

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

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

Commission file number 1-32737

**KOPPERS HOLDINGS INC.**

(Exact name of registrant as specified in its charter)

Pennsylvania  
(State of incorporation)

20-1878963  
(IRS Employer Identification No.)

436 Seventh Avenue  
Pittsburgh, Pennsylvania 15219  
(Address of principal executive offices)

(412) 227-2001  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$0.01 per share  
Title of Each Class

New York Stock Exchange  
Name of Exchange on which registered

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of Common Stock held by non-affiliates of the registrant, based on the closing sales price of the Common Stock on the New York Stock Exchange on June 30, 2008 was \$848.0 million (affiliates, for this purpose, have been deemed to be Directors and executive officers of Koppers Holdings Inc.).

As of January 31, 2009, 20,428,727 shares of Common Stock of the registrant were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2009 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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## FORWARD-LOOKING INFORMATION

Certain statements in this report 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, restructuring, profitability and anticipated expenses and cash outflows. All forward-looking statements involve risks and uncertainties. All statements contained herein that are not clearly historical in nature are forward-looking, and words such as “believe”, “anticipate”, “expect”, “estimate”, “may”, “will”, “should”, “continue”, “plans”, “intends”, “likely” or other similar words or phrases are generally intended to identify forward-looking statements. Any forward-looking statement contained herein, in press releases, written statements or other documents filed with the SEC, or in Koppers’ communications with and discussions with investors and analysts in the normal course of business through meetings, phone calls and conference calls, regarding expectations with respect to sales, earnings, cash flows, operating efficiencies, product introduction or expansion, the benefits of acquisitions and divestitures or other matters as well as financings and repurchases of debt or equity securities, are subject to known and unknown risks, uncertainties and contingencies. Many of these risks, uncertainties and contingencies are beyond our control, and may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Factors that might affect such forward-looking statements include, among other things:

- general economic and business conditions;
- demand for the Company’s goods and services;
- competitive conditions in the industries in which Koppers operates;
- the ratings on our debt and our ability to repay or refinance our outstanding indebtedness as it matures;
- our ability to operate within the limitations of our debt covenants;
- interest rate fluctuations and other changes in borrowing costs;
- other capital market conditions, including foreign currency rate fluctuations;
- availability of and fluctuations in the prices of key raw materials, including coal tar and timber;
- economic and political conditions in international markets, including governmental changes and restrictions on the ability to transfer capital across countries;
- potential impairment of our goodwill and/or long-lived assets;
- parties who are obligated to indemnify us for legal and environmental liabilities fail to perform under their legal obligations; and
- unfavorable resolution of litigation against us.

Any forward-looking statements in this report speak only as of the date of this report, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after that date or to reflect the occurrence of unanticipated events.

## PART I

### ITEM 1. BUSINESS

#### General

*Please note that, unless otherwise indicated or the context requires otherwise, when we use the terms “we”, the “Company”, “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 Koppers Holdings Inc., or Koppers Holdings, formerly known as KI Holdings Inc., and its subsidiaries on a consolidated basis for periods from and including November 18, 2004, when Koppers Holdings became the parent of Koppers Inc. The use of these terms is not intended to imply that Koppers Holdings and Koppers Inc. are not separate and distinct legal entities.*

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 serve our customers through a comprehensive global manufacturing and distribution network, with manufacturing facilities located in the United States, Australia, China, the United Kingdom and Denmark. For the twelve months ended December 31, 2008, we had net sales of \$1,364.8 million and net income of \$138.0 million.

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We operate two principal businesses: Carbon Materials & Chemicals and Railroad & Utility Products. Through our Carbon Materials & Chemicals business (65 percent of 2008 net sales), we believe 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 (35 percent of 2008 net sales), we are the largest North American supplier of railroad crossties. Our other commercial wood treatment products include utility poles for the electric and telephone utility industries.

We were formed in November 2004 as a holding company for Koppers Inc. in a transaction in which all of the capital stock of Koppers Inc. was converted into shares of common and preferred stock of Koppers Holdings and Koppers Inc. became a wholly owned subsidiary of Koppers Holdings. Koppers Holdings does not have any operations independent of Koppers Inc., except as to administrative matters and except that Koppers Holdings is the sole obligor on its 9<sup>7/8</sup> percent Senior Discount Notes due 2014 (the "Senior Discount Notes"). Koppers Inc. was formed in 1988 to facilitate the acquisition of certain assets of the company now known as Beazer East, Inc.

On February 6, 2006 we completed an initial public offering in which we issued and sold 8,700,000 shares and a majority shareholder and its affiliates sold 2,800,000 of its existing shares (after converting their preferred shares into common shares on a 3.9799-for-one basis) at an initial selling price to shareholders of \$14.00 per share. We used the majority of the proceeds to redeem \$101.7 million of the Koppers Inc. Senior Secured Notes due 2013 (the "Senior Secured Notes").

### 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 and carbon black feedstock, used in the treatment of wood or as a feedstock in the production of carbon black; (d) carbon black, used in the manufacture of rubber tires; and (e) naphthalene, used primarily as a surfactant in the production of concrete. Carbon pitch, phthalic anhydride, creosote (and carbon black feedstock) and naphthalene are produced through the distillation of coal tar, a by-product of the transformation of coal into coke. 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 percent), creosote oils (approximately 30 percent) and chemical oils (approximately 20 percent). 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 Carbon Materials & Chemicals business' profitability is impacted by the cost of purchasing coal tar in relation to its prices realized for carbon pitch, phthalic anhydride, creosote, and naphthalene. 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. In 2009, we will add a second tar distillation facility in China through a 30 percent-owned company. One of our customers, Alcoa, Inc., represents greater than ten percent of our consolidated sales. For 2008, 2007 and 2006, respectively, principal products comprised the following net sales for Carbon Materials & Chemicals:

	Year Ended December 31,		
	2008	2007	2006
<i>(Dollars in millions)</i>			
<b>Carbon Materials &amp; Chemicals:</b>			
Carbon pitch	\$401.6	\$360.3	\$265.2
Creosote and carbon black feedstock	119.1	87.2	61.7
Phthalic anhydride	101.6	102.2	97.7
Carbon black	64.8	43.2	36.3
Naphthalene	56.9	57.4	32.9
Other products	148.0	125.8	116.8
	<b>\$892.0</b>	<b>\$776.1</b>	<b>\$610.6</b>

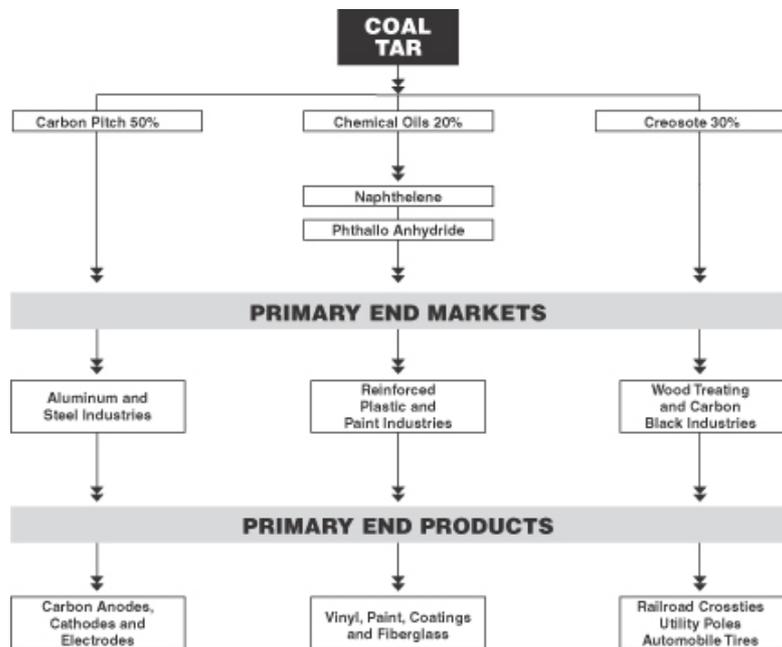
We believe we have a strategic advantage over our competitors based on our ability to access coal tar from many global suppliers and subsequently blend such coal tars to produce carbon pitch with the consistent quality important in the manufacturing of quality anodes for the aluminum industry. Our eight coal tar distillation facilities (four of which have port access) and five 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 is purchased from a number of outside sources. Primary suppliers are United States Steel Corporation, Mittal Steel USA, Tangshan Iron & Steel Co., Ltd., EES Coke Battery, LLC, Novolipetsk Steel, AK Steel Corporation, China Steel Chemical Corporation, Bluescope Steel (AIS) Pty. Limited, OneSteel Manufacturing Pty. Ltd., Corus Group and Mountain States Carbon LLC.

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. However, we may experience shortages of coal tar due to unforeseen circumstances.

Our Carbon Materials & Chemicals business manufactures its primary products and sells them directly to our customers through long-term contracts and purchase orders negotiated by our regional sales personnel and coordinated through our global marketing group in the United States. We maintain inventories at our plant locations and do not factor our inventories or receivables to third parties.

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 percent), creosote oils (approximately 30 percent) and chemical oils (approximately 20 percent). The below diagram shows the distillation streams derived from coal tar distillation and the primary markets and products that we sell to:



**Carbon Pitch**

On a global basis, we produce carbon pitch through the tar distillation process. Sales terms are negotiated by centralized sales departments in the United States, Australia and Europe and are generally evidenced by long-term sales contracts and purchase orders which are coordinated through our global marketing group at corporate headquarters.

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Over 90 percent of our carbon pitch is sold to the aluminum industry, typically under long-term contracts ranging from three to five years. Many of these long-term contracts have provisions for periodic pricing reviews. Demand for carbon pitch generally fluctuates with production of primary aluminum. 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.

We have several global competitors in the carbon pitch market, primarily in Europe and Asia. We believe we are the largest producer of carbon pitch for the aluminum industry. Competitive factors in the carbon pitch market include price, quality, service, and security of supply. We believe we have a competitive advantage based on our global presence and long-term raw material supply contracts.

### Naphthalene & Phthalic Anhydride

Chemical oils are further processed to produce naphthalene. In Australia, China and Europe, naphthalene is sold into the industrial sulfonate market for use as dispersants or in the concrete additive and gypsum board markets. Additional end-uses include oil field additives, agricultural emulsifiers, synthetic tanning agents and dyestuffs.

In the United States, we use naphthalene as a feedstock in the manufacture of phthalic anhydride. We manufacture phthalic anhydride using both naphthalene and externally-sourced orthoxylene, which is a petroleum derivative. The primary markets for phthalic anhydride are in the production of plasticizers, unsaturated polyester resins and alkyd resins. Sales terms for phthalic anhydride are negotiated by a centralized sales department in the United States and are generally evidenced by long-term sales contracts and purchase orders.

On a global basis, naphthalene and orthoxylene are both used as feedstock for the production of phthalic anhydride. However, 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 ordinarily gives us a lower-cost feedstock for the production of phthalic anhydride because historically our cost to produce naphthalene has been lower than our cost to purchase orthoxylene. We have two primary competitors in the North American phthalic anhydride merchant market.

### Creosote & Carbon Black Feedstock

We produce creosote as a co-product of the tar distillation process. Sales terms for external creosote sales are negotiated by centralized sales departments in the United States, Australia and Europe and are generally evidenced by long-term sales contracts and purchase orders.

In the United States, creosote is used as a commercial wood treatment chemical to preserve railroad crossties and lumber, utility poles and piling. The majority of our domestically produced creosote is sold to our Railroad & Utility Products business. In Australia, China and Europe, creosote is sold into the carbon black market for use as a feedstock in the production of carbon black. In Australia, the majority of creosote generated at our tar distillation facility is sold to our carbon black facility. In Europe and China creosote is sold to wood treaters as well as various carbon black producers.

Globally, approximately one-third of our total creosote production was sold internally in 2008. Our wood treating plants in the United States and our carbon black facility in Australia purchase substantially all of their creosote and carbon black feedstock from our tar distillation plants. We believe we are the only major competitor in these markets that is integrated in this fashion. The remainder of our creosote and carbon black feedstock is sold to railroads, other wood treaters and carbon black manufacturers. We have several competitors in the creosote market.

### Carbon Black

We manufacture carbon black at our plant in Australia using both petroleum oil and coal tar based feedstocks, which are subjected to heat and rapid cooling within a reactor. Coal tar based carbon black is used in the manufacture of rubber tires as well as other specialty applications.

## Other Products

Other products include the sale of refined tars, benzole and specialty chemicals.

## Acquisitions and Dispositions

In October 2008, we sold our 95 percent interest in Koppers Monessen Partners LP ("Monessen") to ArcelorMittal S.A. Monessen is a metallurgical furnace coke facility. In July 2007, we sold our 51 percent interest in Koppers Arch Investments Pty Limited and its subsidiaries ("Koppers Arch") to Arch Chemicals Inc. Koppers Arch is a manufacturer of timber preservation chemicals. Monessen and Koppers Arch were part of our Carbon Materials & Chemicals business segment.

In November 2007, Tangshan Koppers Kailuan Carbon Chemical Company Limited ("TKK") was established which is constructing and will operate a new tar distillation facility in the Hebei Province near the Jingtang Port with a distillation capacity of 300,000 metric tons. We hold a 30 percent investment in TKK which is expected to commence production in the second quarter of 2009. In November 2008, we completed a capacity expansion of our existing 60 percent-owned tar distillation plant in Tangshan, China from 150,000 metric tons to 200,000 metric tons.

## Railroad & Utility Products

We market commercial wood treatment products primarily to the railroad and public utility markets in the United States and Australia. 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, 2008, sales of railroad products and services represented approximately 80 percent 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 15 wood treating plants, one co-generation facility and 12 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.

Our Railroad & Utility Products business manufactures its primary products and sells them directly to our customers through long-term contracts and purchase orders negotiated by our regional sales personnel and coordinated through our marketing group at corporate headquarters. We maintain inventories at our plant locations and procurement yards and do not factor our inventories or receivables to third parties.

The Railroad & Utility Products business' largest customer base is the North American Class 1 railroad market, which buys approximately 80 percent of all crossties produced in the United States and Canada. 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 21.5 million replacement crossties (both wood and non-wood) purchased during 2008. We currently supply all seven of the North American Class 1 railroads and have contracts with six of the seven North American Class 1 railroads. We have enjoyed long-standing relationships with this important customer base. We intend to focus on capitalizing on our relationships with railroads by offering an expanded list of complementary product offerings that the railroads may be interested in outsourcing to us.

We believe we are the largest supplier of railroad crossties in North America. Competitive factors in the railroad crosstie market include price, quality, service and security of supply. We believe we have a competitive advantage due to our national network of treating plants and direct access to our major customers' rail lines, which provide for security of supply and logistics advantages for our customers.

Hardwoods, such as oak and other species, are the major raw materials in wood crossties. Hardwood prices, which account for approximately 60 percent 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.

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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 ten 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 boultionizing. Once dried, the crossties are pressure treated with creosote, a product of our Carbon Materials & Chemicals business.

Our sales to the railroad industry are coordinated through our office in Pittsburgh, Pennsylvania, and are primarily from long-term contracts from one to seven years on a minimum requirements basis. There are several principal regional competitors in this North American 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 percent interest in KSA Limited Partnership, a concrete crosstie manufacturing facility in Portsmouth, Ohio, in order to take advantage of this growth opportunity. In 2008, an estimated 1.0 million concrete crossties were installed by Class 1 railroads, representing approximately five percent of total Class 1 crosstie insertions. We believe that concrete crossties will continue to command approximately this level of market share. While the cost of material has moderated, the cost of installation of a concrete crosstie remains higher than that of a wood crosstie and the average lives of wood and concrete crossties are similar.

Demand for railroad crossties may decline during winter months due to inclement weather conditions which make it difficult to install railroad crossties. As a result, operating results may vary from quarter to quarter depending on the severity of weather conditions and other variables affecting our products.

Utility poles are produced mainly from softwoods such as pine 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 2,900 smaller municipal utilities and rural electric associations. 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 2008, sales of pole products accounted for approximately 20 percent of Railroad & Utility Products' net sales. We have eight principal competitors in the U.S. utility products market. There are few barriers to entry in the utility products market, which consists primarily of regional wood treating companies operating small to medium-size plants and serving local markets.

### Equity Investments

KSA Limited Partnership, located in Portsmouth, Ohio, produces concrete crossties, a complementary product to our wood treatment crosstie business. We own 50 percent of KSA, with the other 50 percent owned by subsidiaries of Heidelberg Cement AG. KSA Limited Partnership also provides concrete turnouts, used in rail traffic switching, and used crosstie rehabilitation.

TKK was established in November 2007 and is constructing and will operate a new tar distillation facility in the Hebei Province near the Jingtang Port. The Company holds a 30 percent investment in TKK which is expected to commence production in the second quarter of 2009.

### Research and Development

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 and vacuum-distilled carbon pitch. 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 were \$2.8 million, \$2.8 million and \$2.5 million, for the years ended December 31, 2008, 2007 and 2006, 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. As long as we continue to use the name "Koppers" and comply with applicable registration requirements, our right to use the name "Koppers" should continue without expiration. The expiration of other intellectual property rights is not expected to materially affect our business.

### Backlog

Generally, Koppers does not manufacture its products against a backlog of orders. Inventory and production levels are typically driven by expectations of future demand based on contractual obligations.

### Seasonality

Demand for certain products may decline during winter months due to weather conditions. As a result, operating results may vary from quarter to quarter depending on the severity of weather conditions and other variables affecting our products.

### Segment Information

Please see Note 9, "Segment Information," under Item 8 of this Form 10-K for financial information relating to business segments.

### Non-U.S. Operations

Koppers has a significant investment in non-U.S. operations. Therefore, we are subject to certain risks that are inherent to foreign operations, including political and economic conditions in international markets and fluctuations in foreign exchange rates. While a significant majority of our sales and income is generated by operations in the United States, the United Kingdom, Denmark and Australia, our remaining sales and income are generated from operations in developing regions, such as China and the Middle East.

### 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 December 31, 2008 and 2007 were \$11.7 million and \$12.5 million, respectively, which include provisions primarily for environmental fines and remediation. For the last three years, our annual capital expenditures in connection with environmental control facilities averaged approximately \$6.0 million and annual operating expenses for environmental matters, excluding depreciation, averaged approximately \$12.8 million. Management estimates that capital expenditures in connection with matters relating to environmental control facilities will be approximately \$10.2 million for 2009. 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

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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 Note 19 of the Notes to Consolidated Financial Statements, "Commitments and Contingent Liabilities."

### Employees and Employee Relations

As of December 31, 2008, we had 604 salaried employees and 1,143 non-salaried employees. Listed below is a breakdown of employees by our businesses, including administration.

<i>Business</i>	<i>Salaried</i>	<i>Non-Salaried</i>	<i>Total</i>
Carbon Materials & Chemicals	289	444	733
Railroad & Utility Products	238	695	933
Administration	77	4	81
Total Employees	604	1,143	1,747

Of our employees, approximately 65 percent are represented by approximately 15 different labor unions and are covered under numerous labor agreements. The United Steelworkers of America currently represent more than 350 of our employees at six of our facilities and, therefore, represent the largest number of our unionized employees. The four labor agreements that expire in 2009 cover approximately 16 percent of our total labor force.

### Internet Access

Our Internet address is [www.koppers.com](http://www.koppers.com). Our recent filings on Form 10-K, 10-Q and 8-K and any amendments to those documents can be accessed without charge on our website under Investor Relations—SEC Filings.

## ITEM 1A. RISK FACTORS

*You should carefully consider the risks described below before investing in our publicly traded securities. The risks described below are not the only ones facing us. Our business is also subject to the risks that affect many other companies, such as competition, technological obsolescence, labor relations, general economic conditions, geopolitical events and international operations. Additional risks not currently known to us or that we currently believe are immaterial may also impair our business operations and our liquidity.*

### Risks Relating to Our Business

Conditions in the global economy and global capital markets may adversely affect our results of operations, financial condition and cash flows.

Starting in 2008 and continuing in 2009, the U.S and global economy have undergone a sudden, sharp economic downturn. Global credit and capital markets have experienced unprecedented volatility and disruption, and business credit and liquidity have tightened in much of the world. Consumer confidence and spending are down significantly and the rates of unemployment and underemployment are increasing. As a result of current economic conditions, including turmoil and uncertainty in the capital markets, credit markets have tightened significantly such that the ability to obtain new capital has become more challenging and more expensive. Several large financial institutions have either recently failed or been dependent on the assistance of the U.S. federal government to continue to operate as a going concern. It is difficult to determine the breadth and duration of the economic and financial market problems and the many ways in which they may affect our suppliers, customers and business in general. Nonetheless, continuation or further worsening of these difficult financial and macroeconomic conditions could have a significant adverse effect on our sales, profitability and results of operations. Our business and operating results for 2008 were affected by these global economic issues, and we expect that trend to continue in 2009. Many of our customers have experienced (and will likely continue to experience) deterioration of their business. They may experience cash flow shortages and may have difficulty obtaining financing. As a result, our customers may delay or cancel plans to purchase our products and may not be able to fulfill their payment obligations to us in a timely fashion. Our suppliers may be experiencing similar conditions which could impact their ability to supply us with raw materials and otherwise fulfill their

obligations to us. If the global economic recession continues for an extended period or deteriorates significantly, there could be a material adverse effect to our results of operations, financial condition and cash flows.

In addition, we rely on our \$300.0 million revolving credit agreement with a consortium of banks to provide us with liquidity to meet our working capital needs. At December 31, 2008, we had \$283.0 million of available borrowing capacity under this arrangement. In addition, as of December 31, 2008, we had \$200.0 million aggregate amount of common stock, debt securities, preferred stock, depositary shares and warrants (or a combination of these securities) available to be issued under our registration statement on Form S-3 filed in 2007. We could seek to issue these securities to provide additional liquidity. Our ability to fund our liquidity needs and working capital requirements could be impacted in the event that disruptions in the credit markets result in the banks being unable to lend to us under our revolving credit agreement or disruptions in the U.S. financial markets prevent us from issuing new securities under our registration statement.

Global economic issues could prevent us from accurately forecasting demand for our products which could have a material effect on our results of operations and our financial condition.

Adverse global economic issues, market instability and volatile commodity price fluctuations make it increasingly difficult for us, our customers and our suppliers to accurately forecast future product demands, which could cause us to procure raw materials in excess of end-product demand. This could cause a material increase to our inventory carrying costs and result in significant inventory lower of cost or market charges.

We may be required to recognize impairment charges for our long-lived assets.

At December 31, 2008, the net carrying value of long-lived assets (property, plant and equipment, goodwill and other intangible assets) totaled approximately \$232.7 million. In accordance with generally accepted accounting principles, we periodically assess these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may result in impairments to goodwill and other long-lived assets. Future impairment charges could significantly affect our results of operations in the periods recognized. Impairment charges would also reduce our stockholders' equity and could affect compliance with the covenants in our debt agreements.

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. 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.

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

- i 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 declined during such cyclical periods of weak global demand for aluminum.
- i The principal use of our phthalic anhydride is in the manufacture of plasticizers and flexible vinyl, which are used mainly in the housing and automobile industries. Therefore, a decline in remodeling and construction or global automobile production could reduce the demand for phthalic anhydride.
- i 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 currently experiencing significant volatility linked to global economic issues that we more fully discuss in Management's Discussion and Analysis of Financial Condition and Results of Operations.

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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 result in a significant reduction in our profitability.

For the year ended December 31, 2008, our top ten customers accounted for approximately 50 percent of our net sales. During this period, our two largest customers each accounted for ten percent and eight percent, respectively, of our total net sales. The permanent loss of, or a significant decrease in the level of purchases by, one or more of our major customers could result in a significant reduction in our profitability.

Our largest customer has significantly reduced their purchases of carbon pitch starting in the fourth quarter of 2008. We believe that this reduction is linked to global economic issues that we more fully discuss in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Fluctuations in the price, quality and availability of our primary raw materials could reduce our profitability.

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 cause a significant increase in our operating expenses. For example, our operations are highly dependent on a relatively small number of freight transportation services. We are also dependent on utilizing specialized ocean-going transport vessels that we lease to deliver raw materials to our facilities and finished goods to our customers. 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 and quality risks associated with raw material purchases. Such risks include the following:

- i The primary raw material used by our Carbon Materials & Chemicals business is coal tar, a by-product of furnace coke production. A shortage in the supply of domestic coal tar or a reduction in the quality of 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 cause a significant increase in our operating expenses if we are unable to pass these costs on to our customers.

Currently, we are experiencing reduced receipts of coal tar as furnace coke producers have significantly reduced the production of furnace coke due to global economic issues that we more fully discuss in Management's Discussion and Analysis of Financial Condition and Results of Operations.

- i In certain circumstances coal tar may also be used as an alternative to fuel. In the past, increases in energy prices have resulted in higher coal tar costs which we have attempted to pass through to our customers. If these increased costs cannot be passed through to our customers, it could result in margin reductions for our coal tar-based products.
- i 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 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. We may not be able to source wood raw materials at economical prices in the future.
- i 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.

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 may not be able to comply in the future with new regulatory, legislative and/or industrial standards that may be necessary for us to remain competitive and certain of our products may, 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, in 2000 our largest carbon pitch customer announced that it was actively pursuing alternative anode technology that would eliminate the need for carbon pitch as an anode binder. The potential development and implementation of this new technology could seriously impair our ability to profitably market carbon pitch and related co-products. A substantial portion 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 may cause suspensions or interruptions of 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 reduce the productivity and profitability of a particular manufacturing facility or of our company as a whole. Other hazards include the following:

- 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 harm our customer goodwill and reduce our profitability.

We are subject to extensive environmental laws and regulations and may incur significant costs 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 the following, 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 significant 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. We accrue for environmental liabilities when a determination can be made that they are probable and reasonably estimable. Total environmental reserves at December 31, 2008 and December 31, 2007 were \$11.7 million and \$12.5 million, respectively, which include provisions primarily for environmental fines and remediation. For the last three fiscal years, our annual capital expenditures in connection with environmental control facilities averaged approximately \$6.0 million, and annual operating expenses for environmental matters, excluding depreciation, averaged approximately \$12.8 million. Management

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estimates that capital expenditures in connection with matters relating to environmental control facilities will be approximately \$10.2 million for 2009. Contamination has been identified and is being investigated and remediated at many of our sites by us or other parties.

Actual costs and liabilities to us may exceed forecasted amounts. Moreover, currently unknown environmental issues, such as the discovery of additional contamination or the imposition of additional sampling or 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 which are described in detail in Note 19 of the consolidated financial statements.

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 and Beazer Limited assumed the liability for and indemnified us against (among other things) certain clean-up liabilities for contamination occurring prior to the purchase date at sites acquired from Beazer East and third-party claims arising from such contamination (the "Indemnity"). Beazer East and Beazer Limited (which are indirect subsidiaries of Heidelberg Cement AG) may not 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. Qualified expenditures under the Indemnity are not subject to a monetary limit.

The Indemnity provides for the resolution of issues between Koppers Inc. and Beazer East by an arbitrator on an expedited basis upon the request of either party. The arbitrator could be asked, among other things, to make a determination regarding the allocation of environmental responsibilities between Koppers Inc. and Beazer East. Arbitration decisions under the Indemnity are final and binding on the parties. Periodically, issues have arisen between Koppers Inc. and Beazer East and/or other indemnitors that have been resolved without arbitration. From time to time, Koppers Inc. and Beazer East have engaged in discussions that involve, among other things, the allocation of environmental costs related to certain operating and closed facilities.

Without reimbursement under the Indemnity, the obligation to pay the costs and assume the liabilities relating to these matters would have a significant impact on our net income. Furthermore, without reimbursement, we could be required to record a contingent liability on our balance sheets with respect to environmental matters covered by the Indemnity, which could result in our having significant 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.

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

We maintain property, casualty, general liability 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.

Adverse weather conditions may reduce our operating results.

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 caused a decline in our operating results. For example, adverse weather conditions have at

times negatively impacted our supply chain as wet conditions impacted logging operations, reducing our ability to procure crossties. In addition, adverse weather conditions have had a negative impact on our customers in the pavement sealer businesses, resulting in a negative impact on our sales of these products. 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, Australia, China and Europe, and sell our products in many foreign countries. For the year ended December 31, 2008, net sales from products sold by our foreign subsidiaries accounted for approximately 38 percent of our total net sales. Like other global companies, we are exposed to market risks relating to fluctuations in interest rates and foreign currency exchange rates. Our international revenues could be reduced by currency fluctuations or devaluations. Changes in currency exchange rates could lower our reported revenues and could require us to reduce our prices to remain competitive in foreign markets, which could also reduce our profitability. 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.

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. 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 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 lead to increased operating costs, a failure to realize anticipated operating synergies, or both.

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, which may have a material adverse affect on us.

We produce 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 nature of some of the products we use and produce, we may face product liability, toxic tort and other claims relating to incidents involving the handling, storage and use of and exposure to our products.

For example, we are a defendant in a significant number of lawsuits in which the plaintiffs claim they have suffered a variety of illnesses (including cancer) and/or property damage as a result of exposure to coal tar pitch, benzene, wood treatment chemicals and other chemicals, including certain cases in state and federal court relating to our Grenada, Mississippi and Somerville, Texas facilities. A further description of the material claims against us is included in Note 19 of the consolidated financial statements.

We are indemnified for certain product liability exposures under the Indemnity with Beazer East related to products sold prior to the closing of the acquisition of assets from Beazer East. Beazer East and Beazer Limited may not continue to meet their obligations under the Indemnity. In addition, Beazer East could choose to challenge its obligations under the Indemnity or our satisfaction of the conditions to indemnification imposed on us thereunder.

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

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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 us having significant additional negative net worth.

In addition to the above, 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, and customer and supplier disputes arising out of the conduct of our business. Litigation could result in substantial costs and may divert management's attention and resources away from the day-to-day operation of our business.

Labor disputes could disrupt our operations and divert the attention of our management and may cause a decline in our production and a reduction in our profitability.

Of our employees, approximately 65 percent are represented by approximately 15 different labor unions and are covered under numerous labor agreements. The United Steelworkers of America currently represent approximately 350 of our employees at six of our facilities and, therefore, represent the largest number of our unionized employees. The four labor agreements that expire in 2009 cover approximately 16 percent of our total workforce. We may not be able to reach new agreements 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 cause a decline in our production and a reduction in our profitability.

Our post-retirement obligations are currently underfunded. We expect to make significant cash payments to our pension and other post-retirement plans, which will reduce the cash available for our business.

As of December 31, 2008, our benefit obligation under our defined benefit pension plans exceeded the fair value of plan assets by approximately \$63.5 million. Our pension asset funding to total pension obligation ratio was 64 percent as of December 31, 2008. The underfunding was caused, in large part, by fluctuations in the financial markets that have caused the value of the assets in our defined benefit pension plans to be significantly lower than anticipated. For example, our pension assets declined in value by \$43.0 million during 2008. In addition, our obligations for other post-retirement benefit obligations are unfunded and total \$13.6 million at December 31, 2008.

During the years ended December 31, 2008 and December 31, 2007, we contributed \$3.3 million and \$13.5 million, respectively, to our post-retirement benefit plans. In 2009, we estimate that mandatory funding obligations will be approximately \$3 million for all of our post-retirement plans. With respect to our U.S. defined benefit pension plan which is our largest plan, we have no mandatory funding obligation in 2009. However, we estimate that mandatory funding for this plan will be approximately \$20 million in 2010 and \$30 million in 2011 unless legislative relief is granted.

Management expects that any future obligations under our post-retirement benefit plans that are not currently funded will be funded from our future cash flow from operations. If our contributions to our post-retirement benefit plans are insufficient to fund the post-retirement benefit plans adequately to cover our future obligations, the performance of the assets in our pension plans does not meet our expectations or other actuarial assumptions or mandatory funding laws are modified, our contributions to our post-retirement benefit plans could be materially higher than we expect, thus reducing the cash available for our business.

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 December 31, 2008, we and our subsidiaries had approximately \$374.9 million of indebtedness (excluding trade payables and intercompany indebtedness), consisting primarily of our Senior Discount Notes and the Koppers Inc.'s Senior Secured Notes.

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

- i 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;

- a substantial portion of our cash flow from operations will be required to make interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- our ability to obtain additional financing in the future may be impaired;
- we may be more highly leveraged than our competitors, which may place us at a competitive disadvantage;
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited;
- 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 may be impaired.

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

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 revolving 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. Among other things these covenants limit our ability to

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

In addition, Koppers Inc.'s revolving 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 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 revolving 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 that 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. This would result in a significant interruption in our business operations, which would negatively impact the market price of our common stock. Even if new financing were then available, it may not be on terms that are acceptable to us.

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

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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.

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, experience and leadership skills of our senior management team. Our senior management team has an average of over 20 years of industry experience. The loss of any of these individuals or an inability to attract, retain and maintain additional personnel with similar industry experience 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.

### Risks Relating to Our Common Stock

Our stock price may be extremely volatile.

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.

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

- ┆ 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, members of our management team or a significant shareholder; 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 the initial public offering which closed on February 6, 2006, there was no public market for our common stock. We cannot predict the extent to which investor interest in our company will continue to support an active trading market on the New York Stock Exchange (the "NYSE") or otherwise or how liquid that market will continue to be. If there does not continue to be an active trading market for our common stock, you may have difficulty selling any of our common stock that you buy.

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.

As of January 31, 2009, there were 20,428,727 shares of our common stock outstanding. 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.

We may issue shares of our common stock, or other securities, from time to time as consideration for future acquisitions and investments. We may also issue shares of our common stock, or other securities, in connection with employee stock compensation programs and board of directors' compensation. In addition, we may issue shares of our common stock or other securities in public or private offerings as part of our efforts to raise additional capital. In the event any such acquisition, investment, issuance under stock compensation programs or offering 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, because of restrictions in our debt agreements or because of restrictions imposed by Pennsylvania law.

We are not required to pay dividends, and our shareholders are not guaranteed, and do not 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 reach a sufficient level of profitability. 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 revolving credit facility. Our ability to pay dividends is limited by the indentures governing our and Koppers Inc.'s outstanding notes as well as Pennsylvania law and may in the future be limited by the covenants of any future outstanding indebtedness we or our subsidiaries incur. If a dividend is paid in violation of Pennsylvania law, each director approving the dividend could be liable to the corporation if the director did not act with such care as a person of ordinary prudence would use under similar circumstances. Directors are entitled to rely in good faith on information provided by employees of the corporation and experts retained by the corporation. Directors who are held liable would be entitled to contribution from any shareholders who received an unlawful dividend knowing it to be unlawful. 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.

Provisions of our charter documents 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 Amended and Restated Articles of Incorporation, or 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. The following additional provisions could make it more difficult for shareholders to effect certain corporate actions:

- i Our board of directors is classified into three classes. Each director will serve a three-year term and will stand for re-election once every three years.
- i 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.
- i Under Pennsylvania law, cumulative voting rights are available to the holders of our common stock if our Articles of Incorporation have not negated cumulative voting. Our Articles of Incorporation provide that our shareholders do not have the right to cumulative votes in the election of directors.
- i Our Articles of Incorporation do not permit shareholder action without a meeting by consent except for the unanimous consent of all holders of our common stock. It also provides that special meetings of our shareholders may be called only by the board of directors or the chairman of the board of directors.
- i Our Bylaws 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.

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.

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**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our principal fixed assets consist of our production, treatment, and storage facilities and our transportation and plant vehicles. Our production facilities consist of 12 Carbon Materials & Chemicals facilities and 16 Railroad & Utility Products facilities. As of December 31, 2008, the net book value of vehicles, machinery and equipment represented approximately 19 percent of our total assets, as reflected in our consolidated balance sheet. Generally, our production facilities are suitable and adequate for the purposes for which they are intended, and overall have sufficient capacity to conduct business in the upcoming year. The following chart sets forth information regarding our production facilities:

<i>Primary Product Line</i>	<i>Location</i>	<i>Description of Property Interest</i>
<b>Carbon Materials &amp; Chemicals</b>		
Carbon Pitch	Clairton, Pennsylvania	Owned
Carbon Pitch	Follansbee, West Virginia	Owned
Carbon Pitch <sup>(a)</sup>	Hebei Province, China	Leased
Carbon Black	Kurnell, New South Wales, Australia	Leased
Carbon Pitch	Longview, Washington	Leased
Carbon Pitch	Mayfield, New South Wales, Australia	Owned
Carbon Pitch	Nyborg, Denmark	Owned/Leased
Carbon Pitch	Port Clarence, United Kingdom	Owned
Carbon Pitch	Portland, Oregon	Leased
Carbon Pitch	Scunthorpe, United Kingdom	Owned
Carbon Pitch, Phthalic Anhydride	Stickney, Illinois	Owned
Carbon Pitch	Tangshan, China	Leased
<b>Railroad &amp; Utility Products</b>		
Utility Poles, Railroad Crossties	Bunbury, Western Australia, Australia	Owned/Leased
Utility Poles, Railroad Crossties	Denver, Colorado	Owned
Utility Poles, Railroad Crossties	Florence, South Carolina	Owned
Utility Poles	Gainesville, Florida	Owned
Railroad Crossties	Galesburg, Illinois	Leased
Utility Poles	Grafton, New South Wales, Australia	Owned
Railroad Crossties	Green Spring, West Virginia	Owned
Utility Poles, Railroad Crossties	Grenada, Mississippi	Owned
Railroad Crossties	Guthrie, Kentucky	Owned
Utility Poles	Longford, Tasmania	Owned
Railroad Crossties	Muncy, Pennsylvania	Owned
Railroad Crossties	North Little Rock, Arkansas	Owned
Concrete Crossties <sup>(b)</sup>	Portsmouth, Ohio	Owned
Railroad Crossties	Roanoke, Virginia	Owned
Railroad Crossties	Somerville, Texas	Owned
Pine Products	Takura, Queensland, Australia	Leased

(a) Ownership percentage is 30 percent.

(b) Ownership percentage is 50 percent.

Our corporate offices are located in approximately 60,000 square feet of leased office space in Pittsburgh, Pennsylvania. The lease term expires on December 31, 2010.

**ITEM 3. LEGAL PROCEEDINGS**

We are involved in litigation and various proceedings relating to environmental laws and regulations, toxic tort, product liability and other matters. An adverse outcome for certain of these cases could result in a material adverse effect on our business, cash flows and results of operations. The information related to legal matters set forth in Note 19 to the Consolidated Financial Statements of Koppers Holdings Inc. is hereby incorporated by reference.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**EXECUTIVE OFFICERS OF THE COMPANY**

The following table sets forth the names, ages and positions of our and Koppers Inc.'s executive officers as of February 4, 2009. Our executive officers hold their positions until the annual meeting of the board of directors or until their respective successors are elected and qualified.

<i>Name</i>	<i>Age</i>	<i>Position</i>
Walter W. Turner	62	President and Chief Executive Officer of Koppers Holdings Inc. and Koppers Inc. and Director of Koppers Holdings Inc. and Koppers Inc.
James T. Dietz	52	Vice President, European Operations, Koppers Inc.
Donald E. Evans	43	Vice President, Global Marketing, Sales and Development, Carbon Materials & Chemicals, Koppers Inc.
Kevin J. Fitzgerald	56	Senior Vice President, Global Carbon Materials & Chemicals, Koppers Inc.
Robert J. Howard	53	Vice President, Human Resources, Koppers Inc.
Leslie S. Hyde	48	Vice President, Safety and Environmental Affairs, Koppers Inc.
Steven R. Lacy	53	Senior Vice President, Administration, General Counsel and Secretary, Koppers Holdings Inc. and Koppers Inc.
Thomas D. Loadman	54	Vice President and General Manager, Railroad Products & Services, Koppers Inc.
Michael J. Mancione	42	Vice President, North American Carbon Materials & Chemicals, Koppers Inc.
Mark R. McCormack	49	Vice President, Australian Operations, Koppers Inc.
Brian H. McCurrie	48	Vice President and Chief Financial Officer, Koppers Holdings Inc. and Koppers Inc.
Louann E. Tronsberg-Deihle	45	Treasurer, Koppers Holdings Inc. and Koppers Inc.

*Mr. Turner* was elected President and Chief Executive Officer in, and has been our director since, November 2004. He has been President and Chief Executive Officer and director of Koppers Inc. since February 1998.

*Mr. Dietz* was elected Vice President, European Operations of Koppers Inc., in November 2006 effective January 2007. He joined Koppers in 1995 and has held positions in operations and engineering. Most recently, he was Operations Manager, Carbon Materials & Chemicals of Koppers Inc., beginning in March 1999.

*Mr. Evans* was elected Vice President, Global Marketing, Sales and Development, Carbon Materials & Chemicals of Koppers Inc. in February 2007. From October 2004 through December 2006, Mr. Evans was Vice President for Advanced Recycling Systems (industrial equipment manufacturing). From July 1998 through September 2004, Mr. Evans had been Manager, Business Development & Strategic Planning, Carbon Materials & Chemicals of Koppers Inc.

*Mr. Fitzgerald* was elected Senior Vice President, Global Carbon Materials & Chemicals of Koppers Inc. in November 2006. Mr. Fitzgerald was elected Vice President and General Manager, Carbon Materials & Chemicals of Koppers Inc. in March 1998.

*Mr. Howard* was elected Vice President, Human Resources of Koppers Inc. in February 2009. In September 2006, Mr. Howard was appointed Vice President, Human Resources. Prior to joining Koppers Inc., Mr. Howard was Vice President, Human Resources and Administration of L.B. Foster Company Inc. (rail and piling supply and precast products) since May 2002.

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*Ms. Hyde* was elected Vice President, Safety and Environmental Affairs of Koppers Inc. in January 2005. Prior to that date, Ms. Hyde held the position of Manager, Environmental Department of Koppers Inc. since 1999.

*Mr. Lacy* was elected Senior Vice President, Administration, General Counsel and Secretary 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.

*Mr. Loadman* was elected Vice President and General Manager, Railroad Products & Services of Koppers Inc. in November 1994.

*Mr. Mancione* was elected Vice President, Carbon Materials & Chemicals, North America of Koppers Inc. in November 2006. Mr. Mancione was Manager, Marketing and Sales, Carbon Materials & Distillates of Koppers Inc., beginning in November 2004, and prior to that, was Operations Manager, Railroad Products & Services of Koppers Inc. beginning in 2002.

*Mr. McCormack* was elected Vice President, Australian Operations of Koppers Inc. in November 2006. Mr. McCormack had been elected Vice President, Global Marketing, Sales and Development, Carbon Materials & Chemicals of Koppers Inc. in February 2002.

*Mr. McCurrie* was elected Vice President and Chief Financial Officer in November 2004 and has been Vice President and Chief Financial Officer of Koppers Inc. since October 2003. Mr. McCurrie is a certified public accountant.

*Ms. Tronsberg-Deihle* was elected Treasurer of Koppers Holdings Inc. and Koppers Inc. in August 2008. In July 2008, Ms. Tronsberg-Deihle was appointed as our Treasurer. Ms. Tronsberg-Deihle was the Assistant Treasurer and Risk Manager of WESCO Distribution Inc. (global provider of services and procurement solutions) from 1995 to June 2008.

**PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common shares are listed and traded on the NYSE under the symbol "KOP". Prior to the initial public offering in February 2006, there was no established trading market for our common stock.

The number of registered holders of Koppers common shares at January 31, 2009 was 98.

See Note 21 to the consolidated financial statements below for information concerning dividends and high and low market prices of our common shares during the past two years.

**Dividend Policy**

Our board of directors adopted a dividend policy, which reflects its judgment that our stockholders would be better served if we distributed to them, as quarterly dividends payable at the discretion of our board of directors, a portion of the cash generated by our business in excess of our expected cash needs rather than retaining it or using the cash for other purposes. Our expected cash needs include operating expenses and working capital requirements, interest and principal payments on our indebtedness, capital expenditures, incremental costs associated with being a public company, taxes and certain other costs. On an annual basis we expect to pay dividends with cash flow from operations, but, due to seasonal or other temporary fluctuations in cash flow, we may from time to time use temporary short-term borrowings to pay quarterly dividends.

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 is restricted by current and future agreements governing our debt, including Koppers Inc.'s credit agreement, the indentures governing our senior discount notes and Koppers Inc.'s senior secured notes and by Pennsylvania law.

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 only direct subsidiary, is a party to a credit agreement that restricts its ability to pay dividends to Koppers Holdings Inc.

Koppers Inc.'s credit agreement prohibits it from making dividend payments to us unless (1) such dividend payments are permitted by the indenture governing Koppers Inc.'s senior secured notes, (2) no event of default or potential default has occurred or is continuing under the credit agreement and (3) Koppers Inc. has at least \$15.0 million of undrawn availability under the credit agreement.

The indentures governing our senior discount notes and Koppers Inc.'s senior secured notes also restrict our ability to pay dividends. Our ability to pay dividends and to make other restricted payments, such as repurchasing any of our capital stock, repurchasing, redeeming or defeasing any of our obligations that are subordinate to the senior secured notes and the senior discount notes or making any investment (subject to certain exceptions), is governed by a formula based on 50 percent of our consolidated net income. In addition, as a condition to making such payments based on such formula, we must have an EBITDA (as defined in the indentures) to consolidated interest expense ratio of at least 2.0 to 1.0. Notwithstanding such restrictions, the indenture governing Koppers Inc.'s senior secured notes permits an aggregate of \$7.5 million, and the indenture governing our senior discount notes permits an aggregate of \$12.5 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. At December 31, 2008, we had \$153.7 million of capacity pursuant to the general formula for the restricted payments covenant under the senior discount notes indenture, which we refer to as the buildup amount, and \$124.8 million of capacity pursuant to the buildup amount under the senior secured notes indenture. The buildup amount will increase or decrease depending upon, among other things, our cumulative consolidated net income, the net proceeds of the sale of capital stock and the amount of restricted payments we may make from time to time, including, among other things, the payment of cash dividends. In addition, after November 15, 2009, we will be required to pay cash interest on our senior discount notes, which will decrease our cash available to pay dividends.

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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. In determining whether a particular level of dividends is permitted under Pennsylvania law, the board of directors may base its conclusion on one or more of the following: the book values of the assets and liabilities of the company as reflected on its books and records; a valuation that takes into consideration unrealized appreciation, depreciation or other changes in value of the assets and liabilities of the company; the current value of the assets and liabilities of the company either valued separately or valued in segments or as an entirety as a going concern; or any other method that is reasonable in the circumstances. Our bylaws and articles contain no restrictions regarding dividends.

### Equity Compensation Plans

<i>Plan Category</i>	<i>Number of securities to be issued upon exercise of outstanding options, warrants and rights</i>	<i>Weighted-average exercise price of outstanding options, warrants and rights</i>	<i>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)</i>
Equity compensation plans approved by security holders	264,919	\$ 13.42	1,845,677

#### 2004 Restricted Stock Unit Plan

Restricted stock units may be granted under our 2004 Restricted Stock Unit Plan. Non-vested restricted stock units do not have voting rights nor are they entitled to receive dividends.

#### 2005 Long Term Incentive Plan

In December 2005, we adopted our 2005 Long Term Incentive Plan. The 2005 Long Term Incentive Plan permits various types of long-term incentive awards to be made, including stock options, stock appreciation rights, restricted stock/restricted stock units, performance shares, performance awards, dividend equivalents and other stock-based awards.

### Issuer Purchases of Equity Securities

The following table sets forth information regarding Koppers Holdings' repurchases of shares of its common stock during the three months ended December 31, 2008:

<i>Period</i>	<i>Total Number of Common Shares Purchased</i>	<i>Average Price paid per Common Share</i>	<i>Total Number of Common Shares Purchased as Part of Publicly announced Plans or Programs</i>	<i>Maximum Number of Common Shares that May Yet be Purchased Under the Plans or Programs</i>
October 1 – October 31	19,768	\$ 41.41	19,768	— <sup>(1)</sup>
November 1 – November 30	24,922	\$ 23.79	—	— <sup>(2)</sup>
December 1 – December 31	—	\$ —	—	—

(1) On February 6, 2008, the board of directors approved a common stock repurchase program which was announced on February 20, 2008. This program allows for the repurchase of up to \$75.0 million of common stock from time to time in the open market. The total amount remaining under the program totals \$54.3 million at December 31, 2008. The timing and amount of such purchases will be determined by us based on a number of factors including the market price of our common stock; the availability and pursuit of strategic initiatives including investment and acquisition opportunities; operating cash flow and internal capital requirements; and general economic conditions. The program is scheduled to expire in February 2010.

(2) Under the terms of the Company's 2004 Restricted Stock Unit Plan, restricted stock units granted in 2004 vested ratably each year through 2008. Upon the vesting of a portion of these restricted stock units, each employee who holds these restricted stock units has the right to cause the Company to withhold shares of the Company's common stock for tax obligations incurred in connection with the vesting of these units and the related issuance of shares of the Company's common stock to such employee.

**ITEM 6. SELECTED FINANCIAL DATA**

The following table contains our selected historical consolidated financial data for the five years ended December 31, 2008. The selected historical consolidated financial data for each of the five years ended December 31, 2008, 2007, 2006, 2005 and 2004 have been derived from our audited consolidated financial statements. This selected financial data should be read in conjunction with Koppers' Consolidated Financial Statements and related notes included elsewhere in this Annual Report on Form 10-K as well as Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Year ended December 31,				
	2008	2007	2006	2005	2004
<i>(Dollars in millions, except share and per share amounts)</i>					
<b>Statement of Operations Data:</b>					
Net sales	\$1,364.8	\$1,255.6	\$1,044.2	\$913.4	\$ 854.3
Depreciation and amortization	30.0	29.5	29.6	28.4	29.0
Operating profit	129.6	125.1	79.0	69.0	54.0
Interest expense	40.8	45.9	61.3	51.7	38.2
Income from continuing operations	47.7	47.8	7.4	7.9	5.4
Income from discontinued operations <sup>(1)(2)</sup>	4.4	8.8	7.8	2.0	4.2
Gain on sale of Koppers Arch <sup>(1)(2)</sup>	—	6.7	—	—	—
Gain on sale of Monessen <sup>(2)</sup>	85.9	—	—	—	—
Net income <sup>(3)</sup>	138.0	63.3	15.2	9.9	9.6
Net income applicable to common shares	138.0	63.3	15.2	9.9	9.6
<b>Earnings (Loss) Per Common Share Data:<sup>(4)(5)</sup></b>					
Basic – continuing operations	\$ 2.31	\$ 2.30	\$ 0.39	\$ (7.28)	\$(24.57)
Diluted – continuing operations	2.30	2.29	0.36	(7.28)	(24.57)
<b>Weighted average common shares outstanding (in thousands):<sup>(5)</sup></b>					
Basic	20,651	20,768	19,190	2,907	2,932
Diluted	20,767	20,874	20,104	2,907	2,932
<b>Balance Sheet Data:</b>					
Cash and cash equivalents <sup>(6)</sup>	\$ 63.1	\$ 14.4	\$ 21.3	\$ 26.1	\$ 41.8
Total assets	661.1	669.3	649.4	551.8	583.6
Total debt	374.9	440.2	475.9	517.2	512.8
<b>Other Data:</b>					
Capital expenditures: <sup>(7)</sup>	\$ 36.7	\$ 23.2	\$ 27.5	\$ 21.1	\$ 19.1
Cash dividends declared per common share <sup>(5)</sup>	\$ 0.88	\$ 0.68	\$ 1.30	\$ 3.19	\$ 8.51
Cash dividends declared per preferred share	—	—	—	12.68	33.85

(1) In July 2007, we sold our 51 percent interest in Koppers Arch Investments Pty Limited and its subsidiaries ("Koppers Arch"). Koppers Arch's results of operations have been classified as a discontinued operation for all periods presented.

(2) In October 2008, we sold our 95 percent interest in Koppers Monessen Partners LP ("Monessen"). Monessen's results of operations have been classified as a discontinued operation for all periods presented.

(3) In connection with our initial public offering in February 2006, costs totaling \$17.4 million were incurred for a related call premium on the Senior Secured Notes (\$10.1 million), the write-off of deferred financing costs (\$3.2 million), the termination of the Saratoga Partners III, L.P. advisory services contract (\$3.0 million) and payment of bond consent fees (\$1.1 million).

(4) Prior to the conversion of the senior convertible preferred stock into shares of common stock in connection with our initial public offering in February 2006, earnings per share were calculated in accordance with Emerging Issues Task Force No. 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, after giving effect to the 3.9799-for-one stock split.

(5) Cash dividends declared per common share, earnings per common share and weighted average common shares outstanding give effect to a 3.9799-for-one stock split in January 2006.

(6) Includes cash of discontinued operations for periods prior to 2008.

(7) Excludes capital expenditures by Koppers Arch, a discontinued operation, of \$— million, \$0.1 million, \$0.8 million, \$0.6 million and \$1.0 million and by Koppers Monessen, a discontinued operation, of \$0.4 million, \$1.0 million, \$0.2 million, \$1.3 million and \$1.1 million for the years ended December 31, 2008, 2007, 2006, 2005 and 2004, respectively.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

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 serve our customers through a comprehensive global manufacturing and distribution network, which includes manufacturing facilities located in the United States, Australia, China, the United Kingdom and Denmark.

We operate two principal businesses: **Carbon Materials & Chemicals ("CM&C")** and **Railroad & Utility Products ("R&UP")**. We believe that our CM&C business is 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. We believe that our R&UP business is the largest North American supplier of railroad cross-ties. Our other commercial wood treatment products include the provision of utility poles to the electric and telephone utility industries.

Our CM&C business has entered into a number of strategic transactions during the last two years to expand and focus on its core business related to coal tar distillation and derived products. In November 2007, Tangshan Koppers Kailuan Carbon Chemical Company Limited ("TKK") was established which is constructing and will operate a new tar distillation facility in the Hebei Province near the Jingtang Port with a distillation capacity of 300,000 metric tons. We hold a 30 percent investment in TKK which is expected to commence production in the second quarter of 2009. In November 2008, we completed a project to expand the capacity of our existing 60-percent owned tar distillation plant in Tangshan, China from 150,000 metric tons to 200,000 metric tons.

On October 1, 2008, we sold our 95 percent interest in Koppers Monessen Partners LP ("Monessen") to ArcelorMittal S.A. for cash of \$160.0 million plus working capital of \$10.4 million. Net cash proceeds, after deduction for the limited partner interest, taxes and transaction costs, were approximately \$100.0 million. The Company recognized an after-tax gain of \$85.9 million. Monessen is a metallurgical furnace coke facility. Effective as of the end of the second quarter of 2008, Monessen was classified as a discontinued operation in the Company's statement of operations and its assets and liabilities were reclassified as "held for sale" in the balance sheet. Accordingly our financial statements and earnings per share have been restated for prior periods.

In July 2007, we sold our 51 percent interest in Koppers Arch Investments Pty Limited and its subsidiaries ("Koppers Arch") to Arch Chemicals Inc. for net cash proceeds of \$14.3 million and recognized a gain from the sale, net of tax, of \$6.7 million. Effective as of this date, Koppers Arch was classified as a discontinued operation in our statement of operations and earnings per share and our financial statements have been accordingly restated. Koppers Arch was a manufacturer of timber preservation chemicals.

Monessen and Koppers Arch were part of our Carbon Materials & Chemicals business segment.

### Outlook

#### *Trend Overview*

Our businesses and results of operations are impacted by various competitive and other factors including (i) the impact of global economic conditions on demand for our products both in the United States and overseas; (ii) raw materials pricing and availability, in particular the amount and quality of coal tar available in global markets, which could be negatively impacted by reductions in steel production; (iii) volatility in oil prices, which impacts selling prices and margins for certain of our products including carbon black feedstocks and phthalic anhydride; (iv) competitive conditions in global carbon pitch markets; (v) low margins in the utility pole business; and (vi) changes in foreign exchange rates.

Our businesses and results of operations have been impacted by the downturn in the global economy in late 2008 and we expect that these negative trends will continue in 2009. Certain key end markets have experienced significant global reductions in demand that will negatively impact the demand for our products. In late 2008 and continuing into 2009 we have seen

significant reductions in global production of aluminum, steel, rubber, concrete, plastics and paints, among others, that represent markets in which our products are consumed. We are watching these markets very closely and believe that there will be uncertainty regarding the levels of production going forward. Due to the nature of our end markets, we could see some level of demand improvement as government stimulus is introduced.

In recent months we have seen the temporary idling or closure of several aluminum smelters. We expect the trend of closing or reducing production at higher cost smelters to continue as newer, more cost effective smelters come on line in regions with lower cost energy, particularly in the Middle East. As an example we have seen specific closures in North America and Europe that will negatively impact volumes in those geographic areas; at this time we can not predict if or when these idled smelters will return to production. However, we believe we are well positioned to supply the new Middle Eastern smelters due to our capacity expansions in China.

We expect to produce lower volumes in 2009 in many of our products which will impact the capacity utilization at our facilities. Lower throughput volumes combined with increasing pressure for price reductions has led us to review our capacity utilization and has resulted in production cutbacks at certain facilities, which will result in lower margins. If these trends continue, we may temporarily idle or permanently close facilities. Utility pole markets are expected to continue to remain competitive with resulting low margins. We will continue to review underperforming assets and rationalize capacity as necessary to remain competitive in this market and will reduce market share if warranted.

Several of our products, particularly carbon black feedstocks and phthalic anhydride, have end market pricing that is linked to benchmark oil indices. During the past few years we have benefited in terms of revenues and profitability from the higher pricing for these products as the cost of coal tar has not increased proportionally with oil. However, when the price of oil declined in late 2008 we saw significant price and profit declines for these products that we expect will continue in 2009.

The availability of a key raw material, coal tar, is linked to levels of metallurgical coke production. As the global steel industry has reduced production of steel and metallurgical coke the volumes of coal tar by-product were also reduced. Our ability to obtain coal tar and the price we are able to negotiate have a significant impact on the level of profitability of our business. Most notably we have continued to see price increases in North America for coal tar due to lower availability and the pricing terms in our purchasing contracts. Many of our sales contracts include provisions that allow for price increases based on increases in the price of raw materials, which has allowed us to generally maintain profit dollars in our core businesses. However, significant increases in raw material costs will result in margin dilution because only the increased cost of the raw material is passed on to the customer.

The North American railroad market has experienced better stability than our other end markets in recent months; however, continued negative economic trends could impact the demand for crossties from the short line railroads as well as the Class 1 railroads. Additionally, lumber availability and pricing were negatively impacted in 2008 by weather conditions as well as the depressed markets for furniture and hardwood flooring caused by the dramatic decline in the U.S. housing market. While weather conditions are difficult to predict, it is likely that housing will remain depressed during 2009 and may result in continued difficulties related to cost and availability for crossties.

Net sales over the past several years have been significantly impacted by favorable foreign exchange rates in Australia, Great Britain, Europe, Denmark and China. In late 2008 and continuing into 2009 we saw those trends begin to reverse. Exchange rates for currencies in Australia, Great Britain, Europe, Denmark, and to a lesser extent, China, have changed significantly and will negatively impact sales and profits in 2009 compared to 2008. In addition, we expect continued volatility in these exchange rates that could impact our ability to accurately predict future levels of sales and profits.

#### *Seasonality and Effects of Weather on Operations*

Our quarterly operating results fluctuate due to a variety of factors that are outside of 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. Historically, our operating results have been significantly lower in the fourth and first calendar quarters as compared to the second and third calendar quarters. We expect this seasonality trend to continue in future periods.

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Results of Operations – Comparison of Years Ended December 31, 2008 and December 31, 2007

Consolidated Results

Net sales for the years ended December 31, 2008 and 2007 are summarized by segment in the following table:

	Year Ended December 31,		Net Change
	2008	2007	
<i>(Dollars in millions)</i>			
Carbon Materials & Chemicals	\$ 892.0	\$ 776.1	+15%
Railroad & Utility Products	472.8	479.5	-1%
	<b>\$1,364.8</b>	<b>\$1,255.6</b>	<b>+9%</b>

CM&C net sales increased by \$115.9 million or 15 percent due to the following changes in volume, pricing and foreign exchange:

	Price	Volume	Foreign Exchange	Net Change
Carbon Materials <sup>(a)</sup>	+4%	+2%	+1%	+7%
Distillates <sup>(b)</sup>	+3%	+1%	—%	+4%
Coal Tar Chemicals <sup>(c)</sup>	+1%	-2%	—%	-1%
Other <sup>(d)</sup>	+2%	+3%	—%	+5%
<b>Total CM&amp;C</b>	<b>+10%</b>	<b>+4%</b>	<b>+1%</b>	<b>+15%</b>

(a) Includes carbon pitch and refined tar.

(b) Includes creosote and carbon black feedstock.

(c) Includes naphthalene and phthalic anhydride.

(d) Includes carbon black, benzole, freight and other products.

Carbon materials' prices increased in the U.S. and China as customer prices were increased in response to substantially higher raw material costs. An increase in carbon materials sales volume was realized primarily in Australia and Europe totaling three percent and was partially offset by decreases in China of one percent.

Distillate pricing improved due to price increases in carbon black feedstock prices in Europe and creosote prices in the U.S. totaling three percent. The increase in carbon black feedstock pricing is consistent with higher average worldwide oil prices during the year. The increase in distillate sales volume is due primarily to increased creosote sales in the U.S. totaling one percent.

For coal tar chemicals, increases in phthalic anhydride prices of one percent were partially offset by lower naphthalene prices in Europe. The decrease in coal tar chemicals volumes is due primarily to lower phthalic anhydride volumes of one percent. With respect to other products, carbon black volumes, freight, specialty chemicals and other carbon products increased five percent as compared to the prior year and were partially offset by lower commercial roofing sales. Carbon black prices experienced an increase of one percent as compared to the prior year.

In the fourth quarter of 2008, we began to experience negative pricing and volume trends due to lower commodity prices and global economic issues for most of the products listed above. We expect these trends to impact sales volumes and margins into 2009.

**R&UP net sales** decreased by \$6.7 million or one percent due to the following changes in volume and pricing:

	Price	Volume	Net Change
Railroad Crossties <sup>(a)</sup>	+2%	-3%	-1%
TSO Crossties <sup>(b)</sup>	+2%	-1%	+1%
Distribution Poles	+1%	-1%	—%
Other <sup>(c)</sup>	+3%	-4%	-1%
<b>Total R&amp;UP</b>	<b>+8%</b>	<b>-9%</b>	<b>-1%</b>

(a) Includes treated and untreated railroad crossties.

(b) Includes sales from treatment services only ("TSO").

(c) Includes transmission poles, pilings, creosote, freight and other treated and untreated lumber products.

Sales were negatively impacted by volume decreases of untreated railroad crossties totaling four percent for the year ended December 31, 2008 due to capital purchasing reductions by the Class 1 railroads and reduced raw material availability due to weather and a weak timber market. Treated railroad crossties pricing increased by one percent for the year ended December 31, 2008 as raw material price increases were passed on to customers. The price increase in other products is due primarily to higher creosote prices and transmission pole prices totaling two percent. The lower volumes in other products is due primarily to lower sales of untreated lumber products.

**Cost of sales** as a percentage of net sales was 84 percent for the year ended December 31, 2008 as compared to 82 percent for the year ended December 31, 2007. Overall, cost of sales increased by \$111.1 million when compared to the prior year period due primarily to higher raw material costs.

**Depreciation and amortization** for the year ended December 31, 2008 was \$0.5 million higher when compared to the prior year period and included an impairment charge of \$3.7 million related to our glycerine refining plant in the United Kingdom.

**Selling, general and administrative expenses** for the year ended December 31, 2008 were \$6.9 million lower when compared to the prior year period due primarily to due diligence costs of \$6.8 million incurred in 2007 related to a potential acquisition which was not consummated.

**Interest expense** for the year ended December 31, 2008 was \$5.1 million lower when compared to the prior year period due primarily to lower average borrowings on revolving credit facilities and term debt. Lower average borrowings resulted from debt reductions funded by cash flows from operations and the net proceeds from the sale of Monessen in October 2008.

**Income taxes** for the year ended December 31, 2008 were \$12.6 million higher when compared to the prior year period due primarily to the increase in pretax income of \$10.5 million and estimated taxes on unremitted European earnings for 2008. For the year ended December 31, 2007, all European earnings were considered to be permanently reinvested and did not attract U.S. taxation. Our effective income tax rate for the year ended December 31, 2008 was 46.2 percent as compared to the prior year period of 36.5 percent. The increase in the effective tax rate is due primarily to the U.S. taxation of European earnings in 2008.

**Gain on sale of Monessen** for the year ended December 31, 2008 represents the gain, net of tax expense, from the sale of our 95 percent interest in Monessen to ArcelorMittal S.A. on October 1, 2008. Effective as of this date, Monessen was classified as a discontinued operation in our statement of operations.

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Segment Results

Segment operating profit for the years ended December 31, 2008 and 2007 is summarized by segment in the following table:

	Year Ended December 31,		% Change
	2008	2007	
<i>(Dollars in millions)</i>			
<b>Operating profit:</b>			
Carbon Materials & Chemicals	\$107.9	\$ 84.3	+28%
Railroad & Utility Products	24.0	42.8	-44%
Corporate	(2.3)	(2.0)	+15%
	\$129.6	\$125.1	+4%
<b>Operating profit as a percentage of net sales:</b>			
Carbon Materials & Chemicals	12.1%	10.9%	+1.2%
Railroad & Utility Products	5.1%	8.9%	-3.8%
	9.5%	10.0%	-0.5%

Carbon Materials & Chemicals net sales and operating profit by geographic region for the years ended December 31, 2008 and 2007 is summarized in the following table:

	Twelve months ended December 31,		% Change
	2008	2007	
<i>(Dollars in millions)</i>			
<b>Net sales:</b>			
North America	\$398.6	\$357.8	+11%
Europe	259.4	226.3	+15%
Australia	167.4	132.6	+26%
China	77.7	70.2	+11%
Intrasegment	(11.1)	(10.8)	+3%
	\$892.0	\$776.1	+15%
<b>Operating profit:</b>			
North America	\$ 56.1	\$ 43.7	+28%
Europe	25.8	15.1	+71%
Australia	26.1	18.8	+39%
China	(0.1)	6.7	-101%
	\$107.9	\$ 84.3	+28%

**North American CM&C sales** increased by \$40.8 million due primarily to higher prices for carbon pitch, creosote and phthalic anhydride totaling \$43.0 million and higher volumes of creosote and refined tar totaling \$10.4 million. Lower volumes of phthalic anhydride of \$10.9 million partially offset these increases. Operating profit as a percentage of net sales increased to 14.1 percent from 12.2 percent for the prior period.

**European CM&C sales** increased by \$33.1 million due primarily to higher volumes of carbon pitch, benzole and specialty chemicals totaling \$14.2 million and higher prices for carbon black feedstock and benzole totaling \$18.0 million. Operating profit as a percentage of net sales increased to 9.9 percent from 6.7 percent as a result of higher carbon pitch volumes and higher pricing for carbon black feedstock as a result of higher average petroleum prices.

**Australian CM&C sales** increased by \$34.8 million due primarily to higher volumes for carbon pitch and carbon black which totaled \$18.2 million. The increase in volume for carbon black is a result of the plant expansion project at the Company's

carbon black plant becoming fully operational. Increases in carbon black prices contributed higher sales of \$11.2 million. Operating profit as a percentage of net sales was 15.6 percent for the as compared to 14.2 percent for the prior period.

**Chinese CM&C sales** increased by \$7.5 million due primarily to higher volumes of carbon pitch and other products, principally distillates, totaling \$10.9 million, partially offset by lower carbon pitch volumes of \$5.5 million. Currency exchange rate changes contributed \$6.3 million to increased sales. Operating profit as a percentage of net sales was breakeven as compared to 9.5 percent for the prior period. The decrease in operating margin is due primarily to inventory lower of cost of market writedowns and investment in sales and administrative functions in China.

**CM&C operating profit margins** for all geographical regions have trended downward in the fourth quarter of 2008 as the impact of the global economic recession reduced margins. This trend is expected to continue into 2009.

**Railroad & Utility Products operating profit** for the twelve months ended December 31, 2008 decreased by \$18.8 million as compared to the prior period primarily as a result of lower sales of untreated railroad crossties and TSO crossties and lower operating profit margins. Operating profit as a percentage of net sales decreased to 5.1 percent from 8.9 percent between periods due to lower production and procurement levels for railroad crossties and the increased operating costs due to a boiler outage at one of the Company's wood treatment plants and the unplanned outage of an electricity cogeneration unit at another of the Company's wood treatment plants.

Results of Operations – Comparison of Years Ended December 31, 2007 and December 31, 2006

*Consolidated Results*

**Net sales** for the years ended December 31, 2007 and 2006 are summarized by segment in the following table:

	Year Ended December 31,		Net Change
	2007	2006	
<i>(Dollars in millions)</i>			
Carbon Materials & Chemicals	\$ 776.1	\$ 610.6	+27%
Railroad & Utility Products	479.5	433.6	+11%
	<b>\$1,255.6</b>	<b>\$1,044.2</b>	<b>+20%</b>

**CM&C net sales** increased by \$165.5 million or 27 percent due to the following changes in volume, pricing and foreign exchange:

	Price	Volume	Foreign Exchange	Net Change
Carbon Materials <sup>(a)</sup>	+9%	+5%	+2%	+16%
Distillates <sup>(b)</sup>	+1%	+2%	+1%	+4%
Coal Tar Chemicals <sup>(c)</sup>	+1%	+2%	+1%	+4%
Other <sup>(d)</sup>	—%	+1%	+2%	+3%
<b>Total CM&amp;C</b>	<b>+11%</b>	<b>+10%</b>	<b>+6%</b>	<b>+27%</b>

*(a) Includes carbon pitch and refined tar.*

*(b) Includes creosote and carbon black feedstock.*

*(c) Includes naphthalene and phthalic anhydride.*

*(d) Includes carbon black, benzole, freight and other products.*

Carbon materials' prices increased in the U.S., Europe and Australasia as customer prices have been renegotiated in response to substantially higher raw material costs. The increase in carbon materials sales volume is due partially to the acquisition of certain imported carbon pitch supply contracts from Reilly Industries Inc. ("Reilly acquisition") in April 2006 in addition to acquired domestic sales contracts related to the Reilly acquisition. These acquired import and domestic contracts resulted in a total sales volume increase for the year ended December 31, 2007 of four percent.

Overall, distillate pricing was flat for the year ended December 31, 2007 as increases in creosote prices in the U.S. were largely responsible for the total price increase of one percent. The increase in distillate sales volume is due primarily to higher European carbon black feedstock sales and higher U.S. creosote sales of two percent in total.

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For coal tar chemicals, increases in worldwide naphthalene prices and U.S. phthalic anhydride prices resulted in a sales increase totaling one percent. Volume increases from naphthalene sales contributed to an increase of two percent. Changes in foreign exchange rates between the U.S. dollar and Australian and European currencies resulted in higher sales of six percent across all product lines.

**R&UP net sales** increased by \$45.9 million or 11 percent due to the following changes in volume and pricing:

	Price	Volume	Foreign Exchange	Net Change
Railroad Crossties <sup>(a)</sup>	+2%	—%	—%	+2%
TSO Crossties <sup>(b)</sup>	+1%	+1%	—%	+2%
Distribution Poles	+2%	—%	+1%	+3%
Other <sup>(c)</sup>	+5%	-1%	—%	+4%
<b>Total R&amp;UP</b>	<b>+10%</b>	<b>—%</b>	<b>+1%</b>	<b>+11%</b>

(a) Includes treated and untreated railroad crossties.

(b) Includes sales from treatment services only ("TSO").

(c) Includes transmission poles, pilings, creosote, freight and other treated and untreated lumber products.

Sales price increases of treated railroad crossties totaled two percent for the year ended December 31, 2007. Volume increases in treated railroad crossties of one percent were offset by volume decreases in untreated railroad crossties of the same percentage. The price increase in other products is due primarily to higher creosote prices totaling four percent. Higher raw material costs contributed to the pricing increases realized in treated railroad crossties and creosote.

**Cost of sales** as a percentage of net sales was 82 percent for the year ended December 31, 2007 as compared to 84 percent for the year ended December 31, 2006. Overall, cost of sales increased by \$155.5 million when compared to the prior year period due primarily to higher raw material volumes from the Reilly acquisition, higher raw material costs and foreign exchange.

**Depreciation and amortization** for the year ended December 31, 2007 was \$0.1 million lower when compared to the prior year period.

**Selling, general and administrative expenses** for the year ended December 31, 2007 were \$9.9 million higher when compared to the prior year period due primarily to due diligence costs of \$6.8 million related to a potential acquisition which was not consummated. Other increases related to management incentive programs, stock-based compensation programs, and investment in sales and administrative functions in China. Partially offsetting this increase was a one-time expense totaling \$3.0 million for the termination of the Saratoga Partners III, L.P. ("Saratoga") advisory services contract recognized in the year ended December 31, 2006.

**Interest expense** for the year ended December 31, 2007 was \$15.4 million lower when compared to the prior year period due primarily to costs incurred in the year ended December 31, 2006 related to our initial public offering. The proceeds from the offering were used to redeem \$101.7 million of the 9 <sup>7</sup>/<sub>8</sub> percent Senior Secured Notes due 2013 (the "Senior Secured Notes") which resulted in expenses totaling \$14.4 million for call premiums, bond consent fees and the write-off of deferred financing costs.

**Income taxes** for the year ended December 31, 2007 were \$19.4 million higher when compared to the prior year period due primarily to the increase in pretax income of \$60.9 million. Our effective income tax rate for the year ended December 31, 2007 was 36.5 percent as compared to the prior year period of 51.6 percent. The decrease in the effective tax rate is due primarily to the smaller impact (in proportion to pretax book income) from foreign earnings and permanent items.

**Gain on sale of Koppers Arch** for the year ended December 31, 2007 represents the gain, net of tax expense, from the sale of our 51 percent interest in Koppers Arch to Arch Chemicals on July 5, 2007. Effective as of this date, Koppers Arch was classified as a discontinued operation in our statement of operations.

*Segment Results*

**Segment operating profit** for the years ended December 31, 2007 and 2006 is summarized by segment in the following table:

	<i>Year Ended December 31,</i>		<i>% Change</i>
	2007	2006	
<i>(Dollars in millions)</i>			
<b>Operating profit:</b>			
Carbon Materials & Chemicals	\$ 84.3	\$56.3	+50%
Railroad & Utility Products	42.8	23.9	+79%
Corporate	(2.0)	(1.2)	+67%
	<b>\$125.1</b>	<b>\$79.0</b>	<b>+58%</b>
<b>Operating profit as a percentage of net sales:</b>			
Carbon Materials & Chemicals	10.9%	9.2%	+1.7%
Railroad & Utility Products	8.9%	5.5%	+3.4%
	<b>10.0%</b>	<b>7.6%</b>	<b>+2.4%</b>

**Carbon Materials & Chemicals net sales and operating profit** by geographic region for the years ended December 31, 2007 and 2006 is summarized in the following table:

	<i>Twelve months ended December 31,</i>		<i>% Change</i>
	2007	2006	
<i>(Dollars in millions)</i>			
<b>Net sales:</b>			
North America	\$357.8	\$283.9	+26%
Europe	226.3	180.6	+25%
Australia	132.6	119.8	+11%
China	70.2	46.4	+51%
Intrasegment	(10.8)	(20.1)	-46%
	<b>\$776.1</b>	<b>\$610.6</b>	<b>+27%</b>
<b>Operating profit:</b>			
North America	\$ 43.7	\$ 28.2	+55%
Europe	15.1	10.6	+42%
Australia	18.8	12.8	+47%
China	6.7	4.7	+43%
	<b>\$ 84.3</b>	<b>\$ 56.3</b>	<b>+50%</b>

**North American CM&C sales** increased \$73.9 million due primarily to improved prices for carbon pitch, refined tar and creosote of \$39.5 million. In addition, incremental volumes of carbon pitch, refined tar and creosote sales related to sales contracts assumed in the Reilly acquisition contributed increased sales of \$23.0 million. Operating profit as a percentage of net sales increased to 12.2 percent from 9.9 percent between periods reflecting an increase in pricing for carbon materials, creosote and phthalic anhydride due primarily to higher raw material costs and realized operating efficiencies related to the Reilly acquisition. Operating profit for 2007 and 2006 includes charges of \$6.8 million and \$1.5 million related to due diligence fees and the termination fee for the Saratoga advisory services contract, respectively.

**European CM&C sales** increased \$45.7 million due primarily to higher prices for naphthalene and carbon pitch totaling \$14.2 million and higher volumes of naphthalene and carbon black feedstock totaling \$9.7 million. In addition, changes in foreign exchange rates contributed \$17.5 million of increased sales. Operating profit as a percentage of net sales increased slightly to 6.7 percent from 5.9 percent between periods.

**Australian and Chinese CM&C sales** increased a combined \$36.6 million due primarily to higher prices for carbon pitch and naphthalene totaling \$9.2 million and higher volumes for carbon pitch, naphthalene and carbon black feedstock totaling \$15.4 million. In addition, changes in foreign exchange rates contributed \$17.1 million of increased sales. Combined operating profit as a percentage of net sales increased to 12.6 percent from 10.5 percent between periods reflecting an increase in pricing for carbon pitch, naphthalene and carbon black feedstock due primarily to higher raw material costs.

**Railroad & Utility Products operating profit** for the year ended December 31, 2007 increased by \$18.9 million as compared to the prior period. Operating profit as a percentage of net sales increased to 8.9 percent from 5.5 percent between periods due to higher prices for treated railroad crossties, crosstie treatment services, distribution poles and creosote in addition to the mix impact of higher volumes of treated railroad crossties. Operating profit was also negatively impacted for the year ended December 31, 2006 by R&UP's share of the Saratoga advisory services contract buyout expense of \$1.5 million in addition to the loss on the sale of our specialty trackwork business and other plant closure costs totaling \$1.9 million.

#### Cash Flow

**Net cash provided by operating activities** was \$51.9 million for the year ended December 31, 2008 as compared to net cash provided by operating activities of \$66.1 million for the year ended December 31, 2007. Net cash provided by operating activities for 2008 includes income taxes paid in connection with the Monessen transaction of approximately \$50 million. Excluding this amount, net cash flow from operating activities increased by approximately \$36 million between periods due to improved working capital and lower interest payments.

Net cash provided by operating activities was \$66.1 million for the year ended December 31, 2007 as compared to net cash provided by operating activities of \$28.9 million for the year ended December 31, 2006. The cash flow for the prior period included payments associated with the initial public offering totaling \$14.2 million for call premiums on the Senior Secured Notes, bond consent fees and the buyout of the Saratoga advisory services contract in addition to the payment of a legal settlement totaling \$2.6 million. Excluding these amounts, net cash flow from operating activities increased by \$20.4 million between periods due to improved net income partially offset by increased working capital requirements.

**Net cash provided by investing activities** was \$120.7 million for the year ended December 31, 2008 as compared to net cash used in investing activities of \$16.5 million for the year ended December 31, 2007. Net cash proceeds from divestitures and asset sales primarily represent the net cash proceeds from the sale of Monessen. Increased capital spending in 2008 primarily related to our plant expansion in China and increased environmental improvement spending at our U.S. wood treating plants. Acquisition expenditures in 2008 of \$2.9 million relate to capital contributions to Tangshan Koppers Kailuan Carbon Chemical Company Limited, our 30 percent-owned coal tar distillation joint venture in China.

Net cash used in investing activities was \$16.5 million for the year ended December 31, 2007 as compared to \$71.2 million for the year ended December 31, 2006 which included \$45.1 million for the Reilly acquisition. Acquisition expenditures in 2007 of \$4.1 million relate to deferred purchase price payments for Lambson Speciality Chemicals Limited, which was acquired in 2006 and capital contributions to Tangshan Koppers Kailuan Carbon Chemical Company Limited, our 30 percent-owned coal tar distillation joint venture in China. Net cash proceeds from divestitures and asset sales of \$11.9 million in 2007 primarily represents the cash proceeds, net of cash transferred to the acquirer, of Koppers Arch.

**Net cash used in financing activities** was \$123.1 million for the year ended December 31, 2008 as compared to net cash used in financing activities of \$58.6 million for the year ended December 31, 2007. Net repayments of debt totaled \$83.3 million in the year ended December 31, 2008, as a result of higher cash provided from the sale of Monessen and from operating activities (after adjustment for the cash taxes paid on Monessen). Repurchases of common stock under the Company's common stock repurchase program totaled \$20.7 million in 2008.

Net cash used by financing activities was \$58.6 million for the year ended December 31, 2007 as compared to net cash provided by financing activities of \$37.6 million for the year ended December 31, 2006. The cash flow for the prior period included the net proceeds from our initial public offering of \$112.4 million partially offset by the redemption of the Senior Secured Notes of \$101.7 million. Additionally, term loan borrowings of \$50.0 million under Koppers Inc.'s senior secured credit facility were used to provide for the Reilly acquisition and payment of other amounts related to the initial public offering. Net repayments of debt totaled \$44.8 million in the year ended December 31, 2007, as a result of higher cash provided by operating activities and the proceeds from the sale of Koppers Arch.

**Dividends paid** were \$17.2 million in the year ended December 31, 2008 as compared to dividends paid of \$14.1 million for the year ended December 31, 2007. Dividends paid in the year ended December 31, 2008 reflect a quarterly dividend rate of 22 cents per common share. Dividends paid in the year ended December 31, 2006 include a special dividend declared prior to our initial public offering of 69 cents per common share.

On February 4, 2009, our board of directors declared a quarterly dividend of 22 cents per common share, payable on April 1, 2009 to shareholders of record as of February 17, 2009.

Liquidity and Capital Resources

*Restrictions on Dividends to Koppers Holdings*

Koppers Holdings depends on the dividends from the earnings of Koppers Inc. and its subsidiaries to generate the funds necessary to meet our financial obligations, including payments of principal, interest and other amounts on the 9 <sup>7</sup>/<sub>8</sub> percent Senior Discount Notes due 2014 (the "Senior Discount Notes"). The terms of Koppers Inc.'s revolving credit facility as well as the terms of the indenture governing the Senior Secured Notes significantly restrict Koppers Inc. from paying dividends and otherwise transferring assets to Koppers Holdings. The amount of permitted dividends under both debt facilities is governed by a formula based on 50 percent of consolidated net income, among other things. Cash equity contributions from the sale of Koppers Holdings' common stock increase the amount available for dividends. At the time of the payment of the dividend, no event of default shall have occurred or be continuing under the indenture or the revolving credit facility.

Under the indenture relating to the Senior Secured Notes, Koppers Inc. must have an EBITDA (as defined in the indenture) to consolidated interest expense ratio of at least 2.0 to 1.0. Additionally, the revolving credit facility requires compliance with all financial covenants and availability of at least \$35.0 million and leverage ratio less than 2.0 times under the revolving credit facility after giving effect to any proposed dividend. Significant reductions in net income, or increases to indebtedness affecting compliance with financial covenants or availability under the revolving credit facility would restrict Koppers Inc.'s ability to pay dividends. As of December 31, 2008, dividends available to be declared based on covenant restrictions under the Senior Discount Notes amounted to \$153.7 million. As of December 31, 2008, dividends available to be declared based on covenant restrictions under the Senior Secured Notes amounted to \$124.8 million.

*Liquidity*

The Koppers Inc. revolving credit facility agreement, as amended and restated, provides for a revolving credit facility of up to \$300.0 million at variable rates. The revolving credit facility replaced the Senior Secured Revolving Credit Facility on October 31, 2008. Borrowings under the revolving credit facility are secured by a first priority lien on substantially all of Koppers Inc.'s assets, including the assets of certain significant subsidiaries. The credit facility contains certain covenants that limit capital expenditures by Koppers Inc. 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 Koppers Inc. to meet certain financial ratios.

As of December 31, 2008, the Company had \$283.0 million of unused revolving credit availability for working capital purposes after restrictions by various debt covenants and certain letter of credit commitments. As of December 31, 2008, \$17.0 million of commitments were utilized by outstanding letters of credit.

The following table summarizes Koppers estimated liquidity as of December 31, 2008 (*dollars in millions*):

Cash and cash equivalents	\$ 63.1
Amount available under revolving credit facility	283.0
Amount available under other credit facilities	6.6
<b>Total estimated liquidity</b>	<b>\$352.7</b>

Our estimated liquidity was \$116.3 million at December 31, 2007. The increase in estimated liquidity from that date is due primarily to an increase in availability under the new revolving credit facility and the increase in cash as a result of the Monessen transaction.

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As of December 31, 2008, we had \$200.0 million aggregate amount of common stock, debt securities, preferred stock, depositary shares and warrants (or a combination of these securities) available to be issued under our registration statement on Form S-3 filed in 2007.

In February 2008, our board of directors approved a common stock repurchase program. This program allows for the repurchase of up to \$75.0 million of common stock from time to time in the open market. The program is scheduled to expire in February 2010. The timing of such purchases will be determined by us based on a number of factors including the market price of our common stock; the availability and pursuit of strategic initiatives including investment and acquisition opportunities; operating cash flow and internal capital requirements; and general economic conditions. During 2008, the Company repurchased \$20.7 million of common stock under the program.

Our need for cash in the next twelve months relates primarily to contractual obligations which include debt service, purchase commitments and operating leases, as well as for working capital, capital maintenance programs and mandatory defined benefit plan funding. We may also use cash to pursue potential strategic acquisitions. Capital expenditures in 2009, excluding acquisitions, are expected to total approximately \$23 million. We believe that our cash flow from operations and available borrowings under the revolving 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.

### *Cash Flows from Discontinued Operations*

The cash flows related to Monessen and Koppers Arch for the three years ended December 31, 2008 have not been restated in the consolidated statement of cash flows. Excluding cash proceeds from the sales of Monessen and Koppers Arch, the net cash inflows (outflows) of discontinued operations totaled \$0.7 million, \$(1.9) million and \$(0.4) million for the years ended December 31, 2008, 2007 and 2006, respectively.

With respect to the Monessen sale, in February 2009 the acquirer filed a notice of objection in connection with the determination of certain assumed liabilities and has requested an adjustment to the purchase price of approximately \$2.0 million. Based upon the nature of the objections cited by the acquirer, at this time, we do not believe that the purchase price should be adjusted and accordingly, we have not provided for any adjustment to the purchase price as of December 31, 2008.

In connection with the sale of our 51 percent interest in Koppers Arch, we have provided an indemnity to the buyer for our share of liabilities, if any, arising from certain litigation and claims existing at July 5, 2007. Our financial exposure pursuant to this indemnity is capped at a monetary limit and is subject to time limitations.

### *Schedule of Certain Contractual Obligations*

The following table details our projected payments for our significant contractual obligations as of December 31, 2008. The table is based upon available information and certain assumptions we believe to be reasonable.

	<i>Payments Due by Period</i>				
	<i>Total</i>	<i>2009</i>	<i>2010- 2011</i>	<i>2012- 2013</i>	<i>Later years</i>
<i>(in millions)</i>					
Long-term debt (including swap and accretion)	\$ 390.8	\$ —	\$ —	\$187.8	\$203.0
Interest on debt	188.2	20.7	76.8	73.0	17.7
Operating and capital leases	105.3	33.9	47.1	21.7	2.6
Purchase commitments <sup>(1)</sup>	1,060.2	244.7	302.6	192.4	320.5
<b>Total contractual cash obligations</b>	<b>\$1,744.5</b>	<b>\$299.3</b>	<b>\$426.5</b>	<b>\$474.9</b>	<b>\$543.8</b>

<sup>(1)</sup> 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.

Pension and other employee benefit plan funding obligations (for defined benefit plans) are not included in the table above. We expect defined benefit plan contributions to total approximately \$3 million in 2009. Although asset values in our pension plan trusts declined significantly in 2008, under current law we do not expect to be required to make mandatory contributions in 2009 to our U.S. qualified defined benefit plan, our largest defined benefit plan. However, without legislative relief, we estimate that mandatory funding for this plan will be approximately \$20 million in 2010 and \$30 million in 2011. Estimated funding

obligations are determined by asset performance, workforce and retiree demographics, tax and employment laws and other actuarial assumptions which may change the annual funding obligations. The funded status of our defined benefit plans is disclosed in Note 16 of the Consolidated Financial Statements.

*Schedule of Certain Other Commercial Commitments*

The following table details our projected payments for other significant commercial commitments as of December 31, 2008. The table is based upon available information and certain assumptions we believe to be reasonable.

(in millions)	Payments Due by Period				
	Total	2009	2010-2011	2012-2013	Later years
Lines of credit (unused)	\$289.6	\$ 6.6	\$ —	\$283.0	\$ —
Standby letters of credit	14.7	14.7	—	—	—
<b>Total other commercial commitments</b>	<b>\$304.3</b>	<b>\$21.3</b>	<b>\$ —</b>	<b>\$283.0</b>	<b>\$ —</b>

*Debt Covenants*

The covenants that affect availability of the revolving credit facility and which may restrict the ability of Koppers Inc. to pay dividends include the following financial ratios:

- i The fixed charge coverage ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, is not permitted to be less than 1.10. The fixed charge coverage ratio at December 31, 2008 was 3.2.
- i The leverage ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, is not permitted to exceed 2.75. The leverage ratio at December 31, 2008 was 0.84.
- i The domestic interest coverage ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, is not permitted to be less than 3.0. The domestic interest coverage ratio at December 31, 2008 was 6.7.

We are currently in compliance with all covenants in the credit agreement governing the revolving credit facility.

At December 31, 2008, Koppers Inc. had \$185.9 million outstanding of Senior Secured Notes (excluding adjustment for a related interest rate swap) and Koppers Holdings had \$186.6 million outstanding of Senior Discount Notes. The Senior Secured Notes and Senior Discount Notes include customary covenants that restrict, among other things, our 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. We are currently in compliance with all covenants in the indentures governing the Senior Secured Notes and the Senior Discount Notes.

*Other Matters*

*Interest Rate Swap*

In January 2004, Koppers Inc. 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 <sup>7</sup>/<sub>8</sub> percent and pay floating six-month LIBOR rates plus a spread of 5.395 percent 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 years ended December 31, 2008, 2007 and 2006 was to increase (decrease) interest expense by \$(0.3) million, \$0.5 million and \$0.3 million, respectively. The fair value of the swap agreement at December 31, 2008 was an asset of approximately \$1.9 million.

*Foreign Operations and Foreign Currency Transactions*

We are subject to foreign currency translation fluctuations due to our foreign operations. For the years ended December 31, 2008, 2007 and 2006, exchange rate fluctuations resulted in an increase (decrease) to comprehensive income of \$(29.1) million, \$11.0 million and \$10.3 million, respectively. Foreign currency transaction gains and losses result from transactions denominated in a currency which is different from the currency used by the entity to prepare its financial statements. Foreign

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currency transaction gains (losses) were \$1.8 million, \$0.4 million and \$(0.8) million for the years ended December 31, 2008, 2007 and 2006, respectively.

### Recently Issued Accounting Guidance

The information related to recently-issued accounting guidance set forth in Note 3 to the consolidated financial statements is hereby incorporated by reference.

### Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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.

**Revenue Recognition.** We recognize revenue from product sales at the time of shipment or when title passes to the customer. We recognize revenue related to the procurement of certain untreated railroad crossties upon transfer of title, which occurs upon delivery to our plant and acceptance by the customer. Service revenue, consisting primarily of wood treating services, is recognized at the time the service is provided. Our recognition of revenue with respect to untreated crossties meets all the recognition criteria of the Securities and Exchange Commission's Staff Accounting Bulletin Topic 13A3, including transfer of title and risk of ownership, the existence of fixed purchase commitments and delivery schedules established by the customer and the completion of all performance obligations by us.

**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.

**Inventories.** In the United States, CM&C and R&UP inventories are valued at the lower of cost, utilizing the last-in, first-out ("LIFO") basis, or market. Inventories outside the United States are valued at the lower of cost, utilizing the first-in, first-out basis ("FIFO"), or market. Market represents replacement cost for raw materials and net realizable value for work in process and finished goods. LIFO inventories constituted approximately 63 percent and 53 percent of the FIFO inventory value at December 31, 2008 and 2007, respectively.

**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.** Goodwill is not 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. Because 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.

**Deferred Tax Assets.** At December 31, 2008 our balance sheet included \$83.0 million of deferred tax assets. We have determined that a valuation allowance of \$4.2 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.

**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.

**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.

**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. Because 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.

**Litigation & Contingencies.** 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. Because such matters require significant judgments on the part of management, the recorded liabilities could be lower than what is ultimately 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.

#### ITEM 7A. 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.

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, 2008 and 2007. 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. 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 notional \$50.0 million of the Senior Secured Notes. (See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources".) The fair market value of the interest rate swap was an asset of \$1.9 million at December 31, 2008.

At December 31, 2008 we had \$323.0 million of fixed rate debt and \$50.0 million of variable rate debt, and at December 31, 2007, we had \$337.8 million of fixed rate debt and \$102.9 million of variable rate debt (for both years, including the swap). Our ratio of variable rate debt to fixed rate debt at December 31, 2008, including the interest rate swap referred to above, was approximately 13 percent, reflecting a decrease in the ratio from 23 percent in the previous period due to the decrease in variable rate borrowings under our senior secured credit facility. 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, 2008 and 2007 would have increased the unrealized fair market value of the fixed rate debt by approximately \$19.4 million and \$20.3 million, respectively. The earnings and cash flows for the next year assuming a one percentage point increase in interest rates would decrease approximately \$0.5 million, holding other variables constant. With respect to the interest rate swap, a ten percent decrease in interest rates at December 31, 2008 would have increased the unrealized fair market value of the interest rate swap by approximately \$0.2 million to an asset of \$2.1 million. A ten percent increase in interest rates at December 31, 2008 would have decreased the unrealized fair market value of the interest rate swap by approximately \$0.2 million to an asset of \$1.7 million.

**Exchange Rate Sensitivity Analysis.** Our exchange rate exposures result primarily from our investment and ongoing operations in Australia, Denmark, China 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, 2008 and 2007, would be reductions of approximately \$3.7 million and \$2.5 million, respectively.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Koppers Holdings Inc.

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Koppers Holdings Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of Koppers Holdings Inc.'s internal control over financial reporting as of December 31, 2008. In making this assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Management concluded that based on its assessment, Koppers Holdings Inc.'s internal control over financial reporting was effective as of December 31, 2008.

The effectiveness of Koppers Holdings Inc.'s internal control over financial reporting as of December 31, 2008, has been audited by Ernst & Young LLP, the independent registered public accounting firm that also audited the consolidated financial statements included in this annual report, as stated in their attestation report which appears on page 46.

February 18, 2009

/s/ WALTER W. TURNER

Walter W. Turner

President and Chief Executive Officer

/s/ BRIAN H. MCCURRIE

Brian H. McCurrie

Vice President and Chief Financial Officer

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Koppers Holdings Inc.:

We have audited the accompanying consolidated balance sheets of Koppers Holdings Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Koppers Holdings Inc. and subsidiaries at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, 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 discussed in Note 16 to the consolidated financial statements, effective December 31, 2006, Koppers Holdings Inc. and subsidiaries adopted the funded status recognition provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87,88,106 and 132(R)*. As discussed in Notes 8 and 16, respectively, to the consolidated financial statements, effective January 1, 2007, Koppers Holdings Inc. and subsidiaries adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* and the measurement date provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87,88,106 and 132(R)*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Koppers Holdings Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP  
Pittsburgh, Pennsylvania  
February 18, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Koppers Holdings Inc.:

We have audited Koppers Holdings Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Koppers Holdings Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Koppers Holdings Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Koppers Holdings Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2008 of Koppers Holdings Inc. and our report dated February 18, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP  
Pittsburgh, Pennsylvania  
February 18, 2009

KOPPERS HOLDINGS INC.  
CONSOLIDATED STATEMENT OF OPERATIONS

	<u>Year Ended December 31,</u>		
	2008	2007	2006
<i>(Dollars in millions, except share and per share amounts)</i>			
Net sales	\$1,364.8	\$1,255.6	\$1,044.2
Cost of sales (excluding items below)	1,140.0	1,028.9	873.4
Depreciation and amortization	30.0	29.5	29.6
Selling, general and administrative expenses	65.2	72.1	62.2
Operating profit	129.6	125.1	79.0
Other income	1.2	0.3	0.9
Interest expense	40.8	45.9	61.3
Income before income taxes and minority interest	90.0	79.5	18.6
Income taxes	41.6	29.0	9.6
Minority interest	0.7	2.7	1.6
Income from continuing operations	47.7	47.8	7.4
Income from discontinued operations, net of tax benefit of \$(3.0), \$(2.8) and \$(3.6)	4.4	8.8	7.8
Gain on sale of Koppers Arch, net of tax expense of \$4.3	—	6.7	—
Gain on sale of Monessen, net of tax expense of \$50.4	85.9	—	—
Net income	138.0	63.3	15.2
Earnings per common share:			
Basic —			
Continuing operations	\$ 2.31	\$ 2.30	\$ 0.39
Discontinued operations	4.37	0.75	0.40
Earnings per basic common share	\$ 6.68	\$ 3.05	\$ 0.79
Diluted —			
Continuing operations	\$ 2.30	\$ 2.29	\$ 0.36
Discontinued operations	4.35	0.74	0.39
Earnings per diluted common share	\$ 6.65	\$ 3.03	\$ 0.75
Weighted average common shares outstanding <i>(in thousands)</i> :			
Basic	20,651	20,768	19,190
Diluted	20,767	20,874	20,104
Dividends declared per common share	\$ 0.88	\$ 0.68	\$ 1.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Year Ended December 31,</u>		
	2008	2007	2006
<i>(Dollars in millions)</i>			
Net income	\$138.0	\$63.3	\$15.2
Changes in other comprehensive income (loss):			
Currency translation adjustment	(29.1)	11.0	10.3
Minimum pension liability, net of tax of \$—, \$— and \$3.3	—	—	5.0
Unrecognized pension transition asset, net of tax of \$(0.1), \$(0.2) and \$—	(0.3)	(0.5)	—
Unrecognized pension prior service cost, net of tax of \$(0.1), \$(0.5) and \$—	(0.1)	(0.7)	—
Unrecognized pension net gain (loss), net of tax of \$(19.4), \$5.7 and \$—	(30.5)	9.3	—
Other comprehensive income (loss), net of tax	(60.0)	19.1	15.3
Comprehensive income	\$ 78.0	\$82.4	\$30.5

The accompanying notes are an integral part of these consolidated financial statements.

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KOPPERS HOLDINGS INC.  
CONSOLIDATED BALANCE SHEET

December 31,

2008 2007

(Dollars in millions, except share and per share amounts)

	2008	2007
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 63.1	\$ 13.8
Short-term investments	1.7	2.1
Restricted cash	4.2	3.1
Accounts receivable, net of allowance of \$0.5 and \$0.2	112.1	140.0
Inventories, net	171.8	171.9
Deferred tax assets	2.6	18.5
Assets of discontinued operations held for sale	—	21.6
Other current assets	16.9	22.4
<b>Total current assets</b>	<b>372.4</b>	<b>393.4</b>
Equity in non-consolidated investments	6.0	4.2
Property, plant and equipment, net	144.8	145.2
Goodwill	58.4	62.5
Deferred tax assets	56.0	38.7
Other assets	23.5	25.3
<b>Total assets</b>	<b>\$661.1</b>	<b>\$ 669.3</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 82.1	\$ 103.6
Accrued liabilities	61.8	63.7
Dividends payable	4.5	3.5
Liabilities of discontinued operations held for sale	—	6.8
Short-term debt and current portion of long-term debt	0.2	21.3
<b>Total current liabilities</b>	<b>148.6</b>	<b>198.9</b>
Long-term debt	374.7	418.9
Accrued postretirement benefits	75.7	27.8
Other long-term liabilities	36.1	37.6
<b>Total liabilities</b>	<b>635.1</b>	<b>683.2</b>
Commitments and contingent liabilities (Note 19)		
Minority interest	8.0	9.4
<b>Stockholders' Equity (Deficit)</b>		
Senior Convertible Preferred Stock, \$0.01 par value per share; 10,000,000 shares authorized; no shares issued	—	—
Common Stock, \$0.01 par value per share; 40,000,000 shares authorized; 21,097,443 and 20,971,456 shares issued	0.2	0.2
Additional paid-in capital	126.6	124.4
Receivable from Director for purchase of Common Stock	—	(0.6)
Retained deficit	(37.8)	(157.6)
Accumulated other comprehensive income (loss)	(47.4)	12.6
Treasury stock, at cost; 668,716 and 144,905 shares	(23.6)	(2.3)
<b>Total stockholders' equity (deficit)</b>	<b>18.0</b>	<b>(23.3)</b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$661.1</b>	<b>\$ 669.3</b>

The accompanying notes are an integral part of these consolidated financial statements.

KOPPERS HOLDINGS INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Year Ended December 31,</i>		
	<i>2008</i>	<i>2007</i>	<i>2006</i>
<i>(Dollars in millions)</i>			
<b>Cash provided by (used in) operating activities:</b>			
Net income	\$ 138.0	\$ 63.3	\$ 15.2
<b>Adjustments to reconcile net cash provided by operating activities:</b>			
Depreciation and amortization	32.7	34.7	33.4
(Gain) loss on sale of assets	(141.7)	(11.1)	1.0
Deferred income taxes	13.0	3.0	(2.9)
Non-cash interest expense	17.1	15.6	16.3
Equity income of affiliated companies, net of dividends received	0.8	0.3	0.3
Change in other liabilities	—	(6.9)	(7.8)
Minority interest	0.7	1.1	2.4
Stock-based compensation	3.7	1.9	0.4
Other	1.6	0.4	5.4
<b>(Increase) decrease in working capital:</b>			
Accounts receivable	18.9	(17.9)	(18.1)
Inventories	(15.1)	(28.6)	(21.7)
Accounts payable	(16.8)	16.2	18.5
Accrued liabilities and other working capital	(1.0)	(5.9)	(13.5)
Net cash provided by operating activities	51.9	66.1	28.9
<b>Cash provided by (used in) investing activities:</b>			
Capital expenditures	(37.1)	(24.3)	(28.5)
Acquisitions	(2.9)	(4.1)	(45.1)
Net cash proceeds from divestitures and asset sales	160.7	11.9	2.4
Net cash provided by (used in) investing activities	120.7	(16.5)	(71.2)
<b>Cash provided by (used in) financing activities:</b>			
Borrowings of revolving credit	203.7	318.0	286.4
Repayments of revolving credit	(225.0)	(342.0)	(275.6)
Borrowings on long-term debt	—	—	53.1
Repayments on long-term debt	(62.0)	(20.8)	(120.2)
Issuances of Common Stock	0.6	—	121.8
Common Stock issuance costs	—	—	(9.6)
Repurchases of Common Stock	(21.3)	(0.9)	(0.4)
Excess tax benefit from employee stock plans	0.8	1.2	0.4
Payment of deferred financing costs	(2.7)	—	(1.0)
Dividends paid	(17.2)	(14.1)	(17.3)
Net cash provided by (used in) financing activities	(123.1)	(58.6)	37.6
Effect of exchange rates on cash	(0.8)	2.1	(0.1)
Net increase (decrease) in cash and cash equivalents	48.7	(6.9)	(4.8)
Add: Cash of assets held for sale at beginning of year	0.6	2.5	2.9
Less: Cash of assets held for sale at end of year	—	(0.6)	(2.5)
Cash and cash equivalents at beginning of year	13.8	18.8	23.2
Cash and cash equivalents at end of year	\$ 63.1	\$ 13.8	\$ 18.8
<b>Supplemental disclosure of cash flows information:</b>			
<b>Cash paid during the year for:</b>			
Interest	\$ 22.0	\$ 29.1	\$ 43.7
Income taxes	74.0	25.0	8.4
<b>Noncash investing and financing activities:</b>			
Acquisitions – liabilities assumed	\$ —	\$ —	\$ 3.3
Capital leases	0.5	—	—

The accompanying notes are an integral part of these consolidated financial statements.

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KOPPERS HOLDINGS INC.  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	Year Ended December 31,		
	2008	2007	2006
<i>(Dollars in millions)</i>			
Senior Convertible Preferred Stock			
Balance at beginning and end of year	\$ —	\$ —	\$ —
Common Stock			
Balance at beginning of year	\$ 0.2	\$ 0.2	\$ —
Initial public offering	—	—	0.2
Balance at end of year	\$ 0.2	\$ 0.2	\$ 0.2
Additional paid-in capital			
Balance at beginning of year	\$ 124.4	\$ 122.4	\$ 10.4
Initial public offering	—	—	111.1
Employee stock plans	2.2	2.0	0.9
Balance at end of year	\$ 126.6	\$ 124.4	\$ 122.4
Receivable from Director			
Balance at beginning of year	\$ (0.6)	\$ (0.6)	\$ (0.6)
Repayment	0.6	—	—
Balance at end of year	\$ —	\$ (0.6)	\$ (0.6)
Retained deficit			
Balance at beginning of year	\$ (157.6)	\$ (206.5)	\$ (200.7)
Net income	138.0	63.3	15.2
Common Stock dividends	(18.2)	(14.2)	(21.0)
Adoption of SFAS No. 158 and EITF 06-2	—	(0.2)	—
Balance at end of year	\$ (37.8)	\$ (157.6)	\$ (206.5)
Accumulated other comprehensive loss			
Currency translation adjustment:			
Balance at beginning of year	\$ 26.6	\$ 15.6	\$ 5.3
Change in currency translation adjustment	(29.1)	11.0	10.3
Balance at end of year	(2.5)	26.6	15.6
Additional minimum pension liability:			
Balance at beginning of year	—	—	(20.1)
Change in pension liability, net of tax	—	—	5.0
Adoption of SFAS No. 158, net of tax of \$12.6	—	—	15.1
Balance at end of year	—	—	—
Unrecognized pension transition asset:			
Balance at beginning of year	1.2	1.7	—
Change in unrecognized pension asset, net of tax	(0.3)	(0.5)	—
Adoption of SFAS No. 158, net of tax of \$0.7	—	—	1.7
Balance at end of year	0.9	1.2	1.7
Unrecognized pension prior service cost:			
Balance at beginning of year	(0.3)	0.4	—
Change in unrecognized pension prior service cost, net of tax	(0.1)	(0.7)	—
Adoption of SFAS No. 158, net of tax of \$0.3	—	—	0.4
Balance at end of year	(0.4)	(0.3)	0.4
Unrecognized pension net loss:			
Balance at beginning of year	(14.9)	(24.2)	—
Change in unrecognized pension net loss, net of tax	(30.5)	9.3	—
Adoption of SFAS No. 158, net of tax of \$13.6	—	—	(24.2)
Balance at end of year	(45.4)	(14.9)	\$ (24.2)
<b>Total balance at end of year</b>	<b>\$ (47.4)</b>	<b>\$ 12.6</b>	<b>\$ (6.5)</b>
Treasury stock			
Balance at beginning of year	\$ (2.3)	\$ (1.4)	\$ (1.0)
Purchases	(21.3)	(0.9)	(0.4)
Balance at end of year	\$ (23.6)	\$ (2.3)	\$ (1.4)
<b>Total stockholders' equity (deficit) – end of year</b>	<b>\$ 18.0</b>	<b>\$ (23.3)</b>	<b>\$ (92.4)</b>

The accompanying notes are an integral part of these consolidated financial statements.

## KOPPERS HOLDINGS INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Description of Business

*Parent company of Koppers Inc.* – 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 Koppers Holdings Inc. (“Koppers Holdings”) and its subsidiaries on a consolidated basis for periods from and including November 18, 2004, when Koppers Holdings became the parent of Koppers Inc. The use of these terms is not intended to imply that Koppers Holdings and Koppers Inc. are not separate and distinct legal entities. Koppers Holdings has no direct operations and no significant assets other than the stock of Koppers Inc. as of December 31, 2008. 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 Koppers Holdings’ Senior Discount Notes due 2014. 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 Koppers Holdings. As of December 31, 2008 and 2007, dividends available to be declared based on covenant restrictions amounted to \$153.7 million and \$141.2 million, respectively.

*Business description* – The Company 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 segment is primarily a supplier of carbon pitch, phthalic anhydride, creosote, carbon black and carbon black feedstock. Carbon pitch is used primarily by the aluminum industry as a binder in the manufacture of anodes. Phthalic anhydride is used in the manufacture of plasticizers, unsaturated polyester resins, alkyd resins and dye making. Creosote is used in the protection of timber products against insects, fungal decay and weathering. Carbon black and carbon black feedstock are used in the production of rubber tires.

The Company’s Railroad & Utility Products segment provides various products and services to railroads, including crossties (both wood and concrete), track panels and switch pre-assemblies and disposal services. The segment also supplies treated wood poles to electric and telephone utilities and provides products to, and performs various wood treating services for construction and other commercial applications.

*Initial public offering* – The Company completed an initial public offering (“IPO”) on February 6, 2006, resulting in the issuance of 8,700,000 additional common shares at a price of \$14.00 per share, and the conversion of 2,288,481 shares of preferred stock into 9,107,926 shares of common stock. Of such converted shares, 2,800,000 were sold by the Company’s shareholders in connection with the IPO and the related over-allotment option. The Company received approximately \$111.1 million of net proceeds (after \$10.7 million of expenses) from the issuance and sale of 8,700,000 shares, which proceeds were used to redeem \$101.7 million principal amount of the Senior Secured Notes due 2013 (the “Senior Secured Notes”) and pay a related call premium of \$10.1 million. The Company wrote off \$3.2 million of deferred financing costs related to the buyback of the notes and incurred \$1.1 million of bond consent fees. The call premium, write-off of deferred financing costs, and consent fees were recorded as interest expense. The Company also incurred \$3.0 million for the termination of the Saratoga Partners III, L.P. (“Saratoga”) advisory services contract, which was recorded in selling, general and administrative expense. A post-IPO dividend of \$8.2 million, the consent fees and the Saratoga termination fee were financed through borrowings under the senior secured credit agreement.

## 2. Summary of Significant Accounting Policies

*Principles of consolidation* – 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 its operations. All significant intercompany transactions have been eliminated. The Company’s investments in 20 percent to 50 percent-owned companies in which it has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method of accounting. Accordingly, the Company’s share of the earnings of these companies is included in the accompanying consolidated statement of operations.

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*Use of estimates* – Accounting principles generally accepted in the U.S. require management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies on the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the most current and best available information and actual results could differ materially from these estimates.

*Foreign currency translation* – For consolidated entities outside of the U.S. that prepare financial statements in currencies other than the U.S. dollar, results of operations and cash flows are translated at average exchange rates during the period, and asset and liabilities are generally translated at end-of-period exchange rates. Cumulative translation adjustments are included as a separate component of accumulated other comprehensive income (loss) in stockholders' equity. Currency translation gains released to income totaled \$2.8 million for the year ended December 31, 2007 and related to the sale of Koppers Arch Investments Pty Limited and its subsidiaries.

Foreign currency transaction gains and losses result from transactions denominated in a currency which is different than the currency used by the entity to prepare its financial statements. Foreign currency transaction gains (losses) were \$1.8 million, \$0.4 million and \$(0.8) million for the years ended December 31, 2008, 2007 and 2006, respectively.

*Revenue recognition* – The Company recognizes revenue when the risks and rewards of ownership and title to the product have transferred to the customer. Revenue recognition generally occurs at the point of shipment; however in certain circumstances as shipping terms dictate, revenue is recognized at the point of destination. Shipping and handling costs are included as a component of cost of sales.

The Company recognizes revenue related to the procurement of certain untreated railroad crossties upon transfer of title to the customer, which occurs upon delivery to the Company's plant and acceptance by the customer. Service revenue, consisting primarily of wood treating services, is recognized at the time the service is provided. Payment on sales of untreated railroad crossties and wood treating services are generally due within 30 days of the invoice date. The Company's recognition of revenue with respect to untreated crossties meets all the recognition criteria of SEC Staff Accounting Bulletin Topic 13.A.3., including transfer of title and risk of ownership, the existence of fixed purchase commitments and delivery schedules established by the customer, and the completion of all performance obligations by the Company. Revenue recognized for untreated crosstie sales for the years ended December 31, 2008, 2007 and 2006 amounted to \$98.9 million, \$111.1 million and \$113.0 million, respectively.

*Research & development* – Research and development costs are expensed as incurred and are included in selling, general and administrative expenses. These costs totaled \$2.8 million in 2008, \$2.8 million in 2007 and \$2.5 million in 2006.

*Cash and cash equivalents* – Cash and cash equivalents include cash on hand and on deposit and investments in highly liquid investments with an original maturity of 90 days or less.

*Restricted cash* – Restricted cash includes cash that is required to be held on deposit by a bank and is not available for immediate withdrawal.

*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. The allowance for doubtful accounts was \$0.5 million and \$0.2 million as of December 31, 2008 and 2007, respectively.

*Inventories* – Inventories are carried at lower of cost or market on a worldwide basis. In the U.S., inventory cost (excluding miscellaneous types of inventory) is determined primarily utilizing the last-in, first-out ("LIFO") basis. Inventory cost outside the U.S. is determined utilizing the first-in, first-out ("FIFO") basis. Market represents replacement cost for raw materials and net realizable value for work in process and finished goods. LIFO inventories constituted approximately 63 percent and 53 percent of the FIFO inventory value at December 31, 2008 and 2007, respectively.

*Property, plant & equipment* – Property, plant and equipment are recorded at purchased cost and include improvements which significantly increase capacities or extend useful lives of existing plant and equipment. Depreciation expense is calculated by applying the straight-line method over estimated useful lives. Estimated useful lives for buildings generally range from 10 to 20 years and depreciable lives for machinery and equipment generally range from 3 to 10 years. Net gains and losses related to asset disposals are recognized in earnings in the period in which the disposal occurs. Routine repairs, replacements and maintenance are expensed as incurred.

The Company periodically evaluates whether current facts and circumstances indicate that the carrying value of its depreciable long-lived assets may not be recoverable. If an asset, or logical grouping of assets, is determined to be impaired, the asset is written down to its fair value using discounted future cash flows and, if available, quoted market prices.

*Goodwill & other intangible assets* – Goodwill and other purchased intangible assets are included in the identifiable assets of the business segment to which they have been assigned. The Company performs impairment tests annually for goodwill, and more often as circumstances require. When it is determined that impairment has occurred, an appropriate charge to earnings is recorded. The Company performed its annual impairment test in the fourth quarters of 2008 and 2007 and determined there was no impairment of goodwill.

Identifiable intangible assets, other than goodwill, are recorded at cost. Identifiable intangible assets that do not have indefinite lives are amortized on a straight-line basis over their estimated useful lives.

*Deferred income taxes* – Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in earnings in the period the new laws are enacted. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized. Deferred tax liabilities have not been recognized for the undistributed earnings of certain foreign subsidiaries because management intends to permanently reinvest such earnings in foreign operations.

*Insurance* – The Company is self-insured for property, casualty and workers' compensation exposures up to various stop-loss coverage amounts. Losses are accrued based upon the Company's estimates of the liability for the related deductibles of claims incurred. Such estimates utilize actuarial methods based on various assumptions, which include but are not limited to, the Company's historical loss experience and projected loss development factors. In 2008 and 2007, the Company reversed \$2.0 million and \$1.7 million, respectively, of insurance loss reserves as a result of favorable loss trends related to self-insured claims. Such reversals increased operating profit in both periods. Insurance loss reserves accrued at December 31, 2008 and 2007 totaled \$11.9 million at both dates.

*Derivative financial instruments* – The Company uses forward exchange contracts to hedge exposure to currency exchange rate changes on transactions and other commitments denominated in a foreign currency. Contracts are generally written on a short-term basis and are not held for trading or speculative purposes. The Company recognizes the fair value of the forward contracts as an asset or liability at each reporting date. Because the Company has not elected to designate the forward exchange contracts for hedge accounting treatment, changes in the fair value of the forward exchange contracts are recognized immediately in earnings.

During 2004, the Company entered into an interest rate swap agreement to convert the fixed rate on a portion (\$50.0 million) of the Senior Secured Notes to a floating rate based on six-month LIBOR rates plus a specified spread. The swap agreement matures in October 2013 and requires semiannual cash settlements of interest paid or received. The differential between the interest paid or interest received from semi-annual settlements are recorded as an adjustment to interest expense. The effect of the swap for the year ended December 31, 2008 was a decrease in interest expense of approximately \$0.3 million and for the years ended December 31, 2007 and 2006 was an increase in interest expense of approximately \$0.5 million and \$0.3 million, respectively. The swap hedges the Company's exposure related to changes in interest rates on the fair value of the Company's fixed rate debt. The swap is accounted for as a fair value hedge and has been determined to have no ineffectiveness as the critical terms of the swap are aligned with the hedged item. Any changes in the fair value of the swap are offset by an equal and opposite change in the fair value of the hedged item, therefore there is no net impact on reported earnings. Accordingly, the principal amount of the Senior Secured Notes subject to the interest rate swap is adjusted to fair value. The fair value of the swap agreement at December 31, 2008 was an asset of \$1.9 million which is recorded in other assets in the balance sheet. The fair value of the swap agreement at December 31, 2007 was a liability of \$0.5 million which is recorded in other long-term liabilities in the balance sheet.

*Asset retirement obligations* – Asset retirement obligations are initially recorded at fair value and are capitalized as part of the cost of the related long-lived asset when sufficient information is available to estimate fair value. The capitalized costs are subsequently charged to depreciation expense over the estimated useful life of the related long-lived asset. The fair value of the obligation is determined by calculating the discounted value of expected future cash flows and accretion expense is recorded each month to ultimately increase this obligation to full value.

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The Company recognizes asset retirement obligations for the removal and disposal of residues; dismantling of certain tanks required by governmental authorities; cleaning and dismantling costs for owned rail cars; and cleaning costs for leased rail cars and barges.

The following table describes changes to the Company's asset retirement obligation liabilities at December 31, 2008 and 2007:

	2008	2007
<i>(Dollars in millions)</i>		
Asset retirement obligation at beginning of year	\$18.1	\$20.0
Accretion expense	1.6	1.6
Revision in estimated cash flows	0.3	3.6
Cash expenditures	(6.0)	(7.3)
Currency translation	(0.1)	0.2
Asset retirement obligation at end of year	\$13.9	\$18.1

*Litigation & contingencies* – Amounts associated with litigation and contingencies are accrued when management, after taking into consideration the facts and circumstances of each matter including any settlement offers, has determined that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated.

*Environmental liabilities* – The Company accrues for remediation costs and penalties when the responsibility to remediate is probable and the amount of related cost is reasonably estimable. If only a range of potential liability can be estimated and no amount within the range is more probable than another, the accrual is recorded at the low end of that range. Remediation liabilities are discounted if the amount and timing of the cash disbursements are readily determinable.

*Deferred revenue from extended product warranty liabilities* – The Company defers revenues associated with extended product warranty liabilities based on historical loss experience and sales of extended warranties on certain products. The following table describes changes to the Company's deferred revenue at December 31, 2008 and 2007:

	2008	2007
<i>(Dollars in millions)</i>		
Deferred revenue at beginning of year	\$ 8.2	\$ 8.4
Deferred revenue for sales of extended warranties – current year	0.5	0.9
Revenue earned	(1.2)	(1.1)
Deferred revenue at end of year	\$ 7.5	\$ 8.2

*Stock-based compensation* – The Company records compensation cost over the vesting period for share-based payments to employees at an amount equivalent to the grant date fair value of the stock award. No compensation cost is recognized for any stock awards that are forfeited in the event the recipient fails to meet the vesting requirements.

*Reclassifications* – Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year presentation, including the reclassification of restricted cash from cash and cash equivalents of \$3.1 million at December 31, 2007 and 2006.

### 3. New Accounting Guidance

In December 2007 the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS 160 changes the classification of noncontrolling, or minority, interests on the balance sheet and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. Under the new standard, noncontrolling interests are considered equity and are to be reported as an element of stockholders' equity (deficit) rather than within the mezzanine or liability sections of the balance sheet. In addition, the current practice of reporting minority interest expense or benefit also will change. Under the new standard, net income will encompass the total income before minority interest expense or benefit. The income statement will include separate disclosure of the attribution of income between controlling and noncontrolling interests. Increases and decreases in the noncontrolling ownership interest amount are to be accounted for as equity transactions. SFAS 160 is effective for fiscal years beginning after December 15, 2008 and earlier application is prohibited.

#### 4. Accounting Changes

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007 for financial assets and liabilities, and for fiscal years beginning after November 15, 2008 for other non-recurring non-financial assets and liabilities. The Company adopted SFAS 157 as of January 1, 2008, with the exception of the application of the statement to non-recurring nonfinancial assets and nonfinancial liabilities. Non-recurring nonfinancial assets and nonfinancial liabilities for which we have not applied the provisions of SFAS 157 include those measured at fair value in goodwill impairment testing, indefinite lived intangible assets measured at fair value for impairment testing, asset retirement obligations initially measured at fair value, and those initially measured at fair value in a business combination.

SFAS 157 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

At December 31, 2008, the Company had an interest rate swap valued at \$1.9 million and cash surrender values on insurance policies totaling \$1.3 million. Both assets are classified as Level 2 in the valuation hierarchy and are measured from quotes and values received from financial institutions.

#### 5. Business Dispositions and Plant Closures

##### *Sale of Koppers Monessen Partners LP*

On October 1, 2008, Koppers Inc. and a limited partner sold Koppers Monessen Partners LP ("Monessen") to ArcelorMittal S.A. for cash of \$160.0 million plus working capital of \$10.4 million. Net cash proceeds, after deduction for the limited partner interest, taxes and transaction costs, were approximately \$100.0 million. The Company recognized an after-tax gain of \$85.9 million. Monessen is a metallurgical furnace coke facility that was 95 percent-owned by Koppers Inc. (which served as the general partner) and five percent owned by a limited partner. Effective as of the end of the second quarter of 2008, Monessen was classified as a discontinued operation in the Company's statement of operations and its assets and liabilities were reclassified as "held for sale" in the balance sheet. Accordingly, the Company's financial statements and earnings per share have been restated for prior periods. Monessen was part of the Carbon Materials & Chemicals business segment.

In February 2009, the acquirer filed a notice of objection in connection with the determination of certain assumed liabilities and has requested an adjustment to the purchase price of approximately \$2.0 million. Based upon the nature of the objections cited by the acquirer, at this time, the Company does not believe that the purchase price should be adjusted and accordingly, no adjustment to the purchase price has been provided as of December 31, 2008.

##### *Sale of Koppers Arch*

On July 5, 2007, the Company sold its 51 percent interest in Koppers Arch Investments Pty Limited and its subsidiaries ("Koppers Arch") to Arch Chemicals Inc. for net cash proceeds of \$14.3 million and recognized a gain from the sale, net of tax, of \$6.7 million. Effective as of this date, Koppers Arch was classified as a discontinued operation in the Company's statement of operations and earnings per share and the Company's financial statements have been accordingly restated. Koppers Arch was part of the Carbon Materials & Chemicals business segment.

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Net sales and operating profit from discontinued operations for the three years ended December 31, 2008 consist of the following amounts:

	Years Ended December 31,		
	2008	2007	2006
Net sales	\$50.2	\$99.4	\$115.3
Operating profit	1.4	6.8	5.7
Diluted earnings per common share:			
Income from discontinued operations	\$0.21	\$0.42	\$ 0.39
Gain on sale of Koppers Arch	—	0.32	—
Gain on sale of Monessen	4.14	—	—
Earnings per common share – discontinued operations	\$4.35	\$0.74	\$ 0.39

The following table summarizes the net assets held for disposal as of December 31, 2007:

	December 31, 2007
<i>(Dollars in millions)</i>	
Cash and cash equivalents	\$ 0.6
Accounts receivable	8.0
Inventories, net	7.8
Property, plant and equipment, net	10.5
Deferred tax liabilities	(5.3)
Total assets of discontinued operations held for sale	\$ 21.6
Accounts payable	\$ 5.7
Accrued liabilities	1.1
Total liabilities of discontinued operations held for sale	\$ 6.8

### *Other Plant Closing and Due Diligence Costs*

In June 2006, the Company sold its specialty track products business and related assets located at the Company's facility in Alorton, Illinois for cash of \$1.9 million. The Company recorded a loss on disposal, before tax, of \$1.6 million which was recorded as a component of cost of sales. For the year ended December 31, 2006, sales contributed by the business unit were \$3.2 million and its operating loss, excluding the loss on disposal, was \$(0.6) million. This facility was related to the Company's Railroad & Utility Products segment.

In 2007, the Company expensed due diligence costs of \$6.8 million related to a potential acquisition which was not consummated. The potential acquisition related to the Company's Carbon Materials & Chemicals business.

### 6. Earnings and Dividends per Common Share

The computation of basic earnings per common share for the periods presented is based upon the weighted average number of common shares outstanding during the periods. The computation of diluted earnings per common share includes the effect of nonvested nonqualified stock options and restricted stock units assuming such options and stock units were outstanding common shares at the beginning of the period. The effect of antidilutive securities is excluded from the computation of diluted earnings per common share. For this reason, the nonqualified stock options were not included in the computation of diluted earnings per share for year ended December 31, 2008 (totaling 97,305 shares) and December 31, 2007 (totaling 39,196 shares).

The following table sets forth the computation of basic and diluted earnings per common share:

	Year Ended December 31,		
	2008	2007	2006
<i>(Dollars in millions, except share amounts, in thousands, and per share amounts)</i>			
Income from continuing operations	\$ 47.7	\$ 47.8	\$ 7.4
Weighted average common shares outstanding:			
Basic	20,651	20,768	19,190
Effect of dilutive securities	116	106	914
Diluted	20,767	20,874	20,104
Earnings per common share – continuing operations:			
Basic earnings per common share	\$ 2.31	\$ 2.30	\$ 0.39
Diluted earnings per common share	2.30	2.29	0.36

On February 4, 2009, the board of directors declared a quarterly dividend of 22 cents per common share, payable on April 1, 2009 to shareholders of record as of February 17, 2009.

#### 7. Stock-based Compensation

In December 2005, the Company's board of directors and shareholders adopted the 2005 Long-Term Incentive Plan (the "LTIP"). The LTIP provides for the grant to eligible persons of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance awards, dividend equivalents and other stock-based awards, which we refer to collectively as the awards. Restricted stock units were also granted under a 2004 Restricted Stock Unit Plan which vested ratably over five years. All restricted stock units issued under this plan have vested by December 31, 2008.

Under the LTIP, the board of directors granted restricted stock units and performance stock units to certain employee participants (collectively, the "stock units") in 2007 and 2008. With respect to the 2007 grant, the restricted stock units will vest ratably each year over a period of three years for most participants, assuming continued employment. With respect to the 2008 grant, the restricted stock units will vest on the third anniversary of the grant date, assuming continued employment by the participant. The performance stock units granted in both years will vest upon the attainment of the applicable performance objective at the end of a three-year measurement period. The applicable performance objective is based upon a three-year cumulative value creation calculation commencing on the first day of each grant year. The number of performance stock units granted represents the target award and participants have the ability to earn between zero and 150 percent of the target award based upon actual performance. If minimum performance criteria are not achieved, no performance stock units will vest.

Dividends declared on the Company's common stock during the restriction period of the stock units are credited at equivalent value as additional stock units and become payable as additional common shares upon vesting. In the event of termination of employment, other than retirement, death or disability, any nonvested stock units are forfeited, including additional stock units credited from dividends. In the event of termination of employment due to retirement, death or disability, pro-rata vesting of the stock units over the service period will result. There are special vesting provisions for the stock units related to a change in control.

In accordance with accounting standards, compensation expense for nonvested stock units is recorded over the vesting period based on the fair value at the date of grant. The fair value of stock units is the market price of the underlying common stock on the date of grant.

The following table shows a summary of the performance stock units as of December 31, 2008:

Performance Period	Minimum Shares	Target Shares	Maximum Shares
2007 – 2009	—	64,400	96,600
2008 – 2010	—	46,774	70,161

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The following table shows a summary of the status and activity of nonvested stock awards for the year ended December 31, 2008:

	<i>Restricted Stock Units</i>	<i>Performance Stock Units</i>	<i>Total Stock Units</i>	<i>Weighted Average Grant Date Fair Value per Unit</i>
Nonvested at January 1, 2008	136,443	68,450	204,893	\$ 14.28
Granted	23,534	47,495	71,029	\$ 39.99
Credited from dividends	493	1,030	1,523	\$ 33.47
Vested	(105,681)	—	(105,681)	\$ 4.61
Forfeited	(6,089)	(4,068)	(10,157)	\$ 18.55
<b>Nonvested December 31, 2008</b>	<b>48,700</b>	<b>112,907</b>	<b>161,607</b>	<b>\$ 31.82</b>

Also under the LTIP, the Company awarded in 2008 and 2007 nonqualified stock options to certain employee participants which vest and become exercisable upon the completion of a three-year service period commencing on the third anniversary of the grant date. The stock options have a term of 10 years. There are special vesting provisions for the stock options related to a change in control.

In accordance with accounting standards, compensation expense for unvested stock options is recorded over the vesting period based on the fair value at the date of grant. The fair value of stock options on the date of grant is calculated using the Black-Scholes-Merton model and the assumptions listed below:

	<i>February 2008 Grant</i>	<i>May 2007 Grant</i>
Grant date price per share of option award	\$ 39.99	\$ 29.97
Expected dividend yield per share	2.00%	2.50%
Expected life in years	6.5	6.5
Expected volatility	40.67%	40.39%
Risk-free interest rate	3.28%	4.45%
Grant date fair value per share of option awards	\$ 14.79	\$ 11.01

The dividend yield is based on the Company's current and prospective dividend rate which calculates a continuous dividend yield based upon the market price of the underlying common stock. The expected life in years is based on the simplified method permitted under Securities and Exchange Commission Staff Accounting Bulletin No. 107 which calculates the average of the weighted vesting term and the contractual term of the option. This method was selected due to the lack of historical exercise data with respect to the Company. Expected volatility is based on the historical volatility of the Company's common stock and the historical volatility of certain other similar public companies. The risk-free interest rate is based on U.S. Treasury bill rates for the expected life of the option.

The following table shows a summary of the status and activity of stock options for the year ended December 31, 2008:

	<i>Options</i>	<i>Weighted Average Exercise Price per Option</i>	<i>Weighted Average Remaining Contractual Term (in years)</i>	<i>Aggregate Intrinsic Value (in millions)</i>
Outstanding at January 1, 2008	60,200	\$ 29.97		
Granted	45,712	\$ 39.99		
Exercised	(806)	\$ 29.97		
Forfeited	(1,794)	\$ 29.97		
<b>Outstanding at December 31, 2008</b>	<b>103,312</b>	<b>\$ 34.40</b>	<b>8.70</b>	<b>\$ —</b>
<b>Exercisable at December 31, 2008</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>

Total stock-based compensation expense recognized for the three years ended December 31, 2008 is as follows:

	Year Ended December 31,		
	2008	2007	2006
<i>(Dollars in millions)</i>			
<b>Stock-based compensation expense recognized:</b>			
Selling, general and administrative expenses	\$ 3.7	\$ 1.9	\$ 0.4
Less related income tax benefit	1.5	0.7	0.1
Decrease in net income	\$ 2.2	\$ 1.2	\$ 0.3

Stock-based compensation for 2008 includes 19,500 shares issued under the LTIP to members of the board of directors in relation to annual director compensation. As of December 31, 2008, total future compensation expense related to non-vested stock-based compensation arrangements totaled \$4.8 million and the weighted-average period over which this expense is expected to be recognized is approximately 22 months.

## 8. Income Taxes

### *Income Tax Provision*

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

	Years Ended December 31,		
	2008	2007	2006
<i>(Dollars in millions)</i>			
<b>Current:</b>			
Federal	\$ 13.2	\$ 17.2	\$ 4.6
State	0.8	0.3	—
Foreign	16.9	11.5	7.7
Total current tax provision	30.9	29.0	12.3
<b>Deferred:</b>			
Federal	11.8	(0.1)	(3.0)
State	0.6	0.8	0.2
Foreign	(1.7)	(0.7)	0.1
Total deferred tax provision (benefit)	10.7	—	(2.7)
Total income tax provision	\$ 41.6	\$ 29.0	\$ 9.6

Income before income taxes for 2008, 2007 and 2006 included \$53.3 million, \$37.1 million and \$25.5 million, respectively, from foreign operations.

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

	Years Ended December 31,		
	2008	2007	2006
Federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	1.0	1.0	2.3
Taxes on foreign income	10.1	1.9	14.3
Domestic production activities deduction	(1.2)	(1.5)	(0.2)
Non-deductible fines and penalties	0.8	0.7	3.5
Deferred tax adjustments	—	(0.5)	—
Change in tax contingency reserves	1.0	0.4	(1.5)
Change in valuation allowance	—	—	—
Other	(0.5)	(0.5)	(1.8)
	46.2%	36.5%	51.6%

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The Company has not provided any U.S. tax on undistributed earnings of foreign subsidiaries or joint ventures that are reinvested indefinitely. For the year ended December 31, 2008, the Company provided deferred tax on current year unremitted earnings of its European subsidiaries. At December 31, 2008 consolidated retained earnings of the Company included approximately \$44 million of undistributed earnings from these investments.

### *Koppers China Tax Holiday*

As a result of being a Foreign Investment Enterprise in the manufacturing sector, the Company's 60 percent-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 percent reduction in the corporate tax for the succeeding three years. The effect of the tax holiday on the Company's net income for the years ended December 31, 2008, 2007 and 2006 was approximately \$0.4 million, \$0.6 million and \$0.3 million, respectively. The tax holiday expired on January 1, 2009.

### *Taxes Excluded from Net Income*

The amount of income tax provision (benefit) included in comprehensive income but excluded from net income relating to adjustments to reflect the unfunded status of employee post-retirement benefit plans is \$(19.6) million, \$5.0 million and \$0.1 million for the years ended December 31, 2008, 2007 and 2006, respectively.

The amount of income tax benefit included in stockholders' equity (deficit) but excluded from net income relating to the expense for restricted stock and employee stock options recognized differently for financial and tax reporting purposes was \$0.8 million, \$1.2 million and \$0.4 million for the years ended December 31, 2008, 2007 and 2006, 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:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
<i>(Dollars in millions)</i>		
<b>Deferred tax assets:</b>		
Pension and other postretirement benefits obligations	\$29.9	\$ 8.1
Accrued but unpaid interest	21.4	15.4
Reserves, including insurance and deferred revenue	14.0	14.6
Asset retirement obligations	5.0	6.4
Book/tax inventory accounting differences	4.1	4.3
Excess tax basis on Koppers Australia assets	3.0	4.4
Net operating loss benefit	2.5	5.7
Accrued vacation	2.0	3.0
Capital loss benefit	2.0	2.0
Alternative minimum tax credits	—	13.0
Other	3.3	1.4
Valuation allowance	(4.2)	(7.1)
Total deferred tax assets	83.0	71.2
<b>Deferred tax liabilities:</b>		
Tax over book depreciation and amortization	14.3	10.7
Unremitted earnings of foreign subsidiaries	6.2	—
Partnership basis difference	—	5.7
Other	3.9	2.9
Total deferred tax liabilities	24.4	19.3
Net deferred tax assets	\$58.6	\$51.9

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 \$2.2 million for certain state net operating loss carryforwards anticipated to produce no tax benefit. Additionally, the Company has recorded a valuation allowance of \$2.0 million for certain capital loss carryforwards expected to produce no benefit. The Company has a state net operating loss benefit of \$2.5 million, which will expire from 2009 to 2027.

*Uncertain Tax Positions*

The Company or one of its subsidiaries files income tax returns in U.S. federal jurisdiction, individual U.S. state jurisdictions and non-U.S. jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2003.

The Company adopted the provisions of FIN 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2008. As a result of the adoption of FIN 48, the Company did not recognize a material change in the liability for unrecognized tax benefits. As of December 31, 2008, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate, was approximately \$3.2 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	December 31, 2008	December 31, 2007
<i>(Dollars in millions)</i>		
Balance at beginning of year	\$ 2.7	\$ 2.1
Additions based on tax provisions related to the current year	0.5	0.7
Additions for tax provisions of prior years	1.1	0.3
Reductions as a result of a lapse of the applicable statute of limitations	(0.3)	(0.4)
Balance at end of year	\$ 4.0	\$ 2.7

The Company recognizes interest expense and any related penalties from uncertain tax positions in income tax expense. For each year ended December 31, 2008, 2007 and 2006, the Company recognized \$0.3 million, \$0.1 million and \$0.1 million, respectively, in interest and penalties. As of December 31, 2008 and 2007, the Company had accrued approximately \$0.7 million and \$0.4 million, respectively, for interest and penalties.

9. Segment Information

The Company has two reportable segments: Carbon Materials & Chemicals and Railroad & Utility Products. The Company's reportable segments are business units that offer different products. The reportable segments are each managed separately because they manufacture and distribute distinct products with different production processes. The business units have been aggregated into two reportable segments since management believes the long-term financial performance of these business units is affected by similar economic conditions.

The Company's Carbon Materials & Chemicals segment is primarily a supplier of carbon pitch, phthalic anhydride, creosote, carbon black and carbon black feedstock. Carbon pitch is used primarily by the aluminum industry as a binder in the manufacture of anodes. Phthalic anhydride is used in the manufacture of plasticizers, unsaturated polyester resins, alkyd resins and dye making. Creosote is used in the protection of timber products against insects, fungal decay and weathering. Carbon black and carbon black feedstock are used in the production of rubber tires.

The Company's Railroad & Utility Products segment provides various products and services to railroads, including crossties (both wood and concrete), track panels and switch pre-assemblies and disposal services. The segment also supplies treated wood poles to electric and telephone utilities and provides products to, and performs various wood treating services for construction and other commercial applications.

The Company evaluates performance and determines resource allocations based on a number of factors, the primary measure being operating profit or loss from operations. Operating profit does not include equity in earnings of affiliates, other income, interest expense or income taxes. Operating profit also excludes the operating costs of Koppers Holdings Inc., the parent company of Koppers Inc. 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.

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### Results of Segment Operations

	Year Ended December 31,		
	2008	2007	2006
<i>(Dollars in millions)</i>			
Revenues from external customers:			
Carbon Materials & Chemicals	\$ 892.0	\$ 776.1	\$ 610.6
Railroad & Utility Products	472.8	479.5	433.6
Total	\$1,364.8	\$1,255.6	\$1,044.2
Intersegment revenues:			
Carbon Materials & Chemicals	\$ 72.4	\$ 63.3	\$ 49.9
Depreciation & amortization:			
Carbon Materials & Chemicals	\$ 22.7	\$ 22.6	\$ 21.8
Railroad & Utility Products	7.3	6.9	7.6
Corporate	—	—	0.2
Total	\$ 30.0	\$ 29.5	\$ 29.6
Operating profit:			
Carbon Materials & Chemicals	\$ 107.9	\$ 84.3	\$ 56.3
Railroad & Utility Products	24.0	42.8	23.9
Corporate <sup>(a)</sup>	(2.3)	(2.0)	(1.2)
Total	\$ 129.6	\$ 125.1	\$ 79.0
Capital expenditures (including acquisitions):			
Carbon Materials & Chemicals <sup>(b)</sup>	\$ 24.3	\$ 17.7	\$ 63.5
Railroad & Utility Products	13.8	9.2	8.3
Corporate	1.5	0.4	0.8
Total	\$ 39.6	\$ 27.3	\$ 72.6

<sup>(a)</sup> Operating loss for Corporate includes general and administrative costs for Koppers Holdings Inc, the parent company of Koppers Inc.

<sup>(b)</sup> Excludes capital expenditures by Koppers Arch, a discontinued operation, of \$0.0 million, \$0.1 million and \$0.8 million and by Koppers Monessen, a discontinued operation, of \$0.4 million, \$1.0 million and \$0.2 million for the years ended December 31, 2008, 2007 and 2006, respectively.

### Assets and Goodwill by Segment

	December 31,	
	2008	2007
<i>(Dollars in millions)</i>		
Assets:		
Carbon Materials & Chemicals	\$402.1	\$444.9
Railroad & Utility Products	152.0	144.2
Assets of discontinued operations held for sale	—	21.6
Segment assets	554.1	610.7
Cash & cash equivalents	37.6	0.2
Deferred taxes	43.0	39.0
Deferred financing costs	9.3	9.3
Deferred charges	4.4	4.9
Other	12.7	5.2
Total	\$661.1	\$669.3
Goodwill:		
Carbon Materials & Chemicals	\$ 56.6	\$ 60.3
Railroad & Utility Products	1.8	2.2
Total	\$ 58.4	\$ 62.5

Revenues and Long-lived Assets by Geographic Area

	Year	Revenue	Long-lived assets
<i>(Dollars in millions)</i>			
United States	2008	\$ 723.6	\$153.6
	2007	712.9	144.2
	2006	629.8	
Australasia	2008	\$ 261.8	\$ 63.9
	2007	217.3	69.4
	2006	174.6	
Europe	2008	\$ 223.7	\$ 15.2
	2007	203.0	23.6
	2006	153.8	
Other countries	2008	\$ 155.7	\$ —
	2007	122.4	—
	2006	86.0	
Total	2008	\$1,364.8	\$232.7
	2007	1,255.6	237.2
	2006	1,044.2	

Revenues by geographic area in the above table are attributed by the destination country of the sale. Revenues from foreign countries totaled \$641.2 million in 2008, \$542.7 million in 2007 and \$414.4 million in 2006. Revenues from one customer of the Carbon Materials & Chemicals segment represented approximately ten percent on the Company's consolidated revenues in 2008.

Segment Revenues for Significant Product Lines

	Year Ended December 31,		
	2008	2007	2006
<i>(Dollars in millions)</i>			
<b>Carbon Materials &amp; Chemicals:</b>			
Carbon pitch	\$ 401.6	\$ 360.3	\$ 265.2
Creosote and carbon black feedstock	119.1	87.2	61.7
Phthalic anhydride	101.6	102.2	97.7
Carbon black	64.8	43.2	36.3
Naphthalene	56.9	57.4	32.9
Other products	148.0	125.8	116.8
	892.0	776.1	610.6
<b>Railroad &amp; Utility Products:</b>			
Railroad crossties	305.7	312.7	286.9
Utility poles	80.2	78.8	75.0
Creosote	42.4	45.6	25.5
Other products	44.5	42.4	46.2
	472.8	479.5	433.6
<b>Total</b>	<b>\$1,364.8</b>	<b>\$1,255.6</b>	<b>\$1,044.2</b>

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### 10. Inventories

Inventories as of December 31, 2008 and 2007 were as follows:

	<i>December 31,</i>	
	<i>2008</i>	<i>2007</i>
<i>(Dollars in millions)</i>		
Raw materials	\$ 99.6	\$ 92.8
Work in process	13.6	8.3
Finished goods	101.5	97.7
	214.7	198.8
Less revaluation to LIFO	42.9	26.9
Net	\$171.8	\$171.9

In the fourth quarter of 2008 the Company recorded inventory lower of cost or market charges totaling \$3.9 million. For the year ended December 31, 2007, liquidations of LIFO inventories of the Railroad & Utility Products segment increased operating profit by \$0.1 million.

### 11. Equity Investments

The Company holds two investments in unconsolidated companies. KSA Limited Partnership is a 50 percent owned concrete crosstie operation located in Portsmouth, Ohio. Tangshan Koppers Kailuan Carbon Chemical Company Limited ("TKK") was established in November 2007 and will construct and operate a new tar distillation facility in the Hebei Province near the Jingtang Port. The Company holds a 30 percent investment in TKK which is expected to commence production in 2009. Equity in earnings (losses) and total dividends received for the three years ended December 31, 2008 were as follows:

	<i>Equity Income (loss)</i>	<i>Dividends Received</i>
<i>(Dollars in millions)</i>		
2008	\$ (0.6)	\$ 0.2
2007	0.3	0.6
2006	0.5	0.8

### 12. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2008 and 2007 were as follows:

	<i>December 31,</i>	
	<i>2008</i>	<i>2007</i>
<i>(Dollars in millions)</i>		
Land	\$ 6.3	\$ 6.7
Buildings	21.0	22.6
Machinery and equipment	469.4	497.6
	496.7	526.9
Less accumulated depreciation	351.9	381.7
Net	\$144.8	\$145.2

Depreciation expense for the years ended December 31, 2008, 2007 and 2006 amounted to \$29.1 million, \$27.9 million and \$27.0 million, respectively. Included in depreciation expense for 2008 was an impairment charge of \$3.7 million related to the CM&C segment's glycerine refining plant in the United Kingdom. This impairment charge was incurred after the Company received a termination notice from its sole customer.

13. Goodwill and Other Identifiable Intangible Assets

The change in the carrying amount of goodwill attributable to each business segment for the years ended December 31, 2008 and December 31, 2007 was as follows:

	Carbon Materials & Chemicals	Railroad & Utility Products	Total
<i>(Dollars in millions)</i>			
Balance at December 31, 2006	60.6	2.0	62.6
Business disposition	(2.5)	—	(2.5)
Currency translation	2.2	0.2	2.4
Balance at December 31, 2007	60.3	2.2	62.5
Currency translation	(3.7)	(0.4)	(4.1)
Balance at December 31, 2008	\$ 56.6	\$ 1.8	\$58.4

The Company's identifiable intangible assets with finite lives are being amortized over their estimated useful lives and are summarized below:

	December 31,					
	2008			2007		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
<i>(Dollars in millions)</i>						
Customer contracts	\$ 9.4	\$ 4.3	\$5.1	\$ 10.3	\$ 4.4	\$5.9
Non-compete agreements	1.1	1.1	—	1.5	1.4	0.1
Total	\$ 10.5	\$ 5.4	\$5.1	\$ 11.8	\$ 5.8	\$6.0

In 2008, the gross carrying value of the Company's intangible assets decreased by \$1.3 million due to foreign currency translation. The customer contracts have estimated useful lives of 10 years and the non-compete agreements have estimated useful lives of 3 years. Total amortization expense related to these identifiable intangible assets was \$0.9 million, \$1.5 million and \$2.5 million for the years ended December 31, 2008, 2007 and 2006, respectively. Estimated amortization expense for the proceeding five years is summarized below:

	Estimated annual amortization
<i>(Dollars in millions)</i>	
2009	\$ 0.8
2010	0.7
2011	0.7
2012	0.7
2013	0.7

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14. Debt

Debt at December 31, 2008 and December 31, 2007 was as follows:

	Weighted Average Interest Rate	Maturity	December 31,	
			2008	2007
<i>(Dollars in millions, except interest rates)</i>				
Revolving Credit Facility	—%	2012	\$ —	\$ —
Senior Secured Revolving Credit Facility	—%	—	—	12.0
Other revolving credit facilities	—%	—	—	9.3
Senior Secured Term Loans	—%	—	—	31.6
Senior Secured Notes	9 7/8%	2013	187.8	217.8
Senior Discount Notes	9 7/8%	2014	186.6	169.5
Other debt, including capital leases	8.00%	Various	0.5	—
Total debt			374.9	440.2
Less short-term debt and current maturities of long-term debt			0.2	21.3
Long-term debt (excluding current portion)			\$374.7	\$418.9

*Revolving Credit Facility*

The Koppers Inc. revolving credit facility agreement, as amended and restated, provides for a revolving credit facility of up to \$300.0 million at variable rates. The revolving credit facility replaced the Senior Secured Revolving Credit Facility on October 31, 2008. Borrowings under the revolving credit facility are secured by a first priority lien on substantially all of Koppers Inc.'s assets, including the assets of certain significant subsidiaries. The credit facility contains certain covenants that limit capital expenditures by Koppers Inc. 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 Koppers Inc. to meet certain financial ratios.

As of December 31, 2008, the Company had \$283.0 million of unused revolving credit availability for working capital purposes after restrictions from certain letter of credit commitments. As of December 31, 2008, \$13.6 million of commitments were utilized by outstanding letters of credit.

*Senior Secured Notes*

The 9 7/8 percent Senior Secured Notes due 2013 (the "Senior Secured Notes") are guaranteed, jointly and severally, on a senior secured basis by certain of the Company's subsidiaries. Interest is payable semiannually in arrears on April 15 and October 15 of each year. 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 facilities. On or after October 15, 2008, the Company is entitled to redeem all or a portion of the Senior Secured Notes at a redemption price of 104.938 percent of principal value, declining annually in ratable amounts until the redemption price is equivalent to the principal value.

In 2008, the Company repurchased Senior Secured Notes with a face value of \$32.5 million. The Senior Secured Notes were repurchased at a discount to face value and accordingly, the Company realized a gain of \$2.1 million which was recorded as a reduction to interest expense.

The Company has a notional \$50.0 million interest rate swap to convert a portion of the Senior Secured Notes from fixed-interest rate debt to floating-interest rate debt. Accordingly, the interest rate swap is reflected at fair value in other assets at December 31, 2008 and in other long-term liabilities at December 31, 2007. The Senior Secured Notes subject to the notional amount of the interest rate swap is reflected at fair value at each balance sheet date. At December 31, 2008 and December 31, 2007, the impact of the interest rate swap increased (decreased) the carrying value of the Senior Secured Notes by \$1.9 million and \$(0.5) million, respectively.

The indentures governing the Senior Secured Notes include customary covenants that restrict, among other things, the ability of Koppers Inc. and its subsidiaries 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.

*Senior Discount Notes*

Koppers Holdings' 9 <sup>7</sup>/<sub>8</sub> percent Senior Discount Notes due 2014 (the "Senior Discount Notes") have a principal amount at maturity of \$203.0 million. No cash interest is required to be paid prior to November 15, 2009. The accreted value of each Senior Discount Note increases from the date of issuance until November 15, 2009, at a rate of 9 <sup>7</sup>/<sub>8</sub> percent 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 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 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. On or after November 15, 2009, the Company is entitled to redeem all or a portion of the Senior Discount Notes at a redemption price of 104.938 percent of principal value, declining annually in ratable amounts until the redemption price is equivalent to the principal value.

*Guarantees*

The Company's 60-percent owned subsidiary in China has issued a guarantee of \$17.9 million in support of the Company's 30-percent investment in Tangshan Koppers Kailuan Carbon Chemical Company Limited ("TKK"). The guarantee relates to bank debt incurred by TKK and expires in 2013.

*Debt Maturities and Deferred Financing Costs*

At December 31, 2008 the aggregate debt maturities for the next five years are as follows:

<i>(Dollars in millions)</i>	
2009	\$ 0.2
2010	0.2
2011	0.1
2012	—
2013	185.9
Thereafter	203.0
<b>Total maturities</b>	<b>389.4</b>
Future accretion on Discount Notes	(16.4)
Fair market value of interest rate swap on Senior Secured Notes	1.9
<b>Total debt</b>	<b>\$374.9</b>

Deferred financing costs associated with the credit facilities, the issuance of the Discount Notes and the issuance of Senior Secured Notes totaled \$16.7 million and \$18.6 million at December 31, 2008 and 2007, respectively, and are being amortized over the life of the related debt. Unamortized deferred financing costs (net of accumulated amortization of \$7.4 million and \$9.3 million at December 31, 2008 and 2007, respectively) were \$9.3 million at December 31, 2008 and 2007, and are included in other assets.

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### 15. Leases

Future minimum commitments for operating leases having non-cancelable lease terms in excess of one year are as follows:

<i>(Dollars in millions)</i>	
2009	\$ 33.6
2010	28.4
2011	18.2
2012	13.8
2013	7.9
Thereafter	2.6
Total	\$104.5

Operating lease expense for 2008, 2007 and 2006 was \$39.0 million, \$31.1 million and \$26.1 million, respectively.

### 16. Pensions and Post-retirement Benefit Plans

The Company and its subsidiaries maintain a number of defined benefit and defined contribution plans to provide retirement benefits for employees in the U.S., as well as employees outside the U.S. These plans are maintained and contributions are made in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA"), local statutory law or as determined by the board of directors. The defined benefit pension plans generally provide benefits based upon years of service and compensation. Pension plans are funded except for three domestic non-qualified defined benefit pension plans for certain key executives. The defined contribution plans generally provide retirement assets to employee participants based upon employer and employee contributions to the participant's individual investment account. The Company also provides retiree medical insurance coverage to certain U.S. employees and a life insurance benefit to most U.S. employees.

Effective December 31, 2006, salaried employees of the Company's U.S. qualified and corresponding non-qualified defined benefit pension plans no longer accrue additional years of service or recognize future increases in compensation for benefit purposes. As a result of the freeze of one of the non-qualified pension plans, the Company incurred a pension curtailment loss of \$1.7 million in 2006. In addition, the Company has recently negotiated "soft" freezes with respect to a number of hourly defined benefit pension plans. Such negotiated agreements preclude new employees from entering the defined benefit pension plans.

In lieu of the reduction in benefits under the qualified defined benefit plan for U.S. salaried employees, the Company provides, based on age and years of service, a uniform employer contribution of at least three percent and up to a maximum of nine percent of compensation to the salaried employee's defined contribution plan. The Company also matches contributions by salaried employees at an amount equal to 50 percent of the first six percent of compensation contributed by the salaried employee. In 2007, the Company's board of directors approved the establishment of a supplemental benefit plan to restore employer non-elective contributions lost to certain participants in the Company's defined contribution plan under U.S. tax law. This supplemental benefit plan is considered a defined-benefit pension plan under applicable accounting guidance.

With respect to U.S. hourly employees who are not eligible to participate in an hourly defined benefit pension plan, the Company provides a uniform employer contribution of three percent of compensation to the hourly employee's defined contribution plan. The Company also matches contributions by hourly employees at an amount equal to 100 percent of the first one percent and 50 percent on the next two percent of compensation contributed by the hourly employee.

Expense related to our defined contribution plans, including the uniform employer contribution described above, totaled \$4.7 million, \$3.6 million and \$1.7 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Effective December 31, 2006, the Company adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* ("SFAS 158"). SFAS 158 requires a company to recognize in its balance sheet an asset for a defined benefit postretirement plan's overfunded status or a liability for a plan's unfunded status. SFAS 158 does not change the amount of net periodic benefit expense otherwise included in net income under existing accounting standards. The adoption of SFAS 158 resulted in an additional recognized net postretirement

liability of \$10.4 million. The impact of adoption was reflected as an adjustment to the ending balance of accumulated other comprehensive income and totaled \$7.0 million, net of tax of \$3.4 million. The Company adopted the measurement date provisions of SFAS 158 effective January 1, 2007 for its one pension plan with a measurement date other than December 31. The impact of the adoption of the measurement date provisions resulted in an increase to opening retained deficit of \$0.1 million on January 1, 2007.

Net periodic pension costs for 2008, 2007 and 2006 were as follows:

	<i>Pension Benefits</i>			<i>December 31, Other Benefits</i>		
	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
<i>(Dollars in millions)</i>						
<b>Components of net periodic benefit cost:</b>						
Service cost	\$ 3.1	\$ 3.7	\$ 5.0	\$ 0.2	\$ 0.2	\$ 0.2
Interest cost	11.7	11.5	9.9	0.8	0.8	0.9
Expected return on plan assets	(13.1)	(13.6)	(10.6)	—	—	—
Amortization of prior service cost	0.2	0.2	0.4	(0.3)	(0.3)	(0.3)
Amortization of net loss	0.8	2.0	2.5	—	0.1	0.1
Amortization of transition asset	(0.4)	(0.4)	(0.4)	—	—	—
Settlements and curtailments	0.2	(0.1)	1.7	—	—	—
<b>Net periodic benefit cost</b>	<b>\$ 2.5</b>	<b>\$ 3.3</b>	<b>\$ 8.5</b>	<b>\$ 0.7</b>	<b>\$ 0.8</b>	<b>\$ 0.9</b>

Net periodic pension cost (benefit) that is expected to be recognized from the amortization of prior service cost, net loss and transition asset is estimated to total \$(0.2) million, \$5.6 million and \$(0.4) million for all plans in 2009.

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The change in the funded status of the pension and postretirement plans as of December 31, 2008 and December 31, 2007 is as follows:

	Pension Benefits		December 31, Other Benefits	
	2008	2007	2008	2007
<i>(Dollars in millions)</i>				
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of year	\$195.2	\$200.1	\$ 14.4	\$ 15.4
Service cost	3.1	3.7	0.2	0.2
Interest cost	11.7	11.5	0.8	0.8
Plan participants' contributions	0.3	0.4	—	—
Actuarial (gains) losses	(1.7)	(12.9)	(0.5)	(1.0)
Plan amendments	0.4	1.1	—	—
Settlements	(3.5)	(1.6)	—	—
Curtailments	(3.8)	—	—	—
Currency translation	(15.8)	2.1	—	—
Benefits paid	(9.0)	(9.2)	(1.3)	(1.0)
Benefit obligation at end of year	176.9	195.2	13.6	14.4
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year	182.5	165.6	—	—
Actual return on plan assets	(43.0)	12.7	—	—
Employer contribution	2.0	12.5	1.3	1.0
Plan participants' contributions	0.3	0.4	—	—
Settlements	(5.4)	(1.6)	—	—
Currency translation	(13.9)	2.1	—	—
Benefits paid	(9.1)	(9.2)	(1.3)	(1.0)
Fair value of plan assets at end of year	113.4	182.5	—	—
Funded status of the plan	\$ (63.5)	\$ (12.7)	\$(13.6)	(14.4)
<b>Amounts recognized in the balance sheet consist of:</b>				
Noncurrent assets	\$ —	\$ 2.4	\$ —	\$ —
Current liabilities	0.1	0.4	1.3	1.3
Noncurrent liabilities	63.4	14.7	12.3	13.1
<b>Pension plans with benefit obligations in excess of plan assets:</b>				
Benefit obligation	\$176.9	\$184.1		
Fair value of plan assets	113.4	168.9		
<b>Pension plans with accumulated benefit obligations in excess of plan assets:</b>				
Accumulated benefit obligation	\$164.1	\$ 9.2		
Fair value of plan assets	107.5	—		

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

The accumulated benefit obligation for all defined benefit pension plans as of December 31, 2008 and 2007 was \$169.7 million and \$186.4 million, respectively.

*Expected Contributions for the 2009 Fiscal Year*

The expected contributions by the Company for 2009 are estimated to be \$1.3 million for pension plans and \$1.3 million for other benefit plans.

*Projected Benefit Payments*

Benefit payments for pension benefits, which are primarily funded by the pension plan assets, and other benefits, which are funded by general corporate assets and reflecting future expected service as appropriate, are expected to be paid as follows:

<i>(Dollars in millions)</i>	<i>Pension Benefits</i>	<i>Other Benefits</i>
2009	\$ 9.7	\$ 1.3
2010	9.8	1.3
2011	10.7	1.3
2012	11.6	1.3
2013	11.7	1.3
2014 – 2018	64.9	5.7

*Weighted-Average Assumptions as of December 31*

	<i>Pension Benefits</i>		<i>December 31, Other Benefits</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Discount rate	6.16%	6.27%	6.26%	6.22%
Expected return on plan assets	7.82	7.82		
Rate of compensation increase	3.16	3.33		
Initial medical trend rate			10.00	10.00

*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.

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 percent 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 percent allocation to equity securities and a 25 percent allocation to debt securities. For non-U.S. pension plans, various asset allocation strategies weighted toward equity and debt securities are in place.

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

	<u>December 31,</u>	
	2008	2007
Equity securities	64.4%	68.4%
Debt securities	32.3	27.9
Other	3.3	3.7
	100.0%	100.0%

### *Health Care Cost Trend Rates*

The 2008 initial health care cost trend rate is assumed to be ten percent and is assumed to decrease gradually to five percent in 2014 and remain at that level thereafter. The assumed health care cost trend rate has a significant effect on the amounts reported for other postretirement benefit liability. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

	<u>1% Increase</u>	<u>1% Decrease</u>
<i>(Dollars in millions)</i>		
Increase (decrease) from change in health care cost trend rates:		
Postretirement benefit expense	\$ —	\$ —
Postretirement benefit liability	0.4	(0.4)

### *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 these plans was \$4.7 million in 2008, \$6.7 million in 2007 and \$4.9 million in 2006.

### 17. Common Stock and Senior Convertible Preferred Stock

Changes in senior convertible preferred stock, common stock and treasury stock for the three years ended December 31, 2008 are as follows:

	<u>Year Ended December 31,</u>		
	2008	2007	2006
<i>(Shares in thousands)</i>			
<b>Senior Convertible Preferred Stock:</b>			
Balance at beginning of year	—	—	2,288
Converted into Common Stock	—	—	(2,288)
Balance at end of year	—	—	—
<b>Common Stock:</b>			
Balance at beginning of year	20,971	20,850	2,945
Conversion of Senior Convertible Preferred Stock	—	—	9,108
Initial public offering	—	—	8,700
Issued for employee stock plans	126	121	114
Retired and cancelled	—	—	(17)
Balance at end of year	21,097	20,971	20,850
<b>Treasury Stock:</b>			
Balance at beginning of year	(145)	(120)	(22)
Shares repurchased	(524)	(25)	(115)
Retired and cancelled	—	—	17
Balance at end of year	(669)	(145)	(120)

*Common Stock*

In February 2008, the board of directors approved a \$75.0 million common stock repurchase program which expires in February 2010. During 2008, the Company repurchased \$20.7 million of common stock under the program.

*Senior Convertible Preferred Stock*

The senior convertible preferred stock ("preferred stock") had voting rights (except as noted below) and dividend rights equal to 3.9799 times the dividend rate on common stock, and had a liquidation preference equal to par value (\$0.01 per share). The preferred stock was convertible into common stock at any time. The holders of the preferred stock voted as a separate series from all other classes of stock, and were entitled to elect a majority of the board of directors of the Company. In January 2006 the preferred stock was converted into shares of common stock on a 3.9799-for-one basis in connection with the Company's initial public offering in 2006 and no shares of preferred stock are currently outstanding.

18. Fair Value of Financial Instruments

Carrying amounts and the related estimated fair values of the Company's financial instruments as of December 31, 2008 and 2007 are as follows:

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	<i>Fair Value</i>	<i>Carrying Value</i>	<i>Fair Value</i>	<i>Carrying Value</i>
<i>(Dollars in millions)</i>				
<b>Financial assets:</b>				
Cash and cash equivalents, including restricted cash	\$ 67.3	\$ 67.3	\$ 16.9	\$ 16.9
Short-term investments	1.7	1.7	2.1	2.1
Investments and other assets <sup>(a)</sup>	3.2	3.2	1.3	1.3
<b>Financial liabilities:</b>				
Long-term debt (including current portion)	\$ 325.4	\$ 374.9	\$ 457.4	\$ 440.2
Other long-term liabilities	—	—	0.5	0.5

*(a) Excludes equity method investments.*

*Cash and short-term investments* – The carrying amount approximates fair value because of the short maturity of those instruments.

*Investments and other assets* – Represents the broker-quoted cash surrender value on universal life insurance policies and the interest rate swap fair value adjustment. This interest rate swap is further described in Note 2.

*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.

*Investments and other long-term liabilities* – The Company entered into an interest rate swap agreement to convert notional amounts of \$50.0 million of fixed-interest rate debt, the Senior Secured Notes, to floating-interest rate debt. This interest rate swap is further described in Note 2.

19. Commitments and Contingent Liabilities

The Company and its subsidiaries are involved in litigation and various proceedings relating to environmental laws and regulations and toxic tort, product liability and other matters. Certain of these matters are discussed below. The ultimate resolution of these contingencies is subject to significant uncertainty and should the company fail to prevail in any of these legal matters or should several of these legal matters be resolved against the Company in the same reporting period, these legal matters could, individually or in the aggregate, be material to the consolidated financial statements.

## Legal Proceedings

**Product Liability Cases.** Koppers Inc., along with other defendants, is currently a defendant in lawsuits filed in a variety of states in which the plaintiffs claim they suffered a variety of illnesses (including cancer) as a result of exposure to coal tar pitch sold by the defendants. There are 99 plaintiffs in 55 cases pending as of December 31, 2008 as compared to 97 plaintiffs in 52 cases at December 31, 2007. As of December 31, 2008, there are a total of 50 cases pending in state court in Pennsylvania, one case each pending in state courts in Tennessee, Washington and Illinois, two cases pending in an Indiana state court and one case pending in the United States District Court for the District of Oregon.

The plaintiffs in all 56 pending cases seek to recover compensatory damages, while plaintiffs in 44 cases also seek to recover punitive damages. The plaintiffs in the 50 cases filed in Pennsylvania state court seek unspecified damages in excess of the court's minimum arbitration jurisdictional limit. The plaintiffs in the two cases filed in Indiana state court and the one case filed in Washington state court also seek unspecified damages. The plaintiff in the Oregon case seeks damages in excess of \$1.8 million. The plaintiffs in the Tennessee state court case each seek damages of \$15.0 million. The plaintiff in the Illinois state court seeks compensatory damages in excess of \$50,000.

The other defendants in these lawsuits vary from case to case and include companies such as Beazer East, Inc., United States Steel Corporation, Honeywell International Inc., Vertellus Specialties Inc., Dow Chemical Company, Rust-Oleum Corporation, UCAR Carbon Company, Inc., Exxon Mobil Corporation, Chemtura Corporation, SGL Carbon Corporation, Alcoa, Inc., and PPG Industries, Inc. Discovery is proceeding in these cases. The Company has not provided a reserve for these lawsuits because, at this time, the Company cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. Although Koppers Inc. is vigorously defending these cases, an unfavorable resolution of these matters may have a material adverse effect on the Company's business, financial condition, cash flows and results of operations.

Koppers Inc. is currently a defendant in several products liability lawsuits in which the plaintiffs allege exposure to products or constituents of products sold by Koppers, including benzene, oils, solvents, pentachlorophenol and creosote. There are eleven plaintiffs in four cases pending as of December 31, 2008 as compared to 72 plaintiffs in ten cases at December 31, 2007. Most of these cases also involve numerous other defendants in addition to Koppers Inc. The plaintiffs in one of these cases seek compensatory damages in an unspecified amount in excess of the court's minimum jurisdictional limit. The plaintiffs in the other cases seek to recover compensatory and punitive damages in an unspecified amount in excess of the court's minimum jurisdictional limit. The Company has not provided a reserve for these lawsuits because, at this time, the Company cannot reasonably determine the probability of loss, and the amount of loss, if any, cannot be reasonably estimated.

**Somerville Cases.** Koppers Inc. is currently defending five sets of state court cases in Texas (*Antu, Baade, Davis, Hensen and Moses*) involving approximately 150 plaintiffs who allegedly have worked or resided in Somerville, Texas, where Koppers Inc. has operated a wood treatment plant since 1995. Koppers has been named, but not served, in another case (*Asselin*) that has 11 more plaintiffs who allegedly worked or resided in Somerville, Texas. These cases are pending in Bureson County, Texas and in Tarrant County, Texas. The Burlington Northern Santa Fe Railway Company (the "BNSF") has also been named as a defendant in these cases. The complaints allege that plaintiffs have suffered personal injuries (including death, in some cases) resulting from exposure to wood preservative chemicals used at the Somerville, Texas wood treatment plant. The complaints in the *Baade, Moses, Davis* and *Asselin* cases additionally allege that plaintiffs have suffered property damage.

The complaints seek to recover various damages for each plaintiff, including compensatory and punitive damages within the jurisdictional limits of the court for, among other things, bodily injuries, pain and mental anguish, emotional distress, medical monitoring, medical expenses, diminished earning capacity, permanent disability, physical impairment and/or disfigurement, loss of companionship and society, loss of consortium, devaluation of property, loss of use and enjoyment of personal property, loss of use and enjoyment of real property, property damage, property remediation costs, funeral and burial expenses and lost wages.

There are a total of 44 plaintiffs (six of whom have claims pending against only the BNSF) in the *Moses* cases. These plaintiffs seek compensatory and punitive damages in an unspecified amount in excess of the court's minimum jurisdictional limit for alleged personal injuries and property damages. There are a total of 10 plaintiffs in the *Antu* case, four of whom have claims pending against only the BNSF. These plaintiffs also seek compensatory and punitive damages in an unspecified amount in excess of the court's minimum jurisdictional limit. The plaintiffs in the *Hensen* case seek compensatory and punitive damages in excess of \$75,000 each. The *Hensen* case identifies a total of 93 plaintiffs, one of whom has a claim pending against only the

BNSF. The *Davis* case involves one plaintiff who seeks compensatory and punitive damages in an unspecified amount in excess of the court's minimum jurisdictional limit.

The Company has not provided a reserve for these matters because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. Although Koppers Inc. is vigorously defending these cases, an unfavorable resolution of these matters may have a material adverse effect on the Company's business, financial condition, cash flows and results of operations.

**Grenada – All Cases.** Koppers Inc., together with various co-defendants (including Beazer East), has been named as a defendant in toxic tort lawsuits in state court in Mississippi (see "Grenada – State Court Cases" below) and in federal court in Mississippi (see "Grenada – Federal Court Cases" below) 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, polycyclic aromatic hydrocarbons and dioxin, as a result of soil, surface water and groundwater contamination and air emissions from the Grenada facility and, in some cases, from an adjacent manufacturing facility operated by Heatcraft, Inc. 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 and federal court cases are supported by the facts of the cases. The Company has not provided a reserve for these lawsuits because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. 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 the Company's business, financial condition, cash flows and results of operations. See "Environmental and Other Liabilities Retained or Assumed by Others" for additional information.

#### **Grenada – Federal Court Cases.**

**Beck Case** – The complaint in this case was originally filed by approximately 110 plaintiffs. Pursuant to an order granting defendants' motion to sever, the court dismissed the claims of 98 plaintiffs in the Beck case without prejudice to their right to re-file their complaints. In December 2005, 94 of the 98 plaintiffs in the Beck case whose claims were dismissed re-filed their complaints. The plaintiffs in the 94 cases that were re-filed seek compensatory damages from the defendants of at least \$5.0 million for each of eight counts and punitive damages of at least \$10.0 million for each of three counts (in addition to damages in an unspecified amount for alleged trespass and nuisance). No discovery orders have been issued with respect to the 94 additional cases. The claims of 11 of the 12 plaintiffs whose claims were not dismissed are still pending. The 11 remaining plaintiffs seek compensatory damages from the defendants in an unspecified amount and punitive damages of \$20.0 million for each of four counts.

The first of these trials commenced on April 17, 2006, and the jury returned a verdict of 20 percent of \$845,000 against Koppers Inc. for compensatory damages and no liability for punitive damages. Subsequent to the verdict, the court reduced the compensatory damages judgment by \$60,000 to \$785,000. Koppers Inc. appealed the judgment entered against it to the United States Court of Appeals for the Fifth Circuit. The Court of Appeals granted a reversal of the district court's judgment on June 30, 2008. The plaintiff filed a petition for rehearing with the United States Court of Appeals and on October 23, 2008, the Court of Appeals denied plaintiff's petition for rehearing. In February 2009 the district court denied plaintiffs' motion to consolidate three of the remaining 11 cases for trial. A discovery schedule has been set for the next case that will go to trial.

**Ellis Case** – There are approximately 1,180 plaintiffs in this case. 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 addition to damages for an unspecified amount for trespass and nuisance). The Ellis complaint also requests injunctive relief. These cases have been stayed pending the completion of the trials for the remaining 11 plaintiffs in the Beck case.

**Grenada – State Court Cases.** The state court cases were brought on behalf of approximately 214 plaintiffs in five counties in Mississippi. Each plaintiff seeks compensatory damages from the defendants of at least \$5.0 million for each of up to eight counts and punitive damages of at least \$10.0 million for each of three counts. Certain plaintiffs also seek damages for alleged trespass and private nuisance in unspecified amounts together with injunctive relief. The Mississippi Supreme Court ordered that the plaintiffs in the pending state court cases filed in counties other than Grenada County (approximately 110 cases) be severed and transferred to Grenada County. Plaintiffs' counsel attempted to transfer ten such cases to Grenada County but all ten cases were dismissed by the Court. Motions to dismiss the remaining plaintiffs in the four non-Grenada County cases are pending. In

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February 2009, the court in Washington County entered an order granting plaintiffs 30 days from January 30, 2009 to show good cause why the cases pending in Washington County should not be dismissed.

With respect to the state court case that was originally filed in Grenada County, the court granted the defendants' motion to sever the claims of these plaintiffs for improper joinder. These plaintiffs then filed 104 individual complaints in Grenada County. Of these, 40 have been dismissed to date. On August 28, 2008, the Circuit Court of Grenada County granted summary judgment in favor of the Company in 39 cases and the Plaintiffs filed motions to reconsider the summary judgment orders. The motions to reconsider were denied by the Circuit Court in November 2009. The Circuit Court also granted motions to dismiss for want of prosecution in three cases (two of which also had pending motions for summary judgment). Plaintiffs filed notices of appeal with the Mississippi Supreme Court in these cases. The Mississippi Supreme Court has not yet ruled on plaintiffs' appeal. The Company filed motions to dismiss, or in the alternative, for summary judgment with regard to the remaining 18 cases in Grenada County. On February 12, 2009, the court granted summary judgment in favor of the Company in these 18 cases. The deadline for plaintiffs to appeal this summary judgment order has not yet expired.

**Discontinued Operations.** The Company sold its 51 percent interest in Koppers Arch on July 5, 2007 (see Note 5) to Arch Chemicals, Inc. and has provided an indemnity to Arch Chemicals for the Company's share of liabilities, if any, arising from certain types of obligations and claims that arose prior to the Company's sale of its interest in Koppers Arch. Koppers Inc. has received three notices from Arch Chemicals asserting claims for indemnification under the share purchase agreement. The first notice relates to environmental issues related to the condition of certain property associated with the Auckland, New Zealand operations of Koppers Arch Wood Protection (NZ) Limited. Reserving all rights, Koppers has agreed to participate in the payment of attorneys' fees and related expenses relating to this matter until further notice. The two other notices relate to legal actions that have been filed in the High Court of New Zealand Auckland Registry against a third party and against Arch Wood Protection (NZ) Limited by a competitor of Arch Wood Protection (NZ) Limited. The competitor/plaintiff alleges, among other things, claims of defamation, injurious falsehood, conspiracy and violation of the New Zealand Fair Trading Act. Reserving all rights, Koppers has agreed to participate in the payment of attorneys' fees and related expenses relating to these matters until further notice. The plaintiff seeks damages of approximately \$10.8 million. The Company has not provided a reserve for these matters because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. An unfavorable resolution of these matters may have a material adverse effect on the Company's business, financial condition, cash flows and results of operations.

**Other Matters.** In January 2009, the Company received questionnaire from the India Ministry of Commerce and Industry inquiring about the Company's sales of carbon black into the Indian market. The Association of Carbon Black Manufacturers contend that carbon black manufacturers in China, Russia, Iran, Australia, Malaysia and Thailand are dumping carbon black into the Indian market and they are seeking the imposition of dumping duties on a retrospective basis. The Company is currently preparing a response to the questionnaire.

**Legal Reserves Rollforward.** The following table reflects changes in the accrued liability for legal proceedings:

	<u>Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<i>(Dollars in millions)</i>			
Balance at beginning of year	\$ 0.4	\$ 1.2	\$ 3.1
Expense	—	0.9	0.8
Reversal of reserves	(0.3)	(0.1)	—
Cash expenditures	(0.2)	(1.0)	(2.6)
Business divestiture	—	(0.5)	—
Currency translation	0.1	(0.1)	(0.1)
Balance at end of year	\$ —	\$ 0.4	\$ 1.2

Reversal of reserves in 2008 primarily relates to the reversal of the Grenada federal court verdict that was reversed by an appeals court. Expense accruals and cash expenditures in 2007 primarily relate to the New Zealand Commerce Commission ("NZCC") matter and the business divestiture relates to Koppers Arch (Note 5). Expense for 2006 consists primarily of the amount of the verdict rendered against Koppers Inc. in May 2006 related to the Grenada litigation and other costs related to the NZCC matter. Cash expenditures for 2006 consisted of the Company's penalty related to the NZCC matter.

**Environmental and Other Litigation 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.** The Company has agreements with former owners of certain of its operating locations under which the former owners retained, assumed and/or agreed to indemnify the Company against certain environmental and other liabilities. The most significant of these agreements was entered into at Koppers Inc.'s formation on December 29, 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 and liabilities related to products sold by Beazer East prior to the Acquisition (the "Indemnity"). Beazer Limited, the parent company of Beazer East, unconditionally guaranteed Beazer East's performance of the Indemnity pursuant to a guarantee (the "Guarantee"). In 1998, the parent company of Beazer East 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. Beazer East is a wholly-owned indirect subsidiary of Heidelberg Cement AG.

The Indemnity provides different mechanisms, subject to certain limitations, by which Beazer East is obligated to indemnify Koppers Inc. with regard to certain environmental, product and other liabilities and imposes certain conditions on Koppers Inc. before receiving such indemnification, including, in some cases, certain limitations regarding the time period as to which claims for indemnification can be brought. In July 2004, Koppers Inc. and Beazer East agreed to amend the environmental indemnification provisions of the December 29, 1988 asset purchase agreement to extend the indemnification period for pre-closing environmental liabilities through July 2019. As consideration for the amendment, Koppers Inc. paid Beazer East a total of \$7.0 million and agreed to share toxic tort litigation defense costs arising from any sites acquired from Beazer East. The July 2004 amendment did not change the provisions of the Indemnity with respect to indemnification for non-environmental claims, such as product liability claims, which claims may continue to be asserted after July 2019.

Qualified expenditures under the Indemnity are not subject to a monetary limit. Qualified expenditures under the Indemnity include (i) environmental cleanup liabilities required by third parties, such as investigation, remediation and closure costs, relating to pre-December 29, 1988, or Pre-Closing, acts or omissions of Beazer East or its predecessors; (ii) environmental claims by third parties for personal injuries, property damages and natural resources damages relating to Pre-Closing acts or omissions of Beazer East or its predecessors; (iii) punitive damages for the acts or omissions of Beazer East and its predecessors without regard to the date of the alleged conduct and (iv) product liability claims for products sold by Beazer East or its predecessors without regard to the date of the alleged conduct. If the third party claims described in sections (i) and (ii) above are not made by July 2019, Beazer East will not be required to pay the costs arising from such claims under the Indemnity. However, with respect to any such claims which are made by July 2019, Beazer East will continue to be responsible for such claims under the Indemnity beyond July 2019. The Indemnity provides for the resolution of issues between Koppers Inc. and Beazer East by an arbitrator on an expedited basis upon the request of either party. The arbitrator could be asked, among other things, to make a determination regarding the allocation of environmental responsibilities between Koppers Inc. and Beazer East. Arbitration decisions under the Indemnity are final and binding on the parties.

Contamination has been identified at most of the Company's manufacturing and other sites. Three sites currently owned and operated by the Company in the United States are listed on the National Priorities List promulgated under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"). 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")), a significant portion of all investigative, cleanup and closure activities are

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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 at some of these sites.

To date, the parties that retained, assumed and/or agreed to indemnify the Company against the liabilities referred to above, including Beazer East, 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 \$11.7 million per year. Periodically, issues have arisen between Koppers Inc. and Beazer East and/or other indemnitors that have been resolved without arbitration. Koppers Inc. and Beazer East engage in discussions from time to time that involve, among other things, the allocation of environmental costs related to certain operating and closed facilities.

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. Furthermore, the Company could be required to record a contingent liability on its balance sheets with respect to such matters, which could result in a negative adjustment to the Company's net worth.

**Domestic Environmental Matters.** Koppers Inc. is named as a potentially responsible party (a "PRP") at two CERCLA Superfund sites and believes it is a minor participant in each of the sites. The Company has provided a reserve for CERCLA sites totaling \$0.2 million as of December 31, 2008.

The Company has been named as a PRP at a third site, the Portland Harbor CERCLA site located on the Willamette River in Oregon. The Company has replied to an EPA Information request and is participating in discussions with existing PRP members to formulate an appropriate allocation methodology and execute a formal PRP agreement. The Company currently operates a coal tar pitch terminal near the site. The current estimate for past costs incurred in the remedial investigation/feasibility study is \$100 million. Separate from the EPA activities, a natural resources damages assessment is being conducted by a local trustee group. The Company has not provided a reserve for this matter because, at this time, it cannot reasonably determine the probability of a loss, and the amount of loss, if any, cannot be reasonably estimated. An unfavorable resolution of this matter may have a material adverse effect on the Company's business, financial condition, cash flows and results of operations.

The Illinois Environmental Protection Agency (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. conducted such investigation in cooperation with Beazer East. The Company and Beazer East have engaged consultants to assist the Company in preparing a remediation strategy and an estimate of potential costs and has submitted a plan to conduct the remediation on this site. The Company has provided a reserve for this matter totaling \$1.6 million as of December 31, 2008.

In August 2005, the Pennsylvania Department of Environment Protection (the "PADEP") proposed a fine related to alleged water discharge exceedances from a storm water sewer pipe at the Company's tar distillation facility in Clairton, Pennsylvania. In December 2006, the Company reached a preliminary settlement of the fine with the PADEP for \$0.5 million, subject to the execution of a consent order that the Company is currently negotiating with the PADEP. Accordingly, the Company has reserved the amount of the settlement. The Company also proposed to undertake certain engineering and capital improvements to address this matter. In December 2007, the Company agreed to contribute the capital improvements, primarily a new sewer line, to the city of Clairton and accordingly, has provided a reserve of \$1.6 million as of December 31, 2008.

In September 2007, Koppers Inc. and the EPA's Office of Suspension and Disbarment reached an agreement to an 18-month extension to Koppers Inc.'s compliance agreement related to violations at Koppers Inc.'s Woodward Coke facility prior to its closure in January 1998. The extended compliance agreement expired in January 2009.

**Australian Environmental Matters.** Soil and groundwater contamination has been detected at certain of the Company's Australian facilities. At the Company's tar distillation facility in Newcastle, New South Wales, Australia, soil contamination from an abandoned underground coal tar pipeline and other groundwater contamination has been detected at a property adjacent to the facility. In December 2006 the Company and the owner of the adjacent property reached an agreement in principle pursuant to which the Company will contribute \$1.4 million and the owner of the adjacent property will contribute \$4.6 million

toward remediation of the property. Subject to the approval of a remediation action plan by local environmental authorities, the agreement in principle provides that the Company will assume responsibility for the management of the remediation effort and will indemnify the current owner for any remediation costs in excess of its agreed contribution. At the completion of the remediation, the agreement in principle provides that the property will transfer to the Company. The Company has reserved its expected total remediation costs of \$1.4 million at December 31, 2008.

Other Australian environmental matters include soil and groundwater remediation at two former wood products facilities in Australia which are being prepared for future sale. With respect to the first facility in Hume, Australia, the soil remediation is substantially complete. In the fourth quarter of 2006, a Phase II environmental assessment was completed that indicated estimated groundwater remediation costs of between \$0.5 million and \$1.7 million. No remediation work has commenced to date. With respect to the second facility in Thornton, Australia, a draft remediation action plan has been developed to address contaminated soil and groundwater contamination. The Company has reserved approximately \$3.1 million for remediation costs at these sites which represents its best estimate of groundwater and remaining soil remediation.

**Environmental Reserves Rollforward.** The following table reflects changes in the accrued liability for environmental matters:

	<i>Year Ended December 31,</i>		
	<i>2008</i>	<i>2007</i>	<i>2006</i>
<i>(Dollars in millions)</i>			
Balance at beginning of year	\$12.5	\$ 5.6	\$ 3.8
Expense	1.9	7.6	3.7
Reversal of reserves	(0.1)	(0.1)	(0.5)
Cash expenditures	(1.4)	(1.0)	(1.8)
Business divestiture	—	(0.2)	—
Currency translation	(1.2)	0.6	0.4
Balance at end of year	\$11.7	\$12.5	\$ 5.6

Expense for 2008 consisted primarily of accruals related to the Thornton site. Expense for 2007 consisted primarily of accruals for estimated remediation costs at the Stickney, Illinois and Clairton, Pennsylvania tar distillation plants, closed facilities remediation in the U.S. and Australia, estimated remediation costs at the Newcastle tar distillation facility and soil remediation at a site in Australia. Expense for 2006 primarily included accruals for soil and groundwater remediation at the Company's former wood products facility in Hume, Australia, estimated settlement costs related to the Company's Clairton facility, CWA assessments, waste material disposal at certain Koppers Arch facilities in Australia and New Zealand and soil disposal costs at the Company's facility in Port Clarence, UK. Reversals of reserves for 2006 primarily included estimated settlement costs related to the Company's Clairton facility.

### **Contingent Liabilities**

In the third quarter of 2008, the Company retired from service an owned vessel used to transport carbon materials products and raw materials. In connection with this retirement and under a contractual arrangement with the vessel's operator, the Company and the vessel's operator reached an agreement to share in the cost of severance benefits the vessel's operator owes to its employees. In December 2008 the Company paid approximately \$1.0 million in connection with the agreement and was released from any future obligation that the vessel's operator has to its employees.

### **20. Related Party Transactions**

Schnader Harrison Segal & Lewis LLP provided counsel to the Company during 2008 and 2007. Clayton A. Sweeney, a Director and shareholder of the Company, is also of counsel to Schnader Harrison Segal & Lewis LLP. In both 2008 and 2007, the Company paid a total of \$0.1 million in legal fees to this firm.

The Company had entered into a consulting agreement in 1999 with Robert Cizik who was a director of the Company at that time. The consulting agreement included a provision which provided for a \$0.6 million interest-free loan from the Company for the purchase of 140,467 shares of restricted common stock. The loan was repaid in May 2008 concurrent with Mr. Cizik's retirement from the Board of Directors.

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The Company had an advisory and consulting agreement with Saratoga pursuant to which the Company paid a management fee of \$150,000 per quarter to Saratoga in lieu of Director's fees to the Saratoga Director. In addition, Saratoga provided the Company with financial advisory services in connection with significant business transactions. For such services, the Company paid Saratoga compensation comparable to compensation paid for such services by similarly situated companies. During 2006 the Company paid Saratoga \$0.3 million related to management fees. The advisory services agreement was terminated in February 2006 in conjunction with the completion of the Company's initial public offering, and an affiliate of Saratoga Partners was paid a financial advisory services termination fee of \$3.0 million in 2006.

### 21. Selected Quarterly Financial Data (Unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2008 and 2007:

	Year Ended December 31, 2008				
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Fiscal Year
<i>(Dollars in millions, except per share amounts)</i>					
<b>Statement of operations data:</b>					
Net sales	\$ 331.2	\$ 375.3	\$ 369.4	\$ 288.9	\$ 1,364.8
Operating profit <sup>(a)</sup>	31.7	46.1	51.6	0.2	129.6
Income (loss) from continuing operations	12.2	22.3	24.6	(11.4)	47.7
Net income <sup>(b)</sup>	13.2	24.3	25.5	75.0	138.0
<b>Common stock data:</b>					
<b>Earnings (loss) per common share:</b>					
Basic —					
Continuing operations	\$ 0.58	\$ 1.06	\$ 1.21	\$ (0.56)	\$ 2.31
Discontinued operations	0.05	0.10	0.04	4.24	4.37
Earnings per basic common share	\$ 0.63	\$ 1.16	\$ 1.25	\$ 3.68	\$ 6.68
Diluted —					
Continuing operations	\$ 0.58	\$ 1.06	\$ 1.20	\$ (0.57)	\$ 2.30
Discontinued operations	0.05	0.10	0.04	4.23	4.35
Earnings per diluted common share	\$ 0.63	\$ 1.16	\$ 1.24	\$ 3.66	\$ 6.65
Dividends declared per common share	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.88
<b>Price range of common stock:</b>					
High	\$ 45.76	\$ 51.95	\$ 48.90	\$ 37.11	\$ 51.95
Low	31.34	39.11	33.83	12.60	12.60

(a) In the fourth quarter of 2008 the Company incurred inventory lower of cost or market charges totaling \$3.9 million, impairment charges for a European glycerine plant totaling \$3.7 million and severance costs related to workforce reductions totaling \$0.8 million.

(b) In the fourth quarter of 2008, the Company sold its 95 percent interest in Koppers Monessen Partners LP ("Monessen") and recognized a gain of \$85.9 million, net of tax. The gain on the sale and the net income of Monessen totaling \$4.4 million have been reclassified as a discontinued operation in the Company's statement of operations and earnings per share for all periods presented.

Year Ended December 31, 2007

	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Fiscal Year
<i>(Dollars in millions, except per share amounts)</i>					
Statement of operations data:					
Net sales	\$ 290.6	\$ 326.7	\$ 329.1	\$ 309.2	\$ 1,255.6
Operating profit <sup>(a)</sup>	25.2	44.1	39.0	16.8	125.1
Income from continuing operations	7.8	19.7	16.6	3.7	47.8
Net income <sup>(b)</sup>	10.5	22.3	25.5	5.0	63.3
Common stock data:					
Earnings per common share:					
Basic —					
Continuing operations	\$ 0.38	\$ 0.95	\$ 0.81	\$ 0.18	\$ 2.30
Discontinued operations	0.13	0.13	0.42	0.06	0.75
Earnings per basic common share	\$ 0.51	\$ 1.08	\$ 1.23	\$ 0.24	\$ 3.05
Diluted —					
Continuing operations	\$ 0.37	\$ 0.94	\$ 0.80	\$ 0.18	\$ 2.29
Discontinued operations	0.13	0.13	0.42	0.06	0.74
Earnings per diluted common share	\$ 0.50	\$ 1.07	\$ 1.22	\$ 0.24	\$ 3.03
Dividends declared per common share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.68
Price range of common stock:					
High	\$ 27.24	\$ 34.80	\$ 39.88	\$ 46.91	\$ 46.91
Low	23.12	25.38	26.41	35.25	23.12

(a) In the fourth quarter of 2007 the Company incurred due diligence costs of \$6.8 million related to a potential acquisition which was not consummated.

(b) In the second quarter of 2007 the Company sold its 51 percent interest in Koppers Arch and recognized a gain of \$6.7 million, net of tax. The gain on the sale and the net income of Koppers Arch totaling \$0.1 million have been reclassified as a discontinued operation in the Company's statement of operations and earnings per share for all periods presented.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

*(a) Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our chief executive officer and chief financial officer, have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and chief financial officer have concluded that these controls and procedures were effective as of the end of the period covered by this report.

*(b) Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

See Management Report on page 44 for management's annual report on internal control over financial reporting. See Report of Independent Registered Public Accounting Firm on page 46 for Ernst & Young LLP's attestation report on internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

On February 13, 2009, Christian L. Oberbeck submitted his resignation from his position as a member of the Board of Directors of the Company and of Koppers Inc. Mr. Oberbeck was a director of the Company since November 2004 and of Koppers Inc. since October 1997.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by Item 401 of Regulation S-K with respect to directors is contained in our definitive Proxy Statement for our 2009 Annual Meeting of Shareholders (the "Proxy Statement") which we anticipate filing with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the Company's fiscal year under the caption "Proxy Item 1 – Proposal for Election of Directors", and is incorporated herein by reference.

The information required by this item concerning our executive officers is incorporated by reference herein from Part I of this report under "Executive Officers of the Company".

The information required by Item 405 of Regulation S-K is included in the Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

The information required by Item 407(d)(4) and Item 407(d)(5) of Regulation S-K is included in the Proxy Statement under the caption "Board Meetings and Committees" and is incorporated herein by reference.

The audit committee and our board have approved and adopted a Code of Business Conduct and Ethics for all directors, officers and employees and a Code of Ethics Applicable to Senior Officers, copies of which are available on our website at [www.koppers.com](http://www.koppers.com) and upon written request by our shareholders at no cost. We will describe the date and nature of any amendment to our Code of Business Conduct and Ethics or Code of Ethics Applicable to Senior Officers or any waiver (implicit or explicit) from a provision of our Code of Business Conduct and Ethics or Code of Ethics Applicable to Senior Officers within four business days following the date of the amendment or waiver on our Internet website at [www.koppers.com](http://www.koppers.com). We do not intend to incorporate the contents of our website into this report.

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 is contained in the Proxy Statement under the caption "Executive Compensation" and "Committee Reports to Shareholders – Management Development and Compensation Committee Report" and is incorporated herein by reference.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 12 is contained in Part II, Item 5 of this report under "Equity Compensation Plans" and in the Proxy Statement under the caption "Common Stock Ownership" and is incorporated herein by reference.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by Item 13 is contained in the Proxy Statement under the caption "Transactions with Related Persons" and "Corporate Governance Matters – Director Independence" and is incorporated herein by reference.

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by Item 14 is contained in the Proxy Statement under the caption "Auditors" and is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) 1. Financial Statements

Financial statements filed as part of this report are included in “Item 8 – Financial Statements and Supplementary Data” as listed on the index on page 43.

(a) 2. Financial Statement Schedules

“Schedule II – Valuation and Qualifying Accounts and Reserves is included on page 87. All other schedules are omitted because they are not applicable or the required information is contained in the applicable financial statements of notes thereto.

(a) 3. Exhibits

EXHIBIT INDEX

<i>Exhibit No.</i>	<i>Exhibit</i>
3.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to exhibit 3.1 to the Company's Current Report on Form 8-K filed February 7, 2006).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed August 9, 2007).
4.1	Indenture, by and among Koppers Inc., the Subsidiary Guarantors 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 Koppers Holdings Inc. (f/k/a KI Holdings Inc.) and The Bank of New York, as Trustee, dated as of November 18, 2004 (incorporated by reference to Exhibit 4.3 to the Koppers Holdings Inc. (f/k/a KI Holdings Inc.) Registration Statement on Form S-4 filed February 14, 2005).
10.1	Asset Purchase Agreement by and between 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).
10.8	Intercreditor Agreement by and among PNC Bank, National Association, as Credit Agent, JPMorgan Chase Bank, as Trustee, Koppers Inc. and the Subsidiary Guarantors named therein, dated as of October 15, 2003 (incorporated by reference to Exhibit 10.9 to the Koppers Inc. Form S-4 Registration Statement filed January 13, 2004 in connection with an Exchange Offer for \$320 million of 9 <sup>7</sup> / <sub>8</sub> % 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).
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 <sup>1</sup> / <sub>2</sub> % 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 <sup>1</sup> / <sub>2</sub> % 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 <sup>1</sup> / <sub>2</sub> % 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 <sup>1</sup> / <sub>2</sub> % Senior Notes due 2004).
10.22*	Employment agreement with Brian H. McCurrie dated October 13, 2003 (incorporated by reference to Exhibit 10.15 to the Koppers Inc. Form 10-K for the year ended December 31, 2003).
10.24**	Treatment Services Agreement between Koppers Inc. (f/k/a Koppers Industries, Inc.) and CSX Transportation, Inc. dated effective as of January 1, 2002 (incorporated by reference to Exhibit 10.34 to the Koppers Inc. Form 10-Q for the quarter ended September 30, 2002).
10.27	Registration Rights Agreement dated September 30, 2003 among Koppers Inc., the subsidiary signatories thereto 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).

<i>Exhibit No.</i>	<i>Exhibit</i>
10.29**	Timber Tie Treating Agreement between Koppers Inc. and the Burlington Northern and Santa Fe Railway Company, dated April 28, 2003 (incorporated by reference to Exhibit 10.38 to the Koppers Inc. Form 10-Q for the quarter ended March 31, 2003).
10.30**	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).
10.32	Amendment and Restatement to Article VII of the Asset Purchase Agreement (incorporated by reference to Exhibit 10.33 to the Koppers Inc. Form 10-Q for the quarter ended June 30, 2004).
10.33*	2004 Restricted Stock Unit Plan (incorporated by reference to Exhibit 10.34 to the Koppers Inc. Form 10-Q for the quarter ended September 30, 2004).
10.34	Agreement and Plan of Merger dated as of November 18, 2004, by and among Koppers Inc., Merger Sub for KI Inc. and Koppers Holdings Inc. (f/k/a KI Holdings Inc.) (incorporated by reference to Exhibit 10.34 to the Koppers Holdings Inc. (f/k/a KI Holdings Inc.) Registration Statement on Form S-4 filed February 14, 2005).
10.36*	Form of Change in Control Agreement entered into as of October 20, 2005 between Koppers Holdings Inc. (f/k/a KI Holdings Inc.) and certain executive officers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 25, 2005).
10.37*	2005 Long Term Incentive Plan effective as of December 7, 2005 (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on December 13, 2005).
10.41*	Koppers 2006 Senior Management Corporate Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on March 2, 2006).
10.42	Asset Purchase Agreement dated April 28, 2006 between Reilly Industries, Inc. and Koppers Inc. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on April 28, 2006).
10.44*	Form of Amendment to change in Control Agreement entered into as of May 25, 2006 between the Company and the named Executive (incorporated by reference to the Company's Current Report on Form 8-K filed on May 26, 2006).
10.45	Joint Venture Contract in relation to the establishment of Tangshan Koppers Kailuan Carbon Chemical Co., LTD, among Kailuan Clean Coal Company Limited, Koppers Mauritius, and Tangshan Iron & Steel Co., Ltd. (incorporated by reference to Exhibit 10.45 to the Koppers Holdings Inc. Annual Report on Form 10-K for the year ended December 31, 2006).
10.47**	Amendment No. 1 to Treatment Services Agreement between Koppers Inc. and CSX Transportation, Inc. dated effective as of February 1, 2007 (incorporated by reference to Exhibit 10.47 to the Company's Quarterly Report of Form 10-Q filed on May 3, 2007).
10.48	Koppers Holdings Inc. Benefit Restoration Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2007).
10.49	Purchase Agreement dated as of August 3, 2008 by and among Koppers Inc., Carbon Investments, Inc., and ArcelorMittal S.A. (incorporated by reference to Exhibit 10.49 to the Company's Quarterly Report on Form 10-Q filed on November 6, 2008).
10.50***	Amended and Restated Credit Agreement by and among Koppers Inc., the Guarantors party thereto, the Lenders party thereto, PNC Capital Markets LLC and RBS Greenwich Capital as Co-Lead Arrangers; PNC Capital Markets LLC, Banc of America Securities LLC and RBS Greenwich Capital, as Joint Bookrunners; PNC Bank, National Association, as Administrative Agent; Bank of America, N.A., as Documentation Agent; and Citizens Bank of Pennsylvania, First Commonwealth Bank and Wells Fargo Bank, N.A., as Syndication Agents, dated as of October 31, 2008.
10.51* ***	Koppers Inc. Supplemental Executive Retirement Plan I.

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<i>Exhibit No.</i>	<i>Exhibit</i>
10.52* ***	Koppers Inc. Supplemental Executive Retirement Plan II.
10.53* ***	Amendment to Employment Agreement with Steven R. Lacy effective as of January 1, 2009.
10.54* ***	Amendment to Employment Agreement with Brian H. McCurrie effective as of January 1, 2009.
10.55* ***	Amendment to Koppers Holdings Inc. Benefit Restoration Plan effective as of January 1, 2009.
10.56* ***	Amendment to the Employee Savings Plan of Koppers Inc. and Subsidiaries effective as of January 1, 2008.
10.57* ***	Amendment to the Retirement Plan for Koppers Inc. effective January 1, 2008.
12.1***	Computation of ratio of earnings to fixed charges.
21***	List of subsidiaries of the Company.
23.1***	Consent of Independent Registered Public Accounting Firm.
31.1***	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
31.2***	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
32.1***	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 1350.

\* *Management Contract or Compensatory Plan.*

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

\*\*\* *Filed herewith.*

KOPPERS HOLDINGS INC.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 2008, 2007 and 2006

	<i>Balance at Beginning of Year</i>	<i>Increase (Decrease) to Expense</i>	<i>Net (Write- Offs) Recoveries</i>	<i>Business Disposition</i>	<i>Currency Translation</i>	<i>Balance at End of Year</i>
<i>(Dollars in millions)</i>						
<b>2008</b>						
Allowance for doubtful accounts	\$ 0.2	\$ 0.5	\$ (0.1)	\$ —	\$ (0.1)	\$ 0.5
Inventory obsolescence reserves	\$ 1.3	\$ 0.7	\$ (0.5)	\$ —	\$ —	\$ 1.5
Deferred tax valuation allowance	\$ 7.1	\$ (2.9)	\$ —	\$ —	\$ —	\$ 4.2
<b>2007</b>						
Allowance for doubtful accounts	\$ 0.3	\$ 0.2	\$ (0.1)	\$ (0.2)	\$ —	\$ 0.2
Inventory obsolescence reserves	\$ 2.3	\$ (0.4)	\$ (0.3)	\$ (0.4)	\$ 0.1	\$ 1.3
Deferred tax valuation allowance	\$ 7.0	\$ 0.1	\$ —	\$ —	\$ —	\$ 7.1
<b>2006</b>						
Allowance for doubtful accounts	\$ 0.7	\$ 0.1	\$ (0.5)	\$ —	\$ —	\$ 0.3
Inventory obsolescence reserves	\$ 1.7	\$ 1.4	\$ (0.9)	\$ —	\$ 0.1	\$ 2.3
Deferred tax valuation allowance	\$ 7.2	\$ (0.2)	\$ —	\$ —	\$ —	\$ 7.0

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, Koppers Holdings Inc. has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

KOPPERS HOLDINGS INC.

BY: /s/ BRIAN H. MCCURRIE  
Brian H. McCurrie  
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this annual report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

<i>Signature</i>	<i>Capacity</i>	<i>Date</i>
<u>/s/ DAVID M. HILLENBRAND</u> David M. Hillenbrand	Director and Non-Executive Chairman of the Board	February 19, 2009
<u>/s/ WALTER W. TURNER</u> Walter W. Turner	Director and Chief Executive Officer	February 19, 2009
<u>/s/ BRIAN H. MCCURRIE</u> Brian H. McCurrie	Chief Financial Officer and Principal Accounting Officer	February 19, 2009
<u>/s/ CYNTHIA A. BALDWIN</u> Cynthia A. Baldwin	Director	February 19, 2009
<u>/s/ JAMES C. STALDER</u> James C. Stalder	Director	February 19, 2009
<u>/s/ CLAYTON A. SWEENEY</u> Clayton A. Sweeney	Director	February 19, 2009
<u>/s/ T. MICHAEL YOUNG</u> T. Michael Young	Director	February 19, 2009

**\$300,000,000 Revolving Credit Facility  
AMENDED AND RESTATED CREDIT AGREEMENT**

**by and among**

**KOPPERS INC.  
as Borrower**

**THE GUARANTORS PARTY HERETO**

**THE LENDERS PARTY HERETO**

**PNC CAPITAL MARKETS LLC AND RBS GREENWICH CAPITAL  
as Co-Lead Arrangers**

**PNC CAPITAL MARKETS LLC, BANC OF AMERICA SECURITIES LLC AND  
RBS GREENWICH CAPITAL, as Joint Bookrunners**

**PNC BANK, NATIONAL ASSOCIATION, as Administrative Agent**

**BANK OF AMERICA, N.A., as Documentation Agent**

**and**

**CITIZENS BANK OF PENNSYLVANIA, FIRST COMMONWEALTH BANK AND  
WELLS FARGO BANK, N.A., as Syndication Agents**

**Dated as of October 31, 2008**

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## AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT is dated as of October 31, 2008 and is made by and among KOPPERS INC., a Pennsylvania corporation (the "Borrower"), each of the GUARANTORS (as hereinafter defined), the LENDERS (as hereinafter defined), PNC BANK, NATIONAL ASSOCIATION, in its capacity as administrative agent for the Lenders under this Agreement (hereinafter referred to in such capacity as the "Administrative Agent"), and BANK OF AMERICA, N.A., as Documentation Agent, and CITIZENS BANK OF PENNSYLVANIA, FIRST COMMONWEALTH BANK and WELLS FARGO BANK, N.A. , as Syndication Agents.

WITNESSETH:

WHEREAS, the Borrower, the Administrative Agent, the Guarantors and certain of the Lenders are party to that certain Amended and Restated Credit Agreement dated as of August 15, 2005, as amended, (the "Existing Credit Agreement") pursuant to which the lenders party thereto extended to the Borrower a \$125,000,000 revolving credit facility and a \$59,000,000 term loan.

WHEREAS, the Borrower has requested the Lenders 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 \$300,000,000; and

WHEREAS, the revolving credit facilities shall be used (i) to refinance the loans under the Existing Credit Agreement, (ii) to finance the repurchase of the 2003 Senior Notes of the Borrower, (iii) to provide working capital to the Borrower, (iv) to provide funding for acquisitions and capital expenditures of the Borrower, and (v) for general corporate purposes of the Borrower, including transaction costs and expenses; and

WHEREAS, the Lenders 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 of the Loan Parties shall be subject to the Administrative Agent's Prior Security Interest for the benefit of the Lenders and their respective Affiliates.

Account Debtor shall mean any Person who is or who may become obligated to the Borrower or to any other Loan Party, 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(4)(vi) hereof.

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

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, the Documentation Agent and the Syndication Agents.

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 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) with respect to the Revolving Credit Loans for which the Base Rate Option applies, the percentage spread to be added to the Base Rate at the indicated level of the Leverage Ratio in the pricing grid on Schedule 1.1(A) below the heading "Base Rate Spread," or

(B) with respect to (i) the Revolving Credit Loans to which the Euro-Rate Option applies, the percentage spread to be added to the Euro-Rate at the indicated level of the Leverage Ratio in the pricing grid on Schedule 1.1(A), below the heading “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 Lender, a Transferor Lender, the Administrative Agent, substantially in the form of Exhibit 1.1(A).

Australian Dollars shall mean lawful money of Australia.

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.

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  $\frac{1}{2}\%$  per annum; provided however, in the event that the foregoing determination would result in an interest rate which is less than the Euro-Rate for a one Month Interest Period plus 150 basis points, then the Base Rate shall be equal to the Euro-Rate for a one Month Interest Period plus 150 basis points.

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).

Beazer Acquisition Agreement shall mean the Asset Purchase Agreement dated as of December 28, 1988, as amended as of July 15, 2004, 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 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 Revolving Credit 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 Revolving Loans to which a Base Rate Option applies shall constitute one Borrowing Tranche.

Business Day means (i) as it relates to any payment, determination, funding or notice to be made or given in connection with any Revolving Credit Loan, or otherwise to be made or given to or from Administrative Agent, a day other than a Saturday, Sunday or other day on which commercial banks in Pittsburgh, Pennsylvania are authorized or required by law to close; provided, however, that when used in connection with Loan for which the Euro-Rate Option applies, the term “Business Day” shall also exclude any day on which banks are not open for dealings in dollar deposits 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 October 31, 2008.

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 Lender its Revolving Credit Commitment, and, in the case of the Administrative Agent, its Swing Loan Commitment and Commitments shall mean the aggregate of the Revolving Credit Commitments and Swing Loan Commitment of all of the Lenders.

Commitment Fees shall mean the fees payable to the Lenders in accordance with Section 2.3.

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

Complying Lender shall mean any Lender which is not a Non-Complying Lender.

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 respective 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 the Borrower or any of its respective Subsidiaries in connection therewith, and (iv) any other consideration given or obligation incurred by the Borrower or any of its respective 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, (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, and (k) non-recurring cash and non-cash charges to net income in an aggregate cumulative amount not greater than \$10,000,000 related to discontinuation or sale of business operations of the Borrower and its Subsidiaries as such charges are incurred, 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 China and Koppers Mauritius shall be excluded, except that cash dividends paid by Koppers China and Koppers Mauritius to a wholly-owned Subsidiary of the Borrower (other than Koppers China, Koppers Mauritius or any of their respective Subsidiaries) shall be included in Consolidated EBITDA, but only to the extent that such dividends paid by Koppers China and Koppers Mauritius exceed the loans, advances and investments made by the Loan Parties in or to Koppers China, Koppers Mauritius and their respective Subsidiaries during the period of measurement. For purposes of this definition, with respect to a business acquired by the Loan Parties pursuant to a Permitted Acquisition, Consolidated EBITDA as reported in the maximum Leverage Ratio shall be calculated on a pro forma basis, using (i) historical numbers, in accordance with GAAP as if the Permitted Acquisition had been consummated at the beginning of such period or (ii) financial effects that are reasonably identifiable and factually supportable, as projected by the Borrower in good faith, and agreed to by the Administrative Agent, and set forth in a certificate delivered by a Responsible Officer of the Borrower to the Administrative Agent (which certificate shall also set forth in reasonable detail the calculation of such financial effects). Additionally, for purposes of this definition, with respect to a business or assets disposed of by the Loan Parties pursuant to Section 8.2.7 hereof, Consolidated EBITDA as reported in the maximum Leverage Ratio shall be calculated as if such disposition had been consummated at the beginning of such period.

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 Net Tangible Assets shall mean, at any time, the total assets of the Borrower and its Subsidiaries, less all Intangible Assets, as set forth on the consolidated balance sheet of the Borrower as of the end of the most recently concluded fiscal quarter of the Borrower (but excluding the assets and Intangible Assets of Koppers China, Koppers Mauritius and their respective Subsidiaries).

Consolidated Subsidiaries of the Borrower shall mean those Subsidiaries whose accounts are or should be consolidated with those of the Borrower at such time (but excluding the accounts of Koppers China, Koppers Mauritius and their respective Subsidiaries).

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 Lenders, 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 Lenders, together with all amendments, extensions, renewals or replacements thereof or thereto.

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 Lenders, 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:

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

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 applicable 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 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).

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

Existing Credit Agreement shall mean that certain Amended and Restated Credit Agreement dated as of August 15, 2005, as amended, pursuant to which the lenders party thereto extended to the Borrower a \$125,000,000 revolving credit facility and a \$59,000,000 term loan.

Expiration Date shall mean, with respect to the Revolving Credit Commitments, October 31, 2012.

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  $\frac{1}{100}$  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 for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed) which is the daily federal funds open rate as quoted by ICAP North America, Inc. (or any successor) as set forth on the Bloomberg Screen BTMM for that day opposite the caption "OPEN" (or on such other substitute Bloomberg Screen that displays such rate), or as set forth on such other recognized electronic source used for the purpose of displaying such rate as selected by the Administrative Agent (an "Alternate Source") (or if such rate for such day does not appear on the Bloomberg Screen BTMM (or any substitute

screen) or on any Alternate Source, or if there shall at any time, for any reason, no longer exist a Bloomberg Screen BTMM (or any substitute screen) or any Alternate Source, a comparable replacement rate determined by the Administrative Agent at such time (which determination shall be conclusive absent manifest error); provided however, that if such day is not a Business Day, the Federal Funds Open Rate for such day shall be the daily federal funds open rate as determined pursuant to this sentence on the immediately preceding Business Day. If and when the Federal Funds Open Rate changes, the rate of interest with respect to any advance to which the Federal Funds Open Rate applies will change automatically without notice to the Borrower, effective on the date of any such change.

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 benefit of the Lenders.

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

Fixed Charges shall mean for any period of determination the sum of interest expense, contractual principal installments on Indebtedness, contractual principal payments on capitalized leases, and dividends and distributions made by the Borrower, in each case of the Borrower and its Subsidiaries for such period determined and consolidated in accordance with GAAP; provided however, that dividends and distributions made by the Borrower to KI Holdings which are used to redeem the 2004 Senior Notes or to repurchase outstanding capital stock of KI Holdings, to the extent permitted under Section 8.2.5, shall be excluded from the calculation of Fixed Charges.

Foreign Holding Company Reorganization shall mean the transfer of the ownership interests in Koppers Australia and Koppers Europe to Koppers Luxembourg or a Subsidiary of Koppers Luxembourg organized under the laws of Luxembourg.

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.

Guarantors shall mean each of the parties which executes and delivers a Guaranty Agreement, 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)(2).

Guaranties and Guaranty shall mean any obligation of a 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 shall mean the Continuing Agreement of Guaranty and Suretyship in substantially the form of Exhibit 1.1(G)(1) executed and delivered by the Guarantors to the Administrative Agent for the benefit of the Lenders.

Hedge Liabilities shall have the meaning given to such term in the definition of the term "Lender-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.

Intangible Assets shall mean, at any date, the amount (if any) stated under the heading “Goodwill and Other Intangible assets, net” or under any other heading relating to intangible assets separately listed, in each case, on the face of a balance sheet of the Borrower and its Subsidiaries organized under the laws of the United States or any state thereof, prepared on a consolidated basis as of such date.

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(I).

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 Coverage Ratio shall mean the ratio of (i) Consolidated EBITDA of the Borrower and its Subsidiaries organized under the laws of the United States or any state thereof, to (ii) interest expense of the Borrower and its Subsidiaries organized under the laws of the United States or any state thereof, the foregoing determined and consolidated in accordance with GAAP, but in each instance excluding all items with respect to Subsidiaries which are organized pursuant to the laws other than those of the United States or any state thereof.

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 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. 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) no 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 the Base Rate Option or the Euro-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 any Loan Party which are or may at any time be held as raw materials, finished goods, work-in-process, supplies or materials used or consumed in such Loan Party'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 a Loan Party, and (b) all packing, shipping and advertising materials relating to all or any such property. All Inventory of the Loan Parties shall be subject to the Administrative Agent's Prior Security Interest for the benefit of the Lenders and their respective Affiliates.

Issuing Bank shall mean individually and Issuing Banks shall mean collectively the Administrative Agent and any other Lender designated by the Administrative Agent as an Issuing Bank pursuant to Section 2.10 hereof, in their capacities as issuers of Letters of Credit.

IRH Provider shall have the meaning given to such term in Section 9.2.5.2 hereof.

KI Holdings shall mean Koppers Holdings Inc., a Pennsylvania corporation.

Koppers Assurance shall mean Koppers Assurance, Inc., a South Carolina corporation and successor by merger to KHC Assurance, Inc., a Vermont corporation.

Koppers Australia shall mean Koppers Australia Holding Company Pty Ltd., a company organized under the laws of Victoria, Australia.

Koppers China shall mean Koppers (Beijing) Chemical Co., Ltd., a limited liability company organized under the laws of the People's Republic of China.

Koppers Europe shall mean Koppers Europe ApS, a company organized under the laws of Denmark.

Koppers Luxembourg shall mean Koppers Luxembourg Sarl, a company organized under the laws of Luxembourg.

Koppers Mauritius shall mean Koppers Mauritius, a company organized under the laws of the Republic of Mauritius.

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.

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

Lender-Provided Interest Rate Hedge shall mean an Interest Rate Hedge which is provided by any Lender 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 Lender-Provided Interest Rate Hedge (the "Hedge Liabilities") shall be "Obligations" hereunder, guaranteed obligations under the Guaranty Agreement 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.

Lender-Provided Treasury Arrangement shall mean any obligation or liability of the Borrower or any of its Subsidiaries to the Administrative Agent or any of the Lenders or their Affiliates, and in the case of credit arrangement extended to the Borrower's Subsidiaries organized under the laws of Australia or any territory or state thereof, any Australian correspondent bank for a Lender, 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 treasury management services, depository services, overdraft protection arrangement, and cash management services, including, without limitation all arrangements with the Administrative Agent, or any Lender or its Affiliates to provide company paid credit cards that permit employees to make purchases on behalf of any Loan Party, including all fees and expenses of the Loan Parties payable to the Administrative Agent, any Lender or its Affiliates related to any of the foregoing. The liabilities of the Loan Parties and any Subsidiary of the Loan Parties to the provider of any Lender-Provided Treasury Arrangement (the "Treasury Liabilities") shall be "Obligations" hereunder, guaranteed obligations under the Guaranty Agreement 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 Treasury Liabilities shall be pari passu with the Liens securing all other Obligations under this Agreement and the other Loan Documents.

Letters of Credit shall have the meaning given to such term in Section 2.10.1.

Letter of Credit Borrowing shall have the meaning assigned to such term in Section 2.10.3.4.

Letters of Credit Fees shall have the meaning given to such 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 related to the Letters of Credit.

Leverage Ratio shall mean, as of any date of determination, the ratio of (i) an amount equal to (a) Total Debt less (b) cash and Cash Equivalents of the Borrower and its Consolidated Subsidiaries in excess of \$5,000,000 on such date, to (ii) Consolidated EBITDA for the four fiscal quarters ending on such date.

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 Agreement, 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 Lender-Provided Interest Rate Hedges and Lender-Provided Treasury Arrangements, fee letters between the Borrower and the Administrative 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 the Revolving Credit Loans and the Swing Loans, or any Revolving Credit Loan or Swing Loan.

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 Lenders, to the extent permitted, to enforce their legal remedies pursuant to this Agreement or any other Loan Document.

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.

Non-Complying Lender shall mean any Lender which has failed to fund any Loan which it is required to fund, or pay any other amount which it is required to pay to the Administrative Agent or any other Lender, within one day of the due date therefor.

Notes shall mean the Revolving Credit Notes and the Swing Loan Note.

Notices shall have the meaning assigned to that term in Section 11.6.

Obligations shall mean (i) any and all obligations, liabilities, and indebtedness from time to time of the Borrower, any Guarantor or any other Subsidiary of the Borrower to the Administrative Agent, any of the Lenders or any Affiliate or Australian correspondent bank of any Agent or any Lender under or in connection with this Agreement or any other Loan Document, whether for principal, interest, fees, indemnities, expenses, or otherwise, and all refinancings or refundings thereof, whether such obligations, liabilities, or indebtedness are direct or indirect, secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising (and including obligations, liabilities, and indebtedness arising or accruing after the

commencement of any bankruptcy, insolvency, reorganizations, or similar proceeding with respect to the Borrower, any Guarantor or any other Subsidiary of the Borrower or which would have arisen or accrued but for the commencement of such proceeding, even if the claim for such obligation, liability, or indebtedness is not enforceable or allowable in such proceeding, and including all Obligations, liabilities, and indebtedness arising from any extensions of credit under or in connection with the Loan Documents from time to time, regardless whether any such extensions of credit are in excess of the amount committed under or contemplated by the Loan Documents or are made in circumstances in which any condition to an extension of credit is not satisfied); (ii) all Reimbursement Obligations of each Loan Party and any other Subsidiary of the Borrower with respect to any one or more Letters of Credit issued by any Issuing Bank; (iii) all indebtedness, loans, obligations, expenses and liabilities of each Loan Party or any other Subsidiary of the Borrower to the Agents or any of the Lenders, or any of their respective Affiliates or any Australian correspondent bank, arising out of any Lender-Provided Interest Rate Hedge or Lender-Provided Treasury Arrangement provided by the Administrative Agent, any of the Lenders or such Affiliates or any Australian correspondent bank pursuant to this Agreement; (iv) any sums advanced by or owing to the Administrative Agent or any of the Lenders for any reason relating to this Agreement, any other Loan Document, or any collateral relating thereto, including for indemnification, for maintenance, preservation, protection or enforcement of, or realization upon, the Collateral or other collateral security or any one or more guaranties, and for enforcement, collection, or preservation of the rights of the Administrative Agent and the Lenders, and regardless whether before or after default or the entry of any judgment; (v) any obligation or liability of any Loan Party or any other Subsidiary of the Borrower arising out of overdrafts on deposits or other accounts or out of electronic funds (whether by wire transfer or through automated clearing houses or otherwise) or out of the return unpaid of, or other failure of any Agent or any Lender to receive final payment for, any check, item, instrument, payment order or other deposit or credit to a deposit or other account, or out of any Agent's or any Lender's non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository or other similar arrangements, and (vi) any amendments, extensions, renewals and increases of or to any of the foregoing

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 and such other currency as may be acceptable to an Issuing Bank and the Administrative Agent for issuance of Letters of Credit in accordance with Section 2.10.1.

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 Lender, such Lender'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 in substantially the form of Exhibit 1.1(P)(1) executed and delivered by certain of the Borrower and the Guarantors to the Administrative Agent for the benefit of the Lenders.

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(4) 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 Lenders securing the Obligations including liabilities under any Lender-Provided Interest Rate Hedge or Lender-Provided Treasury Arrangement;
- (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(vii);
- (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 Lenders 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 the Borrower and certain of the Guarantors to the Administrative Agent for the benefit of the Lenders.

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 Lenders, 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 Australia 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, Canada or any state, province or subdivision thereof with respect to Collateral located in jurisdictions other than the United States 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 Lender shall mean a Lender 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 Lenders to provide company paid credit cards that permit employees to make purchases on behalf of the Borrower or such Subsidiary.

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 Lender's Commitment (excluding the Swing Loan Commitment) bears to the Commitments of all of the Lenders (excluding the Swing Loan Commitment).

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 Lenders shall mean

(i) if there are no Loans, Reimbursement Obligations or Letter of Credit Borrowings outstanding, Lenders whose Commitments (excluding the Swing Loan Commitments) aggregate more than 50% of the Commitments (excluding the Swing Loan Commitments) of all of the Complying Lenders, or

(ii) if there are Loans, Reimbursement Obligations, or Letter of Credit Borrowings outstanding, any group of Complying Lenders if the sum of the Loans (excluding the Swing Loans), Reimbursement Obligations and Letter of Credit Borrowings of such Lenders then outstanding aggregates more than 50% of the total principal amount of all of the Loans (excluding the Swing Loans), Reimbursement Obligations and Letter of Credit Borrowings of the Complying Lenders 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 Lender if such Lender has not made its Participation Advance in respect thereof and shall be deemed to be in favor of such Lender 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 Obligations. 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 Commitment shall mean, as to any Lender 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 Lenders.

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 Lenders to the Borrower.

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(N)(1) 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 outstanding, the Swing Loans outstanding and the 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).

Section 20 Subsidiary shall mean the Subsidiary of the bank holding company controlling any Lender, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

Security Agreements shall mean collectively, and Security Agreement shall mean separately, (i) the Security Agreement in substantially the form of Exhibit 1.1(S) executed and delivered by certain of the Loan Parties to the Administrative Agent for the benefit of the Lenders, (ii) any Fixed and Floating Charge (Australia), and (iii) the Debenture Pledge Agreement and the Deed of Hypothec.

Security Trust Deed shall mean the Security Trust Deed dated 11 May 2003 executed and delivered by Koppers Australia Pty Ltd. to the Administrative Agent for the benefit of the Lenders.

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 more than 50% 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 more than 50% 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 neither Koppers China nor Koppers Mauritius nor any of their respective subsidiaries shall be a “Subsidiary” for purposes of this Agreement or any other Loan Document.

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(N)(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.

Total Debt shall mean, without duplication, total Indebtedness for Borrowed Money of the Borrower and its Subsidiaries, determined and consolidated in accordance with GAAP (but excluding the Indebtedness for Borrowed Money of Koppers China, Koppers Mauritius and their respective subsidiaries).

Transferor Lender shall mean the selling Lender pursuant to an Assignment and Assumption Agreement.

“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, certain of the Guarantors and The Bank of New York Mellon, 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 The Bank of New York Mellon, and its permitted successors and assigns under the 2003 Senior Note Indenture.

2004 Senior Note Indenture shall mean the Indenture, dated as of November 18, 2004, between KI Holdings and The Bank of New York Mellon, as trustee, relating to the 2004 Senior Notes, as in existence of the Closing Date.

2004 Senior Notes shall mean KI Holdings' 9-7/8% Senior Discount Notes Due 2014, issued pursuant to the 2004 Senior Note Indenture, as the same may be amended, restated, supplemented or otherwise modified in accordance with this Agreement.

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 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 Lenders shall be deemed to include good-faith estimates by the Administrative Agent or the Lenders (in the case of quantitative determinations) and good-faith beliefs by the Administrative Agent or the Lenders (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 Lenders 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 Lenders 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 Lender 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 the aggregate amount of Revolving Credit Loans from such Lender shall not exceed such Lender’s Revolving Credit Commitment minus such

Lender's (i) Ratable Share of the Letters of Credit Outstanding, and (ii) Ratable Share of the Swing Loans outstanding. 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 Lenders at any one time outstanding plus the amount of the Letters of Credit Outstanding shall not exceed the Revolving Credit Commitments of all the Lenders. 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.

#### 2.1.3. Restatement of Commitments.

This Agreement amends and restates the Existing Credit Agreement. The commitments of the Lenders under this Agreement replace the commitments of the lenders under the Existing Credit Agreement. From and after the Closing Date, the commitments of the lenders under the Existing Credit Agreement no longer constitute a separate obligation of such lenders, and the Borrower hereby terminates commitments of lenders under the Existing Credit Agreement which are not parties to this Agreement.

#### 2.2 Nature of Lenders' Obligations with Respect to Revolving Credit Loans.

Each Lender 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 Lender'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 amount of Letters of Credit Outstanding. The obligations of each Lender hereunder are several. The failure of any Lender 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 Lender to perform its obligations hereunder. The Lenders 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 Lender, as consideration for such Lender's Revolving Credit Commitment hereunder, a nonrefundable commitment fee equal to a rate 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 Lender'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 Lender's Revolving Credit Loans outstanding plus its Ratable Share of Letters of Credit Outstanding. During such time as any of the 2003 Senior Notes remain outstanding, the rate per annum for the commitment fee shall be based upon the average Revolving Facility Usage during the applicable period as follows:

<u>Revolving Facility Usage as a Percentage of Revolving Credit Commitments</u>	<u>Commitment Fee Rate per Annum</u>
Less than 25%	0.750%
Equal to or greater than 25% but less than 50%	0.500%
Equal to or greater than 50%	0.375%

At such time as all 2003 Senior Notes have been redeemed by the Borrower, the rate per annum for the commitment fee shall be 0.375% at all times. All such 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 Revolving Credit 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 Fees 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 Lenders to make Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Revolving Credit Loans pursuant to Section 4.2 [Interest Periods], by delivering to the Administrative Agent, not later than 12:00 noon, 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 such 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 such 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 such 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 Lenders 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 Lenders of such Revolving Credit Loans as determined by the Administrative Agent in accordance with Section 2.2 [Nature of Lenders’ Obligations]. Each Lender 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 Lenders 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 Lender 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 Lender on such Borrowing Date, and such Lender 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 Lender, 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(N)(1) payable to the order of such Lender in a face amount equal to the Revolving Credit Commitment of such Lender.

##### 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 a demand promissory note of the Borrower dated the Closing Date in substantially the form attached hereto as Exhibit 1.1(N)(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 may be used (i) to refinance Indebtedness of the Borrower under the Existing Credit Agreement, (ii) to finance the redemption of the 2003 Senior Notes of the Borrower in accordance with the terms of the 2003 Senior Note Indenture, (iii) to provide working capital to the Borrower, (iv) for general corporate purposes of the Borrower, including advances to Subsidiaries permitted under this Agreement, dividends and distributions permitted under Section 8.2.5 [Restricted Payments] and transaction costs and expenses, and (v) 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 Lender shall make a Revolving Credit Loan in an amount equal to such Lender'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 Lender 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 Lenders (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 Lenders, and the Lenders 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 Lenders receive such notice from PNC Bank.

2.10 Letter of Credit Subfacility.

2.10.1. Issuance of Letters of Credit.

The Borrower may request the issuance of a letter of credit (each a "Letter of Credit") on behalf of itself or another Guarantor or on behalf of the Borrower and a Subsidiary of the Borrower which is not a Guarantor (in which case the Borrower and such Subsidiary shall be co-applicants with respect to such Letter of Credit) 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 shall be denominated in either Dollars or an Optional Currency. Subject to the terms and conditions hereof and in reliance on the agreements of the other Lenders 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 Lender other than the Administrative Agent issue Letters of Credit on its behalf (or on behalf of another Guarantor) hereunder by submitting a written request to such effect to the Administrative Agent, which request the Administrative Agent shall forward to the requested Lender; in the event that such requested Lender 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 Lenders 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 Section 2.10.1.

2.10.2. Letter of Credit Fees.

The Borrower shall pay in Dollars (i) to the Administrative Agent for the ratable account of the Lenders 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 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 Lender 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 Lender'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 amount so paid by such Issuing Bank. In the event the Borrower fails to reimburse such Issuing Bank for the full 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 Lender thereof, and the Borrower shall be deemed to have requested that Revolving Credit Loans be made by the Lenders 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 Lender 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 amount of the drawing, whereupon the participating Lenders 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 Lender so notified fails to make available in Dollars to the Administrative Agent for the account of the relevant Issuing Bank the amount of such Lender's Ratable Share of such amount by no later than 2:00 p.m., Pittsburgh time on the Drawing Date, then interest shall accrue on such Lender's obligation to make such payment, from the Drawing Date to the date on which such Lender 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 Revolving Credit Loans under the 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 Lender to effect such payment on such date shall not relieve such Lender 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 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 Lender'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 Lender 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 Lender 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 Lender, in the same funds as those received by such Issuing Bank, the amount of such Lender's Ratable Share of such funds, except such Issuing Bank shall retain the amount of the Ratable Share of such funds of any Lender 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 the Borrower of any Guarantor, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by any such 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 Lender 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 Lender 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 for Letters of Credit.

Each Lender'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 Lender 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 Lenders 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 Lender 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 Lender 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 Lender 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 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 Lender.

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 any Optional Currency as of the requested date of issuance, and (ii) Letters of Credit Outstanding denominated in the Optional Currencies as of the last Business Day of each month, (each such date under clauses (i) and (ii), a “Computation Date”). If on any Computation Date the Revolving Facility Usage is 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 the Loans (subject to Borrower’s indemnity obligations under Section 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.

2.12 Additional Revolving Credit Commitments.

Subject to the terms and conditions set forth herein, the Borrower may at any time, but not more often than two (2) times during the term of this Agreement, request an increase in the Revolving Credit Commitment (the “Additional Revolving Credit Commitment”) provided that (a) immediately prior to and after giving effect to such Additional Revolving Credit Commitment (and the making of any loans pursuant thereto), no Event of Default or Potential Default has occurred or is continuing or shall result therefrom and, (b) the Additional Revolving Credit Commitment shall rank pari passu in right of payment and right of security in respect of the Collateral with the existing Revolving Credit Loans, (c) the Additional Revolving Credit Commitments shall not exceed in the aggregate Fifty Million and 00/100 Dollars (\$50,000,000.00), and (d) the loans to be made pursuant to such Additional Revolving Credit Commitment shall have the same terms as the Revolving Credit Loans. Any additional bank, financial institution, existing Lender or other Person that elects to extend commitments to provide the Additional Revolving Credit Commitment shall be reasonably satisfactory to the Borrower and the Administrative Agent (any such bank, financial institution, existing Lender or other person is an “Additional Lender”) and shall become a Lender under this Agreement pursuant to an amendment (the “Incremental Facility Amendment”) to this Agreement, and, as appropriate, the other Loan Documents, executed by the Loan Parties, each Additional Lender, if any, and the Administrative Agent. Commitments in respect of the Additional Revolving Credit Commitment shall become Commitments under this Agreement after giving effect to such Additional Revolving Credit Commitment. The Incremental Facility Amendment may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be reasonably necessary or appropriate to effectuate the applicable additional Revolving Credit Commitments in the opinion of the Administrative Agent. The effectiveness of any Incremental Facility Amendment shall be subject to the satisfaction on the date thereof (the “Incremental Facility Closing Date”) of each of the applicable conditions set forth in Article 7

[Conditions of Lending and Issuance of Letters of Credit] (it being understood that all references to the Closing Date in such Article 7 [Conditions of Lending and Issuance of Letters of Credit] shall be deemed to refer to the Incremental Facility Closing Date), and except as otherwise specified in the Incremental Facility Amendment, the Administrative Agent shall have received legal opinions, board resolutions and other closing documents and certificates reasonably requested by the Administrative Agent and consistent with those delivered on the Closing Date under Article 7 [Conditions of Lending and Issuance of Letters of Credit]. The proceeds of the Additional Revolving Credit Commitment may be used in accordance with Section 2.8 [Use of Proceeds] but not for any purpose otherwise prohibited hereunder. Notwithstanding anything to the contrary in this Section 2.11 [Additional Revolving Credit Commitment], no existing Lender shall be obligated to provide Additional Revolving Credit Commitment.

3. [INTENTIONALLY OMITTED].

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 set forth below applicable to the respective Loans, it being understood that, subject to the provisions of this Agreement, the Borrower may select different Interest Rate Options and Borrower may select 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 Lender exceeds such Lender's highest lawful rate, the rate of interest on such Lender's Loan shall be limited to such Lender'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) 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) 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. Rate Quotations.

The applicable 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 Lenders 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 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 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 Lenders are entitled to additional compensation for such risk; and all such interest shall be payable by the 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 Lender 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 Lender 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 Lender 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 lenders generally, to which a Euro-Rate Option applies, respectively, are not available to such Lender with respect to such Loan, or to lenders 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 Lender's Rights.

In the case of any event specified in Section 4.4.1 above, the Administrative Agent shall promptly so notify the Lenders and the Borrower thereof, and in the case of an event specified in Section 4.4.2 above, such Lender 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 Lenders 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 Lenders, in the case of such notice given by the Administrative Agent, or (B) such Lender, in the case of such notice given by such Lender, 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 Lender shall have later notified the Administrative Agent, of the Administrative Agent's or such Lender'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 have 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 Lender 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 Lender 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 Revolving Credit 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 Base Rate Option 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 Lenders with respect to the Revolving Credit Loans, Commitment Fees related thereto, and Letter of Credit Fees in U.S. Dollars and in immediately available funds. The Administrative Agent shall promptly distribute such amounts to the applicable Lenders 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 Lenders on the same day received by the Administrative Agent, the Agent shall pay the Lenders entitled to such payment the Federal Funds Effective Rate with respect to the amount of such payments for each day held by the Agent and not distributed to the Lenders. The Administrative Agent's and each Lender'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 Lenders.

Each Revolving Credit Loan borrowing under Section 2 shall be allocated to each Lender 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 related to the Revolving Credit Commitments, Letter of Credit Fees, or other fees (except for payments for fees of the Administrative Agent) or amounts due from the Borrower hereunder to the Lenders with respect to the Revolving Credit Loans, shall (except as provided in Section 4.4.3 [Administrative Agent's and Lender's Rights] in the case of an event specified in Section 4.4 [Euro-Rate Unascertainable; Etc.], 5.4.2 [Replacement of a Lender] or 5.6 [Additional Compensation in Certain Circumstances]) be made in proportion to the applicable Revolving Credit Loans outstanding from each Lender and, if no such Loans are then outstanding, in proportion to the Ratable Share of each Lender. 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 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 for which the Borrower is obligated 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 Lender 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 Revolving Credit 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 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 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. Each such notice by the Borrower shall set 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 and the Revolving Credit 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.

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. Any prepayment hereunder shall be subject to the Borrower's Obligation to indemnify the Lenders under Section 5.6.2 [Indemnity].

#### 5.4.2. Replacement of a Lender.

In the event any Lender (i) gives notice under Section 4.4 [Euro-Rate Unascertainable, Etc.] or Section 5.6.1 [Increased Costs, Etc.], (ii) does not fund Loans because the making of such Loans would contravene any Law applicable to such Lender, (iii) is a Non-Complying Lender, (iv) is subject to an Insolvency Event or Insolvency Proceeding, or (v) 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 consents shall not be unreasonably withheld, to prepay the Loans of such Lender in whole, together with all interest accrued thereon, and terminate such Lender's Commitment within ninety (90) days after (x) receipt of such Lender's notice under Section 4.4 [Euro-Rate Unascertainable, Etc.] or 5.6.1 [Increased Costs, Etc.], (y) the date such Lender has failed to fund Loans because the making of such Loans would contravene Law applicable to such Lender, or (z) the date such Lender became subject to the control of an Official Body or subject to an Insolvency Event or Insolvency Proceeding, as applicable; provided that the Borrower shall also pay to such Lender 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 of such Lender shall be provided by one or more of the remaining Lenders or a replacement lender acceptable to the Administrative Agent; provided, further, the remaining Lenders shall have no obligation hereunder to increase their Commitments. Upon the occurrence of any such event, the Borrower may, at its sole expense, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 11.11 [Successors and Assigns]), all of its interests, rights and obligations under this Agreement and the related Loan Documents to such assignee that shall assume such obligations; provided however, a Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. Notwithstanding the foregoing, the Administrative Agent may only be replaced subject to the requirements of Section 10.14 [Successor Administrative 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 Lender 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 Lender, it will if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) 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 Lender 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 Lender provided in this Agreement.

#### 5.5 Mandatory Prepayments.

##### 5.5.1. 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 reinvestment, if any) 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 reinvestment, if any) after-tax proceeds thereof, together with accrued interest on such principal amount.

##### 5.5.2. Application Among Loans and Interest Rate Options.

All prepayments pursuant to this Section 5.5 shall first be applied 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 Lenders 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 Lender 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 Lender),

(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 Lender, 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 Lender, or (B) otherwise applicable to the obligations of any Lender 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 Lender 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 Lender's capital, taking into consideration such Lender's customary policies with respect to capital adequacy) by an amount which such Lender in its sole discretion deems to be material, such Lender 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 Lender to be necessary to compensate such Lender 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 Lender 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 Lender 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 Lender to fund or maintain Loans subject to a Euro-Rate Option) which such Lender 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 Lender 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 Lender (which determination may include such assumptions, allocations of costs and expenses and averaging or attribution methods as such Lender shall deem reasonable) to be necessary to indemnify such Lender 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 applicable Borrower(s) to such Lender 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 Lenders, shall (i) notify any or all Account Debtors that the Accounts have been assigned to the Lenders and that the Lenders have a security interest therein, and (ii) direct such Account Debtors to make all payments due from them to the Borrower and the Guarantors 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 lending procedures each Lender 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 Lender 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 Lender of any sum adjudged to be so due in such Other Currency, such Lender may in accordance with normal lending 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 Lender in the Original Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment or payment, to indemnify such Lender 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 Lenders 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 40,000,000 shares of common stock and 10,000,000 shares of preferred stock, of which one share of common stock and no shares of senior 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, 2007, and its unaudited consolidated financial statements for and as of the fiscal quarter ended June 30, 2008 (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, 2008 through December 31, 2012 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, 2007, 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 Lender 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 Lenders 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 Lenders 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 Lenders 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 Lenders 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 Lenders, 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 Lender 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 Lender 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 Lender 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 Lender 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 Lenders, 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) 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 Lender 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 Lenders 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 Lenders 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, 2007, 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 Lender 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 Lenders.

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 Lenders 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 Lenders 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 Lenders shall constitute Prior Security Interests in favor of the Lenders.

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 applicable 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. [Intentionally Omitted.]

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 four 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 Lenders 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 Lenders (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 Lenders 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 Lenders, which shall have 15 days to decide whether to approve or deny such request, and, (i) in the event that the Required Lenders 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 Lenders 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.

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 Lenders 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 Lenders may reasonably request, provided that so long as an Event of Default has not occurred, each Lender shall provide the Borrower and the Administrative Agent with reasonable notice prior to any visit or inspection.

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 their respective 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) Indebtedness incurred by a Subsidiary of the Borrower or Koppers China or any of its subsidiaries or Koppers Mauritius or any of its subsidiaries which is permitted under Section 8.2.4(vi);

(v) Indebtedness under any Lender-Provided Treasury Arrangement or other cash management arrangement approved by the Administrative Agent; provided however, the aggregate amount of all such Indebtedness under this Subsection 8.2.1(v) shall not exceed \$20,000,000.

(vi) Any Lender-Provided Interest Rate Hedge or other Interest Rate Hedge approved by the Administrative Agent;

(vii) 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(vii) (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;

(viii) Non-speculative Currency Agreements in the ordinary course of business;

(ix) The 2003 Senior Note Debt of the Loan Parties in an aggregate principal amount not to exceed \$218,300,000;

(x) Indebtedness of Koppers Luxembourg or a Subsidiary of Koppers Luxembourg to the Borrower, WWV or other Subsidiaries of the Borrower which is incurred in consideration for the transfer of the ownership interests in Koppers Europe and Koppers Australia pursuant to any Foreign Holding Company Reorganization effected by the Borrower and its Subsidiaries; and

(xi) Indebtedness of a Subsidiary which is not organized under the laws of the United States of any state thereof and which is not a Guarantor to another Subsidiary which is not organized under the laws of the United States of any state thereof and which is not a Guarantor.

#### 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, other than (i) this Agreement and the other Loan Documents, (ii) the 2003 Senior Note Indenture, (iii) the 2004 Senior Note Indenture, and (iv) agreements which relate to purchase money financing and capital leases permitted under Section 8.2.1(vii), provided that the prohibitions on Liens in such agreements relate only to the assets subject to such financing or lease. 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 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 (iii) shall not exceed \$40,000,000 at any one time, (iv) Guaranties of other obligations, provided that the aggregate principal or stated amount of all such Guaranties under this clause (iv) shall not exceed \$25,000,000 at any one time, and (v) 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 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 organized under the laws of Australia or a state or territory thereof or of the United Kingdom, Denmark, Luxembourg or another member country of the European Union in an aggregate amount not exceeding \$50,000,000 at any one time outstanding, and (2) subsidiaries of the Borrower organized under the laws of a jurisdiction other than those listed in clause (1) of this Subsection 8.2.4(vi) in an aggregate amount not exceeding \$25,000,000 at any one time outstanding;
- (vii) upon prior written notice to the Administrative Agent and delivery to the Agent of a certificate which evidences that the Borrower has Undrawn Availability of at least \$35,000,000 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 (except to the extent of liabilities under Guaranties otherwise permitted under this Agreement), 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 \$75,000,000 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;

(ix) advances not in excess of \$10,000,000 at any one time outstanding 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 \$75,000,000 at any one time;

(x) Non-cash investments in or capital contributions or loans or advances to Koppers Luxembourg or a Subsidiary of Koppers Luxembourg which consist of the transfer of the ownership interests in Koppers Europe and Koppers Australia pursuant to any Foreign Holding Company Reorganization effected by the Borrower and its Subsidiaries; and

(xi) Loans, advances to or investments in a Subsidiary which is not organized under the laws of the United States or any state thereof by a Subsidiary which is not organized under the laws of the United States or any state thereof and which is not a Guarantor.

#### 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 2004 Senior Note Indenture (without giving effect to the exclusion of payments to KI Holdings from the definition of the term "Restricted Payment" set forth in the 2004 Senior Note Indenture) if after giving effect thereto, no Event of Default or Potential Default will have occurred and be continuing or shall exist. Notwithstanding the preceding sentence, during such time as any of the 2003 Senior Notes remain outstanding, the Borrower shall not make any dividends or distributions to KI Holdings which are used to redeem or purchase more than \$10,000,000 of the 2004 Senior Notes or to repurchase more than \$55,000,000 in value (at the time of purchase) of shares of the outstanding capital stock of KI Holdings, and in connection with any such permitted redemption or purchase of such notes or permitted repurchase of such shares, the Borrower shall meet the conditions set forth in the next sentence. At such time as all of the 2003 Senior Notes are redeemed, the Borrower may make dividends and distributions to KI Holdings which are used to redeem the 2004 Senior Notes or to repurchase outstanding capital stock of KI Holdings so long as prior to and after giving effect to any such dividend or distribution: (i) Undrawn Availability is at least \$35,000,000, and (ii) the Leverage Ratio on a pro forma basis after giving effect to such dividend or distribution is less than 2.0 to 1.0. 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 \$35,000,000; 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) 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, 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 Lenders 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 \$35,000,000, in each case by delivering at least five (5) Business Days prior to such Permitted Acquisition a certificate in the form of Exhibit 8.2.6 (each, an “Acquisition Compliance Certificate”) evidencing compliance with such covenants on a pro forma basis and certifying as to such Undrawn Availability; and

(vii) 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 Lenders’ 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 a Loan Party to another Loan Party;

(iv) subject to the provisions of Section 8.2.9, any transfer of the ownership interests in a wholly owned Subsidiary of the Borrower which is not a Loan Party to another wholly owned Subsidiary of the Borrower;

(v) 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 Lenders' Prior Security Interest if the assets so sold, transferred or leased were so subject; or

(vi) 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 (v) above, which in any one sale, transfer or lease of assets, or in any number of sales, transfers or leases of assets, involves the sale, transfer, or lease of assets having a book value of (i) not more than fifteen percent (15%) of the Consolidated Net Tangible Assets in the fiscal year of the Borrower ended December 31, 2009 (in each case, measured with respect to a series of sales, transfers or leases of assets on the day of the first sale), and (ii) not more than twenty-five percent (25%) of the Consolidated Net Tangible Assets during the term of this Agreement (in each case, measured with respect to a series of sales, transfers or leases of assets on the day of the first sale); provided however, the proceeds of any such sale, transfer or lease of assets under this clause (vi) shall be applied by the Borrower to repayment of any principal balance outstanding on the Revolving Credit Loans.

#### 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.

#### 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 the United States or a state thereof (and prior to the redemption of all the 2003 Senior Notes, any Subsidiary formed under the laws of Australia or any territory or 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 Lenders (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 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 notice to the Administrative Agent, any Subsidiary formed under the laws of Luxembourg which is used to effect any Foreign Holding Company Reorganization. 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. 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.

At such time as the Borrower shall have redeemed all the 2003 Senior Notes and the security interests and other Liens of the 2003 Trustee shall have terminated, the Administrative Agent shall and hereby is authorized by the Lenders to (i) release from the Guaranty Agreement all Guarantors which are not formed under the laws of the United States or a state thereof, (ii) release all Collateral granted to the Administrative Agent by such foreign Guarantors which are released from the Guaranty Agreement, and (iii) reduce the pledge of 100% of the stock of any foreign Subsidiary owned by the Borrower or any Guarantor which is formed under the laws of the United States or any state thereof to a pledge in the amount of 65% of the stock of any foreign Subsidiary owned by the Borrower or any Guarantor which is formed under the laws of the United States or any state thereof. The Loan Parties hereby agree at all times after the redemption of the 2003 Senior Notes to cause 65% of the stock of any foreign Subsidiary owned by the Borrower or any Guarantor which is formed under the laws of the United States or any state thereof to be subject to the terms of the Pledge Agreement in favor of the Administrative Agent as Collateral for the Obligations.

#### 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 Lenders and, in the event such change would be adverse to the Lenders as determined by the Administrative Agent in its sole discretion, obtaining the prior written consent of the Required Lenders.

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 Lenders as reasonably determined by the Administrative Agent, obtaining the prior written consent of the Required Lenders.

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. Minimum Domestic Interest Coverage Ratio.

The Loan Parties shall not permit the Interest Coverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, to be less than 3.0 to 1.0.

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 1.1 to 1.0.

8.2.17. Maximum Leverage Ratio.

The Loan Parties shall not at any time permit the 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 12/31/09	2.75 to 1.00
3/31/10 and thereafter	2.50 to 1.00.

#### 8.2.18. Maximum Amount of Obligations.

The Loan Parties shall not at any time permit the Obligations to be in an amount which either (i) violates Section 4.10 [Limitations on Liens] of the 2003 Senior Note Indenture, or (ii) requires under Section 4.10 [Limitation of Liens] of the 2004 Senior Note Indenture that the 2004 Senior Notes be secured equally and ratably with any of the Obligations.

#### 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 Lenders:

##### 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 Lenders 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. Simultaneously with the delivery of the financial statements referred to above, the Borrower shall also furnish to the Administrative Agent and the Lenders a report on environmental matters occurring during the fourth fiscal quarter of such year which contains 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 Lenders 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. [Intentionally Omitted].

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:

- (v) or (vi),
- (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),
  - (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 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 Lenders may from time to time reasonably request. The Borrower shall also notify the Lenders 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 Lender 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, 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 or group of persons (within the meaning of Sections 13(d) or 14(a) of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership of (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) 35% or more of the voting capital stock of KI Holdings, (ii) KI Holdings shall cease to own 100% of the outstanding capital stock of the Borrower, (iii) a “Change of Control” as defined in the 2004 Senior Note Indenture shall occur, or (iv) the Borrower shall cease to own 100% of the outstanding capital stock, member interests or partnership interests of any Loan Party except as permitted in this Agreement or following the consent of the Required Lenders;

#### 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 Lenders 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 Lenders 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.

#### 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 Lenders 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 Lenders, 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 Lenders 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 Lender 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 Lenders, and grants to the Administrative Agent and the Lenders 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 Lenders, 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 Lenders 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 Lender to whom any Obligation is owed by any Loan Party hereunder or under any other Loan Document or any participant of such Lender which has agreed in writing to be bound by the provisions of Section 10.13 [Equalization of Lenders] and any branch, Subsidiary or Affiliate of such Lender 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 Lender 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 Lender or participant or such branch, Subsidiary or Affiliate. Such right shall exist whether or not any Lender 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 Lender 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 Lender, 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 Lender; and

### 9.2.5. Application of Proceeds; Collateral Sharing; Loss 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 Lenders for out-of-pocket costs, expenses and disbursements, including reasonable attorneys' and

paralegals' fees and legal expenses, incurred by the Administrative Agent or the Lenders 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 Lenders 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 Lenders incurred under this Agreement, any of the other Loan Documents, any Lender-Provided Interest Rate Hedge, or any Lender-Provided Treasury Arrangement, 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 Lenders hereunder and (ii) the Obligations incurred by any of the Loan Parties in favor of any Lender which provides a Lender-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 Lenders hereunder, provided that the Collateral Agent shall comply with the instructions and directions of the Administrative Agent (or the Lenders under this Agreement to the extent that this Agreement or any other Loan Documents empowers the Lenders 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 Lender 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 Lenders shall, exercise all post-default rights granted to the Administrative Agent and the Lenders 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 Lender hereby irrevocably designates, appoints and authorizes PNC Bank to act as Administrative Agent for such Lender under this Agreement and to execute and deliver or accept on behalf of each of the Lenders the other Loan Documents. Each Lender 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 Lenders to the extent provided in this Agreement.

None of the Lenders designated on the facing page or signature pages of this Agreement as a “Documentation Agent” or as a “Syndication Agent” shall have any right, power, obligation, liability, responsibility, or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders so identified as the “Documentation Agent” or as a “Syndication Agent” shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied and will not rely on any of the Lenders 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 Lender; 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 Lender 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 Lender; (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 Lender 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 Lenders.

The Administrative Agent agrees, upon the written request of the Required Lenders, 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 Lenders, 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 Lenders or all of the Lenders. Any action taken or failure to act pursuant to such instructions or discretion shall be binding on the Lenders, subject to Section 10.6 [Exculpatory Provisions, Etc.]. Subject to the provisions of Section 10.6, no Lender 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 Lenders (or if required under Section 11.1, all the Lenders), 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 no Borrower shall 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.

#### 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 Lender 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 Lenders 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 Lenders 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 Lender, the Administrative Agent or any of their respective Subsidiaries against the Administrative Agent, any Lender 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 Lender 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 Lender agrees that, except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder or given to the Administrative Agent for the account of or with copies for the Lenders, the Administrative Agent and each of its directors, officers, employees, agents, attorneys or Affiliates shall not have any duty or responsibility to provide any Lender 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.

#### 10.7 Reimbursement and Indemnification of Administrative Agent by Lenders.

Each Lender 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 Lender 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 Lender was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that such Lender shall remain liable to the extent such failure to give notice does not result in a loss to the Lender), or (c) if the same results from a compromise and settlement agreement entered into without the consent of such Lender, which shall not be unreasonably withheld. In addition, each Lender 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 and Fixed and Floating Charge (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 Lenders 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 Lender or a Borrower referring to this Agreement, describing such Potential Default or Event of Default.

#### 10.10 Notices.

The Administrative Agent shall promptly send to each Lender 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 Lenders of each change in the Base Rate and the effective date thereof.

#### 10.11 Lenders in Their Individual Capacities; Administrative Agent in its Individual Capacity.

With respect to its Revolving Credit Commitment and any Revolving Credit Loans, made by it and any other rights and powers given to it as a Lender hereunder or under any of the other Loan Documents, the Administrative Agent shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" and "Lenders" shall, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. PNC Bank and its Affiliates and each of the Lenders 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 Lender, as though such Lender were not a Lender hereunder, in each case without notice to or consent of the other Lenders. The Lenders 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 Lenders.

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 Lenders.

The Lenders, for themselves and any Affiliates and any Australian correspondent bank which are owed Obligations, and the holders of any participations in any Notes, agree among themselves that, with respect to all amounts received by any Lender, any such Affiliate, or any such holder or Australian correspondent bank for application on any Obligation hereunder (including, without limitation, any Lender-Provided Interest Rate Hedge and any Lender-Provided Treasury Arrangement) 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 Lenders and such holders in proportion to their interests in payments under the Notes and other Obligations, except as otherwise provided in Section 4.4.3 [Administrative Agent's and Lender's Rights], 5.4.2 [Replacement of a Lender] or 5.6 [Additional Compensation in Certain Circumstances]. The Lenders, any such Affiliate, or any such holder or Australian correspondent bank receiving any such amount shall purchase for cash from each of the other Lenders an interest in such Lender's Loans in such amount as shall result in a ratable participation by the Lenders, such Affiliates and each such holder and Australian correspondent bank in the aggregate unpaid amount under the Notes and the other Obligations, provided that if all or any portion of such excess amount is thereafter recovered from the Lender, such Affiliate or the holder or Australian correspondent bank 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 Lender, such Affiliate or the holder or Australian correspondent bank 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 Lenders (if the Administrative Agent is a Lender, the Administrative Agent's Loans and its Commitment shall be considered in determining whether the Required Lenders have requested such resignation) or required by Section 5.4.2 [Replacement of a Lender], 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 Lenders shall appoint from among the Lenders a successor agent for the Lenders, 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 Lenders 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 Lenders 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.

The Borrower shall pay to the Administrative Agent nonrefundable fees under the terms of a Fee Letter dated September 26, 2008, 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 Lender 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 Lender 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 Lenders and whether such funding occurs before or after the time on which Lenders 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 Lender, the Administrative Agent shall be entitled to recover such amount on demand from such Lender (or, if such Lender 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 Lender whether in respect of the Loans, fees or any other amounts due to the Lenders under this Agreement. In the event an error in computing any amount payable to any Lender is made, the Administrative Agent, the Borrower and each affected Lender 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 and the Lenders, 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 Lenders 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 Lender acknowledges and agrees that neither such Lender, nor any of its Affiliates, participants or assignees, may rely on the Agent to carry out such Lender'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 Lenders 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 Lenders and holders of such Demand Debenture. Each of the Lenders 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 Lender 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 Lenders, the Administrative Agent, acting on behalf of all the Lenders, 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 Lenders 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 Lenders and the Loan Parties; provided, that, without the written consent of all the Lenders, no such agreement, waiver or consent may be made which will:

#### 11.1.1. Increase of Commitment; Extension of Expiration Date.

Except as set forth in Section 2.12, increase the amount of the Revolving Credit Commitment of any Lender 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 Lender, 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 Lender, 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 Lender;

11.1.3. Release of Collateral or Guarantor.

Except for (i) sales of assets or capital stock permitted by Section 8.2.7 [Disposition of Assets or Subsidiaries], and (ii) releases of Guarantors and Collateral as authorized under Section 8.2.9 [Subsidiaries, Partnerships and Joint Ventures], release all or substantially all the 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 Lenders], 10.6 [Exculpatory Provisions, Etc.] or 10.13 [Equalization of Lenders] or this Section 11.1, alter any provision regarding the pro rata treatment of the Lenders, change the definition of Required Lenders, or change any requirement providing for the Lenders or the Required Lenders 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 Lender in its capacity as an Issuing Bank hereunder shall be effective without the written consent of such Lender. The Administrative Agent shall, upon request of the Borrower, and without the consent of any Lender 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 Lender 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 Lenders 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 Lender 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 Lenders by the Borrower; Taxes.

The Borrower agrees unconditionally upon demand to pay or reimburse to each Lender (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 Lender 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 Lender except with respect to the following clauses (a) and (b)), incurred by such Lender (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 Lender 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 Lender, 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 Lender hereunder or thereunder, provided that no Borrower 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 such Lender'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 Lenders will attempt to minimize the fees and expenses of legal counsel for the Lenders which are subject to reimbursement by the Borrower hereunder by considering the usage of one law firm to represent the Lenders 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 Lender 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 Lenders 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 Lender 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 Lender) of such Lender 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 Lender without regard to such Lender's actual methods of making, maintaining or funding the Loans or any sources of funding actually used by or available to such Lender.

##### 11.5.2. Actual Funding.

Each Lender shall have the right from time to time to make or maintain any Loan by arranging for a branch, Subsidiary or Affiliate of such Lender to make or maintain such Loan subject to the last sentence of this Section 11.5.2. If any Lender 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 Lender, but in no event shall any Lender's use of such a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder cause such Lender 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 Lender (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 Lender 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 Lenders 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 Lenders, 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 Lenders, Etc.] and 11.3 [Reimbursement of Lenders 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 Lenders, 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 Lender 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 Lender to an Affiliate of such Lender, and (2) any assignment by a Lender to a Person other than an Affiliate of such Lender may not be made in amounts less than the lesser of \$5,000,000 or the amount of the assigning Lender's Commitment, provided that any Lender party to this Agreement as of the Closing Date (each, an "Existing Lender") may make assignments to any other Existing Lender 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 Lender hereunder, the Commitments shall be adjusted accordingly, and upon surrender of any Note subject to such assignment, the applicable Borrower shall execute and deliver a new Note to the assignee in an amount equal to the amount of the Revolving Credit Commitment assumed by it and a new Revolving Credit Note to the assigning Lender in an amount equal to the Revolving Credit Commitment retained by it hereunder. Any Lender which assigns any or all of its Commitment or Loans to a Person other than an Affiliate of such Lender 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 Lender in respect of such participation to be those set forth in the agreement executed by such Lender 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 Lender'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 Lender 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 Lender 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 Lender 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 Lender 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 Lender of its obligations hereunder or under any other Loan Document.

## 11.12 Confidentiality.

### 11.12.1. General.

The Administrative Agent and the Lenders 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 Lenders 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 Lender 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 Lender 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 Lenders.

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 Lender or by one or more Subsidiaries or Affiliates of such Lender and each of the Loan Parties hereby authorizes each Lender to share any information delivered to such Lender by such Loan Party and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such Subsidiary or Affiliate of such Lender, it being understood that any such Subsidiary or affiliate of any Lender receiving such information shall be bound by the provisions of Section 11.12.1 as if it were a Lender 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 Agents' or Lender's Consent.

Whenever the Administrative Agent's or any Lender'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 Lender 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 LENDERS 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 Lenders and Participants.

### 11.17.1. Tax Withholding Clause.

Each Lender or assignee or participant of a Lender 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 Lender or assignee or participant of a Lender) 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 Lender, 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 Lender 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 Lender; (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 Lender, 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 Lender or assignee or participant of a Lender 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 Lender or assignee or participant of a Lender 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 Lender 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)(2) 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 Lenders 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. The Administrative Agent and the Lenders acknowledge and agree that the guaranty agreements provided by Koppers Luxembourg and Koppers Mauritius pursuant to the Existing Credit Agreement are terminated effective as of the Closing Date.

**[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: /s/ Brian H. McCurrie

Name: Brian H. McCurrie

Title: Vice President/Chief Financial Officer

**CONCRETE PARTNERS, INC.**

By: /s/ Brian H. McCurie

Name: Brian H. McCurie

Title: Treasurer

**SIGNED** for and on behalf of  
**CONTINENTAL CARBON AUSTRALIA**  
**PTY LTD** by its duly appointed attorney(s):

Louann E. Tronsberg-Deihle

who certifies/certify that he/she/they have no notice of the revocation of  
the power of attorney in the presence of:

/s/ Cory Hester

Witness signature

Cory Hester

Print name of Witness

/s/ Louann E. Tronsberg-Deihle

Attorney(s) signature

**KOPPERS ASIA LLC**

By: /s/ Louann E. Tronsberg-Deihle

Name: Louann E. Tronsberg-Deihle

Title: Treasurer

[SIGNATURE PAGE - AMENDED AND RESTATED CREDIT AGREEMENT]

**SIGNED** for and on behalf of **KOPPERS AUSTRALIA HOLDING COMPANY PTY LTD** by its duly appointed attorney(s):

Brian H. McCurrie

\_\_\_\_\_  
who certifies/certify that he/she/they have no notice of the revocation of the power of attorney in the presence of:

/s/ Brian H. McCurrie

\_\_\_\_\_  
Attorney(s) signature

/s/ Cory Hester

\_\_\_\_\_  
Witness signature

Cory Hester

\_\_\_\_\_  
Print name of Witness

**SIGNED** for and on behalf of **KOPPERS  
AUSTRALIA PTY LTD** by its duly  
appointed attorney(s):)

Louann E. Tronsberg-Deihle

who certifies/certify that he/she/they have no notice of the revocation of  
the power of attorney in the presence of:

/s/ Cory Hester

Witness signature

Cory Hester

Print name of Witness

/s/ Louann E. Tronsberg-Deihle

Attorney(s) signature

**SIGNED** for and on behalf of **KOPPERS  
CARBON MATERIALS & CHEMICALS  
PTY LTD** by its duly appointed attorney(s):

Louann E. Tronsberg-Deihle

who certifies/certify that he/she/they have no notice of the revocation of  
the power of attorney in the presence of:

/s/ Cory Hester

Witness signature

Cory Hester

Print name of Witness

/s/ Louann E. Tronsberg-Deihle

Attorney(s) signature

**KOPPERS CONCRETE PRODUCTS, INC.**

By: /s/ Brian H. McCurrie

Name: Brian H. McCurrie

Title: Treasurer

**KOPPERS DELAWARE, INC.**

By: /s/ Brian H. McCurie

Name: Brian H. McCurie

Title: President

**KOPPERS REDEMPTION, INC.**

By: /s/ Brian H. McCurrie

Name: Brian H. McCurrie

Title: President

**SIGNED** for and on behalf of **KOPPERS  
SHIPPING PTY LTD** by its duly  
appointed attorney(s):)

Brian H. McCurrie

\_\_\_\_\_  
who certifies/certify that he/she/they have no notice of the revocation of  
the power of attorney in the presence of:

/s/ Cory Hester

\_\_\_\_\_  
Witness signature

Cory Hester

\_\_\_\_\_  
Print name of Witness

/s/ Brian H. McCurrie

\_\_\_\_\_  
Attorney(s) signature

[SIGNATURE PAGE - AMENDED AND RESTATED CREDIT AGREEMENT]

**SIGNED** for and on behalf of **KOPPERS  
WOOD PRODUCTS PTY LTD** by its duly  
appointed attorney(s):)

Louann E. Tronsberg-Deihle

who certifies/certify that he/she/they have no notice of the revocation of  
the power of attorney in the presence of:

/s/ Cory Hester

Witness signature

Cory Hester

Print name of Witness

/s/ Louann E. Tronsberg-Deihle

Attorney(s) signature

**WORLD-WIDE VENTURES CORPORATION**

By: /s/ Louann E. Tronsberg-Deihle

Name: Louann E. Tronsberg-Deihle

Title: Vice President

[SIGNATURE PAGE - AMENDED AND RESTATED CREDIT AGREEMENT]

**PNC BANK, NATIONAL ASSOCIATION,**  
individually and as Administrative Agent

By: /s/ Tracy J. Delock

Name: Tracy J. Delock

Title: Vice President

**CITIZENS BANK OF PENNSYLVANIA,**  
individually and as Syndication Agent

By: /s/ Philip R. Medsger

Name: Philip R. Medsger

Title: Vice President

[SIGNATURE PAGE - AMENDED AND RESTATED CREDIT AGREEMENT]

**BANK OF AMERICA, N.A.,**  
individually and as Documentation Agent

By: /s/ Stephen F. O'Sullivan

Name: Stephen F. O'Sullivan

Title: Senior Vice President

**FIRST COMMONWEALTH BANK,**  
individually and as Syndication Agent

By: /s/ C. Forrest Tefft  
Name: C. Forrest Tefft  
Title: Senior Vice President

[SIGNATURE PAGE - AMENDED AND RESTATED CREDIT AGREEMENT]

**WELLS FARGO BANK, N.A.**, individually and  
as Syndication Agent

By: /s/ J. Barrett Donovan  
Name: J. Barrett Donovan  
Title: Vice President

**FIFTH THIRD BANK**

By: /s/ Jim Janovsky  
Name: Jim Janovsky  
Title: Vice President

**NATIONAL CITY BANK**

By: /s/ Debra W. Riefner  
Name: Debra W. Riefner  
Title: Senior Vice President

**FIRSTMERIT BANK, N.A., as Lender**

By: /s/ Robert G. Morlar  
Name: Robert G. Morlar  
Title: Senior Vice President

**FIRST NATIONAL BANK OF PENNSYLVANIA**

By: /s/ John L. Hayes  
Name: John L. Hayes  
Title: Senior Vice President

**TRISTATE CAPITAL BANK**

By: /s/ Paul J. Oris  
Name: Paul J. Oris  
Title: Senior Vice President

KOPPERS INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN I

*As Amended and Restated  
Effective as of  
January 1, 2009*

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SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN I

The purpose of the Koppers Inc. Supplemental Executive Retirement Plan I (formerly named the Koppers Industries, Inc. Retirement Income Restoration Plan) is to permit select members of management and highly compensated employees to supplement retirement benefits payable from the Retirement Plan for Koppers Inc. (the "Retirement Plan").

ARTICLE I  
TITLE AND EFFECTIVE DATE

Section 1.01 Title. This plan shall be known as the Koppers Inc. Supplemental Executive Retirement Plan I (hereinafter referred to as the "Plan").

Section 1.02 Effective Date; Grandfathered Benefits. The original effective date of this Plan was January 1, 1991. The Plan, as hereby amended and restated, shall be effective as of January 1, 2009. The Plan as amended and restated applies only to a Participant's Retirement Benefit that accrued on or after January 1, 2005, or Retirement Benefit that accrued prior to that date but was not fully vested on December 31, 2004. The Plan preceding this amendment and restatement applies to any Retirement Benefit that accrued and was vested prior to January 1, 2005 ("Grandfathered Benefits"); provided that any increase in the value of any subsidy with respect to Grandfathered Benefits payable upon retirement prior to the Retirement Plan's Normal Retirement Date that accrues or increases as the result of service after December 31, 2004 shall not be treated as Grandfathered Benefits.

ARTICLE II  
DEFINITIONS AND CONSTRUCTION OF THE PLAN DOCUMENT

As used herein, the following words and phrases shall have the meanings specified below unless a different meaning is clearly required by the context:

Section 2.01 Actuarial Equivalent. "Actuarial Equivalent" shall mean a benefit having the same actuarial value as the benefit it replaces, determined using the same assumptions and methods as are used for determining an actuarial equivalent benefit under the Retirement Plan.

Section 2.02 Beneficiary. "Beneficiary" shall mean the person or persons or the estate of a Participant entitled to receive any benefits under this Plan.

Section 2.03 Board of Directors. "Board of Directors" shall mean the Board of Directors of the Company.

Section 2.04 Code. "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time. Any reference to a particular Code section shall include any provision which modifies, replaces or supersedes it.

Section 2.05 Committee. "Committee" shall mean the Pension Committee of the Retirement Plan, which shall manage and administer the Plan.

Section 2.06 Company. "Company" shall mean Koppers Inc., its successors, and any organization into which or with which the Company may merge or consolidate or to which all or substantially all of its assets may be transferred. Where the context so requires, references to "Company" shall refer to Koppers Industries, Inc. as predecessor to Koppers Inc.

Section 2.07 Earliest Retirement Date. "Earliest Retirement Date" shall mean the earliest date as of which the Participant would be eligible to commence the receipt of his Retirement Plan Benefit, whether or not he elects to commence receipt of such Retirement Plan Benefit as of such date.

Section 2.08 Executive. "Executive" shall mean any member of management or highly compensated employee who is eligible to participate in the Retirement Plan.

Section 2.09 Normal Form. "Normal Form" shall mean the normal form of distribution of the Participant's Retirement Benefit under the Retirement Plan (i.e., a single-life annuity for an unmarried Participant or a joint and 50% survivor annuity for a married Participant).

Section 2.10 Participant. "Participant" shall mean an Executive who is participating in the Plan.

Section 2.11 Plan. “Plan” shall mean the Koppers Inc. Supplemental Executive Retirement Plan I, as described in this instrument, as amended from time to time.

Section 2.12 Plan Year. “Plan Year” shall mean the calendar year.

Section 2.13 Retirement. “Retirement” shall mean a Participant’s Separation from Service at a time when the Participant is eligible to commence immediately his Retirement Plan Benefit.

Section 2.14 Retirement Benefit. “Retirement Benefit” shall mean a Participant’s Retirement Benefit as provided under Section 4.01.

Section 2.15 Retirement Plan. “Retirement Plan” shall mean the Retirement Plan for Koppers Inc., as amended from time to time.

Section 2.16 Retirement Plan Benefit. “Retirement Plan Benefit” shall mean the accrued retirement benefit payable to the Participant under the Retirement Plan.

Section 2.17 Separation from Service. “Separation from Service” shall mean a Participant’s separation from service with the Company within the meaning of Code Section 409A. A Separation from Service occurs when the facts and circumstances indicate that the Company and the Participant reasonably anticipated that no further services would be performed after a certain date or that the level of services the Participant would perform after such date would permanently decrease to no more than 20% of the average level of services performed over the immediately preceding 36-month period (or, if shorter, the entire period of the Participant’s employment by the Company).

Section 2.18 Specified Employee. “Specified Employee” shall have the meaning set forth in Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A.

Section 2.19 Termination of Employment. “Termination of Employment” shall mean a Participant’s Separation from Service as a regular employee of the Company, other than Retirement.

Titles of the Articles of this Plan are included for ease of reference only and are not to be used for the purpose of construing any portion or provision of this Plan document. Wherever the context so requires, masculine pronouns include the feminine and singular words shall include the plural.

ARTICLE III  
ELIGIBILITY

Section 3.01 Participation. Any individual who is a participant in the Retirement Plan and whose Annual Salary (as defined in the Retirement Plan) for any plan year beginning on or after January 1, 1989 exceeded the limitations imposed by Section 401(a)(17) of the Internal Revenue Code shall be eligible to be a Participant in this Plan; provided, that no Executive hired or rehired after December 31, 2006 became a Participant in this Plan after December 31, 2006, and the Retirement Benefit of any Participant in the Plan as of December 31, 2006 was frozen on such date and will not thereafter increase.

ARTICLE IV  
RETIREMENT BENEFITS

Section 4.01 Retirement Benefit. A Participant shall be entitled to a Retirement Benefit under this Plan if his Retirement Plan Benefit is less than such benefit would have been if the definition of "Annual Salary" in the Retirement Plan did not exclude, for years beginning with 1989 and ending with 2006, compensation in excess of the Section 401(a)(17) Limit. In such case, the Participant's Retirement Benefit shall be equal to the difference between his actual Retirement Plan Benefit and the Retirement Plan Benefit to which he would have been entitled under the Retirement Plan if such compensation in excess of the Section 401(a)(17) Limit had been included (provided, that this Plan as amended and restated effective January 1, 2009 shall apply only to the Participant's Retirement Benefit that is not a Grandfathered Benefit).

ARTICLE V  
DISTRIBUTION

Section 5.01 Distribution of Retirement Benefit. Except as otherwise elected in accordance with the provisions of this Section 5.01, a Participant's Retirement Benefit shall be payable as follows:

(a) Retirement. A Participant's Retirement Benefit shall commence in the Normal Form as of the first day of the month following the Participant's Retirement or, if the Participant is a Specified Employee on the date of Retirement, as of the first day of the sixth month following the month in which his Retirement occurs, unless the Participant elects to receive his Retirement Benefit in an optional form of payment in accordance with the provisions set forth in Section 5.01(c) and/or commencing on a different date in accordance with the timing rule set forth in Section 5.01(d).

(b) Termination of Employment. In the case of a Participant who incurs a Termination of Employment prior to Retirement, his Retirement Benefit shall commence in the Normal Form as of his Earliest Retirement Date, or, if the Participant is a Specified Employee on the date of Termination of Employment, as of the first day of the sixth month following the month in which his Termination of Employment occurs if later than his Earliest Retirement Date, unless the Participant elects to receive his Retirement Benefit in an optional form of payment in accordance with the provisions set forth in Section 5.01(c) and/or commencing on a different date in accordance with the timing rule set forth in Section 5.01(d).

(c) Change in Form of Payment. A Participant may elect, at any time during the 180-day period prior to the date on which benefits would commence under Section 5.01(a) or Section 5.01(b), as applicable (or prior to any later commencement date elected under section 5.01(d)) to receive one of the following forms of payment in lieu of the Normal Form:

(1) A Retirement Benefit payable for the Participant's life, with no Retirement Benefit payable after his death.

(2) A reduced Retirement Benefit payable during the Participant's life with the provision that after his death 50%, 75% or 100% of the amount payable during the Participant's life shall be paid during the life of and to the person nominated by him as his Beneficiary by written designation, filed with the Committee, when he elected this option, if such person survives him.

(3) A reduced Retirement Benefit payable for the Participant's life and a period certain of 5 years as he shall have selected in writing at the time he elects this option; provided, that such period certain shall not extend beyond the joint and last survivor expectancy of the Participant and his Beneficiary.

In each case, the optional form so elected shall be the Actuarial Equivalent of the Normal Form. In addition, if the Participant is married on the date of benefit commencement, his

choice of any form of payment other than the Normal Form or an optional form under (2) above with his Spouse as Beneficiary shall be valid only if he obtains his Spouse's written consent in a manner comparable to the analogous consent requirements applicable under the Retirement Plan.

(d) Change in Timing. A Participant may elect to defer the commencement date of his Retirement Benefit to a date later than the date specified under Section 5.01(a) or Section 5.01(b), as applicable, provided that such deferral of commencement shall only be effective if (i) the election is made not less than 12 months before the date the Participant's Retirement Benefit would otherwise commence, and (ii) payment will commence under the new election no earlier than the 5th anniversary of the date any payment would otherwise have been made under Section 5.01(a) or Section 5.01(b), as applicable. Only one such deferral election shall be permitted under this Plan for each Participant.

Section 5.02 Vesting of Retirement Benefit. A Participant with a vested Retirement Plan Benefit shall be vested in any Retirement Benefit under Section 4.01 of this Plan.

Section 5.03 Withholding for Taxes. The Company shall be entitled to withhold from payments due under the Plan any and all taxes of any nature required by any government to be withheld from compensation paid to employees.

ARTICLE VI  
BENEFICIARY

Section 6.01 Beneficiary Designation. The Beneficiary of a Participant shall be the Beneficiary designated by the Participant under the Retirement Plan. A Participant shall have the right to change the Beneficiary by submitting to the Committee a change of Beneficiary form for the Retirement Plan. However, no change of Beneficiary shall be effective until acknowledged in writing by the Company.

Section 6.02 Proper Beneficiary. If the Company has any doubt as to the proper Beneficiary to receive payments hereunder, the Company shall have the right to withhold such payments until the matter is finally adjudicated. However, any payment made by the Company, in good faith and in accordance with this Plan, shall fully discharge the Company from all further obligations with respect to that payment.

Section 6.03 Minor or Incompetent Beneficiary. In making any payments to or for the benefit of any minor or incompetent Beneficiary, the Committee, in its sole and absolute discretion may make a distribution to:

- 1) A legal or natural guardian of the minor;
- 2) Other relative of the minor;
- 3) A court appointed committee of the minor;
- 4) Any adult with whom the minor or incompetent temporarily or permanently resides.

The receipt by a guardian, committee, relative or other person shall be a complete discharge to the Company and the Committee. Neither the Committee nor the Company shall have any responsibility to see the proper application of any payments so made.

ARTICLE VII  
ADMINISTRATION OF THE PLAN

Section 7.01 Majority Vote. All resolutions or other actions taken by the Committee shall be by vote of a majority of its members, or in writing by all the members at the time in office if they act without a meeting.

Section 7.02 Finality of Determination. Subject to the Plan, the Committee shall, from time to time, establish rules, forms and procedures for the administration of the Plan. Except as herein otherwise expressly provided, the Committee shall have the exclusive right to interpret the Plan and to decide any and all matters arising thereunder or in connection with the administration of the Plan, and it shall endeavor to act, whether by general rules or by particular decisions so as not to discriminate in favor of or against any person. The decision, actions and records of the Committee shall be conclusive and binding upon the Company and all persons having or claiming to have any right or interest in or under the Plan.

Section 7.03 Certificates and Reports. The members of the Committee and the officers and directors of the Company shall be entitled to rely on all certificates and reports made by any duly appointed accountants, and on all opinions given by any duly appointed legal counsel, which legal counsel may be counsel for the Company.

Section 7.04 Indemnification and Exculpation. The Company shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of his membership on the Committee. Expenses against which a member of the Committee shall be indemnified hereunder shall include, without limitation, the amount of any settlement or judgment, costs, counsel fees, and related charges reasonably incurred in connection with a claim asserted, or a proceeding brought or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such member of the Committee may be entitled as a matter of law.

Section 7.05 Expenses. The expenses of administering the Plan shall be borne by the Company.

ARTICLE VIII  
CLAIMS PROCEDURE

Section 8.01 Written Claims. Retirement Benefits shall be paid in accordance with the provisions of the Plan. The Participant, or a designated recipient or any other person claiming through the Participant (“Claimant”) shall make a written request for benefits under this Plan. This written claim shall be mailed or delivered to the Pension Committee, to the attention of its Secretary.

Section 8.02 Denied Claim. If the claim is denied, in full or in part, the Committee shall provide a written notice setting forth the specific reasons for the denial, specific references to the provisions of the Plan on which the denial is based, a description of any additional material or information necessary to perfect the claim, and an explanation of why such material or information is necessary, and appropriate information and explanation of the steps to be taken if a review of the denial is desired. The written notice shall be given to the claimant within a reasonable period of time, but not more than 90 days after the receipt of the claim, unless special circumstances require further time for processing and the claimant is advised of the extension prior to the expiration of the initial 90-day period. In no event shall the notice be given more than 180 days after the receipt of the claim.

Section 8.03 Review Procedure. If the claim is denied and a review is desired, the Claimant shall notify the Committee in writing within sixty (60) days after receipt of the written notice of denial. In requesting a review, the Claimant may request a review of the Plan documents, may submit any written issues and comments, may request an extension of time for such written submission of issues and comments to the Committee, and may request that a hearing be held, but the decision to hold a hearing shall be within the sole discretion of the Committee.

Section 8.04 Committee Review. The decision on the review of the denial of a claim shall be rendered by the Committee within sixty (60) days after the receipt of the request for review, unless special circumstances require further time for processing and the applicant is advised of the extension prior to the explanation of the original 60-day period. In no event shall the decision on review be rendered more than 120 days after the Committee receives the request for review. The decision shall be written and shall state, in a manner calculated to be understood by the claimant, the specific reasons for the decision including reference to specific provisions of the Plan on which the decision is based.

Section 8.05 Legal Action. No legal action for benefits under the Plan shall be brought unless and until the claimant (i) has submitted a written application for benefits in accordance with Section 8.01, (ii) has been notified by the Committee that the application is denied, (iii) has filed a written request for a review of the application in accordance with Section 8.03, and (iv) has been notified in writing that the Committee has affirmed the denial of the application; provided, however, that legal action may be brought after the Committee has failed to take any action on the claim within the time prescribed by Sections 8.02 and 8.04.

ARTICLE IX  
NATURE OF COMPANY'S OBLIGATION

Section 9.01 Company's Obligation. The Company's obligations under this Plan shall be an unfunded and unsecured promise to pay. The Company shall not be obligated under any circumstances to fund its financial obligation under this Plan.

Section 9.02 Creditor Status. Any assets which the Company may acquire or set aside to help cover its financial liabilities are and must remain general assets of the Company subject to the claims of its creditors. Neither the Company nor this Plan gives the Participant any beneficial ownership interest in any asset of the Company. All rights of ownership in any such assets are and remain in the Company and Participants and their beneficiaries shall have only the rights of general creditors of the Company.

ARTICLE X  
MISCELLANEOUS

Section 10.01 Written Notice. Any notice which shall be or may be given under this Plan shall be in writing and shall be mailed by United States mail, postage prepaid. If notice is to be given to the Company, such notice shall be addressed to the Pension Committee at: Koppers Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania, 15219, marked for the attention of the "Chairman/Pension Committee" or if notice to a Participant, addressed to the address shown on such Participant's employment forms.

Section 10.02 Change of Address. Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

Section 10.03 Merger, Consolidation or Acquisition. The Plan shall be binding upon the Company, its assigns, and any successor Company which shall succeed to substantially all of its assets and business through merger, acquisition or consolidation. This Plan shall also be binding upon each Participant, his heirs, executors, successors and assigns.

Section 10.04 Amendment and Termination. The Company retains the sole and unilateral right to terminate, amend, modify, or supplement this Plan, in whole or in part, at any time (including retroactive amendments). In the event of any termination of the Plan or any portion thereof, payment of affected Participants' Retirement Benefits shall be made under and in accordance with the terms of the Plan and any applicable elections, except that the Company may determine, in its sole discretion, to accelerate payments to all such affected Participants if and to the extent that such acceleration is permitted under Code Section 409A.

Section 10.05 Nontransferability. Except insofar as prohibited by applicable law, no sale, transfer, alienation, assignment, pledge, collateralization or attachment of any benefits under this Plan shall be valid or recognized by the Company. Neither the Participant, his spouse, or designated Beneficiary shall have any power to hypothecate, mortgage, commute, modify, or otherwise encumber in advance any of the benefits payable hereunder, nor shall any of said benefits be subject to seizure for the payment of any debts, judgments or alimony maintenance owed by the Participant or his Beneficiary, or be transferable by operation of law in the event of bankruptcy, insolvency, or otherwise. Notwithstanding the foregoing, the Retirement Benefit of a Participant under this Plan may be assigned in whole or part to an alternate payee under a domestic relations order, if the Committee determines that such order constitutes a "qualified domestic relations order" within the meaning of Code Section 414(p).

Section 10.06 Legal Fees. All reasonable legal fees incurred by any Participant (or former Participant) or Beneficiary to successfully enforce his valid rights under this Plan shall be paid by the Company in addition to sums due under the Plan. Any payment of such fees shall be made no later than the latest date for permissible reimbursements under Code Section 409A and regulations and rulings thereunder in order that such payments may not be deemed deferred compensation.

Section 10.07 Applicable Law. This Plan shall be governed by the laws of the Commonwealth of Pennsylvania, but only to the extent not preempted by relevant federal law.

Section 10.08 Compliance with 409A. The Plan is intended to comply with the applicable requirements of Code Section 409A, and will be administered in accordance with Code Section 409A to the extent that Code Section 409A applies to the Plan. Notwithstanding any provision in the Plan to the contrary, distributions from the Plan may only be made in a manner, and upon an event, permitted by Code Section 409A. If any payment or benefit cannot be provided or made at the time specified herein without incurring penalties under Code Section 409A, then such benefit or payment will be provided in full at the earliest time thereafter when such penalties will not be imposed. To the extent that any provision of the Plan would cause a conflict with the applicable requirements of Code Section 409A, or would cause the administration of the Plan to fail to satisfy the applicable requirements of Code Section 409A, such provision shall be deemed null and void to the extent permitted by applicable law.

EXECUTION

The undersigned, pursuant to the approval of the Board, does herewith execute this Koppers Inc. Supplemental Executive Retirement Plan I, effective as of the effective date of the Plan specified in Section 1.02 hereof.

Koppers Inc.

By: /s/ Steven R. Lacy

Title: Senior VP, Administration, General Counsel & Secretary

**KOPPERS INC.**

**SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN II**

*Amended and Restated as of*

*January 1, 2009*

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KOPPERS INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN II

PREAMBLE

Koppers Inc. (the "Company") recognizes that the Internal Revenue Service limitations on compensation that may be taken into account for purposes of determining retirement benefits under a retirement plan qualified under Section 401(a) of the Internal Revenue Code may prevent some key employees from realizing sufficient benefits from the Company's qualified retirement plan. The purpose of the Koppers Inc. Supplemental Executive Retirement Plan II (formerly named the Koppers Industries, Inc. Supplemental Executive Retirement Plan II) is to acknowledge and reward certain key employees of the Company for their efforts on behalf of the Company by providing additional post employment income to such key employees in order to facilitate their attainment of adequate levels of retirement income.

ARTICLE I

GENERAL

**Section 1.1 Effective Date; Grandfathered Benefits.** The original effective date of the Plan was December 1, 1997. The Plan, as hereby amended and restated, shall be effective as of January 1, 2009. The Plan as amended and restated applies only to a Participant's Retirement Benefit that accrued on or after January 1, 2005, or Retirement Benefit that accrued prior to that date but was not fully vested on December 31, 2004. The Plan preceding this amendment and restatement applies to any Retirement Benefit that accrued and was vested prior to January 1, 2005 ("Grandfathered Benefits"); provided that any increase in the value of any subsidy with respect to Grandfathered Benefits payable upon retirement prior to the Retirement Plan's Normal Retirement Date that accrues or increases as the result of service after December 31, 2004, shall not be treated as Grandfathered Benefits. The rights, if any, of any person whose status as an employee of an Employer has terminated shall be determined pursuant to the Plan as in effect on the date such employee terminated, unless a subsequently adopted provision of the Plan is made specifically applicable to such person.

**Section 1.2 Intent.** The Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, as such group is described under Section 201(2), 301(a)(3), and 401(a)(1) of ERISA. Benefits provided under this Plan shall be funded solely from the general assets of the Employer and no participant or beneficiary hereunder shall have any interest or right to such assets.

**ARTICLE II**  
**DEFINITIONS AND USAGE**

**Section 2.1 Definitions.** Wherever used in the Plan, the following words and phrases shall have the meaning set forth below unless the context plainly requires a different meaning:

“*Actuarial Equivalent*” means a benefit having the same actuarial value as the benefit it replaces, determined using the same assumptions and methods as are used for determining an actuarial equivalent benefit under the Retirement Plan.

“*Accumulated Service*” means Accumulated Service as defined in the Retirement Plan.

“*Administrator*” means the Pension Committee appointed by the Board, or such other person or persons as designated by the Board.

“*Board*” means the Board of Directors of the Company.

“*Change in Control*” means a change in the ownership or control of the Company, as defined in Section 6.1.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a particular Code section shall include any provision which modifies, replaces or supersedes it.

“*Company*” means Koppers Inc and any successor entity, and any entity that acquires ownership or control of Koppers Inc. or any successor entity.

“*Disability*” or “*Disabled*” means a physical or mental condition of a Participant resulting from a bodily injury, disease, or mental disorder which renders him incapable of continuing in the employment of the Employer. Such Disability shall be determined by the Administrator, in its sole and complete discretion, based upon appropriate medical advice and examination, and taking into account the ability of the Participant to continue in his or her same or similar, position with the Employer.

“*Early Retirement Date*” means the date on which a Participant retires from employment with the Employer after becoming eligible for an early retirement benefit under the Salaried Plan thereunder by reason of having (1) reached the age of 60 and completed 25 years of Accumulated Service, or (2) reached the age of 55 and completed 10 years of Accumulated Service, or (3) in the case of a Participant who has been Involuntarily Terminated on or after January 1, 1998 (other than a Participant who has ceased to be an active employee performing his or her normal job function but who is accruing benefits pursuant to a severance arrangement or employment contract with the Company), completed 30 years of Accumulated Service.

“*Employer*” means the Company and any other entity related to the Company in a manner described in Sections 414(b), (c), (m) or (o) of the Code.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time. Any reference to a particular ERISA section shall include any provision which modifies, replaces, or supersedes it.

“*Final Average Pay*” means, with respect to any Participant, the sum of the following amounts: (i) the highest monthly base salary (excluding bonuses and other variable payments) paid in his or her last sixty (60) calendar months of full-time employment with the Employer multiplied by twelve (12); provided, however, that if a Participant has fewer than sixty (60) calendar months of full-time employment with the Employer, there shall be used in this clause the average of his or her regular base salary (excluding bonuses and other variable payments) during all of his or her calendar months of full-time employment with the Employer; plus (ii) the average incentive payment made for the last five (5) years of employment.

“*Involuntarily Terminated*” means any termination of a Participant’s employment with an Employer by reason of the discharge, firing or other involuntary termination of the Participant’s employment by action of such Employer, other than a Termination for Cause (as determined in good faith by the Administrator).

“*Normal Form*” means the normal form of distribution of the Participant’s Retirement Plan Benefit (i.e., a single life annuity for an unmarried Participant or a joint and 50% survivor annuity for a married Participant).

“*Normal Retirement Age*” means the age 65, or such other age that is defined from time to time as the normal retirement age under the Retirement Plan.

“*Normal Retirement Date*” means the date on which a Participant attains the Normal Retirement Age.

“*Participant*” means an eligible employee of an Employer who is participating in the Plan in accordance with Section 3.2.

“*Plan*” means the Koppers Inc. Supplemental Executive Retirement Plan II, as set forth herein and as it may be amended from time to time.

“*Plan Year*” means the calendar year.

“*Qualified Plan*” means the Retirement Plan and any other defined benefit pension plan(s) (within the meaning of Section 414(j) of the Code) intended to be qualified under Section 401(a) of the Code adopted and maintained by the Employer that provides benefits to Participants in this Plan.

“*Qualified Plan Benefit*” means the annuity annual equivalent benefit, expressed in the form of the annuity payable to a Participant under Section 5.1 hereof, that can be derived from the Qualified Plan. The determination of such annuity annual equivalent benefit shall be made

using the mortality table that is in effect at such time for the Retirement Plan, an interest rate equal to the interest rate used under FAS 87 for the Retirement Plan for the previous year, and a commencement age under the Qualified Plan that is the same age at which the Retirement Benefit is to commence hereunder, in accordance with procedures established by the Administrator.

“*Retirement Benefit*” means the benefit payable under this Plan, as determined under Article IV.

“*Retirement Plan*” means the Retirement Plan for Koppers Inc., as subsequently amended and restated from time to time hereafter.

“*Retirement Plan Benefit*” means the benefit payable to a Participant under the Retirement Plan.

“*Separation from Service*” means a Participant’s separation from service with the Employer within the meaning of Section 409A of the Code. A Separation from Service occurs when the facts and circumstances indicate that the Employer and the Participant reasonably anticipate that no further services would be performed after a certain date or that the level of services the Participant would perform after such date would permanently decrease to no more than 20% of the average level of services performed over the immediately preceding 36-month period (or, if shorter, the entire period of the Participant’s employment with the Employer).

“*Social Security Benefit*” means the annual benefit payable under the Social Security Act at the Participant’s Social Security Retirement Age, relating to Old-Age and Disability benefits, determined under the provisions of the Social Security Act in effect on the date of a Participant’s Separation from Service. The Social Security Benefit will be calculated assuming that a Participant will not receive any future income that would be treated as wages for purposes of such Act, except that in the case of any deferred vested Retirement Benefit payable under Section 4.3, the Social Security Benefit will be calculated assuming that the Participant will receive the maximum amount of future income that would be treated as wages for purposes of the Social Security Act from the date of his or her Separation from Service until the Social Security Retirement Age.

“*Social Security Normal Retirement Age*” means the age used as the retirement age under Section 216(1) of the Social Security Act, as amended.

“*Specified Employee*” has the meaning set forth in Section 1.409A-1(i) of the Treasury Regulations issued under Section 409A of the Code.

“*Termination for Cause*” means the termination of a Participant’s employment due to (a) the willful and continued failure by the Participant to substantially perform his or her duties of employment (other than any such failure resulting from incapacity due to physical or mental illness) or any such actual or anticipated failure after the issuance of a notice of termination, after a written demand for substantial performance is delivered to the Participant by the Board, which

demand specifically identifies the manner in which the Board believes that the Participant has not substantially performed his or her duties, and the Participant is given a reasonable opportunity to remedy such identified failure to perform, or (b) the willful engaging by the Participant in conduct which is demonstrably and materially injurious to the Employer, monetarily or otherwise. For purposes of this definition, no act or failure to act, shall be deemed "willful" unless done, or omitted to be done, not in good faith and without reasonable belief that such action or omission was in the best interest of the Employer.

Notwithstanding the foregoing, a Participant shall not be considered to have been terminated for cause unless there is delivered to the Participant a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for the Participant, with legal counsel, to be heard before the Board), finding that in the good faith opinion of the Board, the Participant was engaged in the type of conduct set forth above in this definition, which specifies particular details and examples of such conduct.

"*Years of Service*" means the total number of years of "credited service" (as defined in the Retirement Plan) credited to a Participant under the Retirement Plan. In no event shall more than thirty-five (35) years be credited to any Participant, regardless of his or her actual period of service with the Employer or the number of years of credited service accumulated by the Participant under the Retirement Plan. At the discretion of the Administrator, Participants may be granted additional Years of Service that relate to employment with another employer for purposes of determining Retirement Benefits under this Plan, upon such terms and conditions as the Administrator may require (which conditions may include, but not be limited to, completion of a period of future service with the Employer and reducing the Participant's Retirement Benefit hereunder by the pension benefits provided by such other employer).

**Section 2.2 Usage.** Except where otherwise indicated by the context, any masculine terminology used herein shall also include the feminine and vice versa, and the definition of any term herein in the singular shall also include the plural and vice versa.

**ARTICLE III**  
**ELIGIBILITY AND PARTICIPATION**

**Section 3.1 Eligibility.** An employee of an Employer shall be eligible to participate in the Plan if he or she is (i) an elected corporate officer of the Employer and agrees to enter into a non-compete, non-solicitation confidentiality agreement or (ii) a senior manager of the Employer who has been selected for participation in this Plan and agrees to enter into a non-compete, non-solicitation confidentiality agreement and who is participating in the Retirement Plan; provided, however, that any such employee shall be eligible to participate only to the extent, and for the period, that he or she is a member of a select group of management or highly compensated employees, as such group is described under Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. The Board shall make all determinations of eligibility in its sole and absolute discretion.

**Section 3.2 Participation.** An employee who is eligible to participate in the Plan pursuant to Section 3.1 as an elected corporate officer of the Employer and who is participating in the Retirement Plan shall automatically become a Participant upon election to such office and the execution of a non-compete, non-solicitation confidentiality agreement. Each other employee who is eligible to participate in the Plan pursuant to Section 3.1 shall become a Participant at such time and for the period as he or she is designated as eligible by the Board or, if no such period is specified, until his or her participation ceases in accordance with the terms of the Plan.

**Section 3.3 Plan Frozen.** Notwithstanding the foregoing, no employee shall become eligible to participate in this Plan after December 31, 2006, and the Retirement Benefit of any Participant in the Plan as of December 31, 2006, was frozen on such date and will not thereafter increase.

**ARTICLE IV**  
**RETIREMENT BENEFITS**

**Section 4.1 Normal Retirement Benefit.**

(a) Eligibility and Commencement. Subject to Section 4.6(b), a Participant who retires from employment with the Employer on or after his or her Normal Retirement Date shall receive a Retirement Benefit, determined in accordance with Section 4.1(b), which shall commence to be paid after the Participant's retirement from the Employer becomes effective. The time and form of payment of the Retirement Benefit shall be determined in accordance with Section 5.1.

(b) Amount. The Retirement Benefit for a Participant who retires on or after his or her Normal Retirement Date shall be an annual amount, payable in the form specified under Section 5.1 that is equal to the following:

- (1) The product of the following amounts:
  - (A) two percent (2%) of such Participant's Final Average Pay multiplied by
  - (B) his or her Years of Service (not in excess of thirty-five (35) years);
- (2) Reduced by the following amounts:
  - (A) the Qualified Plan Benefit;
  - (B) the annuity annual equivalent benefit, expressed in the form of the annuity payable to a Participant under Section 5.1 hereof, payable under any other nonqualified retirement plan maintained by the Employer or Koppers Company, determined using the mortality table specified in the Retirement Plan, an interest rate equal to the interest rate used under FAS 87 for the Retirement Plan for the previous year, and a commence age that is the same age at which the Retirement Benefit is to commence hereunder, in accordance with procedures established by the Administrator;
  - (C) the annuity annual equivalent benefit, expressed in the form of the annuity payable to a Participant under Section 5.1 hereof, of the value of Company stock held in the Participant's account in the Employee Savings Plan of Koppers Industries, Inc. and Subsidiaries, and any successor plan, that is attributable to Employer contributions contributed to such plan since 1995, determined using the mortality table specified in the Retirement Plan, an interest rate equal to the interest rate used under FAS 87 year end disclosures for the Retirement Plan for the previous year

and a commencement age that is the same age at which the Retirement Benefit is to commence hereunder, in accordance with procedures established by the Administrator. For this purpose, the account balance will be projected to the Participant's actual retirement date (or Normal Retirement Date, in the case of a deferred vested Retirement Benefit payable under Section 4.3) at an assumed rate of appreciation of nine percent (9%) per year; and

- (D) Fifty percent (50%) of the Social Security Benefit; provided, however, that this reduction shall not apply until a Participant reaches his or her Social Security Normal Retirement Age.

#### **Section 4.2 Early Retirement Benefit**

(a) Eligibility and Commencement. Subject to Section 4.6(b), a Participant who retires on or after his or her Early Retirement Date, but before his or her Normal Retirement Date, shall receive a Retirement Benefit, determined in accordance with Section 4.2(b), which shall commence to be paid after the Participant's retirement from the Employer becomes effective. The time and form of payment of the Retirement Benefit shall be determined in accordance with Section 5.1.

(b) Amount. The Retirement Benefit payable to a Participant who retires on or after his or her Early Retirement Date, but before his or her Normal Retirement Date, shall be an amount determined in accordance with the following, and subject to reduction for payment before the Participant's Normal Retirement Date, as provided below:

- (1) Age 60 / 25 Years. A Participant who retires at sixty (60) or more years of age, but before his or her Normal Retirement Date, and who has twenty-five (25) or more Years of Service, shall receive a Retirement Benefit, determined in accordance with Section 4.1(b), which shall commence to be paid immediately, without any reduction for payment beginning before his or her or her Normal Retirement Age.
- (2) Age 55 / 10 Years of Service. A Participant who retires at fifty-five (55) or more years of age but less than sixty (60) years of age, and who has ten (10) or more Years of Service, shall receive a Retirement Benefit, determined in accordance with Section 4.1(b), which shall commence to be paid immediately; provided, however, that the Retirement Benefit shall be reduced by three percent (3.0%) per year for each year by which payment commences before the Participant reaches age 60.
- (3) Involuntary Termination and 30 Years of Service. A Participant whose employment is Involuntarily Terminated and who has thirty (30) or more Years of Service, shall receive a Retirement Benefit, determined in accordance with Section 4.1(b), which shall commence to be paid immediately; provided, however, that the Retirement Benefit shall be reduced by three percent (3.0%) per year for each year by which payment commences before the Participant reaches age 60.

**Section 4.3 Termination of Employment.** Except as provided in Section 4.2(b)(3) if a Participant incurs a Separation from Service with the Employer for reasons other than Termination for Cause after satisfying the vesting requirement under Section 4.6(a), but before the attainment of his or her Early Retirement Date or Normal Retirement Date, he shall receive a Retirement Benefit, determined under Section 4.1(b) as of his or her Normal Retirement Date, but such benefit shall be calculated by using his or her Final Average Pay and Years of Service as of the effective date of his or her Separation from Service. Notwithstanding satisfaction of the vesting requirements in Section 4.6(a), no Retirement Benefit shall be payable hereunder if a Participant incurs an event causing forfeiture of such benefits under Section 4.6(b). A Participant shall receive payment of his or her Retirement Benefit in a single lump sum within 60 days after his or her Separation from Service if the present value of the Participant's Retirement Benefit does not exceed \$5,000, determined in accordance with the assumptions and procedures established by the Administrator.

**Section 4.4 Disability.** If a Participant becomes Disabled while in the employment of the Employer after satisfying the vesting requirement under Section 4.6(a), but before the attainment of his or her Early Retirement Date or Normal Retirement Date, he or his or her beneficiary or beneficiaries shall receive a Retirement Benefit upon attaining his or her Normal Retirement Date, determined under Section 4.1(b), but such Retirement Benefit shall be calculated using the Participant's Final Average Pay and Years of Service as of the effective date of his or her Disability and the actual Social Security Benefit that he or she eventually receives. The Board may in its discretion provide that the amount of such Retirement Benefit shall be enhanced by taking into account additional Years of Service which are reasonably expected to have occurred absent the Participant's Disability. Notwithstanding satisfaction of the vesting requirements in Section 4.6(a), no Retirement Benefit shall be payable hereunder if a Participant incurs an event causing forfeiture of such benefits under Section 4.6(b).

**Section 4.5 Death.** If a Participant with five (5) or more Years of Service dies while in the employment of the Employer, his or her beneficiary or beneficiaries shall be entitled to, and shall receive, payment of the Participant's Retirement Benefit, payable unreduced as soon as practicable following the Participant's death.

**Section 4.6 Vesting and Forfeiture of Retirement Benefit.**

(a) **Vested Benefits.** Except as provided in subsection (b) below, a Participant who is in the active employ of an Employer shall have a vested right to his or her Retirement Benefit upon the occurrence of any of the following:

- (1) his or her completion of five (5) Years of Service, which includes any Years of Service prior to the effective date of the Plan described in Section 1.1 hereof;
- (2) the attainment of his or her Normal Retirement Age; or

(3) the occurrence of a Change in Control at any time.

(b) *Forfeiture*. Notwithstanding subsection (a), upon the occurrence of any of the following, a Participant's Retirement Benefit hereunder shall be forfeited, and no such benefit shall be payable hereunder:

- (1) his or her Termination for Cause;
- (2) his or her breach of any non-compete, non-solicitation confidentiality agreement with the Company; (The terms of the non-compete, non-solicitation, confidentiality agreement will become null and void if the Participant's employment is Involuntarily Terminated by reason of layoff.)
- (3) without the consent of the Chief Executive Officer of the Company, his or her becoming, directly or indirectly, involved, whether alone or as a partner, joint venturer, franchisee, franchiser, officer, director, employee, independent contractor, employer, agent, shareholder or other owner or operative in any other business that competes with the Employer;
- (4) his or her directly or indirectly, soliciting or inducing or attempting to solicit or induce, any employee of Employer to leave Employer for any reason whatsoever or hire any employee of Employer;
- (5) without the consent of the Chief Executive Officer of the Company, his or her directly or indirectly soliciting the trade of or trade with, or otherwise doing business with any client of Employer so as to offer or sell any product or services that would be competitive with any products or services sold by Employer during the term of Employee's employment or any products or services which Employee knows are being developed by Employer during the term of his or her employment; or
- (6) his or her directly or indirectly taking any action which might divert from Employer any opportunity that is within the scope of any present or contemplated future business of Employer during the term of Participant's employment or any opportunities that Participant knows are being developed by Employer during the term of his or her employment.

The payment of any Retirement Benefit that has commenced shall be discontinued immediately, and any future payments shall be forfeited, upon the occurrence of any of the events described in subsections (2) through (6) above.

**ARTICLE V**  
**PAYMENT OF RETIREMENT BENEFITS**

**Section 5.1 Distribution of Retirement Benefits.** Except as otherwise elected in accordance with the provisions of this Section 5.1, a Participant's Retirement Benefit shall be payable as follows:

(a) Retirement

- (1) Normal Retirement. A Participant's Retirement Benefit shall commence in the Normal Form as of the first day of the month following the Participant's Separation from Service on or after the Participant's Normal Retirement Date or, if the Participant is a Specified Employee on the date of his or her Separation from Service, as of the first day of the sixth month following the month in which his Separation from Service occurs, unless the Participant elects to receive his or her Retirement Benefit in an optional form of payment in accordance with the provisions set forth in Section 5.1(c) and/or commencing on a different date in accordance with the timing rule set forth in Section 5.1(d).
- (2) Early Retirement. A Participant's Retirement Benefit shall commence in the Normal Form as of the first day of the month following the Participant's Separation from Service on or after the Participant's Early Retirement Date, but prior to the Participant's Normal Retirement Date or, if the Participant is a Specified Employee on the date of his or her Separation from Service, as of the first day of the sixth month following the month in which his or her Separation from Service occurs, unless the Participant elects to receive his or her Retirement Benefit in an optional form of payment in accordance with the provisions set forth in Section 5.1(c) and/or commencing on a different date in accordance with the timing rule set forth in Section 5.1(d).

(b) Termination of Employment. In the case of a Participant who incurs a Separation from Service for reasons other than Termination for Cause prior to his or her Early Retirement Date or Normal Retirement Date, his Retirement Benefit shall commence in the Normal Form as of the first day of the month following the Participant's Normal Retirement Date, unless the Participant elects to receive his Retirement Benefit in an optional form of payment in accordance with the provisions set forth in Section 5.1(c) and/or commencing on a different date in accordance with the timing rule set forth in Section 5.1(d); provided that a Participant shall receive payment currently in a single lump sum if the present value of such payment does not exceed \$5,000 (determined in accordance with assumptions and procedures established by the Administrator). Notwithstanding the foregoing, if the Participant is a Specified Employee on the date of his or her Separation from Service, payment shall commence as of the first day of the sixth month following the month in which his or her Separation from Service occurs, if later than the date determined above.

(c) *Change in Form of Payment.* A Participant may elect, at any time during the 180-day period prior to the date on which benefits would commence under Section 5.1(a) or Section 5.1(b), as applicable (or prior to any later commencement date elected under Section 5.1(d)) to receive one of the following forms of payment in lieu of the Normal Form:

- (1) A Retirement Benefit payable for the Participant's life, with no Retirement Benefit payable after his death.
- (2) A reduced Retirement Benefit payable during the Participant's life with the provision that after his death 50%, 75% or 100% of the amount payable during the Participant's life shall be paid during the life of and to the person nominated by him as his beneficiary by written designation, filed with the Committee, when he elected this option, if such person survives him.
- (3) A reduced Retirement Benefit payable for the Participant's life and a period certain of 5 years as he shall have selected in writing at the time he elects this option; provided, that such period certain shall not extend beyond the joint and last survivor expectancy of the Participant and his beneficiary.

In each case, the optional form so elected shall be the Actuarial Equivalent of the Normal Form. In addition, if the Participant is married on the date of benefit commencement, his choice of any form of payment other than the Normal Form or an optional form under (2) above with his spouse as beneficiary shall be valid only if he obtains his spouse's written consent in a manner comparable to the analogous consent requirements applicable under the Retirement Plan.

(d) *Change in Timing.* A Participant may elect to defer the commencement date of his or her Retirement Benefit to a date later than the date specified under Section 5.1(a) or Section 5.1(b), as applicable, provided that such deferral of commencement shall only be effective if (i) the election is made not less than 12 months before the date the Participant's Retirement Benefit would otherwise commence, and (ii) payment will commence under the new election no earlier than the 5th anniversary of the date any payment would otherwise have been made under Section 5.1(a) or Section 5.1(b), as applicable. Only one such deferral election shall be permitted under this Plan for each Participant.

**Section 5.2 Designation of Beneficiary.** A Participant may, by written instruction delivered to the Administrator during the Participant's lifetime, designate one or more primary and contingent beneficiaries to receive the Retirement Benefit which may be payable hereunder following the Participant's death, and may designate the proportions in which such beneficiaries are to receive such payments. A Participant may change such designations from time to time, and the last written designation filed with the Administrator prior to the Participant's death shall control. If a Participant fails to specifically designate a beneficiary, or if no designated beneficiary survives the Participant, payment shall be made by the Administrator to the Participant's surviving spouse, or if none, to the Participant's children, or if none, to the Participant's estate.

**ARTICLE VI**  
**CHANGE IN CONTROL**

**Section 6.1 “Change in Control” Defined.** For purposes of this Section, a “Change in Control” shall be deemed to have occurred upon the first to occur of the following events:

(a) any person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with the stock held by such person or group, represents more than thirty-five (35%) percent of the total fair market value or total voting power of the stock of the Company (“Change in Ownership”); or

(b) during any twelve-month period, a majority of the Company’s Board is replaced by new directors whose appointment or election is not endorsed by a majority of the Company’s Board prior to the date of the new directors’ appointment or election (“Change in Effective Control”); or

(c) during any twelve-month period, any one person, or more than one person acting as a group, acquires assets from the Company having a total fair market value equal to or more than one-third (1/3) of the total fair market value of all of the assets of the Company immediately prior to such acquisition(s) (“Change in Ownership of Substantial Assets”); notwithstanding the preceding, a Change in Ownership of Substantial Assets does not occur when assets are transferred to (a) a shareholder in exchange for stock; (b) an entity that is at least fifty (50%) percent owned, directly or indirectly, by the Company; (c) a person, or more than one person acting as a group, that owns at least fifty (50%) percent of the total value or voting power of the stock of the Company; or, (d) an entity that is at least fifty (50%) percent owned by a person, or more than one person acting as a group, that owns at least fifty (50%) percent of the total value or voting power of the stock of the Company; or,

(d) the Company’s termination of its business and liquidation of its assets; or,

(e) the reorganization, merger or consolidation of the Company into or with another person or entity, by which reorganization, merger or consolidation the shareholders of the Company receive less than fifty (50%) percent of the outstanding voting shares of the new or continuing corporation.

For purposes of the preceding Change in Ownership, Change in Effective Control and Change in Ownership of Substantial Assets, persons are considered to be acting as a group when such persons are owners of an entity that enters into a merger, consolidation, purchase or acquisition of stock, or a similar business transaction with the Company. Persons are not considered to be acting as a group merely because such persons happen to purchase or own stock of the Company at the same time or as a result of the same public offering.

**Section 6.2 Vesting Upon Change in Control.** Each Participant shall become fully vested in his or her Retirement Benefit in the event that there is a Change in Control.

**ARTICLE VII**  
**ADMINISTRATION**

**Section 7.1 General.** Except as otherwise specifically provided in the Plan, the Administrator shall be responsible for administration of the Plan. The Administrator shall be the “named fiduciary” within the meaning of Section 402(c)(2) of ERISA.

**Section 7.2 Administrative Rules.** The Administrator may adopt such rules of procedure as it deems desirable for the conduct of its affairs, except to the extent that such rules conflict with the provisions of the Plan.

**Section 7.3 Duties.** The Administrator shall have the following rights, powers and duties:

(a) The decision of the Administrator in matters within its jurisdiction shall be final, binding and conclusive upon the Employers and upon any person affected by such decision subject to the claims procedure hereinafter set forth.

(b) The Administrator shall have the duty and authority to interpret and construe the provisions of the Plan, to determine eligibility for Retirement Benefits and the appropriate amount of any Retirement Benefits, to decide any question which may arise regarding the rights of employees and to exercise such powers as the Administrator may deem necessary for the administration of the Plan, and to exercise any other rights, powers or privileges granted to the Administrator by the terms of the Plan.

(c) The Administrator shall maintain full and complete records of its decisions. Its records shall contain all relevant data pertaining to the Participant and his or her rights and duties under the Plan. The Administrator shall have the duty to maintain Account records of all Participants.

(d) The Administrator shall cause the principal provisions of the Plan to be communicated to the Participants, and a copy of the Plan and other documents shall be available at the principal office of the Employers for inspection by the Participants at reasonable times determined by the Administrator.

(e) The Administrator shall periodically report to the Board with respect to the status of the Plan.

**Section 7.4 Fees.** No fee or compensation shall be paid to any person for services as the Administrator.

**ARTICLE VIII**  
**CLAIMS PROCEDURE**

**Section 8.1 General.** Any claim for Retirement Benefits under the Plan shall be filed by the Participant or beneficiary (“claimant”) in the manner prescribed by the Administrator.

**Section 8.2 Denials.** If a claim for Retirement Benefits under the Plan is wholly or partially denied, notice of the decision shall be furnished to the claimant by the Administrator within a reasonable period of time, but not more than 90 days after receipt of the claim by the Administrator, unless special circumstances require further time for processing and the claimant is advised of the extension before the expiration of the initial 90-day period. In no event shall notice of the decision be given more than 180 days after the receipt of the claim.

**Section 8.3 Notice.** Any claimant who is denied a claim for Retirement Benefits shall be furnished written notice setting forth:

- (a) the specific reason or reasons for the denial;
- (b) specific reference to the pertinent provision of the Plan upon which the denial is based;
- (c) a description of any additional material or information necessary of the claimant to perfect the claim; and
- (d) an explanation of the claim review procedure under the Plan.

**Section 8.4 Appeals Procedure.** In order that a claimant may appeal a denial of a claim, the claimant or the claimant’s duly authorized representative may:

- (a) request a review by written application to the Administrator, or its designate, no later than 60 days after receipt by the claimant of written notification of denial of a claim;
- (b) review pertinent documents; and
- (c) submit issues and comments in writing.

**Section 8.5 Review.** A decision on review of a denied claim shall be made not later than sixty (60) days after receipt of a request for review, unless special circumstances require an extension of time for processing and the claimant is notified of the extension prior to the expiration of the initial 60-day period, in which case a decision shall be rendered within a reasonable period of time, but not later than one hundred and twenty (120) days after receipt of the request for a review. The decision on review shall be in writing and shall include the specific reason(s) for the decision and the specific reference(s) to the pertinent provisions of the Plan on which the decision is based.

**Section 8.6 Arbitration of Disputes.** Notwithstanding any provision to the contrary, any dispute arising under this Plan, including without limitation, a dispute involving a claim for benefits, a dispute arising as a result of a Termination for Cause (as defined in Section 2.1), or a dispute arising as a result of a forfeiture of Plan benefits pursuant to Section 4.6(b), shall be resolved by binding arbitration.

All arbitration shall be determined in accordance with the rules of the American Arbitration Association then in effect, by a single arbitrator if the parties shall agree upon one, or by three arbitrators, one appointed by each party and a third arbitrator appointed by the two arbitrators selected by the parties. All arbitrators shall be selected from a panel proposed by the American Arbitration Association. If any party fails to appoint an arbitrator within thirty (30) days after it is notified to do so, the arbitration shall be accomplished by a single arbitrator. Each party agrees to comply with any award made in any such proceeding and to the entry of a judgment in any jurisdiction upon any award rendered in such proceeding. The decision of the arbitrators shall be tendered within sixty (60) days of final submission of the parties in writing or any hearing before the arbitrators and shall include their individual votes. If a Participant is entitled to an award pursuant to the determination reached in the arbitration proceeding which is equal to or greater to the amount, if any, offered by Employer prior to or during arbitration, the Participant shall be entitled to payment by the Employer of all attorneys' fees, costs and other out-of-pocket expenses incurred in connection with the arbitration.

**ARTICLE IX**  
**MISCELLANEOUS PROVISIONS**

**Section 9.1 Amendment and Termination.** The Company retains the sole and unilateral right to terminate, amend, modify, or supplement this Plan, in whole or in part, at any time (including retroactive amendments); provided that no such change shall reduce a Participant's Retirement Benefit as of the date of such change. In the event of the termination of the Plan or any portion thereof, payment of affected Participants' Retirement Benefits shall be made under and in accordance with the terms of the Plan and any applicable elections, except that the Company may determine, in its sole discretion, to accelerate payments to all such affected Participants if and to the extent that such acceleration is permitted under Section 409A of the Code.

**Section 9.2 No Assignment.** The Participant shall not have the power to pledge, transfer, assign, anticipate, mortgage or otherwise encumber or dispose of in advance any interest in amounts payable hereunder of any of the payments provided for herein, nor shall any interest in amounts payable hereunder or in any payments be subject to seizure for payments of any debts, judgments, alimony or separate maintenance, or be reached or transferred by operation of law in the event of bankruptcy, insolvency or otherwise.

**Section 9.3 Successors and Assigns.** The provisions of the Plan are binding upon and inure to the Retirement Benefit of each Employer, its successors and assigns, and the Participant, his or her beneficiaries, heirs and legal representatives.

**Section 9.4 Governing Law.** The Plan shall be subject to and construed in accordance with the laws of the Commonwealth of Pennsylvania to the extent not preempted by the provisions of ERISA.

**Section 9.5 No Guarantee of Employment.** Nothing contained in the Plan shall be construed as a contract of employment or deemed to give any Participant the right to be retained in the employ of an Employer or any equity or other interest in the assets, business or affairs of an Employer. No Participant hereunder shall have a security interest in assets of an Employer used to make contributions or pay Retirement Benefits.

**Section 9.6 Severability.** If any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, but the Plan shall be construed and enforced as if such illegal or invalid provision had never been included herein.

**Section 9.7 Notification of Addresses.** Each Participant and each beneficiary shall file with the Administrator, from time to time, in writing, the post office address of the Participant, the post office address of each beneficiary, and each change of post office address. Any communication, statement or notice addressed to the last post office address filed with the Administrator (or if no such address was filed with the Administrator, then to the last post office address of the Participant or beneficiary as shown on the Employer's records) shall be binding on

the Participant and each beneficiary for all purposes of the Plan and neither the Administrator nor the Employer shall be obliged to search for or ascertain the whereabouts of any Participant or beneficiary.

**Section 9.8 Bonding.** The Administrator and all agents and advisors employed by it shall not be required to be bonded, except as otherwise required by ERISA.

**Section 9.9 Taxes.** The Company shall have the right to withhold from any cash or other amounts due or to become due from the Company to a Participant (including by reducing the amount of any Retirement Benefit payable in the future) the amount of any federal, state and local taxes required to be withheld or otherwise deducted and paid by the Company with respect to the vesting or payment of any Retirement Benefit hereunder.

**Section 9.10 Compliance with Section 409A.** The Plan is intended to comply with the applicable requirements of Section 409A of the Code, and will be administered in accordance with Section 409A of the Code to the extent that Section 409A of the Code applies to the Plan. Notwithstanding any provision in the Plan to the contrary, distributions from the Plan may only be made in a manner, and upon an event, permitted by Section 409A of the Code. If any payment or benefit cannot be provided or made at the time specified herein without incurring penalties under Section 409A of the Code, then such benefit or payment will be provided in full at the earliest time thereafter when such penalties will not be imposed. To the extent that any provision of the Plan would cause a conflict with the applicable requirements of Section 409A of the Code or would cause the administration of the Plan to fail to satisfy the applicable requirements of Section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law.

**ARTICLE X**  
**FUNDING**

**Section 10.1 Employer Liability.** The entire cost of this Plan shall be paid from the general assets of the Employer. No liability for the payment of Retirement Benefits under the Plan shall be imposed upon any officer, trustee, employee, or agent of an Employer.

**Section 10.2 Unfunded Plan.** Notwithstanding the remaining sections in this Article, the Plan, at all times, shall be entirely unfunded and shall constitute merely the unsecured promise of the Employer to make the payments as provided for herein. No Participant nor any beneficiary nor any other person shall have, by reason of this Plan, any rights, title or interest of any kind in or to any property of the Employer, all of which shall be subject to the claims of general creditors of the Employer, nor any beneficial interest in any trust which may be established by the Employer in connection with this Plan nor any guarantee that assets of the Employer will be sufficient to pay Retirement Benefits under the Plan. If the Employer transfers any property to a trust in connection with this Plan such trust shall not be held for the exclusive benefit of Participants and any assets held in such trust shall be subject to the claims of the Employer's general creditors in the event of the Employer's insolvency.

**Section 10.3 Trust.** A trust may be established by the execution of a Trust Agreement with one or more trustees, to be known as the Koppers Inc. Supplemental Executive Retirement Trust (the "Trust"). If a Trust is established, the following provisions shall be applicable:

(a) The Trust shall be maintained as a "grantor trust" under Section 677 of the Code, with the assets of the Trust being held, invested and disposed of by the trustee, in accordance with the terms of the Trust, for the exclusive purpose of providing Retirement Benefits for Participants. Notwithstanding any provision of the Plan or the Trust to the contrary, all assets held in the Trust shall at all times be subject to the claims of the Employer's general creditors in the event of insolvency or bankruptcy.

(b) The Employer, in its sole discretion, and from time to time, may make contributions to the Trust. All Retirement Benefits under the Plan and expenses chargeable to the Plan, to the extent not paid directly by the Employer, shall be paid from the Trust.

(c) The powers, duties and responsibilities of the trustee shall be as set forth in the Trust Agreement and nothing contained in the Plan, either expressly or by implication, shall impose any additional powers, duties or responsibilities upon the trustee.

(d) The Employer shall have no beneficial interest in the Trust and no part of the Trust shall ever revert or be repaid to the Employer, directly or indirectly, except as otherwise provided in subsection (a) above or in the Trust Agreement.

**EXECUTION**

The undersigned, pursuant to the approval of the Board, does herewith execute this Koppers Inc. Supplemental Executive Retirement Plan II, effective as of the effective date of the amended and restated Plan specified in Section 1.1 hereof.

**Koppers Inc.**

By: /s/ Steven R. Lacy

Title: Senior VP, Administration, General Counsel & Secretary.

## AMENDMENT TO EMPLOYMENT AGREEMENT

December 19, 2008

THIS AMENDMENT ("Amendment") to the Employment Agreement (the "Agreement") between Koppers Inc. (as successor to Koppers Industries, Inc.) (the "Company") and Steven R. Lacy ("Executive") is effective as of January 1, 2009.

WHEREAS, the Company and Executive previously entered into the Agreement, setting forth the terms and conditions of Executive's employment with the Company; and

WHEREAS, the Company and Executive desire to amend the Agreement to comply with applicable requirements under Section 409A of the Internal Revenue Code of 1986, as amended, and final regulations and other interpretive guidance issued thereunder;

NOW, THEREFORE, the parties, intending to be legally bound, hereby agree as follows:

1. Effective as of January 1, 2009, a new Section 20 shall be added to the Agreement, to read as follows:

20. Code Section 409A.

(a) This Agreement is intended to comply with Section 409A of the Code ("Section 409A") and the final regulations and interpretive guidance issued thereunder, including the exceptions for short-term deferrals, separation pay arrangements, reimbursements, and in-kind distributions, and shall be administered accordingly. The Agreement shall be construed and interpreted with such intent. If any provision of this Agreement needs to be revised to satisfy the requirements of Section 409A, then such provision shall be modified or restricted to the extent and in the manner necessary to be in compliance with such requirements of the Code and any such modification will attempt to maintain the same economic results as were intended under this Agreement. Each payment under this Agreement is intended to be treated as one of a series of separate payments for purposes of Section 409A and Treas. Reg. §1.409A-2(b)(2)(iii) (or any similar or successor provisions). Any reimbursement or similar payment required to be paid to Executive hereunder (including, without limitation, reimbursement of medical expenses beyond the 18-month period following Executive's Separation from Service, as defined below) shall be paid by the Company no later than the latest date on which such payment may be made under Section 409A and applicable regulations without causing such payment to be deemed deferred compensation subject to Section 409A.

(b) Notwithstanding any provision to the contrary, to the extent that Executive is considered a “specified employee” (as defined in Section 409A and Treas. Reg. §1.409A-1(c)(i) or any similar or successor provision) and would be entitled to a payment during the six month period beginning on Executive’s date of Separation from Service (as defined below) that is not otherwise excluded under Section 409A under the exception for short-term deferrals, separation pay arrangements, reimbursements, in-kind distributions, or any otherwise applicable exemption, the payment will not be made to Executive until the earlier of the six month anniversary of Executive’s date of Separation from Service or Executive’s death and will be accumulated and paid on the first day of the seventh month following the date of termination. For purposes of this Agreement, any reference to a termination of employment where such event gives rise to the payment of deferred compensation shall be deemed a reference to a Separation from Service (as defined below).

(c) “Separation from Service” shall mean Executive’s death, retirement or other termination of employment with the Company and all affiliates. For purposes of this definition, a “termination of employment” shall occur when the facts and circumstances indicate that the Company and Executive reasonably anticipate that no further services would be performed by Executive for the Company and any affiliate after a certain date or that the level of bona fide services Executive would perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or as an independent contractor) over the immediately preceding 36-month period.

2. Except as amended above, the Agreement is hereby ratified and affirmed in all respects.

**AGREED:**

**KOPPERS INC.:**

/s/ Walter W. Turner

Signature

Walter W. Turner

Name

President and Chief Executive Officer

Title

436 Seventh Avenue

Address

Pittsburgh, PA 15219

December 22, 2008

Date

**EXECUTIVE:**

/s/ Steven R. Lacy

Signature

Steven R. Lacy

Name

Senior V.P., Administration, General Counsel and Secretary

Title

Address

December 22, 2008

Date

## AMENDMENT TO EMPLOYMENT AGREEMENT

December 19, 2008

THIS AMENDMENT ("Amendment") to the Employment Agreement (the "Agreement") between Koppers Inc. (the "Company") and Brian H. McCurrie ("Executive") is effective as of January 1, 2009.

WHEREAS, the Company and Executive previously entered into the Agreement, setting forth the terms and conditions of Executive's employment with the Company; and

WHEREAS, the Company and Executive desire to amend the Agreement to comply with applicable requirements under Section 409A of the Internal Revenue Code of 1986, as amended, and final regulations and other interpretive guidance issued thereunder;

NOW, THEREFORE, the parties, intending to be legally bound, hereby agree as follows:

1. Effective as of January 1, 2009, a new Section 20 shall be added to the Agreement, to read as follows:

20. Code Section 409A.

(a) This Agreement is intended to comply with Section 409A of the Code ("Section 409A") and the final regulations and interpretive guidance issued thereunder, including the exceptions for short-term deferrals, separation pay arrangements, reimbursements, and in-kind distributions, and shall be administered accordingly. The Agreement shall be construed and interpreted with such intent. If any provision of this Agreement needs to be revised to satisfy the requirements of Section 409A, then such provision shall be modified or restricted to the extent and in the manner necessary to be in compliance with such requirements of the Code and any such modification will attempt to maintain the same economic results as were intended under this Agreement. Each payment under this Agreement is intended to be treated as one of a series of separate payments for purposes of Section 409A and Treas. Reg. §1.409A-2(b)(2)(iii) (or any similar or successor provisions). Any reimbursement or similar payment required to be paid to Executive hereunder (including, without limitation, reimbursement of medical expenses beyond the 18-month period following Executive's Separation from Service, as defined below) shall be paid by the Company no later than the latest date on which such payment may be made under Section 409A and applicable regulations without causing such payment to be deemed deferred compensation subject to Section 409A.

(b) Notwithstanding any provision to the contrary, to the extent that Executive is considered a “specified employee” (as defined in Section 409A and Treas. Reg. §1.409A-1(c)(i) or any similar or successor provision) and would be entitled to a payment during the six month period beginning on Executive’s date of Separation from Service (as defined below) that is not otherwise excluded under Section 409A under the exception for short-term deferrals, separation pay arrangements, reimbursements, in-kind distributions, or any otherwise applicable exemption, the payment will not be made to Executive until the earlier of the six month anniversary of Executive’s date of Separation from Service or Executive’s death and will be accumulated and paid on the first day of the seventh month following the date of termination. For purposes of this Agreement, any reference to a termination of employment where such event gives rise to the payment of deferred compensation shall be deemed a reference to a Separation from Service (as defined below).

(c) “Separation from Service” shall mean Executive’s death, retirement or other termination of employment with the Company and all affiliates. For purposes of this definition, a “termination of employment” shall occur when the facts and circumstances indicate that the Company and Executive reasonably anticipate that no further services would be performed by Executive for the Company and any affiliate after a certain date or that the level of bona fide services Executive would perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or as an independent contractor) over the immediately preceding 36-month period.

(d) In the event that Executive qualifies for benefits under Section 9 of this Agreement as the result of a termination prior to the date of a Change in Control, as provided under Section 9(b)(ii), then notwithstanding any other provision of Section 9, any portion of the benefit payable under Section 9 that is (i) subject to Section 409A and (ii) equals the amount of benefit Executive would have been eligible to receive under Section 8 if such termination were not in connection with a Change in Control shall be paid at the same time and in the same form as provided under Section 8, with the remaining amount of such benefit payable as otherwise provided under Section 9.

2. Except as amended above, the Agreement is hereby ratified and affirmed in all respects.

**AGREED:**

**KOPPERS INC.:**

/s/ Walter W. Turner

Signature

Walter W. Turner

Name

President and Chief Executive Officer

Title

436 Seventh Avenue

Address

Pittsburgh, PA 15219

December 22, 2008

Date

**EXECUTIVE:**

/s/ Brian H. McCurrie

Signature

Brian H. McCurrie

Name

V.P., Chief Financial Officer

Title

Address

December 22, 2008

Date

**AMENDMENT TO THE  
KOPPERS HOLDINGS INC. BENEFIT RESTORATION PLAN**

WHEREAS, Koppers Holdings Inc. (the "Company") sponsors the Benefit Restoration Plan for the benefit of certain key employees;

WHEREAS, the Company has reserved the right to amend the Plan in Section 7.1 of the Plan; and

WHEREAS, the Company wishes to amend the Plan to ensure compliance with the requirements of Section 409A of the Internal Revenue Code and final the Treasury Regulations issued thereunder.

NOW, THEREFORE, BE IT

RESOLVED, that the Plan shall be and hereby is amended, effective January 1, 2009, as follows:

1. Section 2.5 of the Plan is amended in its entirety to read as follows:

2.5 Change in Control. Change in Control means the first to occur of any of the following events:

- (a) a person, partnership, joint venture, corporation or other entity, or two or more of any of the foregoing acting as a "person" within the meaning of Sections 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act"), other than the Company, a majority-owned subsidiary of the Company or an employee benefit plan of the Company or such subsidiary (or such plan's related trust), become(s) the "beneficial owner" (as defined in Rule 13d-3 under the Act) of fifty percent (50%) or more of the then outstanding voting stock of the Company;
- (b) during any 12-consecutive month period, individuals who at the beginning of such period constitute the board of directors of the Company (together with any new board member whose election by the Company's board or whose nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the board members then still in office who either were board members at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board members then in office;
- (c) all or substantially all of the business of the Company is disposed of pursuant to a merger, consolidation or other transaction in which the Company is not the surviving corporation or the Company combines with another company and is the surviving corporation (unless the Company's stockholders immediately following such merger, consolidation, combination, or other transaction beneficially own, directly or indirectly, more than fifty percent (50%) of the aggregate voting stock or other ownership interests of (x) the entity or entities, if any, that succeed to the business of the Company or (y) the combined company);
- (d) the closing of the sale of all or substantially all of the assets of the Company or a liquidation or dissolution of the Company; or

- (e) the acquisition during any 12-consecutive month period, directly or indirectly, by any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than thirty percent (30%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders which the board does not recommend such stockholders to accept.

2. Section 2.23 of the Plan is amended in its entirety to read as follows:

Separation from Service. Separation from Service means a Participant's separation from service with the Employer within the meaning of Code Section 409A. A Separation from Service occurs when the facts and circumstances indicate that the Employer and the Participant reasonably anticipate that no further services would be performed after a certain date or that the level of services the Participant would perform after such date would permanently decrease to no more than 20% of the average level of services performed over the immediately preceding 36-month period (or, if shorter, the entire period of the Participant's employment with the Employer).

3. Section 2.25 of the Plan is amended to replace the term "key employee" with the term "specified employee."

4. Section 5.7 of the Plan is amended in its entirety to read as follows:

Deferred Commencement. Notwithstanding any provision to the contrary in this Article V or any other article of this Plan, no distribution in connection with the Separation from Service by a Participant who is at that time deemed to be a "specified employee" within the meaning set forth in Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A shall be made or otherwise commence prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of such Separation from Service or (ii) the date of the Participant's death.

5. The last sentence of Section 7.1 of the Plan is deleted and replaced with the following new language:

In the event of the termination of the Plan or any portion thereof, payment of the balance of each affected Participant's Account shall be made under and in accordance with the terms of the Plan and any applicable elections, except that the Company may determine, in its sole discretion, to accelerate payments to all such affected Participants if and to the extent that such acceleration is permitted under Code Section 409A.

**IN WITNESS WHEREOF**, the Company has caused this Amendment to be adopted, effective as of the date set forth above.

**KOPPERS HOLDINGS INC.**

By: /s/ Steven R. Lacy

Title: Senior VP, Administration, General Counsel & Secretary

**AMENDMENT TO THE  
EMPLOYEE SAVINGS PLAN OF KOPPERS INC. AND SUBSIDIARIES**

The Employee Savings Plan of Koppers Inc. and Subsidiaries (the "Plan") hereby is amended, effective January 1, 2008, as follows:

1. Section 1.8 of the Plan is amended to add the following new language immediately at the end thereof:

"Compensation does not include severance pay or any other amounts paid after the end of the Plan Year in which the Participant's severance from employment with the Employer occurs; except that Compensation does include . . .

- (a) regular compensation for services during the Participant's regular working hours, or compensation for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments that would have been paid to the Participant if the Participant had continued in employment with the Employer if such amounts are paid by the later of 2-1/2 months after the severance from employment or the end of the Plan Year that includes the date of severance from employment;
- (b) payments to a Participant not currently performing services for the Employer by reason of qualified military service (as defined under Code Section 414(u)(1)) to the extent those payments do not exceed the amount the individual would have received if he or she had continued performing services for the Employer;
- (c) payments to a Participant who is permanently and totally disabled; and
- (d) payments for unused accrued bona fide sick, vacation, or other leave, only if (i) the Participant would have been able to use the leave if employment had continued; (ii) the amounts would have been included in the definition of Compensation if they were paid prior to the Participant's severance from employment; and (iii) they are paid by the later of 2-1/2 months after the Participant's severance from employment or the end of the Plan Year that includes the Participant's severance from employment date

No amount shall be included in Compensation if otherwise excluded by the terms of Code Section 415. A Participant's Compensation for a Plan Year shall not exceed the Code Section 401(a)(17) limit, which is \$230,000 (as adjusted by the Secretary of the Treasury or by statute)."

2. Section 1.17 of the Plan is amended to add the following new language immediately at the end thereof:

"415 Compensation does not include severance pay or any other amounts paid after the Participant's severance from employment with the Employer; except that 415 Compensation does include regular compensation for services during the Participant's regular working hours, or compensation for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments that would have been paid to the Participant if the Participant had continued in employment with the Employer if such amounts are paid by the later of 2-1/2 months after severance from employment or the end of the Plan Year that includes the date of severance from employment.

Compensation also includes the following items:

- (a) payments to a Participant not currently performing services for the Employer by reason of qualified military service (as defined under section 414(u)(1) of the Code) to the extent those payments do not exceed the amount the individual would have received if he or she had continued performing services for the Employer;
- (b) payments to a Participant who is permanently and totally disabled;
- (c) payments for unused accrued bona fide sick, vacation, or other leave, only if (i) the Participant would have been able to use the leave if employment had continued; (ii) the amounts would have been included in the definition of compensation if they were paid prior to the Participant's severance from employment; and (iii) they are paid by the later of 2-1/2 months after the Participant's severance from employment or the end of the Plan Year that includes the Participant's severance from employment date; and
- (d) amounts received by a Participant under a nonqualified unfunded deferred compensation plan if (i) the payment would have been made to the Participant at the same time if he or she had continued in employment; (ii) the amounts would have been included in the definition of compensation if they were paid prior to the Participant's severance from employment; (iii) the payment is made by the later of 2-1/2 months after the Participant's severance from employment or the end of the Plan Year that includes the Participant's severance from employment date; and (iv) the payment is includible in the Participant's gross income.

No amount shall be included in 415 Compensation if otherwise excluded by the terms of Code Section 415. A Participant's 415 Compensation shall not exceed the Code Section 401(a)(17) limit, which is \$230,000 (as adjusted by the Secretary of the Treasury or by statute)."

IN WITNESS WHEREOF, this Amendment to the Employee Savings Plan of Koppers Inc. and Subsidiaries is adopted this 23<sup>rd</sup> day of December, 2008.

KOPPERS INC.

By: /s/ Steven R. Lacy

Title: Senior VP, Administration

**AMENDMENT TO THE  
RETIREMENT PLAN FOR KOPPERS INC.**

The Retirement Plan for Koppers Inc. hereby is amended, effective January 1, 2008, to add new Annex I to the Plan to read as follows:

**ANNEX I**

**Maximum Annual Retirement Benefits  
for Limitation Years beginning on and after January 1, 2008**

Except as otherwise provided below, the provisions of this Annex I shall be effective as of the Limitation Year beginning on January 1, 2008. The limitations, adjustments and other requirements prescribed herein shall at all times comply with the provisions of Code Section 415 and the final regulations thereunder, the terms of which are specifically incorporated herein by reference. These provisions shall supersede the provisions of the Plan to the extent they are inconsistent with the provisions of this Annex I.

- (a) Notwithstanding anything in the Plan to the contrary, in no event shall the combined Annual Benefit payable with respect to a Participant on a single life basis under this or any other defined benefit plan maintained by the Employer or any Affiliate under which the Participant is covered as a participant exceed the lesser of: (1) \$160,000 (or such other figure determined in accordance with the cost of living adjustment procedure under Code Section 415(d) and Treas. Reg. Section 1.415(d)-1(a), but only for the year in which such adjustment is effective); and (2) 100% of the Participant's average annual Compensation during the three consecutive years (as adjusted pursuant to Code Section 415(d) and Treas. Reg. Sections 1.415(d)-1(a) and 1.415(b)-1(a)) in which the Participant received the greatest amount of Compensation. The Plan may use any 12-month period to determine a year of service, provided that such period is determined consistently and applied uniformly to all Participants. Such 12 month period shall be the Plan Year. For a Participant who is employed by the Employer for fewer than three consecutive years, the period of the Participant's high three years of service is the actual number of consecutive years of service (including fractions of a year, but not less than one year). With respect to a Participant who incurs a break in service and is rehired by the Employer, the Participant's high three years of service shall be calculated by excluding all years for which the Participant performs no services for and receives no Compensation from the Employer maintaining the Plan and by bridging the years of service before and after the break in service and treating such years as if they were consecutive.
- (b) Notwithstanding subsection (a) above, benefits up to \$10,000 for a Limitation Year may be paid without regard to the 100% of Compensation limitation if the total retirement benefits payable to a Participant under all defined benefit plans maintained by the Employer and any Affiliate for the present and any prior Limitation Year do not exceed \$10,000 and the Employer (or a predecessor employer) and any Affiliate has not at any time maintained a defined contribution plan under which the Participant was covered. For purposes of determining the \$10,000 amount, the benefit payable with respect to the Participant under a plan for a Limitation Year reflects all amounts payable under the plan for the Limitation Year (except as otherwise provided in Treas. Reg. Section 1.415(d)-1) and is not adjusted for form of benefit or commencement date.
- (c) If a Participant has multiple Annuity Starting Dates, the limitations of Code Section 415 and the regulations thereunder must be met separately as of each of Annuity Starting Date taking into account the benefits that have been or will be provided as of each Annuity Starting Date.
- (d) If a Participant's Annual Benefit (or a retirement benefit to which the Participant is entitled under any other defined benefit plan maintained by the Employer or any Affiliate) is payable in a form other

than a single life annuity or qualified joint and survivor annuity, the Annual Benefit shall be converted to a single life annuity using the interest rate and mortality assumptions specified in the Plan for Actuarial Equivalence for the particular form of benefit payable. The single life annuity, which has been so determined, shall be compared to the single life annuity that has the same actuarial present value as the form of benefit payable to the Participant, computed using a 5 percent interest rate assumption (or for any form of benefit subject to Code Section 417(e)(3), the applicable interest rate as defined in Code Section 417(e)(3)) and the applicable mortality table prescribed in Code Section 415(b)(2)(E)(v). The greater of these two amounts shall be the applicable limit for the Annual Benefit payable in a form other than a single life annuity or qualified joint and survivor annuity.

Notwithstanding the foregoing, the following shall not be taken into account: any ancillary benefit that is not related to retirement income benefits; and the survivor annuity provided under the portion of any annuity that constitutes a qualified joint and survivor annuity (as defined in Code Section 417(b)).

- (1) For purposes of the adjustment set forth above, for the Plan Years commencing on January 1, 2004 and January 1, 2005, for any form of benefit subject to Code Section 417(e)(3), for purposes of the adjustment set forth in this subsection (d), the applicable interest rate as defined in Code Section 417(e)(3) above shall not be less than 5.5%.
- (2) For Plan Years beginning on or after January 1, 2006, for any form of benefit subject to Code Section 417(e)(3), for purposes of the adjustment set forth in this subsection (d), the interest rate shall not be less than the greatest of 5.5%, the rate specified in the Plan, or the rate that produces a benefit of not more than 105% of the benefit that would be produced using the applicable interest rate as defined in Code Section 417(e)(3).

(e) If the benefit of a Participant begins prior to age 62, the defined benefit dollar limitation applicable to the Participant at such earlier age is an Annual Benefit payable in the form of a single life annuity beginning at the earlier age that is the actuarial equivalent of the defined benefit dollar limitation applicable to the Participant at age 62 (adjusted under (a) above if applicable) determined as follows. The defined benefit dollar limitation applicable at an age prior to age 62 is determined as the lesser of:

- (1) the actuarial equivalent at such age of the defined benefit dollar limitation computed using a 5% interest rate and the applicable mortality table as defined in Code Section 415(b)(2)(E)(v); and
- (2) the amount determined by multiplying the defined benefit dollar limitation by the ratio of the annual amount of the single life annuity beginning at such earlier age (computed using the interest rate and mortality table or other tabular factor specified for early retirement benefits under the Plan) to the annual amount of the single life annuity under the Plan commencing at age 62 (with both such amounts determined without application of the rules of Code Section 415).

Any decrease in the defined benefit dollar limitation determined in accordance with this subsection (e) shall not reflect a mortality decrement if benefits are not forfeited upon the death of the Participant. If any benefits are forfeited upon death, the full mortality decrement is taken into account. No forfeiture shall be deemed to occur, however, if the Plan provides a qualified pre-retirement survivor annuity and does not charge the Participant for such coverage.

(f) If the Plan provides an actuarial increase for a Participant who continues employment with the Employer after age 65, and if the benefit of a Participant begins after the Participant attains age 65, the defined benefit dollar limitation applicable to the Participant at the later age is an Annual Benefit payable in the form of a single life annuity beginning at the later age determined as the lesser of:

- (1) the actuarial equivalent at such age of the defined benefit dollar limitation computed using a 5% interest rate and the applicable mortality table as defined in Code Section 415(b)(2)(E)(v); and
- (2) the amount determined by multiplying the defined benefit dollar limitation by the ratio of (A) the annual amount of the single life annuity beginning at such later age (computed using the interest rate and mortality assumptions for delayed retirement benefits under the Plan, if applicable, even if such adjustments are applied to offset benefit accrual) to (B) the annual amount of the single life annuity under the Plan commencing at age 65 (computed without using the interest rate and mortality assumptions for delayed retirement benefits under the Plan, if applicable) (with both such amounts in (A) and (B) determined without application of the rules of Code Section 415 and by disregarding accruals after age 65).

For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored. No forfeiture shall be deemed to occur if the Plan provides a qualified pre-retirement survivor annuity and does not charge the Participant for such coverage.

(g) If the Participant has fewer than 10 years of participation in the Plan, the defined benefit dollar limitation shall be multiplied by a fraction, the numerator of which is the number of years (or part thereof) of participation in the Plan and the denominator of which is 10. In the case of a Participant who has fewer than 10 years of service with the Employer, the defined benefit compensation limitation and the \$10,000 minimum benefit shall be multiplied by a fraction, the numerator of which is the number of years (or part thereof) of service with the Employer and the denominator of which is 10. Years of service and years of participation shall be determined in accordance with Treas. Reg. Sections 1.415(b)-1(g)(1)(ii) and (g)(2)(ii).

(i) The Annual Benefit of a Participant who was a Participant in the Plan before the first Limitation Year that begins on or after January 1, 2008, shall not be reduced under any other provisions of this Annex I to the extent that it does not exceed the Participant's Annual Benefit accrued as of the end of the Limitation Year that ends immediately prior to the first Limitation Year that begins on or after January 1, 2008, and determined in accordance with the requirements of Code Section 415 in effect on that date and provisions of the Plan that were both adopted and in effect before April 5, 2007.

(j) The following definitions apply for purposes of this Section Annex I:

- (1) "Affiliate" means with respect to any Employer (A) any corporation that is a member of the same controlled group of corporations (within the meaning of Code Section 414(b)) as such company; (B) any member of an affiliated service group, as determined under Code Section 414(m), of which such company is a member; (C) any trade or business that is under common control with such company, as determined under Code Section 414(c) and (D) any other entity which is required to be aggregated with the Employer under Code Section 414(o), but with "more than 50%" substituted for the phrase "at least 80%" in Code Section 1563(a)(1), when applying Code Sections 414(b) and 414(c) and in the regulations under Code Section 414(c) (except for purposes of determining whether two or more organizations are a brother-sister group under common control under the rules of Treas. Reg. Section 1.414(c)-2(c)).
- (2) "Annual Benefit" means a retirement benefit which is payable annually in the form of a straight life annuity with no ancillary benefits and determined without regard to any rollover contributions or contributions made by a Participant. If the benefit under the Plan is payable in any other form (other than a qualified joint and survivor annuity), the

annual benefit shall be adjusted to the equivalent of a straight life annuity as set forth herein. The annual limitation applicable to rollover contributions, contributions made by a Participant and any transferred contributions shall be determined in accordance with Treas. Reg. Section 1.415(b)-1(b)(2).

- (3) "Compensation" means compensation as defined in Treas. Reg. Section 1.415(c)-2(b) and including those items specified in Treas. Reg. Sections 1.415(c)-2(e)(2) and 1.415(c)-2(e)(3). Compensation shall not reflect compensation for a year that is in excess of the limitation under Code Section 401(a)(17) that applies to that year.
- (4) "Limitation Year" means the calendar year.

IN WITNESS WHEREOF, this Amendment to the Retirement Plan for Koppers Inc. is adopted on this 23<sup>rd</sup> day of December, 2008.

KOPPERS INC.

By: /s/ Steven R. Lacy

Title: Senior VP, Administration

**KOPPERS HOLDINGS INC.**  
**CALCULATION OF EARNINGS TO FIXED CHARGES**  
**(Unaudited)**

<u>(Dollars in millions)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Fixed charges:</b>					
Interest	\$ 40.8	\$ 45.9	\$61.3	\$51.7	\$38.2
Capitalized interest	—	0.3	0.2	—	—
Rents	39.0	31.0	26.1	25.8	28.6
Interest factor	31%	31%	31%	31%	31%
Rental interest	12.1	9.6	8.1	8.0	8.9
Total fixed charges	52.9	55.8	69.6	59.7	47.1
<b>Earnings:</b>					
Pretax income	90.0	85.3	22.4	22.9	20.9
Fixed charges	52.9	55.8	69.6	59.7	47.1
Earnings	\$142.9	\$141.1	\$91.8	\$82.6	\$68.0
<b>Ratio</b>	<u>2.70</u>	<u>2.53</u>	<u>1.32</u>	<u>1.38</u>	<u>1.44</u>

**KOPPERS HOLDINGS INC.  
SUBSIDIARIES OF THE COMPANY  
AMENDED LIST OF SUBSIDIARIES**

<u>Entity Name</u>	<u>State or Country of Organization</u>
Koppers Inc.	Pennsylvania
Koppers Asia LLC	Delaware
Koppers Concrete Products, Inc.	Delaware
Concrete Partners, Inc.	Delaware
Koppers Delaware, Inc.	Delaware
Koppers Redemption, Inc.	Delaware
World-Wide Ventures	Delaware
Koppers Assurance, Inc.	South Carolina
Continental Carbon Australia Pty Ltd	Australia
Koppers Australia Holding Company Pty Ltd	Australia
Koppers Australia Pty. Limited	Australia
Koppers Carbon Materials & Chemicals Pty Ltd	Australia
Koppers Wood Products Pty Ltd	Australia
Koppers Shipping Pty. Ltd.	Australia
Koppers (Beijing) Chemical Co., Ltd.	Peoples Republic of China
Koppers (China) Carbon & Chemical Company Limited	Peoples Republic of China
Koppers Mauritius	Republic of Mauritius
Koppers Europe ApS	Denmark
Koppers Denmark A/S	Denmark
Koppers Trading Denmark A/S	Denmark
Koppers European Holdings A/S	Denmark
Koppers Luxembourg S.ar.l	Grand Duchy Luxembourg
Koppers Poland Sp.zo.o.	Poland
Koppers UK Holding Limited	United Kingdom
Koppers UK Limited	United Kingdom
Koppers UK Transport Limited	United Kingdom
Koppers Lambson Limited	United Kingdom

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement Form S-3 No. 333-136329 of Koppers Holding Inc. and in the related Prospectus for the registration of debt securities, common stock, preferred stock and warrants and in the Registration Statement Form S-8 No. 333-135449 pertaining to the Koppers Holdings Inc. 2005 Long Term Incentive Plan of our reports dated February 18, 2009, with respect to the consolidated financial statements and schedule of Koppers Holdings Inc., and the effectiveness of internal control over financial reporting of Koppers Holdings Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2008.

/s/ ERNST & YOUNG LLP

Pittsburgh, Pennsylvania  
February 18, 2009

## CERTIFICATIONS

I, Walter W. Turner, certify that:

1. I have reviewed this annual report on Form 10-K of Koppers Holdings Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2009

/s/ WALTER W. TURNER

Walter W. Turner

President and Chief Executive Officer

## CERTIFICATIONS

I, Brian H. McCurrie, certify that:

1. I have reviewed this annual report on Form 10-K of Koppers Holdings Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 18, 2009

/s/ BRIAN H. MCCURRIE

Brian H. McCurrie

Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Koppers Holdings Inc. (the "Company") on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies in his capacity as an officer of Koppers Holdings Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/S/ WALTER W. TURNER  
Walter W. Turner  
Chief Executive Officer

February 18, 2009

/S/ BRIAN H. MCCURRIE  
Brian H. McCurrie  
Chief Financial Officer

February 18, 2009