Group to, comply with ERISA, the Internal Revenue Code and other applicable Laws applicable to Plans and Benefit Arrangements except where such failure, alone or in conjunction with any other failure, would not result in a Material Adverse Change. Without limiting the generality of the foregoing, the Borrower shall cause all of its Plans and all Plans maintained by any member of the ERISA Group to be funded in accordance with the minimum funding requirements of ERISA and shall make, and cause each member of the ERISA Group to make, in a timely manner, all contributions due to Plans, Benefit Arrangements and Multiemployer Plans.

8.1.9. Compliance with Laws.

Each Loan Party shall, and shall cause each of its Subsidiaries to, comply with all applicable Laws, including all Environmental Laws and Safety Laws, in all respects, provided that it shall not be deemed to be a violation of this Section 8.1.9 if any failure to comply with any Law would not result in fines, penalties, costs associated with the performance of any Remedial Actions, other similar liabilities or injunctive relief which in the aggregate would

constitute a Material Adverse Change. Without limiting the generality of the foregoing, each Loan Party shall, and shall cause each of its Subsidiaries to, obtain, maintain, renew and comply with all Environmental Permits applicable to their respective operations and activities, provided that it shall not be deemed to be a violation of this Section 8.1.9 if any failure to do so would not result in cease and desist orders or fines, penalties or other similar liabilities or injunctive relief which in the aggregate would constitute a Material Adverse Change.

8.1.10. Use of Proceeds.

The Loan Parties will use the Letters of Credit and the proceeds of the Loans only (i) to refinance indebtedness under the Existing Credit Agreement, (ii) to provide working capital to the Borrower, (iii) for capital expenditures and financing for Permitted Acquisitions, and (iv) for general corporate purposes of the Borrower and its Subsidiaries as permitted by the terms of this Agreement, including transaction costs and expenses. The Loan Parties shall not use the Letters of Credit or the proceeds of the Loans for (i) payment of any Indebtedness which is subordinate in right of payment to the 2003 Senior Note Debt or (ii) any purposes which contravenes any applicable Law or any provision hereof.

8.1.11. Further Assurances.

Each Loan Party shall, from time to time, at its expense, faithfully preserve and protect the Administrative Agent's Lien on and Prior Security Interest in the Collateral as a continuing first priority perfected Lien, subject only to Permitted Liens, and shall do such other acts and things as the Administrative Agent in its reasonable discretion may deem necessary or advisable from time to time in order to preserve, perfect and protect the Liens granted under the Loan Documents and to exercise and enforce its rights and remedies thereunder with respect to the Collateral.

8.1.12. Subordination of Intercompany Loans.

Each Loan Party shall cause any intercompany Indebtedness, loans or advances owed by any Loan Party to any other Loan Party to be subordinated pursuant to the terms of the Intercompany Subordination Agreement.

8.2 Negative Covenants.

The Loan Parties, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations hereunder and termination of the Commitments, the Loan Parties shall comply with the following negative covenants:

8.2.1. Indebtedness.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time create, incur, assume or suffer to exist any Indebtedness, except:

(i) Indebtedness under the Loan Documents;

(ii) Existing Indebtedness as set forth on Schedule 8.2.1 (including any extensions, renewals or replacements thereof, provided (i) there is no increase in the amount thereof or other significant change in the terms thereof unless otherwise specified on Schedule 8.2.1, and (ii) the terms of such Indebtedness do not restrict the ability of the Subsidiaries of the Borrower to pay dividends or make other distributions on account of the ownership interests of the Borrower's Subsidiaries;

(iii) Indebtedness of a Loan Party to another Loan Party which is subordinated in accordance with the provisions of Section 8.1.12 [Subordination of Intercompany Loans];

(iv) [Intentionally Omitted];

(v) Any Bank-Provided Interest Rate Hedge or other Interest Rate Hedge approved by the Administrative Agent;

(vi) Indebtedness secured by Purchase Money Security Interests, Indebtedness evidenced by capitalized leases and other Indebtedness for Borrowed Money, including without limitation, Indebtedness assumed in connection with Permitted Acquisitions; provided however, (i) the aggregate amount of all such Indebtedness under this Subsection 8.2.1(vi) (excluding for the purpose of this computation any Indebtedness described in Schedule 8.2.1) shall not exceed \$25,000,000, and (ii) the terms of such Indebtedness shall not restrict the ability of the Subsidiaries of the Borrower to pay dividends or make other distributions on account of the ownership interests of the Borrower's Subsidiaries;

(vii) Non-speculative Currency Agreements in the ordinary course of business;

(viii) Indebtedness of Koppers-Arch Parent and its Subsidiaries, which, together with the Indebtedness of Koppers-Arch Parent and its Subsidiaries set forth on Schedule 8.2.1, does not exceed \$25,000,000 at any time outstanding; and

(ix) 2003 Senior Note Debt of the Loan Parties in an aggregate principal amount not to exceed \$320,000,000.

8.2.2. Liens.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time create, incur, assume or suffer to exist any Lien on any of its property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time directly or indirectly enter into or assume any agreement (other than this Agreement, the other Loan Documents and the 2003 Senior Note Indenture), or adopt any charter or other governing document provision, prohibiting the creation or assumption of any Lien upon any of the property or assets of the Loan Parties and their Subsidiaries. Notwithstanding the foregoing, no Loan Party or Subsidiary shall grant any Liens in any Collateral in favor of the 2003 Trustee securing the Indebtedness under the 2003 Senior Notes unless, prior to the date of such grant, such Loan Party or Subsidiary grants Liens in such Collateral in favor of the Administrative Agent and executes and delivers a Security Agreement in favor of the Administrative Agent, together with any other documents, certificates or instruments necessary to grant and perfect such Liens.

8.2.3. Guaranties.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time, directly or indirectly, become or be liable in respect of any Guaranty, or assume, guarantee, become surety for, endorse or otherwise agree, become or remain directly or contingently liable upon or with respect to any obligation or liability of any other Person, except for (i) Guaranties of Indebtedness of the Loan Parties permitted hereunder, (ii) Guaranties listed on Schedule 8.2.3 hereto, (iii) Guaranties by Koppers-Arch Parent of the Indebtedness permitted under clause (viii) of Section 8.2.1 hereof, (iv) Guaranties of Indebtedness incurred by Koppers-China and its Affiliates doing business in China, provided that the aggregate principal or stated amount of all such Guaranties under this clause (iv) shall not exceed \$20,000,000 at any one time, (v) Guaranties of other obligations, provided that the aggregate principal or stated amount of all such Guaranties under this clause (v) shall not exceed \$25,000,000 at any one time, and (vi) indemnifications by the Borrower or any of its Subsidiaries of the liabilities of its directors or officers pursuant to the provisions contained in such party's respective organizational documents or bylaws. Notwithstanding the foregoing, no Subsidiary shall execute any Guaranty of any Indebtedness of the 2003 Senior Notes unless, prior to the date of such execution, such Subsidiary executes and delivers a Guaranty Agreement in favor of the Administrative Agent.

8.2.4. Loans and Investments.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, at any time make or suffer to remain outstanding any loan or advance to, or purchase or acquire any stock, bonds, notes or securities of, or any partnership interest (whether general or limited) or limited liability company interest in, or any other investment or interest in, or make any capital contribution to, any other Person, or agree, become or remain liable to do any of the foregoing, except:

(i) trade credit extended on usual and customary terms, including extended repayment terms to the extent consistent with the current practices of the Loan Parties, in the ordinary course of business;

(ii) advances to employees to meet expenses incurred by such employees in the ordinary course of business;

(iii) Permitted Investments;

(iv) loans, advances and investments in other Loan Parties organized under the laws of the United States, Australia or a state thereof, or, upon the Borrower's request and the prior written consent of the Administrative Agent, any other country;

(v) loans and investments set forth on Schedule 8.2.4;

(vi) loans, advances and investments not existing as of the Closing Date in (1) wholly-owned Subsidiaries of the Borrower that are not Loan Parties, and (2) Loan Parties organized under the laws of jurisdictions other than the United States, Australia or a state thereof, Bermuda or, to the extent that the Administrative Agent has consented thereto, any other country, provided that the aggregate amount of such loans, advances and investments at any one time outstanding shall not exceed \$20,000,000;

(vii) upon prior written notice to the Administrative Agent and delivery to the Agent of a Borrowing Base Certificate which evidences that the Borrower has Undrawn Availability of at least \$15,000,000 after giving effect to such investment, investments in joint ventures not existing as of the Closing Date and additional investments in existing joint ventures above the amount of such investments in existing joint ventures listed on Schedule 8.2.4, which joint ventures (a) limit the liability of the Loan Party or Subsidiary to such party's investment therein, and (b) are in the same or substantially similar lines of business as the Loan Parties' business, provided that the aggregate amount of the sum of (y) such investments in joint ventures from and after the Closing Date pursuant to this clause (vii), and (z) advances under clause (ix) of this Section 8.2.4 shall not exceed \$25,000,000 at any one time;

(viii) advances to subcontractors and suppliers of the Loan Parties or their Subsidiaries made in the ordinary course of business, provided that the aggregate amount of such advances shall not exceed \$10,000,000 at any one time outstanding; and

(ix) advances to customers of the Loan Parties or their Subsidiaries to finance the construction of facilities for such customers which will use products supplied by the Loan Parties or their Subsidiaries, provided that the aggregate amount of the sum of (y) all such advances pursuant to this clause (ix), and (z) investments under clause (vii) of this Section 8.2.4 shall not exceed \$10,000,000 at any one time.

8.2.5. Restricted Payments.

The Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, make any Restricted Payment, provided that the Borrower may make Restricted Payments in accordance with Section 4.04 [Limitation of Restricted Payments] of the 2003 Senior Note Indenture if after giving effect thereto, (i) no Event of Default or Potential Default will have occurred and be continuing, and (ii) the Undrawn Availability is at least \$15,000,000. The Borrower may make Restricted Payments consisting of retiree redemptions and repurchases of the Borrower's capital stock in an aggregate amount not to exceed \$1,500,000 in any fiscal year, if after giving effect thereto, (i) no Event of Default or Potential Default will have occurred and be continuing and (ii) the Undrawn Availability is at least \$15,000,000; provided that, to the extent that in any fiscal year (or portion thereof), such Restricted Payments made by the Borrower consisting of retiree redemptions and repurchases of the Borrower's capital stock ("Actual Redemption Payments") are less than \$1,500,000, then, during the immediately following fiscal year, the Borrower may make Restricted Payments consisting of retiree redemptions and repurchases of the Borrower's capital stock in an amount not to exceed \$1,500,000 plus (\$1,500,000 minus Actual Redemption Payments).

8.2.6. Liquidations, Mergers, Consolidations, Acquisitions.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, dissolve, liquidate or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or substantially all of the assets or capital stock of any other Person, provided that

(1) any Loan Party other than the Borrower may consolidate or merge into the Borrower or into another Loan Party which is wholly-owned by one or more of the other Loan Parties,

(2) any Subsidiary of a Loan Party may be liquidated or dissolved if it is inactive or if all of the assets of such Subsidiary have been sold or disposed of in compliance with the terms of this Agreement,

(3) any Subsidiary of a Loan Party may be merged into any Person or may be liquidated and dissolved, in each case in connection with the sale or disposition of such Subsidiary, if the sale or disposition of all of the assets of such Subsidiary would have been otherwise permitted hereunder,

(4) the Borrower may cause the liquidation or dissolution of Koppers Monessen and Koppers Investment Subsidiary, and

(5) any Loan Party may acquire, whether by purchase or by merger, (A) all of the ownership interests of another Person or (B) substantially all of assets of another Person or of a business or division of another

Person (each, a “Permitted Acquisition”), provided that each of the following requirements is met:

(i) if the Loan Parties are acquiring the ownership interests in such Person, such Person shall execute a Guarantor Joinder and join this Agreement as a Guarantor pursuant to Section 11.18 [Joinder of Guarantors] on or before the date of such Permitted Acquisition;

(ii) the Loan Parties, such Person and its owners, as applicable, if the same are United States or Australian Persons, shall grant Liens in the assets of or acquired from and stock or other ownership interests in such Person and otherwise comply with Section 11.18 [Joinder of Guarantors] on or before the date of such Permitted Acquisition;

(iii) the board of directors or other equivalent governing body of such Person shall have approved such Permitted Acquisition and, if the Loan Parties shall use any portion of the Loans to fund such Permitted Acquisition, the Loan Parties also shall have delivered to the Banks written evidence of the approval of the board of directors (or equivalent body) of such Person for such Permitted Acquisition;

(iv) the business acquired, or the business conducted by the Person whose ownership interests are being acquired, as applicable, shall be reasonably related to as one or more line or lines of business conducted by the Loan Parties and shall comply with Section 8.2.10 [Continuation of or Change in Business];

(v) no Potential Default or Event of Default shall exist immediately prior to and after giving effect to such Permitted Acquisition;

(vi) the Borrower shall demonstrate (1) that it shall be in compliance with the covenants contained in Sections 8.2 (other than Section 8.2.17) hereof after giving effect to such Permitted Acquisition (including in such computation Indebtedness or other liabilities assumed or incurred in connection with such Permitted Acquisition and income earned or expenses incurred by the Person, business or assets to be acquired prior to the date of such Permitted Acquisition), (2) with respect to the covenant set forth in Section 8.2.17 hereof, that after giving effect to such Permitted Acquisition, on a pro forma basis the Borrower would have been in compliance with the required ratios which would otherwise be in effect as of the date of such Permitted Acquisition minus 0.25, in each case, and (3) that after giving effect to such Permitted Acquisition, the Undrawn Availability is at least \$15,000,000, in each case by delivering at least five (5) Business Days prior to such Permitted Acquisition (a) a certificate in the form of Exhibit 8.2.6 (each, an “Acquisition Compliance Certificate”) evidencing such covenant compliance on a pro forma basis, and (b) a Borrowing Base Certificate in the form of Exhibit 8.3.5 evidencing that such Undrawn Availability on a pro forma basis is at least \$15,000,000;

(vii) and the aggregate of the Consideration paid by the Loan Parties for such Permitted Acquisition and all other Permitted Acquisitions made between the Closing Date and the date of such Permitted Acquisition shall not exceed \$40,000,000; and

(viii) the Loan Parties shall deliver to the Administrative Agent (a) at least five (5) Business Days before such Permitted Acquisition drafts of any agreements proposed to be entered into by such Loan Parties in connection with such Permitted Acquisition, and (b) prior to the date of such Permitted Acquisition, execution copies of such agreements entered into by such Loan Parties in connection with such Permitted Acquisition, and shall deliver to the Administrative Agent such other information about such Person or its assets as any Loan Party may reasonably require.

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, 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; or

(vi) the sale or other disposition of the Monessen Facility;

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 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.

8.2.9. Subsidiaries, Partnerships and Joint Ventures.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, own or create directly or indirectly any Subsidiaries other than (i) any Subsidiary which has joined this Agreement as a Guarantor on the Closing Date or which is listed on Schedule 6.1.3 hereto (excluding Koppers Assurance); (ii) any Subsidiary formed under the laws of Australia or the United States or a state thereof after the Closing Date which joins this Agreement as a Guarantor pursuant to Section 11.18 [Joinder of Guarantors], provided that such Subsidiary and the Loan Parties, as applicable, shall grant and cause to be perfected first priority Liens to the Administrative Agent for the benefit of the Banks (in form and substance satisfactory to the Administrative Agent) in the assets held by, and stock of or other ownership interests in, such Subsidiary; (iii) upon prior written notice to the Administrative Agent, any Subsidiary which is (a) not formed under the laws of Australia or the United States or a state thereof, (b) not a Guarantor hereunder, and (c) as to which the investment in such Subsidiary (together with all other loans, advances and investments to and in other such Subsidiaries) by the Loan Parties does not exceed the amount permitted under Section 8.2.4(vi); and (iv) upon prior written consent of the Administrative Agent, any Subsidiary formed after the Closing Date which

is not formed under the laws of Australia or the United States or a state thereof, or, to the extent that the Administrative Agent has consented thereto, another country, which joins this Agreement as a Guarantor pursuant to Section 11.18, provided that such Subsidiary and the Loan Parties, as applicable, shall grant and cause to be perfected first priority Liens to the Administrative Agent for the benefit of the Banks (in form and substance satisfactory to the Administrative Agent) in the assets held by, and stock of or other ownership interests in, such Subsidiary, and as to which the investment in such Subsidiary (together with all other loans, advances and investments to and in other such Subsidiaries) by the Loan Parties does not exceed the amount permitted under Section 8.2.4(vi). Any Subsidiary which executes a Guaranty of any Indebtedness under the 2003 Senior Notes shall execute and deliver a Guaranty Agreement in favor of the Administrative Agent. The Banks hereby consent to the incorporation of a new Bermuda corporation which will be a wholly owned Subsidiary of the Borrower, and the Banks hereby consent to the incorporation of a new Australian corporation which will be a wholly owned Subsidiary of WWV, provided that at the time of the incorporation of each such Subsidiary, such Subsidiary shall join this Agreement as a Guarantor and shall grant and cause to be perfected first priority Liens to the Administrative Agent for the benefit of the Banks in the assets held by, and stock and other ownership interests in, such Subsidiary, and the new Bermuda corporation shall pledge to the Administrative Agent for the benefit of the Banks the promissory note of WWV or such other Loan Party receiving a loan from the new Bermuda corporation. Except as set forth on Schedule 8.2.9 and to the extent permitted by Section 8.2.4(vii), each of the Loan Parties shall not become or agree to (1) become a general or limited partner in any general or limited partnership, except that the Loan Parties may be general or limited partners in other Loan Parties, (2) become a member or manager of, or hold a limited liability company interest in, a limited liability company, except that the Loan Parties may be members or managers of, or hold limited liability company interests in, other Loan Parties, or (3) become a joint venturer or hold a joint venture interest in any joint venture.

8.2.10. Continuation of or Change in Business.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, engage in any business other than as set forth on Schedule 8.2.10, substantially as conducted and operated by such Loan Party or Subsidiary during the present fiscal year and businesses reasonably related thereto, and such Loan Party or Subsidiary shall not permit any material change in the nature of such business. For avoidance of doubt, the parties recognize that sale or dispositions of assets or Subsidiaries otherwise permitted under this Agreement shall not violate this Section 8.2.10.

8.2.11. Plans and Benefit Arrangements.

Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to:

- (i) fail to satisfy the minimum funding requirements of ERISA and the Internal Revenue Code with respect to any Plan;

(ii) request a minimum funding waiver from the Internal Revenue Service with respect to any Plan;

(iii) engage in a Prohibited Transaction with any Plan, Benefit Arrangement or Multiemployer Plan which, alone or in conjunction with any other circumstances or set of circumstances resulting in liability under ERISA, would constitute a Material Adverse Change;

(iv) fail to make when due any contribution to any Multiemployer Plan that the Borrower or any member of the ERISA Group may be required to make under any agreement relating to such Multiemployer Plan, or any Law pertaining thereto;

(v) withdraw (completely or partially) from any Multiemployer Plan or withdraw (or be deemed under Section 4062(e) of ERISA to withdraw) from any Multiple Employer Plan, where any such withdrawal is likely to result in a material liability of the Borrower or any member of the ERISA Group;

(vi) terminate, or institute proceedings to terminate, any Plan under Section 4041 of ERISA, where such termination is likely to result in a material liability to the Borrower or any member of the ERISA Group;

(vii) make any amendment to any Plan with respect to which security is required under Section 307 of ERISA; or

(viii) fail to give any and all notices and make all disclosures and governmental filings required under ERISA or the Internal Revenue Code, where such failure is likely to result in a Material Adverse Change.

8.2.12. Fiscal Year.

The Borrower shall not, and shall not permit any Subsidiary of the Borrower to, change its fiscal year from the twelve-month period beginning January 1 and ending December 31.

8.2.13. Issuance of Stock.

The Borrower shall not issue any capital stock, options or warrants, the effect of which would result in a Change of Control. Other than as permitted under Sections 8.2.5 and 8.2.9, each of the Loan Parties other than the Borrower shall not, and shall not permit any of its Subsidiaries to, issue any additional shares of its capital stock or any options, warrants or other rights in respect thereof.

8.2.14. Changes in Organizational Documents; Changes in 2003 Senior Note Debt Documents; KI Holdings 2004 Notes.

8.2.14.1. Changes in Organizational Documents. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, amend in any respect its certificate of incorporation (including any provisions or resolutions relating to capital stock), by-laws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents without providing at least ten (10) calendar days' prior written notice to the Administrative Agent and the Banks and, in the event such change would be adverse to the Banks as determined by the Administrative Agent in its sole discretion, obtaining the prior written consent of the Required Banks.

8.2.14.2. Changes in 2003 Senior Note Debt Documents; Prohibition on Repurchase or Prepayment. Each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, amend, modify, supplement or restate any of the 2003 Senior Note Debt Documents or waive compliance by any Person party thereto with any provision thereof without providing at least thirty (30) calendar days' prior written notice to the Administrative Agent and, in the event such change could be adverse to the Banks as reasonably determined by the Administrative Agent, obtaining the prior written consent of the Required Banks. Except as expressly permitted by and in accordance with the provisions of Section 8.2.19 [2003 Senior Note Debt Prepayments], each of the Loan Parties shall not, and shall not permit any of its Subsidiaries to, prepay the 2003 Senior Note Debt or purchase, repurchase, refinance, redeem, retire or defease any of the 2003 Senior Note Debt without the prior written consent of the Required Banks; provided, however, that the foregoing shall not restrict the registered exchange offering described in the definition of the term "2003 Senior Notes.

8.2.14.3. KI Holdings 2004 Notes. With respect to the promissory notes issued by KI Holdings in connection with the 2004 Permitted Merger, the covenants which relate 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.

8.2.15. [Intentionally Omitted].

8.2.16. Minimum Fixed Charge Coverage Ratio.

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

8.2.17. Maximum Total Leverage Ratio.

The Loan Parties shall not at any time permit the Total Leverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, to exceed the ratio set forth below for the periods specified below:

<u>Period</u>	<u>Ratio</u>
Closing Date through 3/31/08	5.0 to 1.0
6/30/08 and thereafter	4.5 to 1.0.

8.2.18. [Intentionally Omitted].

8.2.19. 2003 Senior Note Debt Payments.

The Loan Parties shall not make, nor permit to be made, any prepayments of principal in respect or on account of the 2003 Senior Note Debt, provided that the Loan Parties may make prepayments of principal in respect of the 2003 Senior Note Debt if, after giving effect to any such prepayment, (i) no Event of Default or Potential Default has occurred or exists, (ii) the Undrawn Availability is at least \$15,000,000, as evidenced by a certificate in the form of Exhibit 8.3.4 delivered to the Administrative Agent not later than 11 a.m. (Pittsburgh time) on the date proposed for such payment, (iii) the Loan Parties are in pro forma covenant compliance with the covenants set forth in Section 8.2 hereof, as evidenced by a certificate in the form of Exhibit 8.3.3 delivered to the Administrative Agent not later than 11 a.m. (Pittsburgh time) on the date proposed for such payment, and (iv) the Total Leverage Ratio is less than or equal to 4.25 to 1.00.

8.3 Reporting Requirements.

The Loan Parties, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations and Letter of Credit Borrowings and interest thereon, expiration or termination of all Letters of Credit, satisfaction of all of the Loan Parties' other Obligations hereunder and under the other Loan Documents and termination of the Commitments, the Loan Parties will furnish or cause to be furnished to the Administrative Agent and each of the Banks:

8.3.1. Quarterly Financial Statements.

As soon as available and in any event within forty-five (45) calendar days after the end of each of the first three fiscal quarters in each fiscal year, financial statements of the Borrower, consisting of a consolidated and consolidating balance sheet as of the end of such fiscal quarter and related consolidated and consolidating statements of income, stockholders' equity and cash flows for the fiscal quarter then ended and the fiscal year through that date, all in

reasonable detail and certified (subject to normal year-end audit adjustments) by the Chief Executive Officer, President, Chief Financial Officer, or Treasurer of the Borrower as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year. Simultaneously with the delivery of the financial statements referred to above, the Borrower shall also furnish to the Administrative Agent and the Banks a report on environmental matters occurring during such fiscal quarter with such information and in form and scope satisfactory to the Administrative Agent.

8.3.2. Annual Financial Statements.

As soon as available and in any event within ninety (90) calendar days after the end of each fiscal year of the Borrower, financial statements of the Borrower consisting of a consolidated and consolidating balance sheet as of the end of such fiscal year, and related consolidated and consolidating statements of income, stockholders' equity and cash flows for the fiscal year then ended, all in reasonable detail and setting forth in comparative form the financial statements as of the end of and for the preceding fiscal year, and certified by independent certified public accountants of nationally recognized standing satisfactory to the Administrative Agent. The certificate or report of accountants shall be free of qualifications (other than any consistency qualification that may result from a change in the method used to prepare the financial statements as to which such accountants concur) and shall not indicate the occurrence or existence of any event, condition or contingency which would materially impair the prospect of payment or performance of any covenant, agreement or duty of any Loan Party under any of the Loan Documents. The Loan Parties shall deliver with such financial statements and certification by their accountants a letter of such accountants to the Administrative Agent and the Banks substantially (i) to the effect that, based upon their ordinary and customary examination of the affairs of the Borrower, performed in connection with the preparation of such consolidated financial statements, and in accordance with generally accepted auditing standards, they are not aware of the existence of any condition or event which constitutes an Event of Default or Potential Default or, if they are aware of such condition or event, stating the nature thereof and confirming the Borrower's calculations with respect to the certificate to be delivered pursuant to Section 8.3.3 [Certificate of the Borrower] with respect to such financial statements and (ii) to the effect that the Banks are intended to rely upon such accountant's certification of the annual financial statements and that such accountants authorize the Loan Parties to deliver such reports and certificate to the Banks on such accountants' behalf. Simultaneously with the delivery of the financial statements referred to above, the Borrower shall also furnish to the Administrative Agent and the Banks (i) a report listing the value of the Collateral located in Australia which report describes the value of such Collateral by type and by jurisdiction within Australia, and (ii) a report on environmental matters occurring during the fourth fiscal quarter of such year, each of the reports in items (i) and (ii) to contain such information and in form and scope satisfactory to the Administrative Agent.

8.3.3. Certificate of the Borrower.

Concurrently with the financial statements of the Borrower furnished to the Administrative Agent and to the Banks pursuant to Sections 8.3.1 [Quarterly Financial Statements] and 8.3.2 [Annual Financial Statements], a certificate (each, a "Compliance Certificate") of the Borrower signed by the Chief Executive Officer, President, Chief Financial Officer, or Treasurer of the Borrower, in the form of Exhibit 8.3.3, to the effect that, except as described pursuant to Section 8.3.5 [Notice of Default], (i) the representations and warranties of the Borrower contained in Section 6 and in the other Loan Documents are true on and as of the date of such certificate with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time) and the Loan Parties have performed and complied with all covenants and conditions hereof, (ii) no Event of Default or Potential Default exists and is continuing on the date of such certificate and (iii) containing calculations in sufficient detail to demonstrate compliance as of the date of such financial statements with all financial covenants contained in Section 8.2 [Negative Covenants].

8.3.4. Monthly Borrowing Base Certificates, Schedules of Accounts, Inventory and Payables.

As soon as available and in any event within thirty (30) calendar days after the end of each month: (i) a Borrowing Base Certificate as of the last day of the immediately preceding month in the form of Exhibit 8.3.4 hereto (the "Borrowing Base Certificate"), appropriately completed, executed and delivered by the Chief Executive Officer, President, Vice President of Finance, Chief Financial Officer, or Treasurer of the Borrower (and, if requested by the Administrative Agent, a Schedule of Accounts together with a detailed sales register, a cash receipts report and an accounts payable trial balance showing sales, receipts and purchases for the preceding month), and (ii) an aging of Accounts on a consolidated basis, together with a listing of the 15 largest Account Debtors, outstanding balances and aging related thereto and Schedule of Inventory as of the end of the immediately preceding month.

8.3.5. Notice of Default.

Promptly after any officer of any Loan Party has learned of the occurrence of an Event of Default or Potential Default, a certificate signed by the Chief Executive Officer, President, Chief Financial Officer, Treasurer, or Director of such Loan Party setting forth the details of such Event of Default or Potential Default and the action which such Loan Party proposes to take with respect thereto.

8.3.6. Notice of Litigation.

Promptly after the commencement thereof, notice of all (i) actions, suits, proceedings or investigations before or by any Official Body or any other Person against any Loan Party or Subsidiary of any Loan Party which relate to the Collateral, involve a claim or

series of claims in excess of \$3,000,000 or, (ii) Environmental Complaint, individually or in the aggregate which exceeds \$3,000,000 or a Safety Complaint, individually or in the aggregate, which exceeds \$3,000,000, which in any such case listed in clause (i) or (ii) would, if adversely determined, constitute a Material Adverse Change.

8.3.7. Certain Events.

Written notice to the Administrative Agent:

(i) at least ten (10) Business Days prior thereto, with respect to any proposed sale or transfer of assets pursuant to Section 8.2.7(iv) or (v),

(ii) within the time limits set forth in Section 8.2.14 [Changes in Organizational Documents], any amendment to the organizational documents of any Loan Party; and

(iii) at least ten (10) Business Days prior thereto, with respect to any change in any Loan Party's locations from the locations set forth in Schedule A to the Security Agreement.

8.3.8. Budgets, Forecasts, Other Reports and Information.

Promptly upon their becoming available to the Borrower:

(i) the annual budget, including a balance sheet, income statement and cash flow statement, and any forecasts or projections of the Borrower, to be supplied not later than thirty (30) days after the commencement of the fiscal year to which any of the foregoing may be applicable,

(ii) any reports, notices or proxy statements generally distributed by the Borrower to its stockholders (other than Saratoga and management shareholders) on a date no later than the date supplied to such stockholders,

(iii) regular or periodic reports, including Forms 10-K, 10-Q and 8-K, registration statements and prospectuses, filed by the Borrower with the Securities and Exchange Commission,

(iv) a copy of any material order in any proceeding to which the Borrower or any of its Subsidiaries is a party issued by any Official Body,

(v) a duly completed copy of IRS Form 8886 or any successor form, in the event that the Borrower has notified the Administrative Agent of its intention to treat the Loans and/or Letters of Credit as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4); and

(vi) such other reports and information as any of the Banks may from time to time reasonably request. The Borrower shall also notify the Banks promptly of the enactment or adoption of any Law which results in a Material Adverse Change.

8.3.9. Notices Regarding Plans and Benefit Arrangements.

8.3.9.1. Certain Events.

Promptly upon becoming aware of the occurrence thereof, notice (including the nature of the event and, when known, any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto) of:

(i) any Reportable Event with respect to the Borrower or any other member of the ERISA Group,

(ii) any Prohibited Transaction which could subject the Borrower or any other member of the ERISA Group to a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Internal Revenue Code in connection with any Plan, any Benefit Arrangement or any trust created thereunder,

(iii) any assertion of material withdrawal liability with respect to any Multiemployer Plan,

(iv) any partial or complete withdrawal from a Multiemployer Plan by the Borrower or any other member of the ERISA Group under Title IV of ERISA (or assertion thereof), where such withdrawal is likely to result in material withdrawal liability,

(v) any cessation of operations (by the Borrower or any other member of the ERISA Group) at a facility in the circumstances described in Section 4062(e) of ERISA,

(vi) withdrawal by the Borrower or any other member of the ERISA Group from a Multiple Employer Plan,

(vii) a failure by the Borrower or any other member of the ERISA Group to make a payment to a Plan required to avoid imposition of a Lien under Section 302(f) of ERISA,

(viii) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA, or

(ix) any change in the actuarial assumptions or funding methods used for any Plan, where the effect of such change is to materially increase or materially reduce the unfunded benefit liability or obligation to make periodic contributions.

8.3.9.2. Notices of Involuntary Termination and Annual Reports.

Promptly after receipt thereof, copies of (a) all notices received by the Borrower or any other member of the ERISA Group of the PBGC's intent to terminate any Plan administered or maintained by the Borrower or any member of the ERISA Group, or to have a trustee appointed to administer any such Plan; and (b) at the request of the Administrative Agent or any Bank each annual report (IRS Form 5500 series) and all accompanying schedules, the most recent actuarial reports, the most recent financial information concerning the financial status of each Plan administered or maintained by the Borrower or any other member of the ERISA Group, and schedules showing the amounts contributed to each such Plan by or on behalf of the Borrower or any other member of the ERISA Group in which any of their personnel participate or from which such personnel may derive a benefit, and each Schedule B (Actuarial Information) to the annual report filed by the Borrower or any other member of the ERISA Group with the Internal Revenue Service with respect to each such Plan.

8.3.9.3. Notice of Voluntary Termination.

Promptly upon the filing thereof, copies of any Form 5310, or any successor or equivalent form to Form 5310, filed with the PBGC in connection with the termination of any Plan under Section 4041 of ERISA.

9. DEFAULT

9.1 Events of Default.

An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary or effected by operation of Law):

9.1.1. Payments Under Loan Documents.

The Borrower shall fail to pay any principal of any Loan (including scheduled installments, mandatory prepayments or the payment due at maturity), Reimbursement Obligation or Letter of Credit Borrowing or shall fail to pay any interest on any Loan, Reimbursement Obligation or Letter of Credit Borrowing or any other amount owing hereunder or under the other Loan Documents after such principal, interest or other amount becomes due in accordance with the terms hereof or thereof;

9.1.2. Breach of Warranty.

Any representation or warranty made at any time by any of the Loan Parties herein or by any of the Loan Parties in any other Loan Document, or in any certificate, other instrument or statement furnished pursuant to the provisions hereof or thereof, shall prove to have been false or misleading in any material respect as of the time it was made or furnished;

9.1.3. Breach of Negative Covenants or Visitation Rights.

Any of the Loan Parties shall default in the observance or performance of any covenant contained in Section 8.1.6 [Visitation Rights; Collateral Examinations] or Section 8.2 [Negative Covenants];

9.1.4. Breach of Other Covenants.

Any of the Loan Parties shall default in the observance or performance of any other covenant, condition or provision hereof or of any other Loan Document and such default shall continue unremedied for a period of thirty calendar days after any officer of any Loan Party becomes aware of the occurrence thereof (such grace period to be applicable only in the event such default can be remedied by corrective action of the Loan Parties as determined by the Administrative Agent in its sole discretion);

9.1.5. Defaults in Other Agreements or Indebtedness.

A default or event of default shall occur at any time under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which any Loan Party or Subsidiary of any Loan Party may be obligated as a borrower or guarantor in excess of \$5,000,000 in the aggregate, and such breach, default or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any indebtedness when due (whether at stated maturity, by acceleration or otherwise) or if such breach or default permits or causes the acceleration of any indebtedness (whether or not such right shall have been waived) or the termination of any commitment to lend;

9.1.6. Final Judgments or Orders.

Any final judgments or orders for the payment of money (not covered by insurance for which there is no dispute with respect to coverage by the applicable insurance carrier) in excess of \$5,000,000 in the aggregate shall be entered against any Loan Party by a court having jurisdiction in the premises, which judgment is not discharged, vacated, bonded or stayed pending appeal within a period of thirty (30) days from the date of entry;

9.1.7. Loan Document Unenforceable.

Any of the Loan Documents shall cease to be legal, valid and binding agreements enforceable against the party executing the same or such party's successors and assigns (as permitted under the Loan Documents) in accordance with the respective terms thereof or shall in any way be terminated (except in accordance with its terms) or become or be declared ineffective or inoperative or shall in any way be challenged or contested or cease to give or provide the respective Liens, security interests, rights, titles, interests, remedies, powers or privileges intended to be created thereby;

9.1.8. Uninsured Losses; Proceedings Against Assets.

There shall occur any material uninsured damage to or loss, theft or destruction of any of the Collateral in excess of \$5,000,000 or the Collateral or any other of the Loan Parties' or any of their Subsidiaries' assets are attached, seized, levied upon or subjected to a writ or distress warrant; or such come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors and the same is not cured within thirty (30) days thereafter;

9.1.9. Notice of Lien or Assessment.

A notice of Lien or assessment in excess of \$2,000,000 which is not a Permitted Lien is filed of record with respect to all or any part of any of the Loan Parties' or any of their Subsidiaries' assets by the United States, Australia, Canada, Bermuda or any department, agency or instrumentality of the foregoing, or by any state, county, provincial, municipal or other governmental agency, including the PBGC, or any taxes or debts owing at any time or times hereafter to any one of these becomes payable and the same is not paid within thirty (30) days after the same becomes payable;

9.1.10. Insolvency.

Any Loan Party or any Subsidiary of a Loan Party ceases to be Solvent or admits in writing its inability to pay its debts as they mature;

9.1.11. Events Relating to Plans and Benefit Arrangements.

Any of the following occurs: (i) any Reportable Event, which the Administrative Agent determines in good faith constitutes grounds for the termination of any Plan by the PBGC or the appointment of a trustee to administer or liquidate any Plan, shall have occurred and be continuing; (ii) proceedings shall have been instituted or other action taken to terminate any Plan, or a termination notice shall have been filed with respect to any Plan under Section 4041 of ERISA; (iii) a trustee shall be appointed to administer or liquidate any Plan; (iv) the PBGC shall give notice of its intent to institute proceedings to terminate any Plan or Plans or to appoint a trustee to administer or liquidate any Plan; and, in the case of the occurrence of (i), (ii), (iii) or (iv) above, the Administrative Agent determines in good faith that the amount of the Borrower's liability is likely to exceed \$5,000,000; (v) the Borrower or any member of the ERISA Group shall fail to make any contributions when due to a Plan or a Multiemployer Plan; (vi) the Borrower or any other member of the ERISA Group shall make any amendment to a Plan with respect to which security is required under Section 307 of ERISA; (vii) the Borrower or any other member of the ERISA Group shall withdraw completely or partially from a Multiemployer Plan; (viii) the Borrower or any other member of the ERISA Group shall withdraw (or shall be deemed under Section 4062(e) of ERISA to withdraw) from a Multiple Employer Plan; or (ix) any applicable Law is adopted, changed or interpreted by any Official Body with respect to or otherwise affecting one or more Plans, Multiemployer Plans or Benefit Arrangements and, with respect to any of the events specified in (v), (vi), (vii), (viii) or (ix), the Administrative Agent determines in good faith that any such occurrence would be reasonably likely to materially and adversely affect the total enterprise represented by the Borrower and the other members of the ERISA Group;

9.1.12. Cessation of Business.

Any Loan Party or Subsidiary of a Loan Party ceases to conduct its business as contemplated, except as expressly permitted under Section 8.2.6 [Liquidations, Mergers, Etc.] or 8.2.7, or any Loan Party or Subsidiary of a Loan Party is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business and such injunction, restraint or other preventive order is not dismissed within thirty (30) days after the entry thereof;

9.1.13. Change of Control.

(i) any Person other than the Investors and their controlled (but not controlling or commonly controlled) Affiliates shall become the beneficial owner of more than 50% of the voting stock of the Borrower or shall obtain the power to nominate or elect, by agreement or otherwise, at least a majority of the board of directors of the Borrower, (ii) the Management Investors shall cease to be the beneficial owners of at least 10% of the voting stock of the Borrower, (iii) a "Change of Control" as defined in the 2003 Senior Note Indenture shall occur, or (iv) the Borrower shall cease to own 100% of the capital stock, member interests or partnership interests of any Loan Party except as permitted in this Agreement or following the consent of the Required Banks;

9.1.14. Beazer East Default.

(1) (a) A failure by Beazer East to pay any obligation or set of obligations under Article VII of the Beazer Acquisition Agreement in excess of \$10,000,000 in the aggregate, which failure shall have continued for a period of 30 days or more, or (b) any other failure by Beazer East to perform any obligation or set of obligations under Article VII of the Beazer Acquisition Agreement which the Required Banks shall have determined in good faith has had, is having, or would be reasonably likely to have, a Material Adverse Change; and (2) a failure to perform by Beazer Limited under the Beazer Acquisition Agreement Guarantee with respect to such obligation or set of obligations; provided, however, that if an arbitration proceeding or arbitrations proceedings shall have been instituted under Article XI of the Beazer Acquisition Agreement with respect to such obligation or set of obligations, such failure by Beazer East to perform shall not constitute an Event of Default hereunder unless and until (w) a final decision shall have been rendered against Beazer East in such arbitration proceeding and Beazer East shall have failed to perform such obligation for a period of thirty days after such final decision has been rendered, (x) the Required Banks shall have determined in good faith that such arbitration proceeding is not being diligently prosecuted, (y) a period of one year shall have passed since the commencement of such arbitration proceeding, or (z) the Borrower shall have expended more than \$10,000,000 in the aggregate in unreimbursed expenditures as a result of such failure to perform by Beazer East and Beazer Limited;

9.1.15. Involuntary Proceedings.

A proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of any Loan Party or Subsidiary of a Loan Party in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, receiver and manager, liquidator, provisional liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Loan Party or Subsidiary of a Loan Party for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of thirty (30) consecutive days or such court shall enter a decree or order granting any of the relief sought in such proceeding or an Insolvency Event occurs with respect to a Loan Party or Subsidiary which is registered in Australia; or

9.1.16. Voluntary Proceedings.

Any Loan Party or Subsidiary of a Loan Party shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment or taking possession by a receiver, receiver and manager, liquidator, provisional liquidator, assignee, custodian, trustee, sequestrator, administrator, conservator (or other similar official) of itself or for any substantial part of its property or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action in furtherance of any of the foregoing (it being understood that the liquidation permitted by Section 8.2.6(4) of any of the Persons listed therein shall not, in and of itself, constitute an Event of Default).

9.2 Consequences of Event of Default.

9.2.1. Events of Default Other Than Bankruptcy, Insolvency or Reorganization Proceedings.

If an Event of Default specified under Sections 9.1.1 through 9.1.14 shall occur and be continuing, the Banks and the Administrative Agent shall be under no further obligation to make Loans or issue Letters of Credit, as the case may be, and the Administrative Agent may, and upon the request of the Required Banks, shall (i) by written notice to the Borrower, declare the unpaid principal amount of the Notes then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrower to the Banks hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable to the Administrative Agent for the benefit of each Bank without presentment, demand, protest or any other notice of any kind, all of which are hereby

expressly waived, and (ii) require the Borrower to, and the Borrower shall thereupon, deposit in a non-interest-bearing account with the Administrative Agent, as cash collateral for its Obligations under the Loan Documents, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrower hereby pledges to the Administrative Agent and the Banks, and grants to the Administrative Agent and the Banks a security interest in, all such cash as security for such Obligations. Upon the curing of all existing Events of Default to the satisfaction of the Required Banks, the Administrative Agent shall return such cash collateral to the Borrower; and

9.2.2. Bankruptcy, Insolvency or Reorganization Proceedings.

If an Event of Default specified under Section 9.1.15 [Involuntary Proceedings] or 9.1.16 [Voluntary Proceedings] shall occur, the Banks shall be under no further obligations to make Loans hereunder and the unpaid principal amount of the Loans then outstanding and all interest accrued thereon, any unpaid fees and all other Obligations shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived; and

9.2.3. Set-off.

If an Event of Default shall occur and be continuing, any Bank to whom any Obligation is owed by any Loan Party hereunder or under any other Loan Document or any participant of such Bank which has agreed in writing to be bound by the provisions of Section 10.13 [Equalization of Banks] and any branch, Subsidiary or Affiliate of such Bank or participant anywhere in the world shall have the right, in addition to all other rights and remedies available to it, without notice to such Loan Party, to set-off against and apply to the then unpaid balance of all the Loans and all other Obligations of the Borrower and the other Loan Parties hereunder or under any other Loan Document any debt owing to, and any other funds held in any manner for the account of, the Borrower or such other Loan Party by such Bank or participant or by such branch, Subsidiary or Affiliate, including all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by the Borrower or such other Loan Party for its own account (but not including funds held in custodian or trust accounts) with such Bank or participant or such branch, Subsidiary or Affiliate. Such right shall exist whether or not any Bank or the Administrative Agent shall have made any demand under this Agreement or any other Loan Document, whether or not such debt owing to or funds held for the account of the Borrower or such other Loan Party is or are matured or unmatured and regardless of the existence or adequacy of any Collateral, Guaranty or any other security, right or remedy available to any Bank or the Administrative Agent; and

9.2.4. Suits, Actions, Proceedings.

If an Event of Default shall occur and be continuing, and whether or not the Administrative Agent shall have accelerated the maturity of Loans pursuant to any of the

foregoing provisions of this Section 9.2, the Administrative Agent or any Bank, if owed any amount with respect to the Loans, may proceed to protect and enforce its rights by suit in equity, action at law and/or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement or the other Loan Documents, including as permitted by applicable Law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of the Administrative Agent or such Bank; and

9.2.5. Application of Proceeds; Collateral Sharing.

9.2.5.1. Application of Proceeds.

From and after the date on which the Administrative Agent has taken any action pursuant to this Section 9.2 and until all Obligations of the Loan Parties have been paid in full, any and all proceeds received by the Administrative Agent from any sale or other disposition of the Collateral, or any part thereof, or the exercise of any other remedy by the Administrative Agent, shall be applied as follows:

(i) first, to reimburse the Administrative Agent and the Banks for out-of-pocket costs, expenses and disbursements, including reasonable attorneys' and paralegals' fees and legal expenses, incurred by the Administrative Agent or the Banks in connection with realizing on the Collateral or collection of any Obligations of any of the Loan Parties under any of the Loan Documents, including advances made by the Banks or any one of them or the Administrative Agent for the reasonable maintenance, preservation, protection or enforcement of, or realization upon, the Collateral, including advances for taxes, insurance, repairs and the like and reasonable expenses incurred to sell or otherwise realize on, or prepare for sale or other realization on, any of the Collateral;

(ii) second, to the repayment of all Obligations then due and unpaid of the Loan Parties to the Banks incurred under this Agreement or any of the other Loan Documents or a Bank-Provided Interest Rate Hedge, whether of principal, interest, fees, expenses or otherwise, in such manner as the Administrative Agent may determine in its discretion; and

(iii) the balance, if any, as required by Law.

9.2.5.2. Collateral Sharing.

All Liens granted under the Security Agreements, the Patent Trademark and Copyright Security Agreement, the Pledge Agreement and any other Loan Document (the "Collateral Documents") shall secure ratably and on a pari passu basis (i) the Obligations in favor of the Administrative Agent and the Banks hereunder and (ii) the Obligations incurred by any of the Loan Parties in favor of any Bank which provides a Bank-Provided Interest Rate Hedge (the "IRH Provider"). The Administrative Agent under the Collateral Documents shall be deemed to serve and is appointed as the collateral agent (the "Collateral Agent") for the IRH Provider and

the Banks hereunder, provided that the Collateral Agent shall comply with the instructions and directions of the Administrative Agent (or the Banks under this Agreement to the extent that this Agreement or any other Loan Documents empowers the Banks to direct the Administrative Agent), as to all matters relating to the Collateral, including the maintenance and disposition thereof. No IRH Provider (except in its capacity as a Bank hereunder) shall be entitled or have the power to direct or instruct the Collateral Agent on any such matters or to control or direct in any manner the maintenance or disposition of the Collateral.

9.2.6. Other Rights and Remedies.

In addition to all of the rights and remedies contained in this Agreement or in any of the other Loan Documents, the Administrative Agent shall have all of the rights and remedies of a secured party under the Uniform Commercial Code or other applicable Law, all of which rights and remedies shall be cumulative and non-exclusive, to the extent permitted by Law. The Administrative Agent may, and upon the request of the Required Banks shall, exercise all post-default rights granted to the Administrative Agent and the Banks under the Loan Documents or applicable Law.

9.3 Notice of Sale.

Any notice required to be given by the Administrative Agent of a sale, lease, or other disposition of the Collateral or any other intended action by the Administrative Agent, if given ten (10) days prior to such proposed action, shall constitute commercially reasonable and fair notice thereof to the Borrower.

10. THE ADMINISTRATIVE AGENT

10.1 Appointment.

Each Bank hereby irrevocably designates, appoints and authorizes PNC Bank to act as Administrative Agent for such Bank under this Agreement and to execute and deliver or accept on behalf of each of the Banks the other Loan Documents. Each Bank hereby irrevocably authorizes, and each holder of any Note by the acceptance of a Note shall be deemed irrevocably to authorize, the Administrative Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and any other instruments and agreements referred to herein, and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto. PNC Bank agrees to act as the Administrative Agent on behalf of the Banks to the extent provided in this Agreement.

None of the Banks designated on the facing page or signature pages of this Agreement as the "Syndication Agent" or as a "Co-Documentation Agent" shall have any right, power, obligation, liability, responsibility, or duty under this Agreement other than those applicable to all Banks as such. Without limiting the foregoing, none of the Banks so identified

as the “Syndication Agent” or as a “Co-Documentation Agent” shall have or be deemed to have any fiduciary relationship with any Bank. Each Bank acknowledges that it has not relied and will not rely on any of the Banks so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

10.2 Delegation of Duties.

The Administrative Agent may perform any of its duties hereunder by or through agents or employees (provided such delegation does not constitute a relinquishment of its duties as Administrative Agent) and, subject to Sections 10.5 [Reimbursement of Administrative Agent by Borrower, Etc.] and 10.6, shall be entitled to engage and pay for the advice or services of any attorneys, accountants or other experts concerning all matters pertaining to its duties hereunder and to rely upon any advice so obtained.

10.3 Nature of Duties; Independent Credit Investigation.

The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and no implied covenants, functions, responsibilities, duties, obligations, or liabilities shall be read into this Agreement or otherwise exist. The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have by reason of this Agreement a fiduciary or trust relationship in respect of any Bank; and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement except as expressly set forth herein. Without limiting the generality of the foregoing, the use of the term “agent” in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. Each Bank expressly acknowledges (i) that the Administrative Agent has not made any representations or warranties to it and that no act by the Administrative Agent hereafter taken, including any review of the affairs of any of the Loan Parties, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Bank; (ii) that it has made and will continue to make, without reliance upon the Administrative Agent, its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of each of the Loan Parties in connection with this Agreement and the making and continuance of the Loans hereunder; and (iii) except as expressly provided herein, that the Administrative Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto, whether coming into its possession before the making of any Loan or at any time or times thereafter.

10.4 Actions in Discretion of Administrative Agent; Instructions From the Banks.

The Administrative Agent agrees, upon the written request of the Required Banks, to take or refrain from taking any action of the type specified as being within the Administrative

Agent's rights, powers or discretion herein, provided that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement or any other Loan Document or applicable Law. In the absence of a request by the Required Banks, the Administrative Agent shall have authority, in its sole discretion, to take or not to take any such action, unless this Agreement specifically requires the consent of the Required Banks or all of the Banks. Any action taken or failure to act pursuant to such instructions or discretion shall be binding on the Banks, subject to Section 10.6 [Exculpatory Provisions, Etc.]. Subject to the provisions of Section 10.6, no Bank shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Banks (or if required under Section 11.1, all the Banks), or in the absence of such instructions, in the absolute discretion of the Administrative Agent.

10.5 Reimbursement and Indemnification of Administrative Agent by the Borrower.

The Borrower unconditionally agrees to pay or reimburse the Administrative Agent and hold the Administrative Agent harmless against (a) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements, including fees and expenses of counsel (including the allocated costs of staff counsel), appraisers and environmental consultants, incurred by the Administrative Agent (i) in connection with the development, negotiation, preparation, printing, execution, administration, syndication, interpretation and performance of this Agreement and the other Loan Documents, (ii) relating to any requested amendments, waivers or consents pursuant to the provisions hereof, (iii) in connection with the enforcement of this Agreement or any other Loan Document or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, (iv) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, and (v) in connection with any Environmental Complaint threatened or asserted against the Administrative Agent or the Lenders in any way relating to or arising out of this Agreement or any other Loan Documents (including, without limitation, the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings or in any workout or restructuring), and (b) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, in any way relating to or arising out of (i) this Agreement or any other Loan Documents or any action taken or omitted by the Administrative Agent hereunder or thereunder, and (ii) any Environmental Complaint in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Administrative Agent hereunder or thereunder, provided that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements if the same results from the Administrative Agent's gross negligence or willful misconduct, or if the

Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. In addition, the Borrower agrees to reimburse and pay all reasonable out-of-pocket expenses of the Administrative Agent's regular employees and agents engaged periodically to perform audits of the Loan Parties' books, records and business properties. For the avoidance of doubt, references in this Section to the Administrative Agent shall include the Administrative Agent in its capacity as Collateral Agent under each of the Security Trust Deed (Australia), Fixed and Floating Charge (Australia), and the Guaranty Agreement (Australia).

10.6 Exculpatory Provisions; Limitation of Liability.

Neither the Administrative Agent nor any of its directors, officers, employees, agents, attorneys or Affiliates shall (a) be liable to any Bank for any action taken or omitted to be taken by it or them hereunder, or in connection herewith including pursuant to any Loan Document, unless caused by its or their own gross negligence or willful misconduct, (b) be responsible in any manner to any of the Banks for the effectiveness, enforceability, genuineness, validity or the due execution of this Agreement or any other Loan Documents or for any recital, representation, warranty, document, certificate, report or statement herein or made or furnished under or in connection with this Agreement or any other Loan Documents, or (c) be under any obligation to any of the Banks to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions hereof or thereof on the part of the Loan Parties, or the financial condition of the Loan Parties, or the existence or possible existence of any Event of Default or Potential Default. No claim may be made by any of the Loan Parties, any Bank, the Administrative Agent or any of their respective Subsidiaries against the Administrative Agent, any Bank or any of their respective directors, officers, employees, agents, attorneys or Affiliates, or any of them, for any special, indirect or consequential damages or, to the fullest extent permitted by Law, for any punitive damages in respect of any claim or cause of action (whether based on contract, tort, statutory liability, or any other ground) based on, arising out of or related to any Loan Document or the transactions contemplated hereby or any act, omission or event occurring in connection therewith, including the negotiation, documentation, administration or collection of the Loans, and each of the Loan Parties, (for itself and on behalf of each of its Subsidiaries), the Administrative Agent and each Bank hereby waive, release and agree never to sue upon any claim for any such damages, whether such claim now exists or hereafter arises and whether or not it is now known or suspected to exist in its favor. Each Bank agrees that, except for notices, reports and other documents expressly required to be furnished to the Banks by the Administrative Agent hereunder or given to the Administrative Agent for the account of or with copies for the Banks, the Administrative Agent and each of its directors, officers, employees, agents,

attorneys or Affiliates shall not have any duty or responsibility to provide any Bank with an credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Loan Parties which may come into the possession of the Administrative Agent or any of its directors, officers, employees, agents, attorneys or Affiliates. For the avoidance of doubt, references in this Section to the Administrative Agent shall include the Administrative Agent in its capacity as Collateral Agent under each of the Security Trust Deed (Australia), Fixed and Floating Charge (Australia), and the Guaranty Agreement (Australia).

10.7 Reimbursement and Indemnification of Administrative Agent by Banks.

Each Bank agrees to reimburse and indemnify, defend and save the Administrative Agent (to the extent not reimbursed by the Borrower and without limiting the Obligation of the Borrower to do so) in proportion to its Ratable Share harmless from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements, including attorneys' fees and disbursements (including the allocated costs of staff counsel), and costs of appraisers and environmental consultants, of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Administrative Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Administrative Agent hereunder or thereunder, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (a) if the same results from the Administrative Agent's gross negligence or willful misconduct, or (b) if such Bank was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that such Bank shall remain liable to the extent such failure to give notice does not result in a loss to the Bank), or (c) if the same results from a compromise and settlement agreement entered into without the consent of such Bank, which shall not be unreasonably withheld. In addition, each Bank agrees promptly upon demand to reimburse the Administrative Agent (to the extent not reimbursed by the Borrower and without limiting the Obligation of the Borrower to do so) in proportion to its Ratable Share for all amounts due and payable by the Borrower to the Administrative Agent in connection with the Administrative Agent's periodic audit of the Loan Parties' books, records and business properties. For the avoidance of doubt, references in this Section to the Administrative Agent shall include the Administrative Agent in its capacity as Collateral Agent under each of the Security Trust Deed (Australia), Fixed and Floating Charge (Australia), and the Guaranty Agreement (Australia).

10.8 Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely upon any writing, telegram, telex or teletype message, resolution, notice, consent, certificate, letter, cablegram, statement, order or other document or conversation by telephone or otherwise believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon the advice and opinions of counsel and other professional advisers selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

10.9 Notice of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Potential Default or Event of Default unless the Administrative Agent has received written notice from a Bank or the Borrower referring to this Agreement, describing such Potential Default or Event of Default.

10.10 Notices.

The Administrative Agent shall promptly send to each Bank a copy of all notices received from the Borrower pursuant to the provisions of this Agreement or the other Loan Documents promptly upon receipt thereof. The Administrative Agent shall promptly notify the Borrower and the other Banks of each change in the Base Rate and the effective date thereof.

10.11 Banks in Their Individual Capacities; Administrative Agent in its Individual Capacity.

With respect to its Revolving Credit Commitment, the Revolving Credit Loans, the Term Loan Commitment and the Term Loan made by it and any other rights and powers given to it as a Bank hereunder or under any of the other Loan Documents, the Administrative Agent shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not the Administrative Agent, and the term "Bank" and "Banks" shall, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. PNC Bank and its Affiliates and each of the Banks and their respective Affiliates may, without liability to account, except as prohibited herein, make loans to, issue letters of credit for the account of, acquire equity interests in, accept deposits from, discount drafts for, act as trustee under indentures of, and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with, the Loan Parties and their Affiliates, in the case of the Administrative Agent, as though it were not acting as Administrative Agent hereunder and in the case of each Bank, as though such Bank were not a Bank hereunder, in each case without notice to or consent of the other Banks. The Banks acknowledge that, pursuant to such activities, the Administrative Agent or its Affiliates may (i) receive information regarding the Loan Parties or any of their Subsidiaries or Affiliates (including information that may be subject to confidentiality obligations in favor of the Loan Parties or such Subsidiary or Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them, and (ii) accept fees and other consideration from the Loan Parties for services in connection with this Agreement and otherwise without having to account for the same to the Banks.

10.12 Holders of Notes.

The Administrative Agent may deem and treat any payee of any Note as the owner thereof for all purposes hereof unless and until written notice of the assignment or transfer thereof shall have been filed with the Administrative Agent. Any request, authority or consent of

any Person who at the time of making such request or giving such authority or consent is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

10.13 Equalization of Banks.

The Banks and the holders of any participations in any Notes agree among themselves that, with respect to all amounts received by any Bank or any such holder for application on any Obligation hereunder or under any Note or under any such participation, whether received by voluntary payment, by realization upon security, by the exercise of the right of set-off or banker's lien, by counterclaim or by any other non-pro rata source, equitable adjustment will be made in the manner stated in the following sentence so that, in effect, all such excess amounts will be shared ratably among the Banks and such holders in proportion to their interests in payments under the Notes, except as otherwise provided in Section 4.4.3 [Administrative Agent's and Bank's Rights], 5.4.2 [Replacement of a Bank] or 5.6 [Additional Compensation in Certain Circumstances]. The Banks or any such holder receiving any such amount shall purchase for cash from each of the other Banks an interest in such Bank's Loans in such amount as shall result in a ratable participation by the Banks and each such holder in the aggregate unpaid amount under the Notes, provided that if all or any portion of such excess amount is thereafter recovered from the Bank or the holder making such purchase, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, together with interest or other amounts, if any, required by law (including court order) to be paid by the Bank or the holder making such purchase.

10.14 Successor Administrative Agent.

The Administrative Agent (i) may resign as Administrative Agent or (ii) shall resign if such resignation is requested by the Required Banks (if the Administrative Agent is a Bank, the Administrative Agent's Loans and its Commitment shall be considered in determining whether the Required Banks have requested such resignation) or required by Section 5.4.2 [Replacement of a Bank], in either case of (i) or (ii) by giving not less than thirty (30) days' prior written notice to the Borrower. If the Administrative Agent shall resign under this Agreement, then either (a) the Required Banks shall appoint from among the Banks a successor agent for the Banks, subject to the consent of the Borrower, such consent not to be unreasonably withheld, or (b) if a successor agent shall not be so appointed and approved within the thirty (30) day period following the Administrative Agent's notice to the Banks of its resignation, then the Administrative Agent shall appoint, with the consent of the Borrower, such consent not to be unreasonably withheld, a successor agent who shall serve as Administrative Agent until such time as the Required Banks appoint and the Borrower consents to the appointment of a successor agent. Upon its appointment pursuant to either clause (a) or (b) above, such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent, effective upon its appointment, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement. After the resignation of any Administrative Agent hereunder, the provisions of this Section 10 shall inure to the benefit of such former Administrative

Agent and such former Administrative Agent shall not by reason of such resignation be deemed to be released from liability for any actions taken or not taken by it while it was an Administrative Agent under this Agreement.

10.15 Administrative Agent's Fee; Syndication Agent's Fee.

The Borrower shall pay to the Administrative Agent nonrefundable fees under the terms of a Fee Letter dated July 20, 2005, between the Borrower and the Administrative Agent, as amended from time to time (the "Agent's Letter").

10.16 Availability of Funds.

The Administrative Agent may assume that each Bank has made or will make the proceeds of a Loan available to the Administrative Agent unless the Administrative Agent shall have been notified by such Bank on or before the later of (1) the close of Business on the Business Day preceding the Borrowing Date with respect to such Loan or two (2) hours before the time on which the Administrative Agent actually funds the proceeds of such Loan to the Borrower (whether using its own funds pursuant to this Section 10.16 or using proceeds deposited with the Administrative Agent by the Banks and whether such funding occurs before or after the time on which Banks are required to deposit the proceeds of such Loan with the Administrative Agent). The Administrative Agent may, in reliance upon such assumption (but shall not be required to), make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Bank, the Administrative Agent shall be entitled to recover such amount on demand from such Bank (or, if such Bank fails to pay such amount forthwith upon such demand from the Borrower) together with interest thereon, in respect of each day during the period commencing on the date such amount was made available to the Borrower and ending on the date the Administrative Agent recovers such amount, at a rate per annum equal to (i) the Federal Funds Effective Rate during the first three (3) days after such interest shall begin to accrue and (ii) the applicable interest rate in respect of such Loan after the end of such three-day period.

10.17 Calculations.

In the absence of gross negligence or willful misconduct, the Administrative Agent shall not be liable for any error in computing the amount payable to any Bank whether in respect of the Loans, fees or any other amounts due to the Banks under this Agreement. In the event an error in computing any amount payable to any Bank is made, the Administrative Agent, the Borrower and each affected Bank shall, forthwith upon discovery of such error, make such adjustments as shall be required to correct such error, and any compensation therefor will be calculated at the Federal Funds Effective Rate.

10.18 Beneficiaries.

Except as expressly provided herein, the provisions of this Section 10 are solely for the benefit of the Administrative Agent (including the Administrative Agent in its capacity as Collateral Agent under each of the Security Trust Deed (Australia), Fixed and Floating Charge (Australia), and the Guaranty Agreement (Australia)) and the Banks, and the Loan Parties shall not have any rights to rely on or enforce any of the provisions hereof. In performing its functions and duties under this Agreement, the Administrative Agent shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any of the Loan Parties.

10.19 No Reliance on Agent's Customer Identification Program.

Each Bank acknowledges and agrees that neither such Bank, nor any of its Affiliates, participants or assignees, may rely on the Agent to carry out such Bank's, Affiliate's, participant's or assignee's customer identification program, or other obligations required or imposed under or pursuant to the USA Patriot Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the "CIP Regulations"), or any other Anti-Terrorism Law, including any programs involving any of the following items relating to or in connection with any of the Loan Parties, their Affiliates or their agents, the Loan Documents or the transactions hereunder or contemplated hereby: (1) any identity verification procedures, (2) any recordkeeping, (3) comparisons with government lists, (4) customer notices or (5) other procedures required under the CIP Regulations or such other Laws.

10.20 Power of Attorney for Quebec Purposes.

For greater certainty, and without limiting the powers of the Administrative Agent hereunder or under any of the Loan Documents, each of the Banks hereby acknowledges that the Administrative Agent shall, for the purposes of holding any security granted under the Québec Security pursuant to the laws of the Province of Quebec to secure payment of the Demand Debenture (or any similar instruments), be the holder of an irrevocable power of attorney (*fondé de pouvoir*) (within the meaning of Article 2692 of the *Civil Code of Quebec*) for all present and future Banks and holders of such Demand Debenture. Each of the Banks hereby constitutes, to the extent necessary, the Administrative Agent as the holder of such irrevocable power of attorney (*fondé de pouvoir*) in order to hold security granted under the Quebec Security in the Province of Quebec to secure the Demand Debenture (or any similar instrument). Each assignee of a Bank shall be deemed to have confirmed and ratified the constitution of the Administrative Agent as the holder of such irrevocable power of attorney (*fondé de pouvoir*) by execution of the relevant Assignment and Assumption Agreement. Notwithstanding the provisions of Section 32 of the *Special Powers of Legal Persons Act* (Quebec), the Administrative Agent may acquire and be the holder of the Demand Debenture (or any similar instrument). Each of the Loan Parties hereby acknowledges that the Demand Debenture constitutes a title of indebtedness, as such term is used in Article 2692 of the *Civil Code of Quebec*. The Administrative Agent hereby acknowledges and accepts the Quebec Security as forming part of the Loan Documents and agrees to be bound by the provisions thereof.

Notwithstanding Section 11.8 hereof, the provisions of this Section 10.20 shall be governed by the laws of the Province of Quebec and the federal laws of Canada applicable therein.

11. MISCELLANEOUS

11.1 Modifications, Amendments or Waivers.

With the written consent of the Required Banks, the Administrative Agent, acting on behalf of all the Banks, and the Borrower, on behalf of the Loan Parties, may from time to time enter into written agreements amending or changing any provision of this Agreement or any other Loan Document or the rights of the Banks or the Loan Parties hereunder or thereunder, or may grant written waivers or consents to a departure from the due performance of the Obligations of the Loan Parties hereunder or thereunder. Any such agreement, waiver or consent made with such written consent shall be effective to bind all the Banks and the Loan Parties; provided, that, without the written consent of all the Banks, no such agreement, waiver or consent may be made which will:

11.1.1. Increase of Commitment; Extension of Expiration Date.

Increase the amount of the Revolving Credit Commitment or Term Loan Commitment of any Bank hereunder or extend the Expiration Date;

11.1.2. Extension of Payment; Reduction of Principal Interest or Fees; Modification of Terms of Payment.

Whether or not any Loans are outstanding, extend the time for payment of principal or interest of any Loan (excluding the due date of any mandatory prepayment of a Loan except for mandatory prepayments required under Section 5.5.5 and mandatory reductions of the Commitments on the Expiration Date), the Commitment Fee or any other fee payable to any Bank, or reduce the principal amount of or the rate of interest borne by any Loan or reduce the Commitment Fee or any other fee payable to any Bank, or otherwise affect the terms of payment of the principal of or interest of any Loan, the Commitment Fee or any other fee payable to any Bank;

11.1.3. Release of Collateral or Guarantor.

Except for sales of assets or capital stock permitted by Section 8.2.7 [Disposition of Assets or Subsidiaries], release any Collateral, any Guarantor from its Obligations under any Guaranty Agreement or any other security for any of the Loan Parties' Obligations; or

11.1.4. Miscellaneous.

Amend Section 5.2 [Pro Rata Treatment of Banks], 10.6 [Exculpatory Provisions, Etc.] or 10.13 [Equalization of Banks] or this Section 11.1, alter any provision regarding the pro rata treatment of the Banks, change the definition of Required Banks, or change any requirement providing for the Banks or the Required Banks to authorize the taking of any action hereunder;

provided, further, that (i) no agreement, waiver or consent which would modify the interests, rights or obligations of the Administrative Agent in its capacity as Administrative Agent or as the issuer of Letters of Credit shall be effective without the written consent of the Administrative Agent, and (ii) no agreement, waiver or consent which would modify the interests, rights or obligations of any Bank in its capacity as an Issuing Bank hereunder shall be effective without the written consent of such Bank. The Administrative Agent shall, upon request of the Borrower, and without the consent of any Bank if no Potential Default or Event of Default exists, release from the Lien of the relevant Loan Documents any Collateral upon the sale or disposition thereof which is permitted by Section 8.2.7. Upon the request of the Borrower and provided no Event of Default has occurred and is continuing, the Administrative Agent may, in its discretion, release from the Lien of the relevant Loan Documents any Collateral that is subject to a Purchase Money Security Interest permitted under this Agreement to the extent such release is requested by the party providing such purchase money financing.

11.2 No Implied Waivers; Cumulative Remedies; Writing Required.

No course of dealing and no delay or failure of the Administrative Agent or any Bank in exercising any right, power, remedy or privilege under this Agreement or any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power, remedy or privilege preclude any further exercise thereof or of any other right, power, remedy or privilege. The rights and remedies of the Administrative Agent and the Banks under this Agreement and any other Loan Documents are cumulative and not exclusive of any rights or remedies which they would otherwise have. Any waiver, permit, consent or approval of any kind or character on the part of any Bank of any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

11.3 Reimbursement and Indemnification of Banks by the Borrower; Taxes.

The Borrower agrees unconditionally upon demand to pay or reimburse to each Bank (other than the Administrative Agent, as to which the Borrower's Obligations are set forth in Section 10.5 [Reimbursement of Administrative Agent By Borrower, Etc.]) and to save such Bank harmless against (i) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements (including fees and expenses of counsel (including allocated costs of staff counsel) for each Bank except with respect to the following clauses (a) and (b)), incurred by such

Bank (a) in connection with the administration and interpretation of this Agreement, and other instruments and documents to be delivered hereunder, (b) relating to any amendments, waivers or consents pursuant to the provisions hereof, (c) in connection with the enforcement of this Agreement or any other Loan Document, or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, (d) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection, insolvency, or bankruptcy proceedings, and (e) in connection with any Environmental Complaint threatened or asserted against the Bank in any way relating to or arising out of this Agreement or any other Loan Documents (including, without limitation, the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings or in any workout or restructuring), or (ii) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Bank, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by such Bank hereunder or thereunder, provided that the Borrower shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (A) if the same results from such Bank's gross negligence or willful misconduct, or (B) if the Borrower was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that the Borrower shall remain liable to the extent such failure to give notice does not result in a loss to the Borrower), or (C) if the same results from a compromise or settlement agreement entered into without the consent of the Borrower, which shall not be unreasonably withheld. The Banks will attempt to minimize the fees and expenses of legal counsel for the Banks which are subject to reimbursement by the Borrower hereunder by considering the usage of one law firm to represent the Banks and the Administrative Agent if appropriate under the circumstances. The Borrower agrees unconditionally to pay all stamp, document, transfer, recording, goods and services (or value added), or filing taxes or fees and similar impositions now or hereafter determined by the Administrative Agent or any Bank to be payable in connection with this Agreement or any other Loan Document or the transactions contemplated thereby, and the Borrower agrees unconditionally to save the Administrative Agent and the Banks harmless from and against any and all present or future claims, liabilities or losses with respect to or resulting from any omission to pay or delay in paying any such taxes, fees or impositions.

11.4 Holidays.

Whenever payment of a Loan to be made or taken hereunder shall be due on a day which is not a Business Day such payment shall be due on the next Business Day (except as provided in Section 4.2 [Interest Periods] with respect to Interest Periods under the Euro-Rate Option) and such extension of time shall be included in computing interest and fees, except that the Loans shall be due on the Business Day preceding the Expiration Date if the Expiration Date

is not a Business Day. Whenever any payment or action to be made or taken hereunder (other than payment of the Loans) shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall not be included in computing interest or fees, if any, in connection with such payment or action.

11.5 Funding by Branch, Subsidiary or Affiliate.

11.5.1. Notional Funding.

Each Bank shall have the right from time to time, without notice to the Borrower, to deem any branch, Subsidiary or Affiliate (which for the purposes of this Section 11.5 shall mean any corporation or association which is directly or indirectly controlled by or is under direct or indirect common control with any corporation or association which directly or indirectly controls such Bank) of such Bank to have made, maintained or funded any Loan to which the Euro-Rate Option applies at any time, provided that immediately following (on the assumption that a payment were then due from the Borrower to such other office), and as a result of such change, the Borrower would not be under any greater financial obligation pursuant to Section 5.6 [Additional Compensation in Certain Circumstances] than it would have been in the absence of such change. Notional funding offices may be selected by each Bank without regard to such Bank's actual methods of making, maintaining or funding the Loans or any sources of funding actually used by or available to such Bank.

11.5.2. Actual Funding.

Each Bank shall have the right from time to time to make or maintain any Loan by arranging for a branch, Subsidiary or Affiliate of such Bank to make or maintain such Loan subject to the last sentence of this Section 11.5.2. If any Bank causes a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder, all terms and conditions of this Agreement shall, except where the context clearly requires otherwise, be applicable to such part of the Loans to the same extent as if such Loans were made or maintained by such Bank, but in no event shall any Bank's use of such a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder cause such Bank or such branch, Subsidiary or Affiliate to incur any cost or expenses payable by the Borrower hereunder or require the Borrower to pay any other compensation to any Bank (including any expenses incurred or payable pursuant to Section 5.6 [Additional Compensation in Certain Circumstances]) which would otherwise not be incurred.

11.6 Notices.

Any notice, request, demand, direction or other communication (for purposes of this Section 11.6 only, a "Notice") to be given to or made upon any party hereto under any provision of this Agreement shall be given or made by telephone or in writing (which includes means of electronic transmission (i.e., "e-mail") or facsimile transmission or by setting forth such Notice on a site on the World Wide Web (a "Website Posting") if Notice of such Website

Posting (including the information necessary to access such site) has previously been delivered to the applicable parties hereto by another means set forth in this Section 11.6) in accordance with this Section 11.6. Any such Notice must be delivered to the applicable parties hereto at the addresses and numbers set forth under their respective names on Schedule 1.1(B) hereof or in accordance with any subsequent unrevoked Notice from any such party that is given in accordance with this Section 11.6. Any Notice shall be effective:

(i) In the case of hand-delivery, when delivered;

(ii) If given by mail, four days after such Notice is deposited with the United States Postal Service, with first-class postage prepaid, return receipt requested or Australia Post, by registered mail (as the case may require);

(iii) In the case of a telephonic Notice, when a party is contacted by telephone, if delivery of such telephonic Notice is confirmed no later than the next Business Day by hand delivery, a facsimile or electronic transmission, a Website Posting or overnight courier delivery of a confirmatory notice (received at or before noon on such next Business Day);

(iv) In the case of a facsimile transmission, when sent to the applicable party's facsimile machine's telephone number if the party sending such Notice receives confirmation of the delivery thereof from its own facsimile machine;

(v) In the case of electronic transmission, when actually received;

(vi) In the case of a Website Posting, upon delivery of a Notice of such posting (including the information necessary to access such web site) by another means set forth in this Section 11.6; and

(vii) If given by any other means (including by overnight courier), when actually received.

Any Bank giving a Notice to a Loan Party shall concurrently send a copy thereof to the Administrative Agent, and the Administrative Agent shall promptly notify the other Banks of its receipt of such Notice.

11.7 Severability.

The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

11.8 Governing Law.

Each Letter of Credit and Section 2.10 [Letter of Credit Subfacility] shall be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be revised or amended from time to time, and to the extent not inconsistent therewith, the internal laws of the Commonwealth of Pennsylvania without regard to its conflict of laws principles, and the balance of this Agreement 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.

11.9 Prior Understanding.

This Agreement and the other Loan Documents supersede all prior understandings and agreements, whether written or oral, between the parties hereto and thereto relating to the transactions provided for herein and therein, including any prior confidentiality agreements and commitments.

11.10 Duration; Survival.

All representations and warranties of the Loan Parties contained herein or made in connection herewith shall survive the making of Loans and issuance of Letters of Credit and shall not be waived by the execution and delivery of this Agreement, any investigation by the Administrative Agent or the Banks, the making of Loans, issuance of Letters of Credit, or payment in full of the Loans. All covenants and agreements of the Loan Parties contained in Sections 8.1 [Affirmative Covenants], 8.2 [Negative Covenants] and 8.3 [Reporting Requirements] herein shall continue in full force and effect from and after the date hereof so long as the Borrower may borrow or request Letters of Credit hereunder and until termination of the Commitments and payment in full of the Loans and expiration or termination of all Letters of Credit. All covenants and agreements of the Borrower contained herein relating to the payment of principal, interest, premiums, additional compensation or expenses and indemnification, including those set forth in the Notes, Section 5 [Payments] and Sections 10.5 [Reimbursement of Administrative Agent by Borrower, Etc.], 10.7 [Reimbursement of Administrative Agent by Banks, Etc.] and 11.3 [Reimbursement of Banks by Borrower; Etc.], shall survive payment in full of the Loans, expiration or termination of the Letters of Credit and termination of the Commitments.

11.11 Successors and Assigns.

(i) This Agreement shall be binding upon and shall inure to the benefit of the Banks, the Administrative Agent, the Loan Parties and their respective successors and assigns, except that none of the Loan Parties may assign or transfer any of its rights and Obligations hereunder or any interest herein. Each Bank may, at its own cost, make assignments

of or sell participations in all or any part of its Commitments and the Loans made by it to one or more banks or other entities, subject to the consent of the Borrower and the Administrative Agent with respect to any assignee, such consent not to be unreasonably withheld, provided that (1) no consent of the Borrower shall be required (A) if an Event of Default exists and is continuing, or (B) in the case of an assignment by a Bank to an Affiliate of such Bank, and (2) any assignment by a Bank to a Person other than an Affiliate of such Bank may not be made in amounts less than the lesser of \$5,000,000 or the amount of the assigning Bank's Commitment, provided that any Bank party to this Agreement as of the Closing Date (each, an "Existing Bank") may make assignments to any other Existing Bank in any amount (without regard to the \$5,000,000 limitation in clause (2)). In the case of an assignment, upon receipt by the Administrative Agent of the Assignment and Assumption Agreement, the assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights, benefits and obligations as it would have if it had been a signatory Bank hereunder, the Commitments shall be adjusted accordingly, and upon surrender of any Note subject to such assignment, the Borrower shall execute and deliver a new Note to the assignee in an amount equal to the amount of the Revolving Credit Commitment or Term Loan assumed by it and a new Revolving Credit Note or Term Note to the assigning Bank in an amount equal to the Revolving Credit Commitment or Term Loan retained by it hereunder. Any Bank which assigns any or all of its Commitment or Loans to a Person other than an Affiliate of such Bank shall pay to the Administrative Agent a service fee in the amount of \$3,500 for each assignment. In the case of a participation, the participant shall only have the rights specified in Section 9.2.3 [Set-off] (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto and not to include any voting rights except with respect to changes of the type referenced in Sections 11.1.1 [Increase of Commitment, Etc.], 11.1.2 [Extension of Payment, Etc.], or 11.1.3 [Release of Collateral or Guarantor]), all of such Bank's obligations under this Agreement or any other Loan Document shall remain unchanged, and all amounts payable by any Loan Party hereunder or thereunder shall be determined as if such Bank had not sold such participation.

(ii) Any assignee or participant which is not incorporated under the Laws of the United States of America or a state thereof shall deliver to the Borrower and the Administrative Agent the form of certificate described in Section 11.17 [Tax Withholding Clause] relating to federal income tax withholding. Each Bank may furnish any publicly available information concerning any Loan Party or its Subsidiaries and any other information concerning any Loan Party or its Subsidiaries in the possession of such Bank from time to time to assignees and participants (including prospective assignees or participants), provided that such assignees and participants agree to be bound by the provisions of Section 11.12 [Confidentiality].

(iii) Notwithstanding any other provision in this Agreement, any Bank may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement, its Note and the other Loan Documents to any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR Section 203.14 without notice to or consent of the Borrower or the Administrative Agent. No such pledge or grant of a security interest shall release the transferor Bank of its obligations hereunder or under any other Loan Document.

11.12 Confidentiality.

11.12.1. General.

The Administrative Agent and the Banks each agree to keep confidential all information obtained from any Loan Party or its Subsidiaries which is nonpublic and confidential or proprietary in nature (including any information the Borrower specifically designates as confidential), except as provided below, and to use such information only in connection with their respective capacities under this Agreement and for the purposes contemplated hereby. The Administrative Agent and the Banks shall be permitted to disclose such information (i) to outside legal counsel, accountants and other professional advisors who need to know such information in connection with the administration and enforcement of this Agreement, subject to agreement of such Persons to maintain the confidentiality, (ii) to assignees and participants as contemplated by Section 11.11, and prospective assignees and participants, (iii) to the extent requested by any bank regulatory authority or, with notice to the Borrower, as otherwise required by applicable Law or by any subpoena or similar legal process, or in connection with any investigation or proceeding arising out of the transactions contemplated by this Agreement, (iv) if it becomes publicly available other than as a result of a breach of this Agreement or becomes available from a source not known to be subject to confidentiality restrictions, or (v) if the Borrower shall have consented to such disclosure. Notwithstanding anything herein to the contrary, the information subject to this Section 11.12.1 shall not include, and the Administrative Agent and each Bank may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the Administrative Agent or such Bank relating to such tax treatment and tax structure; provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the Loans, Letters of Credit and transactions contemplated hereby.

11.12.2. Sharing Information With Affiliates of the Banks.

Each Loan Party acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to the Borrower or one or more of its Affiliates (in connection with this Agreement or otherwise) by any Bank or by one or more Subsidiaries or Affiliates of such Bank and each of the Loan Parties hereby authorizes each Bank to share any information delivered to such Bank by such Loan Party and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Bank to enter into this Agreement, to any such Subsidiary or Affiliate of such Bank, it being understood that any such Subsidiary or affiliate of any Bank receiving such information shall be bound by the provisions of Section 11.12.1 as if it were a Bank hereunder. Such Authorization shall survive the repayment of the Loans and other Obligations and the termination of the Commitments.

11.13 Counterparts.

This Agreement may be executed by different parties hereto on 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.

11.14 Administrative Agent's or Bank's Consent.

Whenever the Administrative Agent's or any Bank's consent is required to be obtained under this Agreement or any of the other Loan Documents as a condition to any action, inaction, condition or event, the Administrative Agent and each Bank shall be authorized to give or withhold such consent in its sole and absolute discretion and to condition its consent upon the giving of additional collateral, the payment of money or any other matter.

11.15 Exceptions.

The representations, warranties and covenants contained herein shall be independent of each other, and no exception to any representation, warranty or covenant shall be deemed to be an exception to any other representation, warranty or covenant contained herein unless expressly provided, nor shall any such exceptions be deemed to permit any action or omission that would be in contravention of applicable Law.

11.16 CONSENT TO FORUM; WAIVER OF JURY TRIAL.

EACH LOAN PARTY HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF THE COURT OF COMMON PLEAS OF ALLEGHENY COUNTY AND THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA, AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO SUCH LOAN PARTY AT THE ADDRESSES PROVIDED FOR IN SECTION 11.6 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF. EACH LOAN PARTY WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED AGAINST IT AS PROVIDED HEREIN AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE. EACH LOAN PARTY, THE ADMINISTRATIVE AGENT AND THE BANKS HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE COLLATERAL TO THE FULL EXTENT PERMITTED BY LAW.

11.17 Certifications from Banks and Participants.

11.17.1. Tax Withholding Clause.

Each Bank or assignee or participant of a Bank that is not incorporated under the Laws of the United States of America or a state thereof (and, upon the written request of the Administrative Agent, each other Bank or assignee or participant of a Bank) agrees that it will deliver to each of the Borrower and the Administrative Agent two (2) duly completed appropriate valid Withholding Certificates (as defined under § 1.1441-1(c)(16) of the Income Tax Regulations (the "Regulations")) certifying its status (i.e. U.S. or foreign person) and, if appropriate, making a claim of reduced, or exemption from, U.S. withholding tax on the basis of an income tax treaty or an exemption provided by the Internal Revenue Code. The term "Withholding Certificate" means a Form W-9; a Form W-8BEN; a Form W-8ECI; a Form W-8IMY and the related statements and certifications as required under § 1.1441-1(e)(2) and/or (3) of the Regulations; a statement described in § 1.871-14(c)(2)(v) of the Regulations; or any other certificates under the Internal Revenue Code or Regulations that certify or establish the status of a payee or beneficial owner as a U.S. or foreign person. Each Bank, assignee or participant required to deliver to the Borrower and the Administrative Agent a Withholding Certificate pursuant to the preceding sentence shall deliver such valid Withholding Certificate as follows: (A) each Bank which is a party hereto on the Closing Date shall deliver such valid Withholding Certificate at least five (5) Business Days prior to the first date on which any interest or fees are payable by the Borrower hereunder for the account of such Bank; (B) each assignee or participant shall deliver such valid Withholding Certificate at least five (5) Business Days before the effective date of such assignment or participation (unless the Administrative Agent in its sole discretion shall permit such assignee or participant to deliver such valid Withholding Certificate less than five (5) Business Days before such date in which case it shall be due on the date specified by the Administrative Agent). Each Bank, assignee or participant which so delivers a valid Withholding Certificate further undertakes to deliver to each of the Borrower and the Administrative Agent two (2) additional copies of such Withholding Certificate (or a successor form) on or before the date that such Withholding Certificate expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent Withholding Certificate so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Administrative Agent. Notwithstanding the submission of a Withholding Certificate claiming a reduced rate of or exemption from U.S. withholding tax, the Administrative Agent shall be entitled to withhold United States federal income taxes at the full 30% withholding rate if in its reasonable judgment it is required to do so under the due diligence requirements imposed upon a withholding agent under § 1.1441-7(b) of the Regulations. Further, the Administrative Agent is indemnified under § 1.1461-1(e) of the Regulations against any claims and demands of any Bank or assignee or participant of a Bank for the amount of any tax it deducts and withholds in accordance with regulations under § 1441 of the Internal Revenue Code.

11.17.2. USA Patriot Act.

Each Bank or assignee or participant of a Bank that is not incorporated under the Laws of the United States of America or a state thereof (and is not excepted from the certification requirement contained in Section 313 of the USA Patriot Act and the applicable regulations because it is both (i) an affiliate of a depository institution or foreign bank that maintains a physical presence in the United states or foreign county, and (ii) subject to supervision by a banking authority regulating such affiliated depository institution or foreign bank) shall deliver to the Agent the certification, or, if applicable, recertification, certifying that such Bank is not a “shell” and certifying to other matters as required by Section 313 of the USA Patriot Act and the applicable regulations: (1) within 10 days after the Closing Date, and (2) as such other times as are required under the USA Patriot Act.

11.18 Joinder of Guarantors.

Any Subsidiary of the Borrower which is required to join this Agreement as a Guarantor pursuant to Section 8.2.9 [Subsidiaries, Partnerships and Joint Ventures] shall execute and deliver to the Administrative Agent (i) a Guarantor Joinder in substantially the form attached hereto as Exhibit 1.1(G)(1) pursuant to which it shall join as a Guarantor each of the documents to which the Guarantors are parties; (ii) documents in the forms described in Section 7.1 [First Loans] modified as appropriate to relate to such Subsidiary; and (iii) documents necessary to grant and perfect Prior Security Interests to the Administrative Agent for the benefit of the Banks in all Collateral held by such Subsidiary. The Loan Parties shall deliver such Guarantor Joinder and related documents to the Administrative Agent within five (5) Business Days after the date of the filing of such Subsidiary’s articles of incorporation or constitution if the Subsidiary is a corporation, the date of the filing of its certificate of limited partnership if it is a limited partnership or the date of its organization if it is an entity other than a limited partnership or corporation.

[SIGNATURE PAGES FOLLOW]

[SIGNATURE PAGE - AMENDED AND RESTATED 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: _____

KOPPERS REDEMPTION, INC.

By: _____

Name: _____

Title: _____

WORLD-WIDE VENTURES CORPORATION

By: _____

Name: _____

Title: _____

KOPPERS DELAWARE, INC.

By: _____

Name: _____

Title: _____

KOPPERS MAURITIUS

By: _____

Name: _____

Title: _____

KOPPERS CONCRETE PRODUCTS, INC.

By: _____

Name: _____

Title: _____

CONCRETE PARTNERS, INC.

By: _____

Name: _____

Title: _____

SIGNED for and on behalf of **KOPPERS
SHIPPING PTY LTD** by its duly
appointed attorney(s):

who certifies/certify that he/she/they have no
notice of the revocation of the power of
attorney in the presence of:

Witness signature

Print name of Witness

Attorney(s) signature

SIGNED for and on behalf of
CONTINENTAL CARBON AUSTRALIA
PTY LTD by its duly appointed attorney(s):

who certifies/certify that he/she/they have no
notice of the revocation of the power of
attorney in the presence of:

Witness signature

Print name of Witness

Attorney(s) signature

SIGNED for and on behalf of **KOPPERS
CARBON MATERIALS & CHEMICALS
PTY LTD** by its duly appointed
attorney(s):)

who certifies/certify that he/she/they have no
notice of the revocation of the power of
attorney in the presence of:

Witness signature

Print name of Witness

Attorney(s) signature

SIGNED for and on behalf of **KOPPERS
WOOD PRODUCTS PTY LTD** by its duly
appointed attorney(s):

who certifies/certify that he/she/they have no
notice of the revocation of the power of
attorney in the presence of:

Witness signature

Print name of Witness

Attorney(s) signature

SIGNED for and on behalf of **KOPPERS
AUSTRALIA PTY LTD** by its duly
appointed attorney(s):

who certifies/certify that he/she/they have no
notice of the revocation of the power of
attorney in the presence of:

Witness signature

Print name of Witness

Attorney(s) signature

SIGNED for and on behalf of **KOPPERS
INVESTMENT SUBSIDIARY PTY LTD**
by its duly appointed attorney(s):)

who certifies/certify that he/she/they have no
notice of the revocation of the power of
attorney in the presence of:

Witness signature

Print name of Witness

Attorney(s) signature

SIGNED for and on behalf of **KOPPERS
AUSTRALIA HOLDING COMPANY
PTY LTD** by its duly appointed
attorney(s):

who certifies/certify that he/she/they have no
notice of the revocation of the power of
attorney in the presence of:

Witness signature

Print name of Witness

Attorney(s) signature

KOPPERS LUXEMBOURG S.A.R.L.

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:

Title:

CITIZENS BANK OF PENNSYLVANIA,
individually and as a Co-Documentation Agent

By: _____

Name: Dwayne R. Finney
Title: Vice President

[SIGNATURE PAGE - AMENDED AND RESTATED CREDIT AGREEMENT]

BANK OF AMERICA, N.A., individually and as a
Co-Documentation Agent

By: _____

Name:

Title:

FIRST COMMONWEALTH BANK,
individually and as a Co-Documentation Agent

By: _____

Name: Paul J. Oris
Title: Vice President

FIFTH THIRD BANK

By: _____

Name:

Title:

FIRSTMERIT BANK, N.A.

By: _____

Name:

Title:

LASALLE BANK, NATIONAL ASSOCIATION

By: _____

Name:

Title:

WACHOVIA BANK, NATIONAL ASSOCIATION

By: _____

Name:

Title:

SCHEDULE 1.1(A)**PRICING GRID**

Level	Senior Leverage Ratio	Revolving Credit Base Rate Spread	Term Loan Base Rate Spread	Revolving Credit Euro Rate Spread	Term Loan Euro Rate Spread	Letter of Credit Fee
I	Less than or equal to 0.50 to 1.00	0.00%	0.00%	1.50%	1.50%	1.50%
II	Greater than 0.50 to 1.00 but less than or equal to 1.00 to 1.00	0.25%	0.25%	1.75%	1.75%	1.75%
III	Greater than 1.00 to 1.00	0.50%	0.50%	2.00%	2.00%	2.00%

For purposes of determining the Applicable Margin and Letter of Credit Fee:

(a) The Applicable Margin and Letter of Credit Fee shall be set at Level II as of the Closing Date.

(b) Beginning with the fiscal quarter ending September 30, 2005, the Applicable Margin and Letter of Credit Fee shall be recomputed as of the end of each fiscal quarter based on the Senior Leverage Ratio as of such quarter end. Any increase or decrease in the Applicable Margin and Letter of Credit Fee computed as of a fiscal quarter end shall be effective on the date on which the Compliance Certificate evidencing such computation is due to be delivered under Section 8.3.3.

SCHEDULE 1.1(B)

COMMITMENTS OF BANKS AND ADDRESSES FOR NOTICES

Part 1 - Commitments of Banks and Addresses for Notices to Banks:

<u>Bank</u>	<u>Amount of Commitment for Revolving Credit Loans</u>	<u>Amount of Commitment for Term Loans</u>	<u>Commitment</u>	<u>Ratable Share</u>
Name: PNC Bank, National Association Address: One PNC Plaza 249 Fifth Avenue Pittsburgh, PA 15222 Attention: Thomas Majeski Thomas.majeski@pncbank.com Telephone: (412) 762-2431 Telecopy: (412) 762-6484	\$16,100,000.00	\$1,400,000.00	\$17,500,000.00	14.000000000%
Name: National City Bank of Pennsylvania Address: 19th Floor, 20 Stanwix Street Pittsburgh, PA 15222 Attention: Ervine Geiger III Ervine.Geiger@nationalcity.com Telephone: (412) 644-7756 Telecopy: (412) 355-2283	\$14,720,000.00	\$1,280,000.00	\$16,000,000.00	12.800000000%
Name: Citizens Bank of Pennsylvania Address: Room 2910 525 William Penn Place Pittsburgh, PA 15219-1729 Attention: Dwayne Finney Dwayne.finney@citizensbank.com Telephone: (412) 867-2425 Telecopy: (412) 552-6307	\$13,340,000.00	\$1,160,000.00	\$14,500,000.00	11.600000000%
Name: Bank of America, N.A. Address: 100 Federal Street Boston, MA 02110 Attention: Stephen F. O'Sullivan stephen.f.o'sullivan@bankofamerica.com Telephone: (617) 434-9698 Telecopy: (617) 434-4929	\$13,340,000.00	\$1,160,000.00	\$14,500,000.00	11.600000000%

<u>Bank</u>	<u>Amount of Commitment for Revolving Credit Loans</u>	<u>Amount of Commitment for Term Loans</u>	<u>Commitment</u>	<u>Ratable Share</u>
Name: First Commonwealth Bank Address: Frick Building, Suite 416 437 Grant Street Pittsburgh, PA 15219 Attention: Paul Oris poris@fcbanking.com Telephone: (412) 690-2208 Telecopy: (412) 690-2206	\$13,340,000.00	\$1,160,000.00	\$14,500,000.00	11.600000000%
Name: Fifth Third Bank Address: Gulf Tower 707 Grant St., 21st Floor Pittsburgh, PA 15219 Attention: John Hayes john.hayes@53.com Telephone: (412) 291-5456 Telecopy: (412) 291-5411	\$11,040,000.00	\$ 960,000.00	\$12,000,000.00	9.600000000%
Name: FirstMerit Bank, N.A. Address: 25 North Mill Street Post Office Box 671 New Castle, PA 16101 Attention: Rose Crump Rose.crump@firstmerit.com Telephone: (724) 657-6677 Telecopy: (724) 656-8066	\$11,040,000.00	\$ 960,000.00	\$12,000,000.00	9.600000000%
Name: LaSalle Bank Address: 210 Sixth Avenue Suite 3620 Pittsburgh, PA 15222 Attention: Chris Helmecci christopher.helmecci@abnamro.com Telephone: (412) 255-5462 Telecopy: (412) 255-5485	\$11,040,000.00	\$ 960,000.00	\$12,000,000.00	9.600000000%

<u>Bank</u>	<u>Amount of Commitment for Revolving Credit Loans</u>	<u>Amount of Commitment for Term Loans</u>	<u>Commitment</u>	<u>Ratable Share</u>
Name: Wachovia Bank, National Association Address: PA5415 - Meetinghouse Business Center 2240 Butler Pike Plymouth Meeting, PA 19462 Attention: Patrick Kaufmann Patrick.kaufmann@Wachovia.com Telephone: (610) 941-3308 Telecopy: (610) 941-3129	\$ 11,040,000.00	\$960,000.00	\$ 12,000,000.00	9.600000000%
Total	\$ 115,000,000	\$10,000,000	\$ 125,000,000	100%

SCHEDULE 1.1(B)

COMMITMENTS OF BANKS AND ADDRESSES FOR NOTICES

Part 2 - Addresses for Notices to Borrower and Guarantors:

ADMINISTRATIVE AGENT:

Name: PNC Bank, National Association
Address: One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222
Attention: Thomas Majeski
Telephone: (412) 762-2431
Telecopy: (412) 762-6484

SYNDICATION AGENT:

Name: National City Bank of Pennsylvania
Address: 20 Stanwix Street, 19th floor
Pittsburgh, Pennsylvania 15222
Attention: Ervine Geiger III
Telephone: (412) 644-7756
Telecopy: (412) 355-2283

BORROWER:

Name: Koppers Inc.
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

GUARANTORS:

Name: Concrete Partners, Inc.
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

Name: Continental Carbon Australia Pty Ltd
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

Name: Koppers Australia Pty Ltd
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

Name: Koppers Australia Holding Company Pty Ltd
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

Name: Koppers Carbon Materials & Chemicals Pty Ltd
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

Name: Koppers Concrete Products, Inc.
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

Name: Koppers Delaware, Inc.
Address: 401 Silverside Road, Suite 67
Wilmington, Delaware 19809
Attention: Frank S. Zagar
Telephone: (302) 798-8010
Telecopy: (302) 798-0295

Name: Koppers Investment Subsidiary Pty Ltd
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

Name: Koppers Mauritius
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

Name: Koppers Redemption, Inc.
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

Name: Koppers Shipping Pty Ltd
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

Name: Koppers Wood Products Pty Ltd
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

Name: World-Wide Ventures Corporation
Address: Two Greenville Crossing—Suite 220
4005 Kennett Pike
Greenville, Delaware 19807
Attention: Barbara M. Morris
Telephone: (302) 421-2287
Telecopy: (302) 421-2245

Name: Koppers Luxembourg S.A.R. L.
Address: 436 Seventh Avenue
Pittsburgh, Pennsylvania 15219
Attention: M. Claire Schaming
Telephone: (412) 227-2472
Telecopy: (412) 227-2159

SCHEDULE 1.1(Q)(1)
Qualified Accounts

An Account shall not be considered a Qualified Account unless the Administrative Agent determines, in its reasonable discretion, that such Account has met the following minimum requirements:

(i) the Account represents a complete bona fide transaction for goods sold and delivered or services rendered (but excluding any amounts in the nature of a service charge added to the amount due on an invoice because the invoice has not been paid when due) which requires no further act under any circumstances on the part of any Loan Party to make such Account payable by the Account Debtor; the Account arises from an arm's-length transaction in the ordinary course of a Loan Party's business between such Loan Party and an Account Debtor which is not an Affiliate of any Loan Party or an officer, stockholder or employee of any Loan Party or any Affiliate of any Loan Party, or a member of the family of an officer, stockholder or employee of any Loan Party or any Affiliate of any Loan Party;

(ii) with the exception of Re-Aged Accounts, the Account shall not (a) be or have been unpaid more than ninety (90) days from the original invoice date, (b) be delinquent more than sixty (60) days, or (c) be payable by an Account Debtor (1) more than 50% of whose Accounts have remained unpaid for more than ninety (90) days from the original invoice date or are delinquent more than sixty (60) days, or (2) whose Accounts constitute, in the Administrative Agent's determination, an unduly high percentage of the aggregate amount of all outstanding Accounts. Accounts which are Re-Aged Accounts acceptable to the Administrative Agent and which otherwise meet all other criteria for Qualified Accounts shall be included in the Borrowing Base; provided however, the amount of Re-Aged Accounts which shall constitute Qualified Accounts shall not exceed \$1,000,000;

(iii) the goods the sale of which gave rise to the Account were shipped or delivered or provided to the Account Debtor on an absolute sale basis and not on a bill and hold sale basis, a consignment sale basis, a guaranteed sale basis, a sale or return basis, or on the basis of any other similar understanding, and no part of such goods has been returned or rejected;

(iv) the Account is not evidenced by chattel paper or an instrument of any kind;

(v) the Account Debtor with respect to the Account (a) is Solvent, (b) is not the subject of any bankruptcy or insolvency proceedings of any kind or of any other proceeding or action, threatened or pending, which might have a materially adverse effect on its business, and (c) is not, in the sole discretion of the Administrative Agent, deemed ineligible for credit for other reasons (including, without limitation, unsatisfactory past experiences of any Loan Party or any of the Banks with the Account Debtor or unsatisfactory reputation of the Account Debtor);

(vi) (a) the Account Debtor is not located outside Canada, the continental United States of America or Australia or (b) if the Account Debtor is located outside Canada, the continental United States of America or Australia, the Account is supported by a letter of credit or FICA insurance deemed adequate and acceptable by the Administrative Agent;

(vii) (a) the Account Debtor is not the government of the United States of America, or any department, agency or instrumentality thereof, or (b) if the Account Debtor is an entity mentioned in clause (vii)(a), the Federal Assignment of Claims Act (or applicable similar legislation) has been fully complied with so as to validly perfect the Banks' Prior Security Interest to the Administrative Agent's satisfaction;

(viii) the Account is a valid, binding and legally enforceable obligation of the Account Debtor with respect thereto and is not subject to any dispute, condition, contingency, offset, recoupment, reduction, claim for credit, allowance, adjustment, counterclaim or defense on the part of such Account Debtor, and no facts exist which may provide a basis for any of the foregoing in the present or future;

(ix) the Account is subject to the Administrative Agent's and the Banks' Prior Security Interest and is not subject to any other Lien, claim, encumbrance or security interest whatsoever;

(x) the Account is evidenced by an invoice or other documentation and arises from a contract which is in form and substance satisfactory to the Administrative Agent; provided however, that Accounts which are Deferred Revenue Accounts acceptable to the Administrative Agent and which otherwise meet all other criteria for Qualified Accounts shall be included in the Borrowing Base at an advance rate equal to sixty percent (60%) of the amount of such Deferred Revenue Accounts;

(xi) such Loan Party has observed and complied with all laws of the state in which the Account Debtor or the Account is located which, if not observed and complied with, would deny to such Loan Party access to the courts of such state;

(xii) the Account is not subject to any provision prohibiting its assignment or requiring notice of or consent to such assignment;

(xiii) the goods giving rise to the Account were not, at the time of sale thereof, subject to any Lien or encumbrance except the Administrative Agent and the Banks' Prior Security Interest;

(xiv) the Account is payable in freely transferable United States Dollars, Canadian dollars, or Australian dollars; and

(xv) the Account is not, or should not be, disqualified for any other reason generally accepted in the commercial finance business.

In addition to the foregoing requirements, Accounts of any Account Debtor which are otherwise Qualified Accounts shall be reduced to the extent of any accounts payable (including, without limitation, the Administrative Agent's estimate of any contingent liabilities) by the Borrower to such Account Debtor ("Contras"); provided that the Administrative Agent, in its sole discretion, may determine that none of the Accounts in respect to such Account Debtor shall be Qualified Accounts in the event that there exists an unreasonably large amount of payables owing to such Account Debtor.

SCHEDULE 1.1(Q)(2)
Qualified Inventory

Inventory shall not be considered Qualified Inventory unless the Administrative Agent determines, in its reasonable discretion, that such Inventory has met the following minimum requirements:

(i) the Inventory is either (a) finished goods or (b) raw materials other than supplies, but excluding in all cases any work-in-process and any goods which have been shipped, delivered, sold by, purchased by or provided to a Loan Party on a bill and hold, consignment sale, guaranteed sale, or sale or return basis, or any other similar basis or understanding other than an absolute sale;

(ii) the Inventory is new, of good and merchantable quality, and represents no more than a twelve (12) month supply of such finished goods or raw materials;

(iii) the Inventory is located on premises listed on Schedule A to the Security Agreement and, with respect to inventory locations at facilities leased to a Loan Party, the Administrative Agent has received a Landlord's Waiver in favor of the Administrative Agent substantially in the form of Exhibit 7.1.16 hereto, or is Inventory which is in transit and is so identified on the relevant Schedule of Inventory; provided, however, that Inventory which meets the requirements of "Qualified Inventory" hereunder other than this clause (iii) may be included as "Qualified Inventory" hereunder in an aggregate amount not to exceed \$15,000,000 provided that rent reserves shall have been established by the Administrative Agent in an amount not less than three (3) months rent for such leased facilities for which the Administrative Agent has not received a Landlord's Waiver as required under this clause (iii) ("Rent Reserves"), and such rent reserves shall reduce the Borrowing Base;

(iv) the Inventory is not stored with a bailee, warehouseman, consignee or similar party unless the Administrative Agent has given its prior written consent and a Loan Party has caused such bailee, warehouseman, consignee or similar party to issue and deliver to the Administrative Agent, in form and substance acceptable to the Administrative Agent, warehouse receipts or similar type documentation therefor in the Administrative Agent's name;

(v) the Inventory is subject to the Administrative Agent's and the Banks' Prior Security Interest and is not subject to any other Lien; and

(vi) the Inventory has not been manufactured in violation of any federal minimum wage or overtime laws, including, without limitation, the Fair Labor Standards Act, 29 U.S.C. § 215(a)(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 4, 2005, in the Registration Statement (Form S-1 No. 333-00000) and related Prospectus of KI Holdings Inc. for the registration of shares of its common stock.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
September 9, 2005