Koppers Company, Inc., Forest Products Group
Pittsburgh, PA 15219, Telephone 412-227-2457

William J. Baldwin
Manager, Regulatory Affairs

KOPPERS

Architectural and
Construction Materials

CERTIFIED MAIL

January 31, 1983

Mr. Jack McMillan, Director
Division of Solid Waste Management
Mississippi Department of Natural
Resources
Bureau of Pollution Control
P.O. Box 10385
Jackson, MS 39209

RE: KOPPERS COMPANY, INC.
P.O. Box 160
Grenada, MS
#MSD007027543

Dear Mr. McMillan:

We are in receipt of your January 18, 1983 correspondence regarding Koppers documentation of financial assurance for the above referenced facility. In accordance with the Department's request, please make the following modifications to our October 22, 1982 submission:

-A. William Capone to Mississippi Department of Natural Resources, June 29, 1982.

1) Change addressee to read "Executive Director, Department of Natural Resources";

2) Change all references to "40 CFR Parts" and "40 CFR" to read "Mississippi Hazardous Waste Rules" and Mississippi Waste Rule";

3) Change all references to "EPA" to read "Mississippi Department of Natural Resources" and references to the "Regional Administrator" should be changed to the "Executive Director, Mississippi Department of Natural Resources".

4) Change the facilities listed in paragraph 1 to read:

Plant and ID No.	CURRENT ESTIMATES Closure Cost	Post Closure Cost	Total Cost
Koppers Company, Inc. Grenada Plant P.O. Box 160 Grenada, MS 38960 #MSD007027543	$72,654	-	$72,654

all other facilities originally listed in paragraph 1 should be moved to paragraph 3;

5) Delete the listing of Koppers Company, Inc. - Grenada Plant from paragraph 3; and

6) Make all other changes necessary to conform with the language found in Section 264.151.

-Arthur Young & Company to the Mississippi Department of Natural Resources, June 29, 1982.

1) Make the changes detailed in items (1), (2), and (3) above.

-Hazardous Waste Facility Certificate of Liability Insurance from Travelers Indeminity Company.

1) Make the changes detailed in items (1), (2), and (3) above.

2) Make all other changes necessary to conform with the language found in Section 264.147.

Please note that the above corrections will be made in future submissions. And finally, we have attached a copy of the facility's closure costs for purposes of verification.

Very truly yours,

William J Baldwin

William J. Baldwin

WJB/pc
Enclosure
cc: R. C. Bartlow - Enclosure
F. L. Brown

Koppers

Basis for Noncompliance

Project Officer Bob Lee

Telephone Number 961-5171

Violations are designated below by (X):

2(X) Mechanism improperly addressed.

( ) Invalid signature.

1(X) Wording of instrument not identical to Section 264.151.

( ) Unreasonable Closure Cost Estimate.

( ) Mississippi facility not included in mechanism.

( ) Originally signed duplicate not submitted.

( ) Schedule A not included.

( ) Schedule B not included.

( ) Mechanism not in effect.

( ) Financial institution is not qualified.

( ) Financial mechanism does not cover closure cost estimate.

For Financial Test, Corporate Guarantee Option:

( ) No letter from chief financial officer.

( ) No independent CPA's opinion.

( ) The CPA's opinion has been qualified; further information is required.

( ) No written corporate guarantee demonstrating sufficient stock ownership has been submitted.

( ) The designated CPA(s) is(are) not approved by the State Board of Accountancy.

( ) The facility has failed to meet the required criteria in Alternative I or II.

For Liability Coverage (sudden occurrences)

( ) Amount of coverage is not at least $1 million per occurrence, $2 million annual aggregate.

( ) Amount of coverage does not specifically exclude legal cost.

( ) Certificate of Insurance has not been submitted.

( ) Hazardous Waste Facility Liability Endorsement has not been submitted.

( ) The facility has failed to meet the criteria in Alternative I or II.

For Liability coverage (nonsudden occurrences)

( ) Amount of coverage is not at least $3 million per occurrence, $6 million annual aggregate.

( ) Certificate of Insurance has not been submitted.

( ) Hazardous Waste Facility Liability Endorsement has not been submitted.

( ) The facility has failed to meet the criteria in Alternative I or II.

Other comments (or explanation of apparent violations).

1. The wording of the Certificate of Insurance and the Financial Test is not as the State of Mississippi requires. Attached are copies of approved forms.

2. All financial documents must be addressed to the Executive Director, Mississippi Department of Natural Resources.

A detailed closure cost estimate must be submitted to verify the closure plan and all closure costs.

HAZARDOUS WASTE FACILITY CERTIFICATE
of
LIABILITY INSURANCE

MISSISSIPPI

X Travelers Indemnity Company
__ Travelers Indemnity Company of America
__ The Phoenix Insurance Company
__ Travelers Indemnity Company of Rhode Isl
__ Travelers Indemnity Company of Illinois
__ Charter Oak Fire Insurance Company

One Tower Square
Hartford, Connecticut 06115

hereby certifies that it has issued liability insurance covering bodily injury and property damage to

Name: **KOPPERS CO INC**
FOREST PRODUCTS GROUP

Mailing Address: **KOPPERS BUILDING**
PITTSBURGH PA 15219

in connection with the insured's obligation to demonstrate financial responsibility under Mississippi Hazardous Waste Regulations Part 264.147 or 265.147. The coverage applies at

E.P.A. I.D. NUMBER	NAME	ADDRESS
1. **MSD 007027543**	**GRENADA**	**P O BOX 160** **GRENADA MS 38960**
2.		

for:

X sudden accidental occurrences
__ non-sudden accidental occurrences
__ sudden and non-sudden accidental occurrences

The limits of liability are $ **1,000,000** each occurrence

$ **2,000,000** annual aggregate

exclusive of legal defense costs. The coverage is provided under

Policy Number **TR-SLG-180T452-3-82**

Issued on **12-30-81**

The effective date of said policy is **01-01-82**

RECEIVED
1983 MAR -7 AM 9:25
AIR & WATER POLLUTION CONTROL COMMISSION

Replacing certificate issued 09-17-82, effective 01-01-82 on revised certificate

PITT-170
03-02-83

(CONTINUED ON REVERSE)

HAZARDOUS WASTE FACILITY CERTIFICATE
of
LIABILITY INSURANCE

MISSISSIPPI

X Travelers Indemnity Company
__ Travelers Indemnity Company of America
__ The Phoenix Insurance Company

__ Travelers Indemnity Company of Rhode Is
__ Travelers Indemnity Company of Illinois
__ Charter Oak Fire Insurance Company

One Tower Square
Hartford, Connecticut 06115

hereby certifies that it has issued liability insurance covering bodily injury and property damage to

Name KOPPERS COMPANY INC

Mailing Address KOPPERS BUILDING

PITTSBURGH PA 15219

in connection with the insured's obligation to demonstrate financial responsibility under Mississippi Hazardous Waste Regulations Part 264.147 or 265.147. The coverage applies at

E.P.A. I.D. NUMBER	NAME	ADDRESS
1. MSD 007027543	TIE PLANT	P O BOX 160 TIE PLANT MS 38960
2.		

for:

X sudden accidental occurrences
__ non-sudden accidental occurrences
__ sudden and non-sudden accidental occurrences

The limits of liability are $ 1,000,000 each occurrence

$ 2,000,000 annual aggregate

exclusive of legal defense costs. The coverage is provided under

Policy Number TR-SLG-180T452-3-83

Issued on 02-09-83

The effective date of said policy is 01-01-83

PITT-170
01-17-84

(CONTINUED ON REVERSE)

Rev. 4-15-83 (Mississippi)

Koppers Company, Inc., Finance Department
Pittsburgh, PA 15219, Telephone 412-227-2488

KOPPERS

Ronald J. Parry
Manager
Corporate Insurance Services

March 30, 1983

To Whom It May Concern:

The Certificate of Insurance previously issued to you by our insurer, the Travelers, evidencing sudden pollution liability insurance for our locations contained no expiration date and is still valid. Travelers certified to you that coverage will not be cancelled unless they send to you the certificate holder sixty days advance written notice. Coverage is and will remain in force until you receive written notice from Travelers to the contrary.

Yours truly,

RJParry

RJP:prh

Koppers Company, Inc.
Environmental Resources and Occupational Health
Pittsburgh, PA 15219, Telephone 412-227-2877

KOPPERS

Charles P. Brush
Manager
Environmental Planning
and Regulatory Analysis

RECEIVED
APR 4 REC'D
DEPT OF NATURAL RESOURCE
BUREAU OF POLLUTION CONTROL

March 30, 1983

Mississippi Department of Natural
Resources
P. O. Box 10385
Jackson, MS. 39209

ATTN: RCRA Financial Requirements

Gentlepeople:

Enclosed is a letter from Koppers Company, Inc., Chief Financial Officer concerning RCRA Financial Requirements for 1983. Also enclosed is our certified public accontant's report on examination of Koppers' financial statement for the latest completed fiscal year. The enclosed 1982 Annual Report contains the SEC Form 10-K for the fiscal year ending December 31, 1982.

Be advised also that our insurance carrier, Travelers, has informed us that our Hazardous Waste Facility Liability Insurance was issued as a continuous policy with no expiration date. It therefore continues enforce for 1983.

If you have any questions concerning this submission, please contact me at the above telephone number and address.

Sincerely yours,

Charles P. Brush

Charles P. Brush

CPB/s
enc.

Koppers Company, Inc., Finance Department
Pittsburgh, PA 15219, Telephone 412-227-2200

KOPPERS

A. William Capone
Senior Vice President
and Chief Financial Officer

March 30, 1983

Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, MS 39209

Attention: RCRA Financial Requirements

Dear Sir:

I am the chief financial officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of Mississippi Hazardous Waste Regulations Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of Mississippi Hazardous Waste Regulations Parts 264 and 265: See Attachments A and B.

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
Grenada Plant P. O. Box 160 Grenada, MS 38960 MSD 007027543	$ 65,036	0	$ 65,036

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In States where DNR is not administering the financial requirements of Subpart H of Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost

See Attachments A and B

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost

NONE

This owner or operator is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1982.

ALTERNATIVE I

#1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)	$ 1,565,922		
2.	Amount of annual aggregate liability coverage to be demonstrated	6,000,000		
3.	Sum of Lines 1 and 2	7,565,922		
*4.	Total Liabilities	558,869,000		
*5.	Tangible Net Worth	627,029,000		
*6.	Net Worth	634,055,000		
*7.	Current Assets	490,127,000		
*8.	Current Liabilities	246,374,000		
9.	Net Working Capital	243,753,000		
*10.	The sum of net income plus depreciation, depletion and amortization	45,750,000		
*11.	Total assets in U. S.	Not Applicable		
			Yes	No
12.	Is Line 5 at least $10 million?		x	
13.	Is Line 5 at least 6 times Line 3?		x	
14.	Is Line 9 at least 6 times Line 3?		x	
*15.	Are at least 90% of assets located in the US? If not, complete Line 16		x	
16.	Is Line 11 at least 6 times Line 3?	Not Applicable		
17.	Is Line 4 divided by Line 6 less than 2.0?		x	
18.	Is Line 10 divided by Line 4 greater than 0.1?			x
19.	Is Line 7 divided by Line 8 greater than 1.5?		x	

I hereby certify that the wording of this letter is identical to the wording specified in Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

Yours very truly,

A. W. Capone
Senior Vice President and
Chief Financial Officer
March 30, 1983

mv

1983 - APPENDIX A - KOPPERS FACILITIES

	CLOSURE	POST CLOSURE
REGION I		
New Hampshire		
Nashua Plant P. O. Box 488 Hills Ferry Road Nashua, N.H. 03061 NHD 001084979	$ 6,617.	0
REGION II		
None		
REGION III		
Pennsylvania		
Erie Plant Foot of East Avenue Erie, Pennsylvania 16512 PAD 07747864	$ 3,900.	0
Bridgeville Plant P. O. Box 219 Bridgeville, Penna. 15017 PAD 063764898	$ 112,700.	0
Susquehanna Plant P. O. Box 189 Rt. 405 Montgomery, Pa. 17752 PAD 056723265	$ 78,711.	0
Science & Technology Center 440 College Park Drive Monroeville, Pa. 15146 PAD 082245754	$ 5,137.	0
York Plant P. O. Box 312 York, Pa. 17405 PAD 004382453	$ 13,329.	0

Hodge Foundry P. O. Box 550 Greenville, Pa. 16125 PAD 004323796	$ 2,916.	0
Oil City Plant P. O. Box 98 Oil City, Pa. 16301	$ 164,600.	0
Petrolia Plant Main Street Petrolia, Pa. 16050 PAD 004336731	$ 2,585.	0
Verona Research 15 Plum Street Verona, Pa. 15147 PAD 000647339	$ 7,847.	0
Morgan Plant P. O. Box 431 Morgan, Penna. 15064 PAD 000800862	$ 2,585.	0
<u>VIRGINIA</u>		
Richmond Plant 4005 Charles City Rd. Richmond, VA. 23231 VAD 003121977	$ 36,549.	0
Roanoke Plant P. O. Box 792 Highway 460 Salem, VA. 24153 VAD 003125770	$ 100,370.	0
<u>MARYLAND</u>		
Salisbury Plant P. O. Box 2217 State Rt. 349 Salisbury, MD. 21801 MDD 05650680	$ 7,016.	0

South Baltimore Plant Bush & Hamburg Street Baltimore, MD. 21230 MDD 003090503	$ 17,341.	0
Harmans Plant 101 Harmans Road Harmans, MD. 21077 MDD 43373935	$ 8,052.	0
Environmental Elements Corp. Baltimore Plant P. O. Box 1318 Baltimore, MD. 21203 MDD 000800391	$ 2,382.	0

REGION IV

Alabama

Woodward Coke Koppers Drive Dolomite, Ala. 35061 ALD 000771949	$ 14,000.	0
Woodward Tar 1835 Koppers Drive Dolomite, Alabama 35061 ALD 085765808	$ 28,500.	0
Montgomery Plant P. O. Box 510 1451 Louisville Street Montgomery, Alabama 36101 ADL 004009403	$ 2,965.	0

Georgia

Conley Plant

1579 Koppers Road Conley, Georgia 30027 GAD 000821934	$ 5,592.	0

Florida

Gainesville Plant P. O. Box 1067 200 Northwest 23rd. Blvd. Gainesville, Florida 32602 FLD 004057535	$ 9,010.	0

Kentucky

Guthrie Plant P. O. Box 8 Meriweather Road Guthrie, Kentucky 42234 KYD 006383392	$ 18,252.	0

Mississippi

Grenada Plant P. O. Box 160 Grenada, Mississippi 38960 MSD 007027543	$ 65,036.	0

South Carolina

Florence Plant P. O. Box 1725 Highway 301 North Florence, S.C. 29503 SCD 003353026	$ 70,828.	0

REGION V

Illinois

Carbondale Plant P. O. Box 270 North Marion Street Carbondale, Illinois 62901 ILD 000819946	$ 86,419.	0
Galesburg Plant P. O. Box 1191 Hwy. 41 South Galesburg, Illinois 61401 ILD 990817991	$ 5,690.	0

Chicago Plant 3900 S. Laramie Avenue Chicago, Illinois 60650 ILD 005164611	$ 47,410.	0
Indiana		
Valparaiso Plant P. O. Box 104 2852 Raystone Drive Valparaiso, Indiana 46383 IND 000781609	$ 4,540.	0
Parr, Inc. 24087 (R5) County Rd.-6 East Elkhart, Indiana 46514 IND 07427110	$ 1,450.	0
Wisconsin		
Oak Creek Plant 530 W. Marquette Avenue Oak Creek, Wisc. 53154 WID 057163941	$ 11,500.	0
West Allis Plant 9800 W. Rogers Street Milwaukee, WI. 53227 WID 006082127	$ 7,546.	0
REGION VI		
Arkansas		
North Little Rock Plant P. O. Box 3231, 2201 Edmonds North Little Rock, AR. 72117 ARD 006344824	$ 80,682.	0
Texas		
Irving Plant 801 E. Lee Street Irving, Texas 75060 TXD 053126785	$ 35,000.	0

Houston Plant P. O. Box 16220 7201 Hardy Street Houston, Texas 77022 TXD 020802393	$ 4,936.	0
Houston Tar Plant Industrial Rd. @ Armco Gate #1 Houston, Texas 77015 TXD 008089021	$ 16,800.	0
REGION VII		
None	$ 0.	0
REGION VIII		
None	$ 0.	0
REGION IX		
California		
Los Angeles Plant P. O. Box 22066 5431 District Blvd. Los Angeles, Calif. 90022 CAD 004937793	$ 15,510.	0
Oxnard Plant 5980 Arcturus Avenue Oxnard, Calif. 93033 CAD 087163267	$ 20,350.	0
Richmond Plant 3501 Collins Avenue Richmond, Calif. 94806 CAD 043242718	$ 7,906.	0
Feather River Plant P. O. Box 351 Baggett-Marrysville Rd. Oroville, Calif. 95965 CAD 009112087	$ 60,935.	0

Ontario Plant P. O. Box 1112 12200 Airport Drive Guasti, Calif. 91743 CAT 000617324	$ 10,561.	0
<u>REGION X</u>		
<u>Oregon</u>		
Northwest Plant 7540 N.W. St.Helens Road Portland, Oregon 97229 ORD 027734359	$ 6,900.	0
TOTAL	$1,210,955.	0

1983 - APPENDIX B - KOPPERS FACILITIES

REGION I	CLOSURE	POST CLOSURE
None		
REGION II		
New Jersey		
Garwood Plant P. O. Box 729 449 South Avenue Westfield, N.J. 07091 NJD 002164705	$ 48,290.	0
Newark Plant 480 Frelinghuysen Ave. Newark, N.J. 07114 NJD 002149789	$ 35,420.	0
Port Newark Plant Maritime and Tyler Port Newark, N.J. 07114 NJD 000542282	$ 6,665.	0
REGION III		
West Virginia		
Follansbee Plant State Rt. No.2 Follansbee, W.Va. 26037 WVD 004336749	$ 3,000.	0
Follansbee Landfill Follansbee,W.Va. 26037 WVT 550010144	$ 84,100.	$ 60,000.
Green Spring Plant P. O. Box 98 Railroad Street Green Spring,W.Va. 26722 WVD 003080959	$ 33,163.	0

REGION V

Ohio

Orrville Plant P. O. Box 107 Orr Street Ext. Orrville, Ohio 44667 OHD 068911494	$ 4,768.	0
Toledo Plant 2563 Front Street Toledo, Ohio 43605 OHD 000817114	$ 23,300.	0
Youngstown Plant 1359 Logan Avenue Youngstown, Ohio 44501 OHD 004198784	$ 9,450.	0
Parr, Inc. 18400 Syracuse Avenue Cleveland, Ohio 44110 OHD 004179180	$ 3,000.	0
Parr, Inc. 5151 Denison Avenue Cleveland, Ohio 44102 OHD 060431947	$ 1,050.	0

REGION VI

None

REGION VII

Missouri

Kansas City Plant P. O. Box 8057 6740 Stadium Drive Kansas City, Mo. 64129 MOD 007146517	$ 6,115.	0

St.Louis Plant 5137 Southwest Avenue St.Louis, Mo. 63110 MOD 056963036	$ 5,452.	0
REGION VIII		
Colorado		
Denver Plant 5601 Fox Street Denver, Colorado 80216 COD 007077175	$ 5,644.	0
REGION IX		
Hawaii		
Campbell Plant 91-291 Hanua Street Ewa Beach, Hawaii 96708 HID 009198797	$ 17,330.	0
Maui Plant P. O. Box 1650 Mokulele Hwy. Maui, Hawaii 96732 HID 059475210	$ 8,220.	0
REGION X		
None		
TOTAL	$ 294,967.	$60,000.

ARTHUR YOUNG

ARTHUR YOUNG & COMPANY
2400 KOPPERS BUILDING
PITTSBURGH, PENNSYLVANIA 15219

(412) 288-4400

March 30, 1983

Mississippi Department of
Natural Resources
P.O. Box 10385
Jackson, MS 39209

Dear Sir:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1982 and the related consolidated statements of income, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended, and have issued our report thereon dated January 21, 1983.

Pursuant to the provisions of Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265, the chief financial officer, A. W. Capone, has prepared a letter dated March 30, 1983 demonstrating both liability coverage and assurance of closure or post-closure care. Certain data set forth in the March 30, 1983 letter is identified with an asterisk as having been derived from the independently audited, year-end consolidated financial statements. We have compared such data to the consolidated financial statements mentioned in the preceding paragraph.

In connection with the procedure referred to above, nothing came to our attention which caused us to believe that the financial data contained in the March 30, 1983 letter should be adjusted.

Very truly yours,

Arthur Young & Company

Koppers

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IV

345 COURTLAND STREET
ATLANTA, GEORGIA 30365

OCT 13 1983

4AW-RM

Mr. Jack M. McMillan, Director
Division of Solid/Hazardous Waste Management
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

Re: Evaluation of Liability Insurance Policies Required by 40 CFR Part 265.147, Part 270.14(b)(17), or Equivalent State Regulations

Dear Mr. McMillan:

Thank-you for responding to our request of August 26, 1983 for a list of ten facilities as potential candidates for policy reviews. Please proceed with making a formal request for all ten policies (see enclosed list). Give the facilities no more than 30 days to submit the policies.

As the policies are received, forward them to EPA's Waste Engineering Section - Attention: Susan Casnocha. The policies will then be sent to the contractor for review and the results of the review will be transmitted to the State and Regional offices. (The policies need not be forwarded to EPA as a group, in fact they can be transmitted one at a time as they are received by your office).

If you have any questions, contact Susan Casnocha of the Waste Engineering Section at 404/881-3433.

Sincerely yours,

James H Scarbrough

James H. Scarbrough, Chief
Residuals Management Branch

Enclosure

cc: Allan Antley, Chief, Waste Planning Section, EPA
David Lee, MS Financial Contact
Caron Bell, MS State Coordinator, EPA
John Harvanek, South Unit Financial Contact, EPA
Beverly Spagg, Chief, South Unit, EPA

RECEIVED
OCT 21 REC'D
DEPT. OF NATURAL RESOURCE
BUREAU OF POLLUTION CONTROL

FACILITY NAME	EPA ID NO.
Koppers	MSD007027543
Red Panther	MSD000272385
Vertac	MSD990714081
Crown Zellerbach	MSD057226961
First Chemical Corp.	MSD033417031
Chromcraft	MSD006294771
Thiokol Chemical Corp.	MSD008186587
MP&L-Grand Gulf	MSD000644617
True Temper	MSD004448775
Kerr-McGee Chemical Corp.	MSD990866329

Koppers Company, Inc., Forest Products Group
Pittsburgh, PA 15219, Telephone 412-227-2457

KOPPERS

Architectural and
Construction Materials

William J. Baldwin
Manager, Regulatory Affairs

CERTIFIED MAIL

October 22, 1982

RECEIVED
OCT 25 REC'D
DEPT OF NATURAL RESOURCE
BUREAU OF POLLUTION CONTROL

Mr. David E. Lee
Mississippi Department of
Natural Resources
Division of Solid Waste
Management
P. O. Box 10385
Jackson, MS 39209

RE: Koppers Company, Inc.
P. O. Box 160
Grenada, Mississippi
MSD007027543

Dear Mr. Lee:

I am attaching the following documentation for the above referenced facility:

- A letter from our Chief Financial Officer, Mr. A. William Capone, dated June 29, 1982. (Please note that the Koppers Company has utilized the financial test for demonstrating financial assurance of closure costs and the non-sudden liability requirements which become effective January 16, 1983).
- Koppers' 1981 Annual Report and Form 10-K;
- A special report from Arthur Young & Company; and
- A copy of the facility's closure plans.

Our insurance carrier, Travelers Indemnity Company, has previously submitted a Hazardous Waste Facility Certificate of Liability Insurance for sudden liability coverage.

If any questions arise on this submission, please do not hesitate to contact me.

Very truly yours,

William J. Baldwin

William J. Baldwin

WJB:cg
Enclosures
cc: R. C. Bartlow - w/encls.

ARTHUR YOUNG

ARTHUR YOUNG & COMPANY
2400 KOPPERS BUILDING
PITTSBURGH, PENNSYLVANIA 15219

(412) 288-4400

June 29, 1982

Mississippi Department of Natural
Resources
Bureau of Pollution Control
P.O. Box 10385
Jackson, MS 39209

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1981 and the related consolidated statements of income, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended, and have issued our report thereon dated January 22, 1982. Pursuant to the provisions of Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265, the chief financial officer, A. W. Capone has prepared a letter dated June 29, 1982 demonstrating both liability coverage and assurance of closure or post-closure care. Certain data set forth in this letter is identified with an asterik as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1981 Form 10-K.

In connection with the procedure referred to above, nothing came to our attention which caused us to believe that the financial data contained in this letter should be adjusted.

Very truly yours,

Arthur Young & Company

Koppers Company, Inc., Finance Department
Pittsburgh, PA 15219, Telephone 412-227-2200

KOPPERS

A. William Capone
Senior Vice President
and Chief Financial Officer

June 29, 1982

Mississippi Department of Natural Resources
Bureau of Pollution Control
P.O. Box 10385
Jackson, Mississippi 39209

RE: Koppers Company, Inc.
P.O. Box 160
Grenada, MS 38960

#MSD007027543

Gentlemen:

I am the chief financial officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage and closure and/or post-closure care are being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265:

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
Koppers Co., Inc.-Garwood Plant P.O. Box 729 449 South Avenue Westfield, NJ 07091 #NJD002164705	$ 48,290	-	$ 48,290

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Koppers Co., Inc. - Newark Plant 480 Frelinghuysen Avenue Newark, NJ 07114 #NJD002149789	$ 35,420	-	$ 35,420
Koppers Co., Inc.-Port Newark Plant Maritime and Tyler Port Newark, NJ 07114 #NJD000542282	$ 6,115	-	$ 6,115
Koppers Co., Inc. - Follansbee Plant State Rt. #2 Follansbee, WV 26037 #WVD004336749	$ 3,000	-	$ 3,000
Koppers Co., Inc.-Follansbee Landfill #WVT550010144	$ 84,100	$ 60,000	$144,100
Koppers Co., Inc. - Green Spring Plant P.O. Box 98 Railroad Street Green Spring, WV 26722 #WVD003080959	$ 31,286	-	$ 31,286
Koppers Co., Inc.-Orrville Plant P.O. Box 107 Orr Street Ext. Orrville, OH 44667 #OHD068911494	$ 4,900	-	$ 4,900
Koppers Co., Inc. - Orrville, P.D. P.O. Box 905 12873 Burton City Rd. Orrville, OH 44667 #OHT400010997	$ 5,000	-	$ 5,000
Koppers Co., Inc. - Toledo Plant 2563 Front Street Toledo, OH 43605 #OHD000817114	$ 23,300	-	$ 23,300
Koppers Co., Inc. - Youngstown Plant 1359 Logan Avenue Youngstown, OH 44501 #OHD004198784	$ 9,450	-	$ 9,450

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Koppers Co., Inc.-Parr, Inc. Cleveland East 18400 Syracuse Avenue Cleveland, OH 44110 #OHD004179180	$ 3,000	-	$ 3,000
Koppers Co., Inc.-Parr, Inc. Cleveland East 5151 Denison Avenue Cleveland, OH 44102 #OHD060431947	$ 1,050	-	$ 1,050
Koppers Co., Inc. - Kansas City Plant P.O. Box 8057 6740 Stadium Drive Kansas City, MO 64129 #MOD007146517	$ 6,115	-	$ 6,115
Koppers Co., Inc.-St. Louis 5137 Southwest Avenue St. Louis, MO 63110 #MOD056963036	$ 5,052	-	$ 5,052
Koppers Co., Inc.-Denver Plant 5601 Fox Street Denver, CO 80216 #COD007077175	$ 5,614	-	$ 5,614
Koppers Co., Inc. - Campbell Plant 91 291 Hanua Street Ewa Beach, HI 96706 #HID009198797	$ 16,830	-	$ 16,830
Koppers Co., Inc. - Hilo Plant 66 Kukila Street Hilo, HI 96720 #HID044011278	$ 7,920	-	$ 7,920
Koppers Co., Inc.-Maui Plant P.O. Box 1650 Mokulele Highway Maui, HI 96732 #HID059475210	$ 7,920	-	$ 7,920

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In States where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
Koppers Co., Inc. - Nashua Plant P.O. Box 488 Hills Ferry Road Nashua, NH 03061 #NHD001084979	$ 6,242	-	$ 6,242
Koppers Co., Inc. - Erie Plant Foot of East Avenue Erie, PA 16512 #PAD077478964	$ 3,900	-	$ 3,900
Koppers Co., Inc. - Bridgeville Plant P.O. Box 219 Bridgeville, PA 15017 #PAD063764898	$112,700	-	$112,700
Koppers Co., Inc. - Oil City Plant P.O. Box 98 Oil City, PA 16301 #PAD004336756	$164,600	-	$164,600
Koppers Co., Inc. - Petrolia Plant Main Street Petrolia, PA 16050 #PAD004336731	$ 2,585	-	$ 2,585

Plant and ID No.	Current Estimates Closure Cost	 Post-Closure Cost	 Total Cost
Koppers Co., Inc.-Verona Research Center 15 Plum Street Verona, PA 15147 #PAD000647339	$ 7,847	-	$ 7,847
Koppers Co., Inc. - Morgan Plant P.O. Box 431 Morgan, PA 15064 #PAD000800862	$ 2,585	-	$ 2,585
Koppers Co., Inc. - Richmond Plant 4005 Charles City Rd. Richmond, VA 23231 #VAD003121977	$ 35,485	-	$ 35,485
Koppers Co., Inc. - Roanoke Plant P.O. Box 792 Highway 460 Salem, VA 24153 #VAD003125770	$ 97,447	-	$ 97,447
Koppers Co., Inc.-Salisbury Plant P.O. Box 2217 State Route 349 Salisbury, MD 21801 #MDD056506380	$ 7,498	-	$ 7,498
Koppers Co., Inc. - Susquehanna Plant P.O. Box 189 Route 405 Montgomery, PA 17752 #PAD056723265	$ 81,565	-	$ 81,565
Koppers Co., Inc.-Science & Technology Ctr. 440 College Park Drive Monroeville, PA 15146 #PAD082245754	$ 5,137	-	$ 5,137
Koppers Co., Inc.-Piston Ring & Seal Div. South Baltimore Plant Bush and Hamburg Streets Baltimore, MD 21230 #MDD003090503	$ 17,341	-	$ 17,341

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Koppers Co., Inc.-Power Transmission Div. Harmans Plant 101 Harmans Road Harmans, MD 21077 #MDD043373935	$ 8,052	-	$ 8,052
Koppers Co., Inc.-Container Machinery Div. Glen Arm Plant Glen Arm Road Glen Arm, MD 21057 #MDD003093648	$ 6,417	-	$ 6,417
Koppers Co., Inc.-Mineral Processing Sys. Div. York Plant P.O. Box 312 York, PA 17405 #PAD004382453	$ 13,329	-	$ 13,329
Koppers Co., Inc.-Hodge Foundry P.O. Box 550 Greenville, PA 16125 #PAD004323796	$ 2,916	-	$ 2,916
Koppers Co., Inc.-Environ. Elements Corp. Baltimore Plant P.O. Box 1318 Baltimore, MD 21203 #MDD000800391	$ 2,382	-	$ 2,382
Koppers Co., Inc.- Conley Plant 1579 Koppers Road Conley, GA 30027 #GAD000821934	$ 5,130	-	$ 5,130
Koppers Co., Inc.-Ft. Worth Plant 201 Longhorn Rd. Ft. Worth, TX 76179 #TXD064216286	$ 3,000	-	$ 3,000
Koppers Co., Inc. - Grenada Plant P.O. Box 160 Grenada, MS 38960 #MSD007027543	$ 72,654	-	$ 72,654

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Koppers Co., Inc. - Galesburg Plant P.O. Box 1191 Hwy. 41 South of Galesburg Galesburg, IL 61401 #ILD990817991	$ 5,368	-	$ 5,368
Koppers Co., Inc. - Superior Plant P.O. Box 193 Junction of County Roads A & Z Superior, WI 54880 #WID006179493	$141,715	-	$141,715
Koppers Co., Inc. - Valparaiso Plant P.O. Box 104 2852 Raystone Drive Valparaiso, IN 46383 #IMD000781609	$ 4,100	-	$ 4,100
Koppers Co., Inc.-Chicago Plant 3900 S. Laramie Avenue Cicero Station Chicago, IL 60650 #ILD005164611	$ 47,410	-	$ 47,410
Koppers Co., Inc.-Thiem, Oak Greek Plant 530 W. Marquette Avenue Oak Creek, WI 53154 #WID057163941	$ 11,500	-	$ 11,500
Koppers Co., Inc.-Thiem, West Allis Plant 9800 W. Rogers Street Milwaukee, WI 53227 #WID006082127	$ 7,546	-	$ 7,546
Koppers Co., Inc. - Parr, Inc. Cleveland East 24087 (R5) County Rd. & East Elkhart, IN 46514 #IND074297110	$ 1,450	-	$ 1,450
Koppers Co., Inc.-North Little Rock Plant P.O. Box 3231 2201 Edmonds North Little Rock, AR #ARD006344824	$ 74,000	-	$ 74,000

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Koppers Co., Inc. - Florence Plant P.O. Box 1725 Highway 301 North Florence, SC 29503 #SCD003353026	$ 73,670	-	$ 73,670
Koppers Co., Inc.-Environ. Elements Corp. Ponca City Plant P.O. Box 2203 Bldg. 1 Ponca City, OK 74601 #OKD094780558	$ 11,650	-	$ 11,650
Koppers Co., Inc.-Feather River Plant P.O. Box 351 Baggett-Marrysville Road Oroville, CA 95965 #CAD009112087	$ 55,904	-	$ 55,904
Koppers Co., Inc.-Ontario Plant P.O. Box 1112 12200 Airport Drive Guasti, CA 91743 #CAT000617324	$ 9,689	-	$ 9,689
Koppers Co., Inc.-Los Angeles Plant P.O. Box 22066 5431 District Blvd. Los Angeles, CA 90022 #CAD004937793	$ 15,510	-	$ 15,510
Koppers Co., Inc.-Oxnard Plant 5980 Arcturus Avenue Oxnard, CA 93033 #CAD087163267	$ 20,350	-	$ 20,350
Koppers Co., Inc. - Richmond Plant 3501 Collins Avenue Richmond, CA 94806 #CAD043242718	$ 7,906	-	$ 7,906
Koppers Co., Inc.-Fontana Plant 8810 Cherry Avenue Fontana, CA 92335 #CAD073568677	$ 55,300	-	$ 55,300

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Koppers Co., Inc.-Northwest Plant 7540 N.W. Saint Helens Rd. Portland, OR 97229 #ORD027734359	$ 6,900	-	$ 6,900

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Koppers Co., Inc.-Gainesville Plant P.O. Box 1067 200 North West 23rd Blvd. Gainesville, FL 32602 #FLD004057535	$ 8,500	-	$ 8,500
Koppers Co., Inc. - Woodward Tar Plant 1835 Koppers Drive Dolomite, AL 35061 #ALD085765808	$ 28,500	-	$ 28,500
Koppers Co., Inc. - Jacksonville Plant 7850 W. Beaver Street Jacksonville, FL 32205 (Sold May 1982) #FLD004068482	$ 6,250	-	$ 6,250
Koppers Co., Inc. - Montgomery Plant P.O. Box 510 1451 Louisville Street Montgomery, AL 36101 #ALD004009403	$ 52,542	-	$ 52,542
Koppers Co., Inc. - Ocala Plant 1705 Northeast 12th Avenue Ocala, FL 32670 #FLD055946891	$ 3,000	-	$ 3,000

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Koppers Co., Inc. - Pompano Beach Plant P.O. Box 1419 1500 S.W. First Court Pompano Beach, FL 33060 (Sold May 1982) #FLD004446134	$ 4,720	-	$ 4,720
Koppers Co., Inc. - Woodward Coke Plant Koppers Drive Dolomite, AL 35061 #ALD000771949	$ 14,000	-	$ 14,000

This owner or operator is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1981.

ALTERNATIVE I

#1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)	$ 1,871,503	
2.	Amount of annual aggregate liability coverage to be demonstrated	6,000,000	
3.	Sum of lines 1 and 2	7,871,503	
*4.	Total liabilities	609,123,000	
*5.	Tangible net worth	709,782,000	
*6.	Net worth	719,052,000	
*7.	Current assets	542,750,000	
*8.	Current liabilities	272,076,000	
9.	Net working capital	270,674,000	
*10.	The sum of net income plus depreciation, depletion and amortization	135,206,000	
*11.	Total assets in U.S.	Not applicable	
		Yes	No
12.	Is line 5 at least $10 million?	x	
13.	Is line 5 at least 6 times line 3?	x	
14.	Is line 9 at least 6 times line 3?	x	
*15.	Are at least 90% of assets located in the US? If not complete line 16	x	
16.	Is line 11 at least 6 times line 3?	Not applicable	
17.	Is line 4 divided by line 6 less than 2.0?	x	
18.	Is line 10 divided by line 4 greater than 0.1?	x	
19.	Is line 7 divided by line 8 greater than 1.5?	x	

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(g) as such regulations were constituted on the date shown immediately below.

Yours very truly,

A. W. Capone
Senior Vice President and
Chief Financial Officer
June 29, 1982

#This number reflects the total estimated current closure and post-closure costs of all Koppers facilities and includes a total of $72,654 of cost for Mississippi facilities.

RCRA

CLOSURE PLAN

FOR SURFACE IMPOUNDMENTS

EPA FACILITY I.D. NUMBER MSD007027543

OWNER OR OPERATORS NAME Koppers Company, Inc.

ADDRESS

P. O. Box 160
(Grenada) Tie Plant, MS 38960

PHONE NUMBER

(601) 226-4584

FACILITY ADDRESS

P. O. Box 160
(Grenada) Tie Plant, MS 38960

Currently there is no specific date for the closure for the plants surface impoundment facility. However, at which time Koppers Management decides the surface impoundment facility will cease operations, it will be closed in accordance with this plan.

I. GENERAL

Surface Impoundment Size - This facility has 1 lagoon that totals approximately 26,000 ft^2 and 6' deep. It is estimated that the maximum amount of sludge stored in the bottom of each surface impoundment would be approximately 4 inches deep, and tapering to zero on the slopes. Therefore, the volume of hazardous waste is approximately: 270 yd^3

II. SURFACE IMPOUNDMENT CLOSURE

A. Drain off water to wastewater treatment system.

B. Remove sludge from the bottom of each impoundment with plant labor using appropriate piece of equipment.

III. SLUDGE REMOVAL

The removed sludge will be stored in approved 3 yd^3 containers and properly labeled. This facility will burn in a Koppers approved boiler. These wastes will be removed from impoundment site within 90 days after receiving the final volume of hazardous wastes.

IV. DECONTAMINATING FACILITIES

1. Remove contaminated soils at the bottom of each surface impoundment.

2. Maximum volume is estimated at approximately [illegible]

These figures were revised late in 1982 to reflect the savings from burning the organic sludges in the plants wood fired boiler, and do not agree with the $72,654 figure in Mr. Capone's letter. The revised values will be used in our 1983 submission.

SURFACE IMPOUNDMENT
CLOSURE COSTS
KOPPERS COMPANY, INC.
GRENADA, MISSISSIPPI
EPA I.D. NUMBER MSD007027543

I. GENERAL

1. Size: Approximately 100' x 260' x 6'

2. Volume of Hazardous Waste:

Estimate approximately 4 inches of sludge.
(26,000 ft^2) (.33 ft) = 8,580 ft^3
Use maximum of 7,300 ft^3 due to slope - 270 yd^3

II. CLOSURE COSTS

1. After water removal and drying under ambient conditions.

2.	Labor to remove sludge from lagoons to 3 yd^3 bins - 90 bins	$28,000
3.	Transportation	$ 0
4.	Bin Handling at $50/bin	$ 4,500
5.	Scrape down entire liner 1" area 4, 20 yd bins	$12,600
	Bulk to hazardous waste landfill transport and dispose	$ 8,000
6.	Test remaining liner 10 samples at $35/sample	$ 350
7.	Certification by Professional Engineer 15 hrs. at $100/hr	$ 1,500
8.	Fill utilizing existing dikes additional fill 80 yd^3 at $3/yd and seed	$ 3,440
	CLOSURE COSTS	$58,390

July 27, 1982

CONTAINER STORAGE FACILITY
CLOSURE COSTS
KOPPERS CO., INC.
FOREST PRODUCTS GROUP
GRENADA, MISSISSIPPI
EPA I.D. NUMBER D007027543

I. GENERAL

The container storage facility, with a capacity of approximately 90 - 55 gallon drums, will be closed in accordance with the Closure Plan found in Section III of the Plant's Hazardous Materials Handling Manual.

II. COST ESTIMATE

A.	Labor to load 8 3 yd^3 bins	$2,000
B.	Handling $50/bin	$ 400
C.	Decontamination and cleanup 8 hrs at $8.13/hr	$ 65
E.	Certification by Professional Engineer 5 hrs at $100/hr	$ 500
	Cost Estimate for Closure	$2,965

May 21, 1982

RCRA CLOSURE PLAN

for

Container Storage*

EPA FACILITY I.D. NO.	MSD007027543
OWNER OR OPERATOR'S NAME	Koppers Company, Inc.
ADDRESS & PHONE NO.	P. O. Box 160
	Tie Plant, Mississippi 38960
	(601) 226-4584
FACILITY LOCATION	Tie Plant, Mississippi

A. Currently, there is no expected date of closure for the plant's container storage facility. However, at which time Koppers Management decides that the container storage facility will cease operations it will be closed in accordance with this plan. Such actions will be completed within six months after receiving the final volume of hazardous waste.

1. Within 90 days after receiving the final volume of hazardous wastes, all containers will be manifested and transported to a permitted Treatment, Storage, and/or Disposal facility. At no point during the life of the facility will the quantity of waste stored exceed the design capacity reported to EPA on the plant's Part A application.

2. The storage area, including equipment and appurtenances, will be decontaminated and the contaminated material properly contained and disposed of at a permitted Treatment, Storage, and/or Disposal facility. Depending on site conditions, this decontamination could range from sweeping/rinsing to scraping/solvent washing.

B. General

1. This plan will be submitted to the Regional Administrator at least 180 days before the date closure is expected to begin.

2. A certificate of closure will be submitted to the Regional Administrator by the owner and/or operator, and by an independent registered professional engineer.

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* The following material was used as a guideline in the preparation of this Closure Plan:

Draft Guidance for Subpart G of the Interim Status Standards for Owners and Operators of Hazardous Waste Treatment, Storage, and Disposal Facilities, EPA Contract No. 68-01-5794, IR&T Corporation, October 6, 1980.

ENDORSEMENT

THE TRAVELERS INSURANCE COMPANIES

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

If any additional premium is noted below, this endorsement is issued in consideration thereof. If any return premium is noted below, the receipt thereof is acknowledged upon acceptance of this endorsement.

Effective from ______ (Month, Day, Year) at the time of day the policy becomes effective. Amending Policy No. TR-SLG-180T452-3-83

Issued to ______
Date of Issue: Additional Premium $ Return Premium $

(The information provided for above, except the policy number, is required to be stated only when this endorsement is issued for attachment to the policy subsequent to its effective date.)

It is agreed that as of the effective date hereof the policy is amended in the following particulars:

This endorsement modifies such insurance as is afforded by the provisions of the policy relating to the following:

COMPREHENSIVE GENERAL LIABILITY INSURANCE
MANUFACTURERS' AND CONTRACTORS' LIABILITY INSURANCE
OWNERS', LANDLORDS' AND TENANTS' LIABILITY INSURANCE

Employers' Liability Endorsement

It is agreed that exclusion (j) does not apply to bodily injury sustained by any employee of the named insured if such bodily injury arises out of and in the course of such employee's employment by the named insured in a state designated in Item (2) of the Schedule below or in operations necessary or incidental thereto. This insurance is subject to the following additional provisions.

Exclusions

This insurance does not apply:

(1) to liability assumed by the insured under any contract or agreement, but this exclusion does not apply to a warranty that work performed by or on behalf of the insured will be done in a workman-like manner;

(2) to punitive or exemplary damages on account of bodily injury to any employee employed in violation of law;

(continued on Page #2)

SYMBOL NO.
12486

 Countersigned By ______

(3) to bodily injury to any employee employed in violation of law with the knowledge or acquiescence of the named insured or any executive officer thereof;

(4) to bodily injury by disease unless prior to 36 months after termination of this insurance written claim is made or suit is brought against the insured for damages because of such injury;

(5) to bodily injury for which compensation and other benefits are provided under any elective provisions of the workers' compensation law of a state designated in item (2) of the Schedule and the insured shall not have elected to become subject to such law;

(6) to bodily injury sustained by

(a) a master or member of the crew of any vessel,

(b) any employee of the named insured in the course of an employment subject to the United States Longshoremen's and Harbor Worker's Compensation Act, (U. S. Code [1946] Title 33, SS 901-49), the Federal Employers' Liability Act, (U. S. Code [1946] Title 45, SS 51-60,) or Part C of Title IV of the Federal Coal Mine Health & Safety Act of 1969, (30 U.S.C. SS 931-936), or

(c) any number of the flying crew or any aircraft, or

(7) to the extent that other valid and collectible insurance is available to the insured under any other liability insurance contract or from any state insurance fund.

The total liability of the company for all damages, including damages for care and loss of services, because of bodily injury by disease sustained by one or more employees shall not exceed the limit of liability stated in the Schedule below as applicable to "aggregate disease".

Subject to the foregoing provision respecting "aggregate disease", the total liability of the company for all damages, including damages for care and loss of services, because of bodily injury sustained by one or more employees as the result of any one occurrence shall not exceed the limit of liability stated in the Schedule below as applicable to "each occurrence".

POLICY NO: TR-SLG-180T452-3-83

ISSUE DATE:

SCHEDULE

1. Limits of Liability $ 1,000,000 aggregate disease
$ 1,000,000 each occurrence

2. States: OH WA WV & WY

3. Premium

Classification	Premium Basis	Rate	Provisional Premium
	Payroll	Each $100	
			$
		INCLUDED IN COMPOSITE	

Minimum Premium - $

CP-2096 4-78 Printed in U.S.A.

This endorsement modifies such insurance as is afforded by the provisions of the policy relating to the following:

COMPREHENSIVE GENERAL LIABILITY INSURANCE

MANUFACTURERS' AND CONTRACTORS' LIABILITY INSURANCE

CONTRACTUAL LIABILITY INSURANCE

LOGGING OPERATIONS COVERAGE

(Broad Form Property Damage)

It is agreed that the insurance under the *Property Damage* Liability Coverage applies to *property damage* caused by *occurrence* directly connected with the logging operations of the *named insured* or operations necessary or incidental thereto, subject to the following additional provisions:

1. Except as stated in this endorsement, the policy does not apply to *property damage* arising out of the logging operations described above.

2. All of the provisions of the policy which apply to the *property damage* liability coverage thereof shall apply to the insurance under this endorsement, except as follows:

   a. the exclusions of the policy, except the nuclear energy exclusion and the pollution exclusions, are replaced by the following:

   This insurance does not apply:

   (1) to liability assumed by the *insured* under any contract or agreement except an *incidental contract* or a contract insured under the Contractual Liability Insurance Coverage Part, but this exclusion does not apply to a warranty of fitness or quality of the *named insured's products* or a warranty that work performed by or on behalf of the *insured* will be done in a workmanlike manner;

   (2) to *property damage* to property owned by the *named insured;*

   (3) to *property damage* to

   (a) property leased or rented to the *insured,*

   (b) property in the possession of the insured for sale, storage, processing, safekeeping or repair,

   (c) that particular part of any property upon or with which operations are being performed by or on behalf of the *insured* at the time of such *property damage,* if restoration, repair or replacement thereof or thereto is made necessary by faulty, improper or defective work thereon by or on behalf of the *insured,*

   (d) property in the care, custody or control of the *insured* or as to which the *insured* is for any purpose exercising physical control,

   but this exclusion (3) does not apply with respect to *property damage* to any *automobile, mobile equipment,* or railroad car while being loaded or unloaded or timberland or standing, felled, or bucked timber;

   (4) to *property damage*

   (a) to property while being carried in or upon any vehicle in charge of the *insured,*

   (b) to property arising out of the ownership, operation or use of any power-driven watercraft or aircraft owned or operated by or on behalf of the *named insured,*

   (c) arising out of

   (i) the burning of slash at a time or under conditions not approved, directed or provided by proper governmental officials, or

   (ii) the felling or bucking of timber, the operation of logging equipment (other than operation of the equipment while being used in road building operations, or the ownership of *automobiles, mobile equipment* or logging railroads) or the loading or unloading of logs, at a time during which suspension of such operations has been directed by governmental officials,

(Continued on Page 2)

This endorsement modifies such insurance as is afforded by the provisions of the policy relating to the following:

COMPREHENSIVE GENERAL LIABILITY INSURANCE
MANUFACTURERS' AND CONTRACTORS' LIABILITY INSURANCE
CONTRACTUAL LIABILITY INSURANCE

SINGLE LIMIT OF LIABILITY

It is agreed that the Limits of Liability Provision is deleted and replaced by the following:

III. **Limits of Liability.** Regardless of the number of (1) *insureds* under this policy, (2) persons or organizations who sustain *bodily injury* or *property damage*, or (3) claims made or suits brought on account of *bodily injury* or *property damage*, the company's liability is limited as follows:

The limit of liability stated below as applicable to "each *occurrence*" is the total limit of the company's liability for all damages because of *bodily injury* and *property damage* sustained by one or more persons or organizations as the result of any one *occurrence*.

Subject to the above provision respecting "each *occurrence*", the total liability of the company for all damages because of all *bodily injury* included within the *completed operations hazard* and all *bodily injury* included within the *products hazard* shall not exceed the limit of liability stated below as "aggregate".

Subject to the above provision respecting "each *occurrence*", the total liability of the company for all damages because of all *property damage* to which this coverage applies and described in any of the numbered subparagraphs below shall not exceed the limit of liability stated below as "aggregate":

(1) all *property damage* arising out of premises or operations rated on a remuneration basis or contractor's equipment rated on a receipts basis, including *property damage* for which liability is assumed under any *incidental contract* relating to such premises or operations, but excluding *property damage* included in subparagraph (2) below;

(2) all *property damage* arising out of and occurring in the course of operations performed for the *named insured* by independent contractors and general supervision thereof by the *named insured*, including any such *property damage* for which liability is assumed under any *incidental contract* relating to such operations, but this subparagraph (2) does not include *property damage* arising out of maintenance or repairs at premises owned by or rented to the *named insured* or structural alterations at such premises which do not involve changing the size of or moving buildings or other structures;

(3) all *property damage* included within the *products hazard* and all *property damage* included within the *completed operations hazard;*

(4) all *property damage* liability assumed under contract.

Such aggregate limit shall apply separately to the *property damage* described in subparagraphs (1), (2), (3) and (4) above, and under subparagraphs (1), (2) and (4), separately with respect to each project away from premises owned by or rented to the *named insured.*

For the purpose of determining the limit of the company's liability, all *bodily injury* and *property damage* arising out of continuous or repeated exposure to substantially the same general conditions shall be considered as arising out of one *occurrence*.

This endorsement does not apply to any premises within any of the following state(s):

SCHEDULE

Limits of Liability: $ 5,000,000 each *occurrence*
$ 5,000,000 aggregate

Amending Policy No. TR-SLG-180T452-3-83

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

ENDORSEMENT

THE TRAVELERS INSURANCE COMPANIES

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

If any additional premium is noted below, this endorsement is issued in consideration thereof. If any return premium is noted below, the receipt thereof is acknowledged upon acceptance of this endorsement.

Effective from ______________ (Month, Day, Year) ______ at the time of day the policy becomes effective. Amending Policy No. TR-SLG-180T452-3-83

Issued to ______________________________

Date of Issue: Additional Premium $ Return Premium $

(The information provided for above, except the policy number, is required to be stated only when this endorsement is issued for attachment to the policy subsequent to its effective date.)

It is agreed that as of the effective date hereof the policy is amended in the following particulars:

This endorsement modifies such insurance as is afforded by the provisions of the policy relating to the following:

COMPREHENSIVE GENERAL LIABILITY INSURANCE

Employee Benefits Liability Insurance Endorsement
This insurance is on a "Claims Made" Basis
Schedule

1. Premium Computation

Estimated No. of Employees	Rate per Employee		Estimated Premium	Minimum Premium
	first	5,000	$	INCLUDED
	next	5,000	$	IN
	over	10,000	$	COMPOSITE
		Total	$	

2. Employee Benefit Programs Other Than Those Specified in Paragraph IV below.

____

____

(continued on Page #2)

Symbol No.
13241

3. Limits of Liability

$ 5,000,000 each employee
$ 5,000,000 aggregate

4. Deductible

$ 1,000.00 each employee

Insuring Agreement

I. The company will pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of any negligent act or omission of the insured, or of any other person for whose acts the insured is legally liable, if such negligent act or omission is committed in the administration of the named insured's employee benefit program, and the company shall have the right and duty to defend any suit against the insured seeking damages on account of such loss, even if any of the allegations of the suit are groundless, false or fraudulent, and may make such investigation and settlement of any claim or suit as it deems expedient, but the company shall not be obligated to pay any claim or judgment or to defend any suit after the applicable limit of the company's liability has been exhausted by payment of judgments or settlements.

Exclusions

This insurance does not apply:

(a) to loss arising out of any dishonest, fraudulent, criminal or malicious act or omission, committed by any insured;

(b) to bodily injury, property damage or personal injury;

(c) to loss arising out of failure of performance of contract by any insurer;

(d) to loss arising out of an insufficiency of funds to meet any obligation under any plan included in the employee benefit program;

(e) to any claim or suit based upon

(1) failure of any investment to perform as represented by any insured, or

(2) advice given to any person to participate or not participate in any plan included in the employee benefit program;

(f) to loss arising out of the failure of the named insured to comply with the mandatory provisions of any law concerning workers' compensation, unemployment insurance, social security or disability benefits.

II. Persons Insured

Each of the following is an insured to the extent set forth below:

(a) the named insured;

(b) each executive officer and employee of the named insured who is authorized to administer the named insured's employee benefit program.

III. Limits of Liability

Regardless of the number of (1) insureds under this policy, (2) acts or omissions which result in loss, (3) plans included in the named insured's employee benefit program, (4) persons who sustain loss, or (5) claims made or suits brought on account of loss, the company's liability is limited as follows:

The total liability of the company for all damages to which this insurance applies shall not exceed the limit of employee benefit liability stated in the Schedule as "aggregate". Subject to the foregoing provision respecting "aggregate", the limit of liability stated in the Schedule as applicable to "each employee" is the total limit of the company's liability for all damages for loss to which this insurance applies sustained by any one employee, including such person's dependents and beneficiaries. If the policy period is for a term in excess of one year, the aggregate limit of liability shall apply separately to each consecutive annual period thereof.

Deductible

Subject to the foregoing, the liability of the company with respect to "each employee" shall be only for the amount of each such loss that is in excess of the deductible amount stated in the Schedule as applicable to "each employee".

The terms of this insurance, including those with respect to notice of claim or suit, the company's right to investigate, negotiate and settle any claim or suit, and the company's right and duty to defend, apply irrespective of the application of the deductible amount.

The company may pay any part or all of the deductible amount to effect settlement of any claim or suit and, upon notification of the action taken, the named insured shall promptly reimburse the company for such part of the deductible amount as has been paid by the company.

IV. Additional Definitions

When used in reference to this insurance:

"employee benefit program" means the following plans:

(a) group life insurance, group accident or health insurance, profit sharing plans, pension plans and stock subscription plans, provided that no one other than an employee may subscribe to such insurance or plans;

(b) unemployment insurance, social security benefits, workers' compensation and disability benefits;

(c) any other similar plan designated in the Schedule or added thereto by endorsement;

"administration" means

(a) counseling employees, including their dependents and beneficiaries, with respect to the employee benefit program;

(b) handling records in connection with the employee benefit program; or

(c) effecting or terminating any employee's participation in a plan included in the employee benefit program;

"employee" means officers and employees of the named insured, whether actively employed, disabled or retired.

"personal injury" means injury arising out of one or more of the following offenses:

(a) false arrest, detention or imprisonment or malicious prosecution;

(b) the publication or utterance of a libel or slander or other defamatory or disparaging material, or a publication or utterance in violation of an individual's right of privacy;

(c) wrongful entry or eviction, or other invasion of the right of private occupancy; or

(d) discrimination.

V. Endorsement Period and Territory

This insurance applies only to claims first brought against the insured during the policy period within the United States of America, its territories or possessions or Canada, provided the insured, at the effective date of this endorsement, had no knowledge of any act or omission which might result in such claim.

POLICY NO: TR-SLG-180T452-3-83

ISSUE DATE:

VI. Additional Condition

Notice - Upon the insured's becoming aware of any act or omission which may give rise to a loss covered hereunder, written notice shall be given by or on behalf of the insured in accordance with the condition of the policy describing the insured's duties in the event of an occurrence, claim or suit.

ILLINOIS INSURANCE IN THE TRAVELERS INDEMNITY COMPANY OF ILLINOIS

Amending Policy Numbered TR-SLG-180T452-3-83

It is agreed that the obligations expressed in the policy as obligations of The Travelers Insurance Company or The Travelers Indemnity Company, subject to the exclusions, conditions and other terms thereof, are the obligations of The Travelers Indemnity Company of Illinois to the extent that such obligations are with respect to risks located in Illinois and that the policy to such extent is a contract between the insured and The Travelers Indemnity Company of Illinois and no other.

THE TRAVELERS INSURANCE COMPANY
THE TRAVELERS INDEMNITY COMPANY
THE TRAVELERS INDEMNITY COMPANY OF ILLINOIS

Secretary

ENDORSEMENT

THE TRAVELERS INSURANCE COMPANIES

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

If any additional premium is noted below, this endorsement is issued in consideration thereof. If any return premium is noted below, the receipt thereof is acknowledged upon acceptance of this endorsement.

Effective from________________ (*Month, Day, Year*) at the time of day the policy becomes effective. Amending Policy No. TR-SLG-180T452-3-83

PAGE #1

Issued to________________

Date of Issue: Additional Premium $ Return Premium $

(The information provided for above, except the policy number, is required to be stated only when this endorsement is issued for attachment to the policy subsequent to its effective date.)

It is agreed that as of the effective date hereof the policy is amended in the following particulars:

THIS ENDORSEMENT MODIFIES SUCH INSURANCE AS IS PROVIDED BY THE PROVISIONS OF THE EMPLOYEE BENEFITS LIABILITY INSURANCE ENDORSEMENT.

EMPLOYEE BENEFITS LIABILITY - NEW YORK
AMENDATORY ENDORSEMENT

IT IS AGREED THAT WITH RESPECT TO THE EMPLOYEE BENEFIT LIABILITY INSURANCE ENDORSEMENT, THE FOLLOWING PROVISIONS APPLY:

1. THE DEFINITION OF "EMPLOYEE BENEFIT PROGRAM" UNDER IV, ADDITIONAL DEFINITIONS, IS REPLACED BY THE FOLLOWING:

   "EMPLOYEE BENEFIT PROGRAM" MEANS THE FOLLOWING PLANS:

   (A) GROUP LIFE INSURANCE, GROUP ACCIDENT OR HEALTH INSURANCE, PROFIT SHARING PLANS, PENSION PLANS AND STOCK SUBSCRIPTION PLANS, PROVIDED THAT NO ONE OTHER THAN AN EMPLOYEE MAY SUBSCRIBE TO SUCH INSURANCE OR PLANS;

   (B) ANY OTHER SIMILAR PLAN DESIGNATED IN THE SCHEDULE OR ADDED THERETO BY ENDORSEMENT;'

2. THE FOLLOWING ADDITIONAL CONDITION IS ADDED UNDER VI., ADDITIONAL CONDITIONS:

   DISCOVERY PERIOD

   IF THE COMPANY CANCELS OR DOES NOT RENEW OR IF THE INSURED CANCELS THIS COVERAGE, THE INSURED SHALL HAVE THE OPTION OF HAVING THIS INSURANCE ALSO APPLY TO LOSS TO WHICH THIS INSURANCE APPLIES FOR WHICH CLAIM IS FIRST MADE AGAINST THE INSURED WITHIN SIX MONTHS FIRST FOLLOWING THE EFFECTIVE DATE OF SUCH CANCELLATION OR NON-RENEWAL, PROVIDED THAT:

SYMBOL NO.
26620

(CONTINUED ON PAGE #2)

 Countersigned By________________

ENDORSEMENT

THE TRAVELERS INSURANCE COMPANIES

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

If any additional premium is noted below, this endorsement is issued in consideration thereof. If any return premium is noted below, the receipt thereof is acknowledged upon acceptance of this endorsement.

Effective from ______________ *(Month, Day, Year)* at the time of day the policy becomes effective. Amending Policy No. TR-SLG-180T452-3-83
PAGE #2

Issued to ______________

Date of Issue: Additional Premium $ Return Premium $

(The information provided for above, except the policy number, is required to be stated only when this endorsement is issued for attachment to the policy subsequent to its effective date.)

It is agreed that as of the effective date hereof the policy is amended in the following particulars:

(A) WRITTEN NOTICE OF THE EXERCISE OF THIS OPTION IS GIVEN TO THE COMPANY BY THE EFFECTIVE DATE OF CANCELLATION OR WITHIN TEN DAYS OF THE EFFECTIVE DATE OF NONRENEWAL.

(B) THE PREMIUM, AS DETERMINED BY THE COMPANY, SHALL BE PAID PROMPTLY WHEN DUE, AND

(C) THE LOSS ARISES OUT OF AN ACT OR OMISSION WHICH OCCURRED ON OR AFTER THE EFFECTIVE DATE OF THIS ENDORSEMENT STATED IN THE SCHEDULE OF THIS ENDORSEMENT BUT BEFORE THE EFFECTIVE DATE OF CANCELLATION OR NONRENEWAL OF THIS COVERAGE.

FAILURE OF THE COMPANY TO OFFER TO RENEW THIS COVERAGE UPON THE SAME RATES AND FORMS AS IS NOW PROVIDED SHALL BE DEEMED, FOR PURPOSES OF THIS DISCOVERY PERIOD PROVISION, NOT TO BE CANCELLATION OR NONRENEWAL BY THE COMPANY.

SYMBOL NO.
26620

 Countersigned By ______________

ENDORSEMENT

THE TRAVELERS INSURANCE COMPANIES

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

If any additional premium is noted below, this endorsement is issued in consideration thereof. If any return premium is noted below, the receipt thereof is acknowledged upon acceptance of this endorsement.

Effective from ____________ (Month, Day, Year) at the time of day the policy becomes effective. Amending Policy No. TR-SLG-180T452-3-83

Issued to ____________

Date of Issue: Additional Premium $ Return Premium $

(The information provided for above, except the policy number, is required to be stated only when this endorsement is issued for attachment to the policy subsequent to its effective date.)

It is agreed that as of the effective date hereof the policy is amended in the following particulars:

THIS ENDORSEMENT MODIFIES SUCH INSURANCE AS IS AFFORDED BY THE PROVISIONS OF THE POLICY RELATING TO THE FOLLOWING:

EMPLOYEE BENEFITS LIABILITY INSURANCE

EMPLOYEE BENEFITS LIABILITY AMENDATORY ENDORSEMENT - MARYLAND (CONFORMITY TO STATUTE)

THE TERMS OF THE EMPLOYEE BENEFITS LIABILITY ENDORSEMENT WHICH ARE IN CONFLICT WITH THE STATUTES OF THE STATE OF MARYLAND ARE HEREBY AMENDED TO CONFORM TO SUCH STATUTES.

SYMBOL NO.
26950

C-17820 REV. 5-78 PRINTED IN U.S.A. Countersigned By ____________

ENDORSEMENT

THE TRAVELERS INSURANCE COMPANIES

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

If any additional premium is noted below, this endorsement is issued in consideration thereof. If any return premium is noted below, the receipt thereof is acknowledged upon acceptance of this endorsement.

Effective from____________________ (*Month, Day, Year*) at the time of day the policy becomes effective. Amending Policy No. TR-SLG-180T452-3-83

Issued to____________________

Date of Issue: Additional Premium $ Return Premium $

(The information provided for above, except the policy number, is required to be stated only when this endorsement is issued for attachment to the policy subsequent to its effective date.)

It is agreed that as of the effective date hereof the policy is amended in the following particulars:

THIS ENDORSEMENT MODIFIES SUCH INSURANCE AS IS AFFORDED BY THE PROVISIONS OF THE POLICY RELATING TO THE FOLLOWING:

EMPLOYEE BENEFITS LIABILITY INSURANCE

EMPLOYEE BENEFITS LIABILITY - MICHIGAN
AMENDATORY ENDORSEMENT

THE FOLLOWING CONDITION IS ADDED TO THE EMPLOYEE BENEFITS LIABILITY ENDORSEMENT:

DISCOVERY PERIOD - IF THE COMPANY CANCELS OR REFUSES TO RENEW THIS COVERAGE, THE INSURED SHALL HAVE THE OPTION OF HAVING THIS INSURANCE ALSO APPLY TO LOSS TO WHICH THIS INSURANCE APPLIES FOR WHICH CLAIM IS FIRST MADE AGAINST THE INSURED WITHIN SIX MONTHS FIRST FOLLOWING THE EFFECTIVE DATE OF SUCH CANCELLATION OR NONRENEWAL PROVIDED THAT:

(A) WRITTEN NOTICE OF THE EXERCISE OF THIS OPTION IS GIVEN TO THE COMPANY BY THE EFFECTIVE DATE OF CANCELLATION OR WITHIN TEN DAYS OF THE EFFECTIVE DATE OF NONRENEWAL;

(B) THE PREMIUM, AS DETERMINED BY THE COMPANY, SHALL BE PAID PROMPTLY WHEN DUE; AND

(C) THE LOSS ARISES OUT OF AN ACT OR OMISSION WHICH OCCURRED ON OR AFTER THE EFFECTIVE DATE OF THIS ENDORSEMENT BUT BEFORE THE EFFECTIVE DATE OF CANCELLATION OR NONRENEWAL OF THIS COVERAGE.

FAILURE OF THE COMPANY TO OFFER TO RENEW THIS COVERAGE UPON THE SAME RATES AND FORMS AS IS NOW PROVIDED SHALL BE DEEMED, FOR PURPOSES OF THIS DISCOVERY PERIOD PROVISION, NOT BE CANCELLATION OR NONRENEWAL BY THE COMPANY.

SYMBOL NO.
26960

 Countersigned By____________________

ENDORSEMENT

THE TRAVELERS INSURANCE COMPANIES

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

If any additional premium is noted below, this endorsement is issued in consideration thereof. If any return premium is noted below, the receipt thereof is acknowledged upon acceptance of this endorsement.

Effective from ________ (Month, Day, Year) at the time of day the policy becomes effective. Amending Policy No. TR-SLG-180T452-3-83

Issued to ________

Date of Issue: Additional Premium $ Return Premium $

(The information provided for above, except the policy number, is required to be stated only when this endorsement is issued for attachment to the policy subsequent to its effective date.)

It is agreed that as of the effective date hereof the policy is amended in the following particulars:

THIS ENDORSEMENT MODIFIES SUCH INSURANCE AS IS AFFORDED BY THE PROVISIONS OF THE POLICY RELATING TO THE FOLLOWING:

COMPREHENSIVE GENERAL LIABILITY INSURANCE
CONTRACTUAL LIABILITY INSURANCE

EXCLUSION (AIRCRAFT PRODUCTS)

THIS INSURANCE DOES NOT APPLY TO BODILY INJURY OR PROPERTY DAMAGE INCLUDED IN THE PRODUCTS HAZARD OR COMPLETED OPERATIONS HAZARD AND ARISING OUT OF ANY "AIRCRAFT PRODUCT".

AS USED IN THIS ENDORSEMENT, "AIRCRAFT PRODUCT" MEANS AIRCRAFT, (INCLUDING MISSILE OR SPACECRAFT, AND ANY GROUND SUPPORT OR CONTROL EQUIPMENT USED THEREWITH) AND ANY ARTICLE FURNISHED BY THE INSURED AND INSTALLED IN AN AIRCRAFT OR USED IN CONNECTION WITH AN AIRCRAFT, OR FOR SPARE PARTS FOR AN AIRCRAFT, INCLUDING GROUND HANDLING TOOLS AND EQUIPMENT, AND ALSO MEANS TRAINING AIDS, INSTRUCTIONS, MANUALS, BLUEPRINTS, ENGINEERING OR OTHER DEVICES, AND SERVICES AND LABOR RELATING TO SUCH AIRCRAFT OR ARTICLES.

"AIRCRAFT PRODUCTS" ALSO INCLUDES ANY NAMED INSURED'S PRODUCT USED AT AN AIRPORT FOR THE PURPOSE OF GUIDANCE, NAVIGATION OR DIRECTION OF AIRCRAFT.

SYMBOL NO.

26992

 Countersigned By ________

ENDORSEMENT

THE TRAVELERS INSURANCE COMPANIES

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

If any additional premium is noted below, this endorsement is issued in consideration thereof. If any return premium is noted below, the receipt thereof is acknowledged upon acceptance of this endorsement.

Effective from ____________ (Month, Day, Year) at the time of day the policy becomes effective. Amending Policy No. TR-SLG-180T452-3-83

PAGE #1

Issued to ____________

Date of Issue: Additional Premium $ Return Premium $

(The information provided for above, except the policy number, is required to be stated only when this endorsement is issued for attachment to the policy subsequent to its effective date.)

It is agreed that as of the effective date hereof the policy is amended in the following particulars:

THIS ENDORSEMENT MODIFIES SUCH INSURANCE AS IS AFFORDED BY THE PROVISION OF THE POLICY RELATING TO THE FOLLOWING:

COMPREHENSIVE GENERAL LIABILITY
COMPLETED OPERATIONS AND PRODUCTS LIABILITY INSURANCE

ADDITIONAL INSURED
(VENDORS - BROAD FORM)

IT IS AGREED THAT THE "PERSONS INSURED" IS AMENDED TO INCLUDE ANY PERSON OR ORGANIZATION (HEREIN REFERRED TO AS "VENDOR"), AS AN INSURED, BUT ONLY WITH RESPECT TO BODILY INJURY OR PROPERTY DAMAGE ARISING OUT OF THE DISTRIBUTION OR SALE IN THE REGULAR COURSE OF THE VENDOR'S BUSINESS OF THE NAMED INSURED'S PRODUCTS SUBJECT TO THE FOLLOWING ADDITIONAL PROVISIONS:

1. THE INSURANCE WITH RESPECT TO THE VENDOR DOES NOT APPLY TO:

   (A) ANY EXPRESS WARRANTY, OR ANY DISTRIBUTION OR SALE FOR A PURPOSE, UNAUTHORIZED BY THE NAMED INSURED;

   (B) BODILY INJURY OR PROPERTY DAMAGE ARISING OUT OF

      (I) ANY PHYSICAL OR CHEMICAL CHANGE IN THE FORM OF THE PRODUCT MADE INTENTIONALLY BY THE VENDOR,

      (II) REPACKING, UNLESS UNPACKED SOLELY FOR THE PURPOSE OF INSPECTION, DEMONSTRATION, TESTING OR THE SUBSTITUTION OF PARTS UNDER INSTRUCTION FROM THE MANUFACTURER AND THEN REPACKED IN THE ORIGINAL CONTAINER,

      (III) DEMONSTRATION, INSTALLATION, SERVICING OR REPAIR OPERATIONS, EXCEPT SUCH OPERATIONS PERFORMED AT THE VENDOR'S PREMISES IN CONNECTION WITH THE SALE OF THE PRODUCT, OR

SYMBOL NO.
28681

(CONTINUED ON PAGE 2)

 Countersigned By ____________

POLICY NO: TR-SLG-180T452-3-83 ISSUE DATE:

(IV) PRODUCTS WHICH AFTER DISTRIBUTION OR SALE BY THE NAMED INSURED HAVE BEEN LABELED OR RELABELED OR USED AS A CONTAINER, PART OR INGREDIENT OF ANY OTHER THING OR SUBSTANCE BY OR FOR THE VENDOR, OR

(V) THE SOLE NEGLIGENCE OF THE VENDOR.

2. THE INSURANCE DOES NOT APPLY TO ANY PERSON OR ORGANIZATION, AS INSURED, FROM WHOM THE NAMED INSURED HAS ACQUIRED SUCH PRODUCTS OR ANY INGREDIENT, PART OR CONTAINER, ENTERING INTO, ACCOMPANYING OR CONTAINING SUCH PRODUCTS.

INCLUDED IN COMPOSITE

CP-2096 4-78 Printed In U.S.A.

RETROSPECTIVE PREMIUM ENDORSEMENT

SHORT FORM

It is agreed that the premium for this policy shall be computed in accordance with the provisions of the Retrospective Premium Endorsement forming a part of Policy TDRK-UB-180T445-5-83

Amending Policy No. TR-SLG-180T452-3-83 Issued to KOPPERS COMPANY INC ET AL PER END 8000(1)

Name of Insured

Effective from 01-01-83

At 12:01 A.M. Standard Time

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

Secretary

C-19253 NEW 8-77 PRINTED IN U.S.A.

29130

POLICY NO: TR-SLG-180T452-3-83 ISSUE DATE:

Limits of Liability
Two or More Policies

In the event of an injury, damage or loss covered by this policy and any other policy containing this provision or a similar provision issued by the Company to the Named Insured, the maximum that will be paid under all such policies combined for such injury, damage or loss is the highest applicable limit of liability of any one of such policies. This provision does not apply with respect to any policy issued by the Company which has a policy number containing the letters CUP, EX, PRO, SPL or any personal liability policy issued by the Company

CP-2096 4-78 Printed in U.S.A.

29204

ENDORSEMENT

THE TRAVELERS INSURANCE COMPANIES

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

If any additional premium is noted below, this endorsement is issued in consideration thereof. If any return premium is noted below, the receipt thereof is acknowledged upon acceptance of this endorsement.

Effective from ______________ (Month, Day, Year) at the time of day the policy becomes effective. Amending Policy No. TR-SLG-180T452-3-83

Issued to ______________

Date of Issue: Additional Premium $ Return Premium $

(The information provided for above, except the policy number, is required to be stated only when this endorsement is issued for attachment to the policy subsequent to its effective date.)

It is agreed that as of the effective date hereof the policy is amended in the following particulars:

THIS ENDORSEMENT MODIFIES SUCH INSURANCE AS IS AFFORDED BY THE PROVISIONS OF THE POLICY RELATING TO THE FOLLOWING:

COMPREHENSIVE GENERAL LIABILITY INSURANCE
COMPLETED OPERATIONS AND PRODUCTS LIABILITY INSURANCE
CONTRACTUAL LIABILITY INSURANCE
DRUGGISTS' LIABILITY INSURANCE
FARMERS' COMPREHENSIVE PERSONAL INSURANCE
MANUFACTURERS' AND CONTRACTORS' LIABILITY INSURANCE
OWNERS' AND CONTRACTORS' PROTECTIVE LIABILITY INSURANCE
OWNERS', LANDLORDS' AND TENANTS' LIABILITY INSURANCE
STOREKEEPER'S INSURANCE

LIMITATION OF COVERAGE FOR POLLUTION
PETROLEUM EXCLUSION

IT IS AGREED THAT THE EXCLUSIONS RELATING TO ANY EMISSION, DISCHARGE, SEEPAGE, RELEASE OR ESCAPE OF ANY LIQUID, SOLID, GASEOUS OR THERMAL WASTE OR POLLUTANT ARE DELETED AND REPLACED BY THE FOLLOWING EXCLUSIONS:

(1) TO BODILY INJURY OR PROPERTY DAMAGE ARISING OUT OF ANY EMISSION, DISCHARGE, SEEPAGE, RELEASE OR ESCAPE OF ANY LIQUID, SOLID, GASEOUS OR THERMAL WASTE OR POLLUTANT IF SUCH EMISSION, DISCHARGE, SEEPAGE, RELEASE OR ESCAPE IS EITHER EXPECTED OR INTENDED FROM THE STANDPOINT OF ANY INSURED OR ANY PERSON OR ORGANIZATION FOR WHOSE ACTS OR OMISSIONS ANY INSURED IS LIABIE BUT THIS EXCLUSION (1) DOES NOT APPLY TO PROPERTY DAMAGE ARISING OUT OF ANY EMISSION, DISCHARGE, SEEPAGE, RELEASE OR ESCAPE OF PETROLEUM OR PETROLEUM DERIVATIVES INTO ANY BODY OF WATER.

(CONT'D ON PAGE 2)

SYMBOL NO.
31120

 Countersigned By______________

POLICY NO: TR-SLG-180T452-3-83 ISSUE DATE:

(2) TO PROPERTY DAMAGE ARISING OUT OF ANY EMISSION, DISCHARGE, SEEPAGE, RELEASE OR ESCAPE OF PETROLEUM OR PETROLEUM DERIVATIVES INTO ANY BODY OF WATER, BUT THIS EXCLUSION (2) DOES NOT APPLY TO PROPERTY DAMAGE RESULTING FROM FIRE OR EXPLOSION ARISING OUT OF ANY EMISSION, DISCHARGE, SEEPAGE, RELEASE OR ESCAPE WHICH IS NEITHER EXPECTED OR INTENDED FROM THE STANDPOINT OF ANY INSURED OR ANY PERSON OR ORGANIZATION FOR WHOSE ACTS OR OMISSIONS ANY INSURED IS LIABLE.

GENERAL LIABILITY INSURANCE

HAZARDOUS WASTE MANAGEMENT LIABILITY ENDORSEMENT (MICHIGAN)

This endorsement changes the policy effective on the inception date of the policy or as of the date indicated below. Attachment of this endorsement to the General Liability policy will fulfill the insurance requirements of the State of Michigan Act 64, P.A. 1979 (Hazardous Waste Management Act) and Administrative Rules R.299.6504 and/or R.299.6802 of the Michigan Administrative Code.

Insurance Company THE TRAVELERS INDEMNITY CO Date Effective 01-01-83

Policy No. TR-SLG-180T452-3-83 H Policy Period 01-01-83/84

License Applicant KOPPERS COMPANY INC

The insurance afforded with respect to sudden accidental occurrences is subject to all of the terms and conditions of the policy provided, however, that any provisions of the policy inconsistent with sections (A) through (E) are hereby amended to conform with sections (A) through (E).

A. Limits of liability as respects bodily injury are provided in the amount of:
$ 500,000 Per occurrence
$ ______ Annual aggregate

Limits of liability as respects property damage are provided in the amount of:
$ *INCL ABOVE Per occurrence
$ ______ Annual aggregate

*COMBINED SINGLE LIMIT INCLUDED WITH BODILY INJURY

The following deductibles apply: (If none, so state)
$ NONE Per occurrence—Bodily injury liability
$ ______ Annual aggregate—Property damage liability

B. Legal defense costs are covered <u>in addition to</u> the stated limit(s) of liability in this policy.

C. No exclusion of liability coverage relating to pollutants, contaminants or irritants applies if an occurrence is sudden and accidental.

D. The license applicant named above is a named insured under the policy.

E. The company will provide the Office of Hazardous Waste Management, Department of Natural Resources, State of Michigan, P.O. Box 30038 Lansing, MI 48909 with at least thirty (30) days written notice of cancellation of this policy on coverage in any of the provisions of this endorsement for any reason.

____
Signature of Authorized Agent

____
Name of Agent or Broker

____
Street and Number

____
City State Zip Code

12-05-83MK/NV

01-01-84 PITT-170 JOHNSON & HIGGINS 45101 C-2

CP-3143 New 6-83 Printed in U.S.A.

GENERAL LIABILITY INSURANCE

HAZARDOUS WASTE MANAGEMENT LIABILITY ENDORSEMENT (MICHIGAN)

This endorsement changes the policy effective on the inception date of the policy or as of the date indicated below. Attachment of this endorsement to the General Liability policy will fulfill the insurance requirements of the State of Michigan Act 64, P.A. 1979 (Hazardous Waste Management Act) and Administrative Rules R.299.6504 and/or R.299.6802 of the Michigan Administrative Code.

Insurance Company THE TRAVELERS INDEMNITY CO Date Effective 01-01-83

Policy No. TR-SLG-180T452-3-83 H Policy Period 01-01-83/84

License Applicant KOPPERS COMPANY INC

The insurance afforded with respect to sudden accidental occurrences is subject to all of the terms and conditions of the policy provided, however, that any provisions of the policy inconsistent with sections (A) through (E) are hereby amended to conform with sections (A) through (E).

A. Limits of liability as respects bodily injury are provided in the amount of:
   $ 1,000,000 Per occurrence
   $ 2,000,000 Annual aggregate

   Limits of liability as respects property damage are provided in the amount of:
   $ 1,000,000 Per occurrence
   $ 2,000,000 Annual aggregate

   The following deductibles apply: (If none, so state)
   $ NONE Per occurrence—Bodily injury liability
   $ ______ Annual aggregate—Property damage liability

B. Legal defense costs are covered <u>in addition to</u> the stated limit(s) of liability in this policy.

C. No exclusion of liability coverage relating to pollutants, contaminants or irritants applies if an occurrence is sudden and accidental.

D. The license applicant named above is a named insured under the policy.

E. The company will provide the Office of Hazardous Waste Management, Department of Natural Resources, State of Michigan, P.O. Box 30038 Lansing, MI 48909 with at least thirty (30) days written notice of cancellation of this policy on coverage in any of the provisions of this endorsement for any reason.

____
Signature of Authorized Agent

____
Name of Agent or Broker

____
Street and Number

____
City State Zip Code

12-05-83MK/NV

01-01-84 PITT-170 JOHNSON & HIGGINS 45101 C-2

CP-3143 New 6-83 Printed in U.S.A.

ENDORSEMENT

THE TRAVELERS INSURANCE COMPANIES

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

If any additional premium is noted below, this endorsement is issued in consideration thereof. If any return premium is noted below, the receipt thereof is acknowledged upon acceptance of this endorsement.

Effective from ______ (Month, Day, Year) ______ at the time of day the policy becomes effective. Amending Policy No. TR-SLG-180T452-3-83

Issued to ______

Date of Issue: Additional Premium $ Return Premium $

(The information provided for above, except the policy number, is required to be stated only when this endorsement is issued for attachment to the policy subsequent to its effective date.)

It is agreed that as of the effective date hereof the policy is amended in the following particulars:

AMENDMENT OF POLICY PROVISIONS FOR GENERAL LIABILITY INSURANCE - NORTH CAROLINA

WHEN THIS POLICY IS ISSUED OR DELIVERED IN THE STATE OF NORTH CAROLINA, IT IS AGREED THAT:

THE CONDITION ENTITLED "CHANGES" IS AMENDED TO READ:

CHANGES. THE TERMS OF THIS POLICY SHALL NOT BE CHANGED, EXCEPT BY ENDORSEMENT ISSUED TO FORM A PART OF THIS POLICY. KNOWLEDGE BY AN AGENT OF THE COMPANY OF ANY FACT WHICH BREACHES A CONDITION OF THE POLICY SHALL BE KNOWLEDGE OF THE COMPANY IF SUCH FACT IS KNOWN TO THE AGENT AT THE TIME THE POLICY IS ISSUED OR AN APPLICATION MADE OR THEREAFTER BECOMES KNOWN TO THE AGENT IN THE COURSE OF HIS DEALINGS AS AN AGENT WITH THE NAMED INSURED. ANY FACT WHICH BREACHES A CONDITION OF THE POLICY AND IS KNOWN TO THE AGENT PRIOR TO LOSS SHALL NOT VOID THE POLICY OR DEFEAT A RECOVERY THEREON IN THE EVENT OF LOSS.

SYMBOL NO.

34210

 Countersigned By ______

ENDORSEMENT

THE TRAVELERS INSURANCE COMPANIES

This endorsement is issued by that member of The Travelers Insurance Companies which issued the policy of which this endorsement forms a part.

If any additional premium is noted below, this endorsement is issued in consideration thereof. If any return premium is noted below, the receipt thereof is acknowledged upon acceptance of this endorsement.

Effective from ______ (Month, Day, Year) at the time of day the policy becomes effective. Amending Policy No. TR-SLG-180T452-3-83

Issued to ______

Date of Issue: Additional Premium $ Return Premium $

(The information provided for above, except the policy number, is required to be stated only when this endorsement is issued for attachment to the policy subsequent to its effective date.)

It is agreed that as of the effective date hereof the policy is amended in the following particulars:

THIS ENDORSEMENT MODIFIES SUCH INSURANCE AS IS AFFORDED BY THE PROVISIONS OF THE POLICY RELATING TO THE FOLLOWING:

COMPREHENSIVE GENERAL LIABILITY INSURANCE
MANUFACTURERS AND CONTRACTORS LIABILITY INSURANCE
OWNERS, LANDLORDS AND TENANTS LIABILITY INSURANCE
SMP LIABILITY INSURANCE

ENVIRONMENTAL HAZARD LIABILITY POLICY

HAZARDOUS WASTE FACILITIES — AMENDATORY PROVISIONS

IT IS AGREED THAT THE FOLLOWING ADDITIONAL PROVISIONS APPLY WITH RESPECT TO A HAZARDOUS WASTE TREATMENT, STORAGE, OR DISPOSAL FACILITY SUBJECT TO THE FINANCIAL RESPONSIBILITY REQUIREMENTS OF TITLE 40 CFR PART 264.147 OR 265.147(ENVIRONMENTAL PROTECTION AGENCY REGULATIONS); PROVIDED THAT THE TRAVELERS HAS FILED A HAZARDOUS WASTE FACILITY CERTIFICATE THAT INCLUDES THAT FACILITY:

1. THE COMPANY SHALL PAY ANY APPLICABLE DEDUCTIBLE AMOUNT AND, UPON NOTIFICATION OF SUCH PAYMENT, THE NAMED INSURED SHALL PROMPTLY REIMBURSE THE COMPANY FOR THE AMOUNT SO PAID. THIS PROVISION DOES NOT APPLY WITH RESPECT TO THAT AMOUNT OF ANY DEDUCTIBLE FOR WHICH FINANCIAL RESPONSIBILITY IS DEMONSTRATED AS SPECIFIED IN 40 CFR 264.147 (F) OR 265.147 (F).

(CONTINUED ON PAGE #2)

SYMBOL NO.
34350

 Countersigned By______

POLICY NO: TR-SLG-180T452-3-83 ISSUE DATE:

2. NEITHER THE COMPANY NOR THE INSURED MAY TERMINATE THE INSURANCE PROVIDED HEREIN FOR ANY FACILITY EXCEPT BY PROVIDING WRITTEN NOTICE TO THE OTHER PARTY AND THE REGIONAL ADMINISTRATOR(S) OF THE EPA REGION(S) IN WHICH SUCH FACILITY(IES) IS (ARE) LOCATED. TERMINATION BY CANCELLATION SHALL BE EFFECTIVE NO FEWER THAN SIXTY (60) DAYS AFTER SUCH WRITTEN NOTICE IS RECEIVED BY THE REGIONAL ADMINISTRATOR; OTHER TERMINATION SHALL BE EFFECTIVE NO FEWER THAN THIRTY (30) DAYS AFTER RECEIPT OF SUCH NOTICE.

CP-2096 4-78 Printed in U.S.A.

EFFECTIVE: 01-01 | **AMENDMENT OF CANCELLATION** (Michigan) | SLG-180T452-3-83 H

ISSUED TO: KOPPERS COMPANY INC
ET AL PER END 8000(1)

The provisions or conditions relating to cancellation by the Named Insured are deleted and replaced by the following provision(s) for which an "X" is inserted:

"X"

—Facilities

In order to comply with the Federal EPA requirements as set forth in CFR 264.147 and 265.147(2) (d) and the State of Michigan Act 64, P.A. 1979 (Hazardous Waste Management Act) and Administrative Rule R 299.6504 of the Michigan Administrative Code, it is hereby agreed that the insured waives the right to immediate cancellation as provided under Section 500.3020 of the Michigan Insurance Code, P.A. 1956, No. 218.

—Transporters

In order to comply with Title 49 of the Code of Federal Regulations under Subtitle B, Chapter III, Part 387.7 and the State of Michigan Act 64, P.A. 1979 (Hazardous Waste Management Act) and Administrative Rule R 299.6802 of the Michigan Administrative Code, it is hereby agreed that the insured waives the right to immediate cancellation as provided under Section 500.3020 of the Michigan Insurance Code, P.A. 1956, No. 218.

____________________ (Date)

____________________ Named Insured

____________________ Authorized Officer

____________________ (Date)

____________________ Witness

CP-2956 New 3-83 Printed in U.S.A.

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01-01-84 PITT-170 JOHNSON & HIGGINS 45101 C-2

KOPPERS

1981 Annual Report and Form 10-K

Inside, some words about:

- a difficult year for Koppers and the economy.
- continuing strength in cash flow.
- reduction of debt and maintenance of dividend as we kept our financial condition strong.
- scalebacks, divestitures and other management measures—including effective marketing strategies—to improve our competitive position.
- a precise strategy to upgrade our technological base as we aim for new and expanded markets.

Koppers Company, Inc./1981 at a Glance
($ Millions, except per share figures)

	1981	1980
Total sales	$2,018.6	$1,929.2
Net income	$ 51.6	$ 54.0
Earnings per share of common stock	$ 1.58	$ 1.98
Cash flow	$ 132.1	$ 134.6
Dividends per share of common stock	$ 1.40	$ 1.40
Return on average common equity	7.2%	9.0%
Capital investment	$ 182.1	$ 230.9
Backlog at year end	$ 518.0	$ 526.0

The Koppers Mission

Our mission is to employ corporate assets—people, facilities, technology and funds—in order to achieve a balanced combination of Company growth, financial stability, return to investors and opportunity for employees. In doing so, we must satisfy our basic function of meeting the needs of society.

The Koppers performance objectives, listed here, set down once more the specific long-term goals we have set as we carry out our mission:

- **Average annual net income growth greater than that achieved in the 1970s.**
- **Cash-flow growth at a rate at least equal to that of net income.**
- **Generation of net income sufficient to pay approximately 25% of cash flow as dividends to common shareholders.**
- **Limitation of debt to near 35% of total capitalization.**
- **Concentration of capital funds in areas where the Company's various capabilities will make it the low-cost producer and the potential leader in each of the market segments it serves.**
- **A major upgrading of the Company's scientific and technological strengths, with commitments to internal and external research and development.**
- **Capital investments in high-technology ventures, emerging research-based activities and other areas whose payoff potentials greatly outweigh the risks involved.**
- **Concomitant with these new directions, unremitting attention to the management strategies needed to keep the Company's core businesses healthy and growing.**
- **Timely and aggressive divestiture of assets that no longer fit into Koppers long-range strategic plans.**
- **Above all, dedication to our role as the outstanding performer in our various industries, with a solid reputation for quality and value.**

Inside This 1981 Annual Report

The Company's Business
Discussion of the Company's business is presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Koppers Business." In brief, Koppers is a diversified manufacturing corporation with specialized engineering and construction capabilities. Headquartered in Pittsburgh, Pennsylvania, it has 293 operating locations and makes more than 100 types of products.

Annual Meeting
The annual meeting of the shareholders of the Company will be held at 11 a.m. on Monday, April 26, 1982 in the Pittsburgh Room of The William Penn Hotel, Pittsburgh, Pennsylvania.

To Our Shareholders:

By no means could 1981 be considered a good year for the U.S. economy—or for Koppers. On the other hand, the Company's performance was better than might be indicated by the cold figures that showed a decline in earnings per share.

There was no impairment of our capacity for growth, no slackening of our prospects as we accepted short-term penalties to earnings in exchange for planned actions to further Koppers growth potential in the years ahead. Cash flow remained strong enough that dividends paid to our shareholders stayed well within the boundaries of prudent management.

Those in charge of our operations exerted firm control of the Company's businesses as market conditions worsened, participating in what one observer called "a productive exercise in the management of adversity."

The Company's accomplishments in 1981 should be measured in the context of the environment in which they took place.

The American economy suffered unmistakable recession for the second consecutive year. Inflation, although abating in degree, remained sweeping in extent. Industrial production fell throughout the year. High interest rates began to hurt some sectors of the economy that had previously shown strength. These high rates also continued to depress activity in the three major end markets—construction, automotive equipment and capital spending—that account for three-fourths of Koppers sales.

Little of this was new. Many of the economic circumstances that confronted us were in motion before the year began. Nevertheless, the close of 1981 brought confirmation that much had been achieved in combating the effect of lower business levels and in further strengthening Koppers financial and operational capabilities.

- Cash flow remained high, and the Company's financial position was—and is—good.
- We reduced our debt, and interest expense was on the decline in the second half of the year.
- We aggressively pursued a comprehensive growth plan encompassing three kinds of activity: formulation of appropriate business strategies; divestiture of certain operations; and investment in new products, processes and technologies. There was progress in each area in 1981.

These and other measures brought us to the end of 1981 showing gains in a number of areas over the year before. Although Koppers profit at the operating level was slightly improved, this was not reflected in earnings, which declined by $.40 per share from 1980.

Unusual expenses, mostly from discontinued businesses, more than offset the contribution to earnings from unusual income, which included the large capital gain realized on the sale of our Canadian lumber business. This operation could no longer satisfy the Company's long-term growth objectives under the nationalistic trends that inhibit growth of foreign-owned businesses in Canada.

Earnings were further penalized by expenses associated with the development of synthetic fuel projects. Income tax credits were lower than in 1980. On balance, $.24 per share of the $.40 per share difference between the two years was accounted for by these two factors and the unusual items. Most of the expenses were incurred with an eye to benefiting future earnings growth. Similar expenses incurred in 1980 led to some initial benefits in 1981. These factors are discussed in more detail in the Chief Financial Officer's letter on page 19.

1981 Operating Performance

In a company as diversified as Koppers, annual results represent the sum of activities along a number of fronts.

Weak demand in major end markets, as well as nonrecurring expenses due mostly to write-offs for discontinued operations, produced a significant decline in Organic Materials operating income. Road Materials maintained a high level of income through strong operating margins and profits from overseas construction projects. Added to higher income in Forest Products wood-treating businesses was the gain realized on the sale of the Company's Canadian lumber business. Improved operating performances throughout Engineered Metal Products launched its expected turnaround, and a strengthening in new orders raised the year-end backlog. The loss in Engineering and Construction reflected the continued low level of capital spending by the steel industry.

Charles R. Pullin, Fletcher L. Byrom

Management Actions

We began this message with a reference to "the management of adversity." That phrase does not mean to imply a policy of retrenchment or a shift in long-term strategy. Rather, it describes the measures we instituted in order to keep the enterprise strong until business demand returns to a reasonable level of activity in the areas that most affect us.

We discontinued certain businesses because they did not meet our growth expectations, and we scaled back a number of others in order to bring them into line with market activities.

We set out at midyear to lower our capital expenditures, which had been planned for $200 million. The total figure for the year was approximately $147 million, excluding the nearly $35 million invested in Richmond Tank Car Company. This should be viewed against the fact that such expenditures had been at historically high levels in the five previous years—a total of almost $750 million for the period.

We also conserved cash also by holding down inventories and receivables. This was an important factor in our ability to reduce total debt and cut interest expenses over the second half of the year.

Other management actions were directed toward strengthening our competitive positions so that there can be some progress in our operating and earnings performance even while the current business weakness persists.

A number of these actions are discussed on page 19. Their full benefit has not yet been felt, and additional plans to streamline costs and operations are being carried out. We do believe we are in control of the direction of our operating performance and that this will be demonstrated through 1982 and beyond.

Where We Stand Today

Koppers ended 1981 in excellent corporate health.

Our financial condition remains strong. We maintained a high level of cash flow, $132.1 million in 1981 versus $134.6 million in the prior year. This permitted us to reduce debt and to maintain the common dividend.

Our manufacturing base is the most modern in our history, thanks to a five-year program of continually upgrading plants and equipment. Not only has this strengthened our ability to compete within the current climate of reduced demand, but any upswing in the economy will find us exceptionally well prepared to meet new demands.

A comprehensive strategic growth plan set into motion in 1981 has given Koppers firm direction for the future. For the short range, our goal is to advance the Company's return on common shareholders' equity toward our target of 18% as rapidly as possible. For the longer term, our goals are twofold:

- To grow in the 1980s even more than we did in the 1970s.
- To upgrade our technological base. Measures taken to achieve this objective are discussed in the section that follows.

Behind Koppers approximately $1 billion in fixed investment stand specific business strategies. Of that total:

- We have 28% in businesses that offer opportunities for rapid, sizable growth.
- We have 54% in businesses that we will manage for profit—solid, thriving businesses in which we will invest additional funds to maintain market shares and reduce costs.
- We have 18% in businesses targeted for correction—those in which we are not meeting our returns or that no longer fit into our long-range strategic plans. These will be turned around or disposed of by mid-1983.

The Outlook

In our 1980 annual report, we cited certain indicators that pointed to "a potential recurrence of recession in 1981," saying:

"As of now, there are no signs of improvement in many of the areas that depressed Koppers 1980 performance, and it is not realistic to expect significant changes quickly."

We are currently caught up in that recession whose recurrence we foresaw. Combined with the severe winter weather experienced in the opening weeks of 1982, this is likely to result in a first-half performance even lower than in 1981. If our spirits seem somewhat brighter at this writing, it is in some measure due to the lessons we have learned and the actions we have carried out over the past 12 months.

We take heart, too, from certain developments discussed in the section that follows: new national policies to move us away from the consumption bias that has damaged our economy—tax legislation beneficial to industries important to Koppers—and above all, mounting acknowledgment of the need to rebuild the nation's infrastructure, with which Koppers activities are so intertwined.

On the last point, we need only remark that the alternative to such rebuilding—an uninterrupted downhill slide—is unthinkable. Nevertheless, we must temper our optimism with the realization that federal fiscal policies are currently stimulative and therefore in possible conflict with the more conservative monetary policies now in effect. This could lead to further escalation of high interest rates, slowing those recovery trends that would be favorable to the economy in general and to Koppers in particular.

Meanwhile, recognizing that we must operate with the "givens" available to us, we do not propose to mark time until external conditions provide a more congenial environment for our activities. Rather, we will continue to exert every effort to strengthen this enterprise, especially under the currently depressed state of the economy. In making that pledge, we wish to express our gratitude for the indispensable support of our employee associates and shareholders.

We do not expect that these pages 12 months from now will bring news of a dramatic change in our fortunes. What we do expect is that we will be able to report further progress in coping with difficulty and in preparing for opportunity. In the final analysis, we are determined to prove that we are equipped to manage long-term prosperity as well as temporary adversity.

F. L. Byrom
Fletcher L. Byrom
Chairman of the Board

C R Pullin
Charles R. Pullin
Vice Chairman of the Board

February 22, 1982

Koppers Future: A Long and Winding Highway

If we are to talk about where Koppers is going, it does not serve our purpose to think of the road ahead as a straight line to a predictable horizon. What we have, rather, is likely to be a long and winding highway along which we will find a number of branches as we proceed.

Some of those branches, inevitably, may lead us into unrewarding areas, with little gained for us but the lessons of exploration.

Some will lead to areas rich and profitable.

Meanwhile, our corporate horizon—like all horizons—will constantly change shape as we move toward it, drawing us on with its promise of new and growing opportunities.

It may be useful, before we embark upon our highway to the future, to examine where we have been.

In the mid-1960s, we launched a new capital investment strategy that was to shape the Company as we know it today. Its purpose was to establish a solid base for diversity in manufacturing businesses.

In the decade of the 1970s, Koppers not only withstood the shocks of four recessions, but grew and prospered.

- Our sales quadrupled, rising at an average rate of 13% per year.
- Our net income grew at an average annual rate of 17%.
- Our growth rate for the important measurement known as cash flow averaged 15% per year.

Now the nation is bogged down in still another recession, which began in mid-1981, barely half a year after the conclusion of the preceding slump.

Both of these latest recessions, triggered and sustained by high interest rates, have displayed a difference most important to Koppers: a *simultaneous* drop, severe and prolonged, in the three markets—construction, automotive and capital equipment—that account for more than 75% of our current sales. That had not happened in previous recessions.

- Office buildings aside, nonresidential construction has been weak since early in 1980, while the number of housing starts, after a four-year decline, is at its lowest point in 35 years.
- The automotive industry, which had fallen to a 20-year low in 1980, sank to that level again in 1981.
- Capital spending, when the figures for the automotive and petroleum industries were subtracted from the overall total, continued to show the weakness that had begun early in 1980.

> **The businesses we have in place today, supported by the most modern and efficient physical plant in our history, will generate the largest share of our strength and growth for some years to come. Beyond that, we have made an uncompromising commitment to keep Koppers ahead of its competitors with a precise strategy to upgrade the Company's technological base. This involves . . .**

Just when the economy may turn up again is not certain. What is certain is that—in an era otherwise characterized by widespread disagreement on methods and objectives—one national goal has aroused enthusiastic support: the "reindustrialization of America." There is near-unanimous acceptance of the need to rebuild the country's commercial and industrial infrastructure.

This is the goal toward which, conscious of its mission in a free society, Koppers has equipped itself to make a major contribution.

Underlying the new consensus is recognition of the damage that has been done by a persistent consumption bias in past economic, fiscal, regulatory and social policies. That bias is now in the process of being set aside in favor of an emphasis upon restoration of productivity through greater investment, an area in which the U.S. has been falling behind its trading partners by far too much and for far too long.

We are particularly encouraged by certain trends in tax policy at the federal level. As for the new tax provisions that affect capital formation, we expect that their benefits will manifest themselves only gradually, but that the cumulative effect will be significant in the capital-intensive industries with which Koppers has its most important business relationships. Improved cash flow among companies in certain markets—construction, transportation, steel, paper, electric utilities and capital equipment—promise a healthy upsurge in demand for Koppers products and services.

This is not to suggest that we have pulled off the road, waiting for the economic "potholes" to be repaired in our long and winding highway.

Some of the measures we have taken to deal with our immediate problems are detailed in the message to shareholders and in other sections of this report.

A discussion of the measures we are pursuing in order to ensure Koppers vitality over the long term constitutes the bulk of the material that follows.

An important part of the strategy involves a new Koppers Office of Science and Technology, created to work with existing units. Among the responsibilities assigned to it are a rejuvenation of the Company's existing technology and the removal of all barriers to the flow of ideas, knowledge and methodologies among the Company's many elements. This process encompasses the program under which we augment our internal resources by funding research projects at universities already working on problems related to our commercial interests.

Parallel with this activity has been a lively program under which we employ venture capital not only to widen our technological base, but to provide us with greater access to markets, some of which we have never entered before.

Genex Corporation, which gave us a significant presence in the world of genetic engineering and in which we have a sizable position, is concentrating its efforts on chemicals and pharmaceuticals. Genex has progressed

to pilot plant production and recently sold the first commercial quantities of a chemical it has developed.

From that strong start, we have broadened our participation in this field through two recent investments.

- Engenics, Inc. concentrates on process development, whereby laboratory results are translated into larger-scale manufacture, an activity that seems likely to be the controlling factor in the time required to commercialize products developed through genetic engineering. Much of the funded research is being conducted at Stanford University and the University of California at Berkeley.
- DNAP puts us into agricultural applications as it works to develop hardier and more versatile plant varieties to help push a new "Green Revolution" for a world still short of food in many areas.

> **. . . such factors as internal research and development, university-based high-technology research, venture capital investments, synthetic fuel projects and our operations in coal. With Koppers going through a fundamental change, we look forward to success as we step up our participation in such emerging fields as genetic engineering, fiber optics and advanced ceramic technology.**

Two other investments have involved us in new and revolutionary applications for two of civilization's oldest materials.

- EOTec Corporation, in which we hold a substantial equity position, is active in fiber optic communications, sensors and specialty glass. Incorporated in 1979, it is now seeing a flow of repeat orders from its customers, a sign that it is perceived as technologically equal or superior to its competitors.
- Ceramatec, Inc. is situated in a market that has been estimated at billions of dollars annually in advanced ceramic technology for use in space, microelectronics, internal combustion engines, batteries and other applications.

Whatever the outcome of these and similar undertakings, it is obvious that Koppers has become an enterprise markedly different from what it was a relatively short time ago. Although most of our basic businesses remain firmly in place, recent developments have begun to change the fundamental character of the Company as they expand its range of competence even further.

- Construction is well under way on two plants for the manufacture of our phenolic foam board and should be completed by mid-1982. This product offers superior insulating qualities, and fire-resistant capabilities. Designed initially for use in commercial buildings, it can be adapted for applications in the appliance, transportation, tank, pipe and residential construction markets.
- Our coal holdings, which now include 180,000 contiguous acres of land with more than 200 million tons of reserves, should make a growing contribution to our income through revenues derived from the leasing of mining rights.
- For a number of years, Koppers has actively participated in the development of what is now known as the KBW coal gasification process, a commercially proven technology basic to the conversion of coal into methanol and ultimately into premium gasoline. Recent developments have led to increasing recognition of the long-range advantages of methanol as a transportation fuel. Accordingly, Koppers interest in this emerging technology has evolved toward equity participation in projects to supply alternative fuels. We now have behind us most of the investment needed so far to pursue our interests in three synthetic fuels projects. Those three are among only 11 recently selected by the U.S. Synthetic Fuels Corporation for further consideration, with the decision on federal loan and price guarantees to be made by mid-1982. If approved and carried out, they would engage a wide assortment of Koppers activities in design, construction and the supply of raw and processed materials.
- Our 23% share of Richmond Tank Car Company enlarges our prospects in the railroad industry, with which we have had a mutually rewarding association for half a century. We expect a considerable increase in demand for tank and hopper cars when the economy approaches normalcy again a state that will serve to highlight the advantages inherent in Richmond's low-cost manufacturing position.

Other projects are at earlier stages of development, but no less exciting in their potential. These include the Koppers-funded high-technology university research projects, in which we would hold proprietary rights to technological breakthroughs.

The overall view down the highway is for the most part encouraging.

For some years to come, the largest share of our strength and growth will derive from the businesses we have in place today. These are supported by the most modern and efficient physical plant in our history. Over the past half-dozen years, we have directed $835 million to capital expenditures. This represents more than 70% of our depreciable asset base at the end of 1981.

And what of the years beyond? We take heart from a bit of recent history, which reflects the theme of this essay and which can be summed up in two short sentences:

- **In 1965, our road materials operations accounted for less than 5% of our sales.**
- **In 1981, our road materials operations accounted for 27% of our total sales plus more than 40% of our total operating income.**

We have presented a great mix of activities and potentialities in this discussion. Some of those, we feel sure, will make comparably important contributions to Koppers success in times to come.

Koppers Operating Results by Business Segments

($ Millions)		Sales	Operating Income	During 1981	Near-Term Outlook
Organic Materials	**81**	**$ 678.1**	**$ 29.2**	Unusual expenses, weak end markets caused income drop. Chemical unit sales declined 15%; capacity utilization was 52% versus 63% in 1980. Marginal chemical lines were discontinued. Efficiencies improved. Coke unit sales doubled. Roofing materials income fell. Binder pitch was strong in first half. Coatings, polyester resins income rose substantially. Creosote sales were strong.	**Major markets will remain depressed until recession, interest rates abate. As market cycles improve, income gains could be dramatic. Modern, efficient capacity exists to meet turnaround at any time. New phenolic foam roof insulation will become available in 1982. Coke operating costs should be lower. Absence of marginal businesses will benefit income.**
	80	$ 577.2	$ 47.2		
Road Materials	**81**	**$ 541.9**	**$ 57.9**	Improved prices, operating efficiencies offset weak U.S. construction markets. Overseas construction contributed significantly. Construction services constituted 37% of sales. Geographic expansions were completed in Colorado, Florida, Wyoming.	**States will continue to need new revenue sources for street, highway, bridge maintenance. Interest rate trend will determine recovery in housing, other construction. Growth is likely in general construction, worldwide markets. Changes in fuel taxes will create added revenues for roadbuilding.**
	80	$ 531.7	$ 57.2		
Forest Products	**81**	**$ 379.8**	**$ 42.9**	Sale of Canadian lumber business boosted income. Wood-treating business was at high level. Railroad crossties, wood-treating chemicals, transmission poles were strong, offsetting weaknesses in utility poles, piling, hardwood lumber. New energy conservation, other plant efficiencies were instituted.	**Crosstie sales should continue strong. Renovation, expansion markets should maintain upward pace in sales, volumes of treating chemicals. Construction demand for treated wood will depend on interest rate trends. Sales to utilities are expected to continue moderate increase.**
	80	$ 380.9	$ 21.3		
Engineered Metal Products	**81**	**$ 342.5**	**$ 12.7**	Nearly all product lines improved. Piston rings and seals, power transmission couplings, materials processing equipment business showed major strengths. Environmental products operated at loss. Mineral processing equipment improved significantly. New orders were particularly strong in materials processing equipment, environmental lines.	**High backlog should aid 1982 results. New capacity is to be completed to meet upturn in diesel piston ring demands. Any increase in industry capital spending should have immediate, positive effect. New tax legislation should prove favorable to capital goods markets.**
	80	$ 358.1	$ (1.1)		
Engineering and Construction	**81**	**$ 58.6**	**$ (7.5)**	Prolonged downturn in steel industry construction caused earnings loss. Potential increased for synthetic fuel plant construction using KBW Gasification Systems, with U.S. Synthetic Fuels Corporation considering loan, price guarantees for three projects. Capability was developed for electric furnace building, materials handling systems.	**Depressed 1981 backlog will keep construction volume at low level. Contract awards on steelmaking projects could come in 1982, but competition will intensify. A number of synfuels projects under review by U.S. Synfuels Corporation could reach approval stage.**
	80	$ 64.6	$ (.4)		
Miscellaneous	**81**	**$ 17.7**	**$ 6.9**	Coal operations increased income significantly. Interest, equity income from investments also contributed to earnings. Synthetic fuel project development costs penalized income.	**Koppers coal, other resource business should continue to grow. Synthetic fuels development costs are expected to be lower as projects reach final negotiation stages.**
	80	$ 16.7	$ 4.8		
Total	**81**	**$2,018.6**	**$142.1**		
	80	$1,929.2	$129.0		
	81		**$ 22.5**	**General Corporate Overhead**	
	80		$ 24.1		
	81		**$119.6**	**Income Before Interest Expense and Income Taxes**	
	80		$104.9		

Koppers Sales by Major End Markets

($ Millions)		Sales	% Total	During 1981	Near-Term Outlook
Engineered Construction	**81**	**$ 540.5**	**26.8**	Highway spending was strong early in year, but weakened. Other nonbuilding construction declined 7%. Sewer, water projects declined. Price improvements, geographic expansions aided sales.	**New highway spending will remain weak with emphasis on maintenance. State, local projects will be curtailed by slower revenue growth, reduced federal grants. Bridge repair will grow.**
	80	$ 516.3	26.8		
Architectural Construction	**81**	**$ 280.5**	**13.9**	High interest rates hurt new housing. Remodeling held even. Spending was up sharply for industrial plants, office buildings, declined for other building construction.	**Housing starts will rise slowly. Remodeling expenditures will stay about even. Nonresidential spending will weaken with high interest rates.**
	80	$ 269.2	14.0		
Chemicals, Plastics and Rubber	**81**	**$ 218.7**	**10.8**	Low operating rates pressured prices, profits. Export sales were weak. Replacement-tire demand improved; new-car tire market weakened.	**Sluggish housing, auto, agriculture, export markets are expected. Prices, profits are not likely to keep pace with inflation. No gain is expected for total 1982 industry output.**
	80	$ 224.2	11.6		
Iron and Steel	**81**	**$ 211.8**	**10.5**	After strong first half, steel demand fell. Imports increased. New accounts compensated for weak markets. Steel industry capital spending fell moderately. Foundry industry activity was weak.	**Steel output may not match 1981. Steel industry plans eventual major capital spending increase. Slow recovery will preclude strong foundry industry rebound.**
	80	$ 161.2	8.4		
Transportation	**81**	**$ 189.7**	**9.4**	High interest rates depressed auto, truck sales. Imports leveled off. Heavy truck deliveries fell 14%. Railroads increased crosstie replacements.	**Tax cut, business recovery should lead to continued strength in railroad crosstie sales, moderate second-half gain in auto market. Heavy trucks will continue upward trend in diesels.**
	80	$ 177.0	9.2		
Nonferrous Metals and Mining	**81**	**$ 125.2**	**6.2**	Aluminum, other metals output dropped as housing, auto markets continued low, overseas demand weakened. Aluminum operating rates were cut to 70%. Mining capital spending increased 15%.	**Excessive inventories may delay aluminum rebound. Containers, defense may hold up well. Gradual improvement in auto, housing markets, small gain in mining capital expenditures are expected.**
	80	$ 108.8	5.6		
Lumber	**81**	**$ 109.9**	**5.4**	Softwood lumber fell slightly from low 1980 levels; hardwood was about even. Canadian softwood operations were sold in third quarter.	**Prospects for mild recovery in new housing starts depend on lower mortgage rates. Hardwood use for railroad crossties is expected to match or exceed 1981.**
	80	$ 112.1	5.8		
Utilities: Electric, Gas, Telephone, Sewer, Water	**81**	**$ 102.0**	**5.1**	Electric utility capital spending increased. Power use increased. Pipeline construction reached high level. Sewer, water expenditures declined.	**Electric utility rate relief will improve business. Modest growth is expected. Domestic pipeline installations may slow; deregulation could spur new projects.**
	80	$ 92.7	4.8		
Paper and Packaging	**81**	**$ 88.7**	**4.4**	Pulp, paper, paperboard output increased. Corrugated box shipments rose 2%-3%. Capital spending by pulp and paper industry declined.	**Pulp, paper, paperboard consumption will pick up in late 1982. Operating rates will slide. Capital expenditures will be limited to more efficient production equipment.**
	80	$ 89.4	4.6		
Machinery	**81**	**$ 40.6**	**2.0**	Nonelectrical machinery output, capital spending by machinery industry each expanded 5%. Engine, farm equipment production dropped moderately.	**Machinery production will decline. Tax incentives will be offset by low operating rates, sluggish market outlook, high real interest rates.**
	80	$ 43.8	2.3		
Agriculture, Food, Grain Processing	**81**	**$ 36.2**	**1.8**	Production of grain mill products held even. Capital spending by food and feed industry expanded 3%-4% after inflation adjustment.	**Moderate increase is expected for grain mill products. Food industry capital spending should improve.**
	80	$ 42.8	2.2		
	81	**$ 74.8**	**3.7**	**All Other**	
	80	$ 91.7	4.7		
	81	**$2,018.6**	**100.0**	**Total Sales**	
	80	$1,929.2	100.0		

Shareholder Information

Market for Koppers Common Stock and Related Security Holder Information
Koppers common stock, $1.25 par value, is principally traded on the New York Stock Exchange and is listed also on the Midwest and Pacific stock exchanges. The tables below present its high and low market prices, and dividend information. Cash dividends have been paid on these shares every year since 1944.

Long-term debt agreements and the terms of Koppers cumulative preferred stock, $100 par value, 4% Series, and Koppers $10 convertible preference stock, no par value, include certain restrictive covenants. These, among other things, prohibit certain aggregate amounts of the Company's dividends and distributions on its stock from exceeding specified levels. The most restrictive provision, contained in a long-term debt agreement that matures in the year 2000, permitted $170,534,000 of consolidated earnings retained in the business to be available for cash dividends. This is substantially greater than the total dividends of $46,653,000 paid out by Koppers in 1981.

Cumulative Preferred Stock
The outstanding shares of cumulative preferred stock, $100 par value, 4% Series, may be redeemed at the option of the Company, as a whole or in part, at any time upon not less than 30 nor more than 60 days' notice, at $107.75 per share, together with accrued and unpaid dividends to the date fixed for redemption. Although the Company also has the right, with the approval of the Board of Directors, to repurchase cumulative preferred shares in the open market, it has no current plans to redeem or repurchase shares.

$10 Convertible Preference Stock
The outstanding shares of $10 convertible preference stock, no par value, may be converted into shares of common stock of the Company at any time, unless previously redeemed, at the conversion price of $28.75 per share, subject to adjustment in certain events. The preference stock is not redeemable prior to December 15, 1983 and, on and after such date, is redeemable on not less than 30 days' notice at the option of the Company at a price beginning at $107.00 per share and declining by $1 per share each year through 1990.

Equity Security Holders

Title of Class	Number of Shareholders of Record at March 8, 1982
Common Stock, $1.25 Par Value	18,910
Cumulative Preferred Stock, $100 Par Value	1,348
Convertible Preference Stock	373

Continuing Growth of Participation in Dividend Reinvestment Plans
Over 12% of Koppers shareowners participated in the Company's cost-free Dividend Reinvestment/Cash Payment Plan in 1981. The number of participants grew by more than 14% during the year, to more than 2,300. Participating shareholders invested nearly $660,000 to purchase more than 37,000 additional shares during 1981. These plans enable shareholders, on a cost-free basis, to:

- Elect to invest common and/or preferred dividends in shares of Koppers common stock; and/or
- Purchase additional Koppers common stock by making voluntary cash payments of $25 to $1,000 in any month.

Shareholders may obtain further information on these plans by writing to Mellon Bank N.A., Attention: Corporate Trust Division, Mellon Square, Pittsburgh, Pennsylvania 15230.

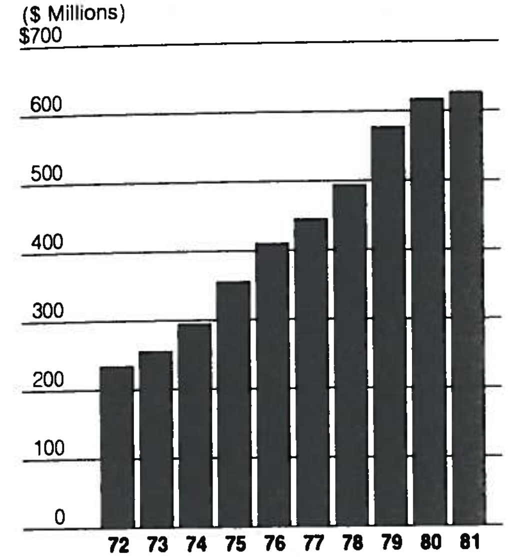
Koppers Common Stock Statistics

	1981	1980	1979	1978	1977
Common stock price ranges on NYSE/Composite:					
High	**$27⅞**	$35¼	$27⅝	$24⅝	$26⅜
Low	**16⅛**	19	17⅜	18¾	20
Close	**17**	25	27	20⅛	22¾
Volume traded (in thousands)	**8,781**	7,780	4,183	4,684	5,163
% of shares outstanding	**32%**	29%	16%	19%	21%

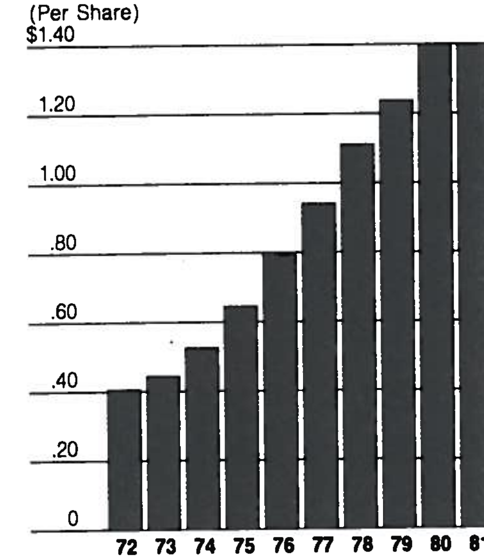
Quarterly Common Stock Price Ranges and Dividends

	1981			1980		
Quarter	**High**	**Low**	**Dividend**	High	Low	Dividend
1st	**$27⅞**	**$20¾**	**$.35**	$31¾	$23⅝	$.35
2nd	**27¼**	**22½**	**.35**	25½	19	.35
3rd	**24⅞**	**17¼**	**.35**	33½	23¼	.35
4th	**18¾**	**16⅛**	**.35**	35¼	23½	.35

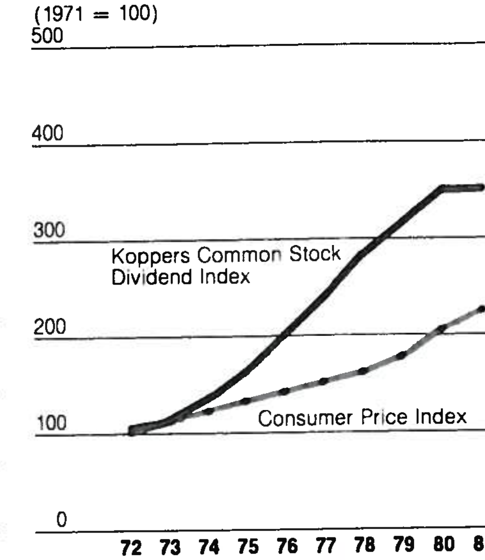
Common Shareholders' Equity
($ Millions)



Annual Common Dividend Growth
(Per Share)



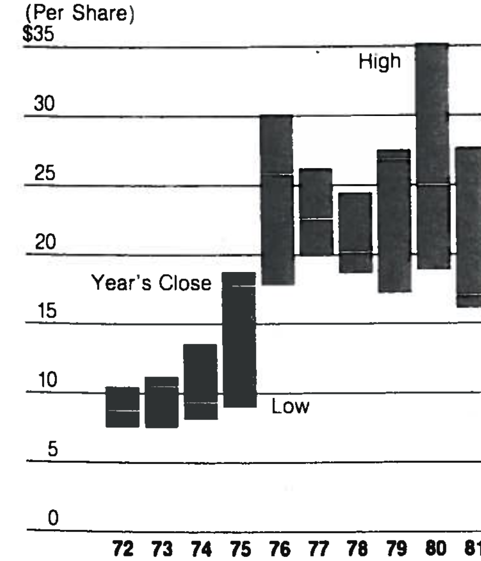
Dividends Outgrew Inflation
(1971 = 100)



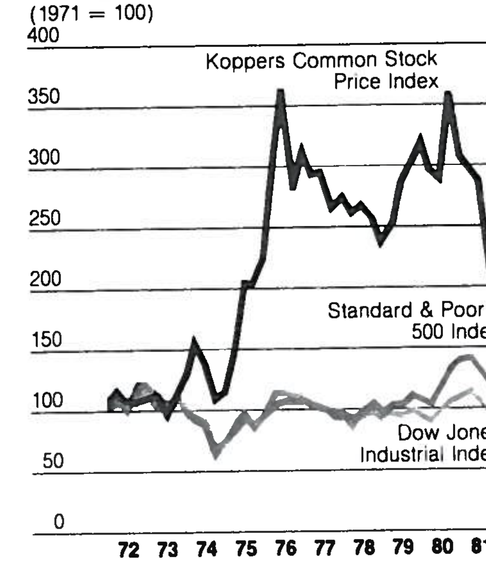
The Shareholders' Scorecard

This series of charts illustrates how owners of Koppers common stock have fared over the past 10 years. Value of the Company's common equity has substantially more than doubled. The dividend has been tripled and outgrew inflation by a wide margin. Price of the common stock fluctuated widely in recent years and, despite the 1981 decline, continues ahead of leading market indices. The total return (stock appreciation plus dividends reinvested) also has kept Koppers shareholders ahead of inflation. This chart shows that $1,000 invested in Koppers common stock at the start of 1972 would have grown to $3,064 at the close of 1981.

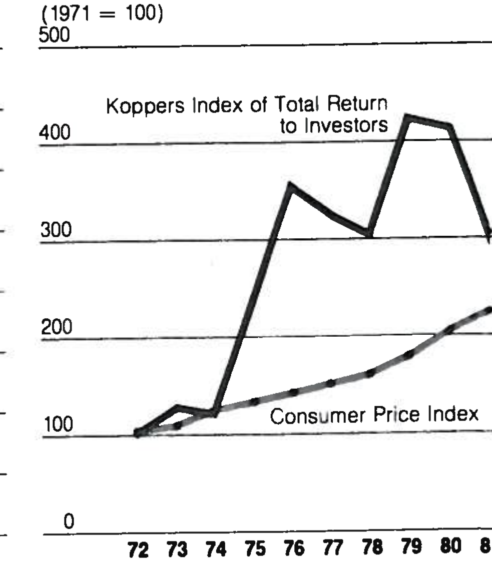
Common Stock Price Trend
(Per Share)



Common Stock vs. Market Indices
(1971 = 100)



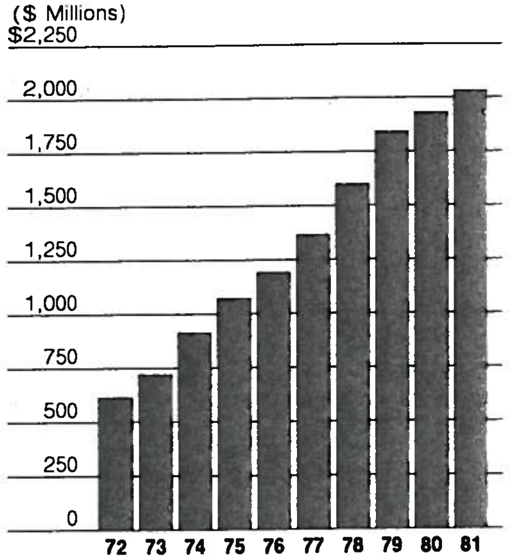
Annual Total Returns to Shareholders
(1971 = 100)



Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis in this section cover, for the period 1979-1981, the performance of Koppers business segments, other factors in the income statement (page 25) that materially influenced the Company's financial results, and changes in liquidity and use of capital resources that had a meaningful effect on Koppers financial condition at the close of 1981.

Total Koppers Sales
($ Millions)



Results of Operations

Net Sales
Company sales increased moderately in each of the past three years, with most of the gain coming from the four largest operating groups. Product price increases in these business segments more than accounted for the overall sales growth in 1981 and 1980 as unit volumes were lower in numerous product lines. Higher prices accounted for nearly 50% of the sales gain in 1979. Acquisitions added less than 5% to Koppers sales in each of the three years.

Normally, Koppers sales are on an upward trend and reach a peak during the second and third quarters of any year, then begin to decline in the fourth quarter because of seasonal influences. The first quarter of a year is typically the lowest in sales volume. Usually, the Company's income also follows this pattern, which is shown in the Quarterly Financial Data below. In 1981, however, Koppers gross profit rose moderately during the year and reached the highest level in the fourth quarter. This was due to the effect of unusual income and expenses during the year, as well as management's efforts to reduce costs and to counter the unfavorable effects exerted by recession upon product sales volumes.

Following are discussions of the performance of each of Koppers operating groups.

Organic Materials

($ Millions)	1981	1980	1979
Sales	**$678.1**	$577.2	$556.6
Operating income	**$ 29.2**	$ 47.2	$ 55.6

In mid-1979, prior to the 1980 recession, a number of Organic Materials product lines began to feel the effect of weakening trends in the automotive, steel, housing and related industries. Through 1981 and 1980, conditions in these markets failed to improve. Demand for chemicals worsened in 1981, and the weakness spread to the group's roofing materials business; income in both businesses declined sharply. Improved performances in Organic Materials other product lines, traceable to aggressive efforts to reduce costs and to increase unit sales in the face of weakened markets, nearly offset this reduction. The overall decline in 1981 operating income was due largely to unusual expenses of $12.3 million that resulted from write-offs for discontinued operations and a write-down of an investment. This contrasted with nonrecurring income in 1980 of $3.5 million from recoveries on insurance claims.

Unit sales of chemicals fell by 15% in 1981, following a 19% decline in 1980. Capacity utilization at the Company's chemical plants sank to a 52% average in 1981, from 63% in the prior year and from 71% in 1979, which benefited from a strong second-half recovery in demand. Improved prices over the three years failed to offset high fixed costs, as well as increased costs of raw materials, energy and labor. Consequently, chemical results fell below break-even in 1981, with income substantially less than in the prior two years. Added to this loss were write-offs taken for discontinued operations in certain chemical businesses; this will reduce future operating expenses. Additional consolidations expected in chemical operations will increase the use of internally generated raw materials in the group's processing operations, thus further reducing operating costs.

Income from the roofing materials business fell after substantial increases in the prior two years. Sales of Koppers cold-applied roofing system, KMM, were flat in 1981 following two years of rapid growth. Activity in the nonresidential construction and reroofing markets began to decline noticeably near the close of 1980, and this trend continued during the recent year. Koppers has introduced a new roof insulation product that will be in full commercial production in mid-1982. This phenolic foam insulation board has thermal qualities and fire-resistant properties superior to those of competitively priced products. Initial market acceptance has been excellent.

Income in coke operations rose to near break-even after a significant loss in 1980, as unit sales almost doubled in 1981 after declines in the prior two years. Vigorous marketing programs significantly expanded the Company's customer base. A large coke inventory accumulated in 1980 was completely sold in 1981, and all coke facilities were put into operation during the second half, versus an earlier operating level of less than 50%. Although prices improved, they were not sufficient to offset higher coal, operating and start-up costs. The greatest volume increase was in blast furnace coke. Foundry coke sales also rose. Sales and income in specialty resins and other foundry products also improved in the face of a weak market in 1981, reversing the declines of prior years.

Steady demand growth for carbon binder pitch since 1979 began to falter in the second half of 1981 as production in the aluminum industry declined. Creosote sales continued to improve moderately as demand was strong for railroad crossties. Continued high unit sales, cost reductions and higher prices helped income in this business to improve for the third consecutive year.

Aggressive marketing strategies countered weak demand for protective coatings and polyester resins. Income rose significantly from earlier years. Coatings sales benefited from good international and domestic activity in underground pipeline construction and from new markets opened in the defense and original equipment markets. High sales of specialty polyester resins continued and moved Koppers total volume 14% ahead of the prior year, during which growth had slowed after a long period of expansion. Sales and income improved also in other specialty coating, sealant and adhesive lines.

Road Materials

($ Millions)	1981	1980	1979
Sales	**$541.9**	$531.7	$454.1
Operating income	**$ 57.9**	$ 57.2	$ 55.0

Road Materials 1981 performance ran counter to the weak U.S. construction market, which declined noticeably in the second half of the year. Improved prices and operating efficiencies largely offset drops in sales volume. Weakening second-half market trends had a slight effect on income in Western operations, which continued to account for the majority of Road Materials income. Results in Eastern markets rose from depressed 1980 levels. Construction activity in Southern markets remained weak, as in the prior year. A subsidiary involved in a joint venture on several overseas construction projects was a significant contributor to Road Materials income gain, as was The Sterling Companies, purchased in November, which operates in the Western Overthrust Belt of the Rocky Mountains.

The modest gains in Road Materials sales and operating income over the past three years reflect how high interest rates have depressed the nationwide engineered construction market. Koppers total shipments of aggregates fell to 49 million tons in 1981, from 50 million in 1980 and 54 million in 1979. Making up for this somewhat has been the growing importance of construction services to Road Materials total sales as the result of recent expansions. These services accounted for approximately 37% of Road Materials sales in each of the past two years, up from 26% in 1979.

Acquisitions in 1981 included a Florida aggregates producer and The Sterling Companies, which provide construction services and produce aggregates, ready-mix concrete and bituminous concrete. Acquisitions in 1980 and 1979 included a North Carolina producer of aggregates that is also a large earthmoving company, two Virginia companies that specialize in highway and bridge construction, and companies in Colorado and Oklahoma that produce aggregates and provide construction services.

Forest Products

($ Millions)	1981	1980	1979
Sales	**$379.8**	$380.9	$368.8
Operating income	**$ 42.9**	$ 21.3	$ 31.9

Strong demand for railroad crossties and other wood products has boosted income in each of the past three years in Forest Products major business line, wood treating. A similar performance in the group's specialty wood-treating chemical operations has helped to offset declines in other product areas affected by the depressed activity in the construction industry since 1979. Income in the basic domestic wood-treating and building product businesses improved 20% over 1980. The large increase in Forest Products 1981 operating income resulted from the sale of the Company's Canadian spruce lumber operations, which added $20.2 million.

Sales of railroad crossties climbed steadily in 1979 and 1980 and leveled off in 1981. Programs implemented to increase operating efficiencies and reduce energy costs helped improve income. Demand for crossties remained strong through 1981, and the backlog at year end was high. The current recession, however, makes it uncertain that railroads will carry out planned track improvements during 1982. Strong demand for transmission poles was largely offset by reduced sales of utility poles and piling due to high interest rates that dampened activity in electric utility construction.

Sales of wood-treating chemicals rose gradually over the past three years because of increased market penetration and growing demand in the residential renovation and alteration market. Increased raw material integration in the production of these specialty chemicals has raised Koppers capacity to serve this fast-growing market.

Conditions remained severely depressed in the domestic hardwood lumber business, but losses, although they continued in 1981, were substantially lower, thanks to disposal and consolidation of facilities as well as improved revenues from timberland operations. Further dispositions of hardwood sawmill facilities and timberlands are planned for 1982 and beyond.

Koppers Quarterly Financial Data

($ millions, except per share data)	1st Quarter 1981	1st Quarter 1980*	2nd Quarter 1981	2nd Quarter 1980*	3rd Quarter 1981	3rd Quarter 1980*	4th Quarter 1981	4th Quarter 1980*	Total 1981	Total 1980*
Net sales	**$425.9**	$402.9	**$538.4**	$462.7	**$540.9**	$555.0	**$513.4**	$508.6	**$2,018.6**	$1,929.2
Gross profit**	**46.4**	46.7	**83.6**	79.6	**85.8**	90.7	**88.6**	70.1	**304.4**	287.1
Net income	**(3.8)**	.0	**16.2**	19.6	**25.2**	23.0	**14.0**	11.4	**51.6**	54.0
Earnings per common share	**$ (.20)**	$ (.01)	**$ .51**	$ .73	**$ .84**	$ .84	**$ .43**	$ .41	**$ 1.58**	$ 1.98

*Restated to reflect compliance with Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, and reclassified to conform with 1981 classifications.
**Net sales less Cost of sales (including allocable portion of Depreciation, depletion and amortization and Taxes, other than income taxes).

Engineered Metal Products

($ Millions)	1981	1980	1979
Sales	**$342.5**	$358.1	$328.2
Operating income	**$ 12.7**	$ (1.1)	$ 11.4

Income improved in 1981 in almost all segments of Engineered Metal Products, reversing a downward trend that had begun in 1979. Part of the income gain came from a reduction in write-offs and other unusual expenses to $1.3 million in 1981, from the $12.8 million that caused the group's loss in 1980.

After a slow start, sales of piston rings and seals grew by more than 20% in 1981 as demand rose in the replacement market for piston rings for diesel trucks. Greater volume plus capacity additions that improved operating efficiencies resulted in higher income. Sales of shaft seals went up as a result of strong industrial demand in the compressor industry. At year-end 1981, markets for piston rings had slowed considerably. Despite these current conditions, construction is continuing on a new plant that, by 1983, will significantly increase Koppers capacity to supply rings to the diesel engine market.

Sales and income improved also in power transmission couplings as the result of greater demand for maintenance work in the steel and petrochemical industries. Heightened manufacturing efficiencies along with material cost reductions provided by a new forge shop helped to raise margins in this line.

In spite of a sales decline, income was up in the Sprout-Waldron materials processing equipment business in 1981 as the result of manufacturing and other cost reductions and a more favorable product mix. A substantial increase in new orders during the second half was due to technical innovations in the Company's line of thermomechanical pulping machinery. The new design will allow makers of pulp products to recover steam for use in reducing plant energy costs. Orders in the Company's feed and grain mill business also improved.

In spite of lower demand in the corrugated box industry, 1981 results in corrugated container machinery continued to be profitable, as in the prior two years. Concentration on new, higher-margin products as well as cost reductions enabled the division to remain profitable. Overcapacity continues throughout this business.

The near absence of unusual expenses in mineral processing equipment resulted in a slightly better than break-even performance in 1981, versus a large loss in 1980. Unusual expenses totaled $11.2 million in 1980 as reserves were established for plant closings, for replacement and repair of equipment previously installed on ore processing projects, and for losses arising from a customer bankruptcy. The world recession in mineral markets, which has depressed demand for processing machinery, caused a loss in 1979 also. There was little pickup in orders in 1981. To cope with this prolonged recession, the division is marketing processing machinery adapted to new end uses and has formulated plans to introduce new products that will reduce its dependency on the mineral processing industry.

Environmental Elements incurred a small loss in 1981, after a profitable 1980 performance, due to the depressed level of new orders during 1979 and 1980. A good performance in the division's air handling products line was not enough to offset the low operating levels in electrostatic precipitators, water and sewage treatment systems, and sound control equipment. New orders were strong during the second half of 1981 and backlog at year end was up by 61%. Most of the gain was in precipitator projects.

Engineering and Construction

($ Millions)	1981	1980	1979
Sales	**$ 58.6**	$ 64.6	$113.8
Operating income	**$ (7.5)**	$ (.4)	$ 10.5

Prolonged recession in the steel industry's major end markets has brought about a substantial contraction in domestic steel production capacity over the past three years. The low level of steel industry capital spending during this period has pushed Koppers construction activity below the break-even level. The group's 1981 results were further penalized by unusual expenses of more than $2.7 million, primarily from an unfavorable lawsuit settlement.

In 1980, Koppers and the Babcock & Wilcox operating unit of McDermott Incorporated formed KBW Gasification Systems, Inc. to carry out engineering and construction of coal gasification projects on a worldwide scale. A number of projects involving the KBW process are nearing the final stages of consideration by the U.S. Synthetic Fuels Corporation. Several other projects that would use the KBW process are in the feasibility study stage. These could result in contract awards in the coming year if suitable loan and price guarantees can be negotiated with the Synthetic Fuels Corporation.

Preliminary work is under way also on various steel plant projects that could be awarded in 1982.

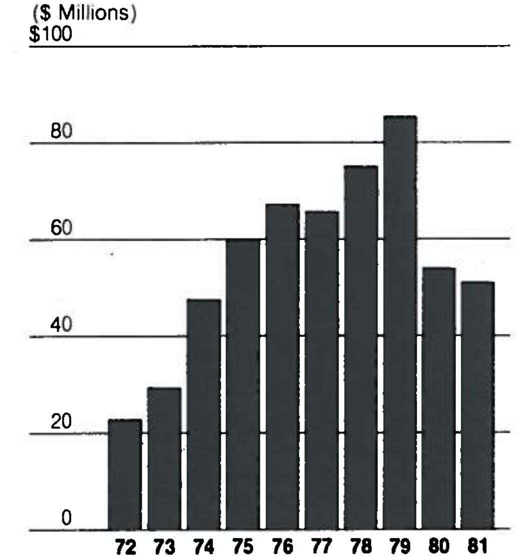
Actions were taken in 1981 to expand the potential markets for Koppers engineering and construction services. The group acquired an exclusive U.S. license for electric arc furnace steelmaking technology and for bulk reclaimer systems that will decrease dependence on traditional construction.

Miscellaneous Sales and Operating Income

($ Millions)	1981	1980	1979
Sales	**$17.7**	$16.7	$6.8
Operating income	**$ 6.9**	$ 4.8	$5.7

Miscellaneous sales and operating income includes revenues received by Koppers that are not the result of group operations. Sales growth in the past several years reflects the Company's increasing investment in energy resources. Revenues and income from Koppers investment in coal lands in Tennessee come under this heading and account for the great majority of its 1981 and 1980 results and nearly half of its 1979 income. Koppers offers these lands for lease to independent coal operators. The increase in income from coal operations, as well as higher interest and equity income from Koppers investments, offset $6.9 million of the Company's expenses incurred in connection with the development of synthetic fuels projects. Koppers is participating in three projects currently being considered by the U.S. Synthetic Fuels Corporation for loan and price guarantees: Tennessee Synfuels Associates—a plant to produce gasoline from coal, Peat Methanol Associates—a North Carolina project to produce methanol from peat, and Hampshire Energy—a project in Wyoming to produce gasoline and other products from coal. Miscellaneous income declined in 1980 because of lower interest and equity income from Koppers investments.

Net Income
($ Millions)



Foreign Operations*

Year ended December 31, ($ Millions)	1981	1980	1979
Koppers identifiable assets:			
Foreign operations	**$79.1**	$109.2	$70.1
% of consolidated identifiable assets	**6%**	8%	6%
Canadian identifiable assets included in above	**$23.5**	$ 58.9	$60.9
% of foreign operations identifiable assets	**30%**	54%	87%
Koppers revenues (net sales):			
From foreign operations	**$90.6**	$103.9	$88.0
% of consolidated revenues	**4%**	5%	5%
From Canadian operations included in above	**$62.8**	$ 74.7	$78.0
% of foreign revenues	**69%**	72%	89%
Koppers income (after foreign and applicable U.S. income taxes):			
From foreign operations	**$ 9.3**	$ 2.3	$ 9.3
% of total net income	**18%**	4%	11%
From Canadian operations included in above	**$ 1.4**	$ 0.5	$ 8.7
% of foreign income	**15%**	22%	94%

*Koppers export sales are not included in this presentation as they constitute less than 6% of the Company's total sales and are not material.

Financial Results

Operating Expenses

The trends in sales and profitability in the Company's major product lines over the past three years were discussed in the preceding section. The combined effect of these numerous individual trends on Koppers overall profit performance is generally reflected in the relationship between the Company's Sales and Cost of sales, shown in Operating expenses on the income statement (page 25).

As a percentage of Koppers Sales, Cost of sales has moved within a range of less than 1.0 percentage point over the past three years. There was some deterioration in the margin in 1980 with modest recovery in 1981. This gives an indication of the progress operating managers made during recent years to reduce costs and improve prices wherever possible in order to offset declining unit sales and the effects of cost inflation. Nonrecurring factors influenced Cost of sales in each of the past three years. Costs were reduced in 1981 mainly through adjustments that lowered pension expenses, through a recovery on an insurance claim, and through reductions of certain inventories that resulted in a liquidation of LIFO inventory quantities. These factors were somewhat offset by an unfavorable lawsuit settlement. A cost increase of $8.3 million in 1980 represented reserves established for plant closings and equipment replacement guarantees that were not totally matched by insurance claim recoveries. Nonrecurring expenses increased Cost of sales by $3.2 million in 1979.

The relatively stable relationship of Cost of sales to Sales in recent years was not carried through to the Company's Operating profit. Declining unit sales and increasing cost pressures made it impossible to offset increases in other operating costs that were not directly related to the Company's volume of operations. These increases reduced Koppers Operating profit margin on sales from 7.3% in 1979 to 5.0% in 1980 and 4.9% in 1981.

One such expense that rose significantly during 1979-1981 was Depreciation, depletion and amortization, up by $20 million, or more than 31%, compared with a 10% sales gain over the same period. This increase was due to high levels of capital investment that have greatly expanded the Company's depreciable asset base in recent years. In 1981, however, the Company lowered its capital investment, resulting in the smallest rise in depreciation in recent years.

Taxes, other than income taxes increased each year more than twice as fast as the growth in sales. This was due to rising real estate, personal property and social security taxes.

Selling, research, general and administrative expenses also went up in relation to sales, from 8.5% in 1979 to 9.4% in 1981, as the result of higher wages and salaries and increased selling and research expenses.

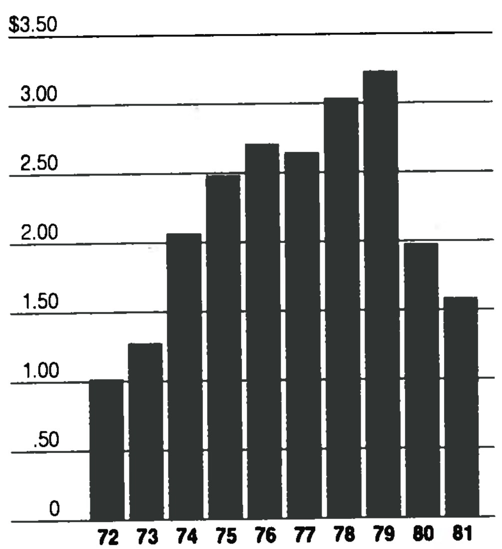
Other Income

Other income in 1981 was substantially higher than in the prior two years for a number of reasons:

- A capital gain realized on the sale of the Company's Canadian lumber business, which added $20.2 million in 1981 and more than offset $13.2 million in write-offs from disposal of discontinued operations, mostly in Organic Materials. This compared with a $6.5 million loss incurred for similar disposals in 1980 and with a net gain realized in 1979 from the sale of a Road Materials business.
- Higher income from the sale of capital assets, primarily from increased sales of equipment by Road Materials in 1981 versus the two prior years.
- An increase in the Company's equity in earnings of affiliates in the past two years, largely due to income from a Road Materials subsidiary, acquired in 1980, that is participating in overseas construction projects. This improvement was substantial in 1981 as it more than overcame $6.3 million in expenses representing part of Koppers development costs for three synthetic fuel projects.
- A gain in interest income generated by higher levels of short-term investment during 1981 than in the prior two years.

Table 6 (page 33) shows the distribution of Other income by business segments for the past three years.

Earnings Per Common Share



Interest Expense

Interest expense rose sharply in 1979 and 1980 as borrowings went up in each year and interest rates escalated. In 1979, $15 million of 8¼% industrial development bonds were issued and costs increased for the use of commercial paper to cover peak working capital requirements. In 1980, Koppers completed a $100 million private placement of 11¼% promissory notes and substantially raised its use of commercial paper to meet working capital needs. Interest expense increased only slightly in 1981 as during the year the use of short-term debt was reduced and long-term debt fell by $20 million.

Income Taxes

Provision for income taxes rose sharply in 1981 after falling in the prior two years. Taxes grew by a greater margin in the recent year than Koppers pretax income because of the high tax rate encountered on the sale of Canadian lumber operations and because lower capital investments and weaker export sales substantially reduced tax credits. Major factors in the lower tax rates in 1979 and 1980 were increased benefits from investment tax credits, from the effect of percentage depletion over cost depletion, and from the effect of the lower tax rate on capital gain income. The factors that influenced the Company's effective tax rate for the past three years are shown in Table 5 (page 32).

Koppers Selected Financial Data

($ millions, except per share data)	1981	1980*	1979*	1978*	1977
Operating results:					
Net sales	**$2,018.6**	$1,929.2	$1,828.3	$1,581.9	$1,355.7
Income from operations	**$ 51.6**	$ 54.0	$ 84.9	$ 76.0	$ 66.4
Income from operations —per common share	**$ 1.58**	$ 1.98	$ 3.21	$ 3.01	$ 2.64
At year end:					
Total assets	**$1,328.2**	$1,389.5	$1,140.7	$1,036.1	$ 870.3
Long-term debt	**$ 288.9**	$ 308.7	$ 224.2	$ 233.6	$ 152.0
Redeemable convertible preference stock	**$ 75.0**	$ 75.0	—	—	—
Total long-term debt and redeemable preference stock	**$ 363.9**	$ 383.7	$ 224.2	$ 233.6	$ 152.0
Cash dividends declared per common share	**$ 1.40**	$ 1.40	$ 1.25	$ 1.125	$ .95

*Restated to reflect compliance with Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, and reclassified to conform with 1981 classifications.

Financial Condition

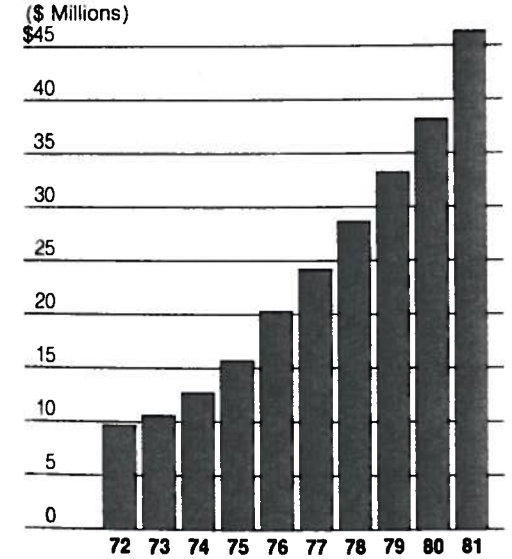
Liquidity

This discussion has been prepared to report how Koppers provided liquidity during 1979-1981, making it possible to finance capital expansions, to provide funds needed to support sales, to repay debt and to compensate shareholders through dividend payments.

The accompanying tables summarize the funds generated by Koppers over the past three years and show how these funds have been used.

The period encompassed the three highest years of capital expenditures and dividend payments in Koppers history. The level of funds paid to holders of the Company's common stock did not increase substantially during 1981, but the issuance of 750,000 shares of convertible preference stock near the close of 1980 produced a significant rise in total dividend payout for the year, as shown in the graph below.

Total Dividends Paid
($ Millions)



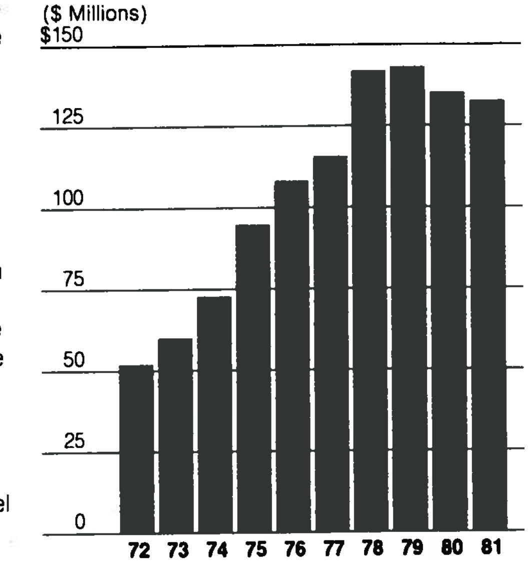
The accompanying table shows that funds generated from the Company's operations have met a high proportion of the Company's total financial needs over the past three years. Term debt was increased in 1980 to finance the high levels of capital expenditures carried out during 1979-1980. The funds from the convertible preference issue went largely toward the Company's investment in Richmond Tank Car Company and the reduction of debt.

Koppers management employs a number of performance criteria to measure the Company's liquidity. These include trends in cash-flow generation, working capital used and the Company's debt/equity position and borrowing capacity.

Cash Flow

Cash flow serves as a measure of the strength underlying the Company's liquidity. Koppers cash flow has increased over the past 10 years at an average rate of more than 11% per year, compounded. This trend reached a plateau and declined slightly in the past three years because of the decline in the Company's net income due to weakening business conditions in major end markets. Depreciation has been the most consistent growth portion of cash flow; it will continue to rise so long as Koppers maintains a high level of capital spending. Koppers depreciation is expected to increase moderately in 1982.

Cash Flow
($ Millions)



Funds Generated by Koppers

($ Millions)	1981	1980*	1979*
Funds from Operations:			
Net income to common stock	**$ 43.8**	$ 53.4	$ 84.2
Depreciation	**83.6**	78.9	63.6
Deferred taxes	**3.5**	2.3	(6.3)
Other	**1.2**	—	—
Total cash flow	**$132.1**	$134.6	$141.5
Plant dispositions and decline in value of investment	**7.1**	—	—
Equity in earnings of affiliates, less dividends received	**4.6**	(.8)	(.5)
Total funds from operations	**$143.8**	$133.8	$141.0
Other sources of funds:			
Sale of fixed assets	**$ 38.3**	$ 10.9	$ 15.2
Term debt and capital lease obligations	**1.6**	134.6	29.6
Common stock issued	**5.8**	26.4	32.2
Preference stock issued	**—**	72.6	—
Total	**$189.5**	$378.3	$218.0

Koppers Use of Funds

($ Millions)	1981	1980	1979
Capital expenditures	**$147.3**	$216.9	$177.1
Investment in Richmond Tank Car Company	**34.8**	14.0	—
Total capital investments	**$182.1**	$230.9	$177.1
Common dividends paid**	**38.8**	37.8	32.6
Term debt and capital leases retired	**21.3**	50.1	39.0
Other	**1.9**	2.6	1.0
Total	**$244.1**	$321.4	$249.7

*Restated to reflect compliance with Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, and reclassified to conform with 1981 classifications

**Dividends paid on preference and preferred shares are not shown here as a use of funds; they are already accounted for in net income to common stock.

Working Capital
Koppers has maintained its working capital within a narrow range over the past three years. This has resulted from management's efforts to reduce inventories to levels appropriate to weakening business conditions. Further, management has maintained close attention to accounts receivable so that, in a declining business and financial environment, payments due from customers would not tie up Company funds excessively. The large increase in 1980 working capital was a temporary condition that resulted when $53 million from the issuance of convertible preference stock in December of 1980 was held in cash at year end. These funds were intended for use in completing the purchase of stock in Richmond Tank Car Company and for the reduction of corporate debt. Excluding these funds temporarily held in cash, working capital at the close of 1980 would have been $272 million.

($ Millions)	**1981**	1980	1979
Working Capital	**$270.7**	$325.0	$265.3

Working capital is the surplus of current assets over current liabilities and indicates the amount of financial flexibility a company has to meet day-to-day business obligations, to withstand adversity, to pay dividends and to build plants.

Shareholders should be cognizant of the way in which the level of working capital has been affected by the Company's use, starting in 1974, of the last-in, first-out (LIFO) method of inventory accounting.

LIFO accounting recognizes the current costs of labor and materials in the cost of sales (on the income statement), and thereby prevents the overstatement of earnings and the overpayment of income taxes that would result from the use of first-in, first-out (FIFO) accounting during inflationary times. The effect of this, however, is an understatement of the Company's current assets, specifically its value of inventories (on the balance sheet). This, therefore, leads to understatement of the level of day-to-day business the Company's working capital can realistically support.

($ Millions)	**1981**	1980	1979
Inventories:			
FIFO	**$340.6**	$349.6	$305.0
LIFO	**213.8**	240.3	211.9
Excess of FIFO cost over LIFO	**$126.8**	$109.3	$ 93.1

Comparison of the Company's inventories for the past three years, using both the LIFO and FIFO methods of accounting, illustrates the growing disparity between the current value of the Company's inventories (FIFO value) and the value of inventories carried on the Company's balance sheet (LIFO value). This disparity has grown wider every year since the adoption of the LIFO method in 1974.

The fact is that the FIFO value of inventories more closely approximates the purchasing power that the Company actually has to meet short-term business obligations. The following presents what the Company's working capital would be if FIFO inventory values, rather than LIFO, were included in current assets and if the additional tax liability would be reflected in current liabilities. Continued use of FIFO accounting after 1974 would have substantially increased the Company's tax liabilities and would have required greater use of long term funding to maintain the current level of working capital.

($ Millions)	**1981**	1980	1979
Working capital including FIFO inventory value	**$391.0**	$432.0	$354.8

In the past, a widely accepted rule of thumb within the business and financial community stated that a prudently run corporation should maintain a ratio of current assets to current liabilities of approximately 2-to-1, or better. For the reasons just discussed, this is no longer generally applicable to companies that have been on LIFO accounting for a number of years, and it should be recognized that they can have a strong liquidity position with a current ratio of less than 2-to-1. The following comparison of the Company's current ratio using both types of inventory valuation illustrates this point.

Current ratio	**1981**	1980	1979
Inventory value:			
FIFO	**2.40-to-1**	2.34-to-1	2.30-to-1
LIFO	**1.99-to-1**	2.02-to-1	1.98-to-1

Koppers ability to meet its short-term obligations remains excellent.

Borrowed Funds
During the course of any year, Koppers uses commercial paper and revolving bank credit to cover peak working capital requirements. As shown in the chart on the opposing page, commercial paper bearing a 17.3% average annual interest rate was used at various times in 1981, with the maximum outstanding during the year at $43 million. None was outstanding at year end. The use of commercial paper was significantly lower than in 1980 as the result of an increase in cash generated from operations, primarily from a reduction in working capital.

In the period 1979-1981, Koppers increased net term borrowings by $55.3 million. In 1979, Koppers obtained $15 million from the issuance of industrial development bonds. During 1980, Koppers received $100 million from the issuance of 11.25% promissory notes and a 10% $9.8 million term loan.

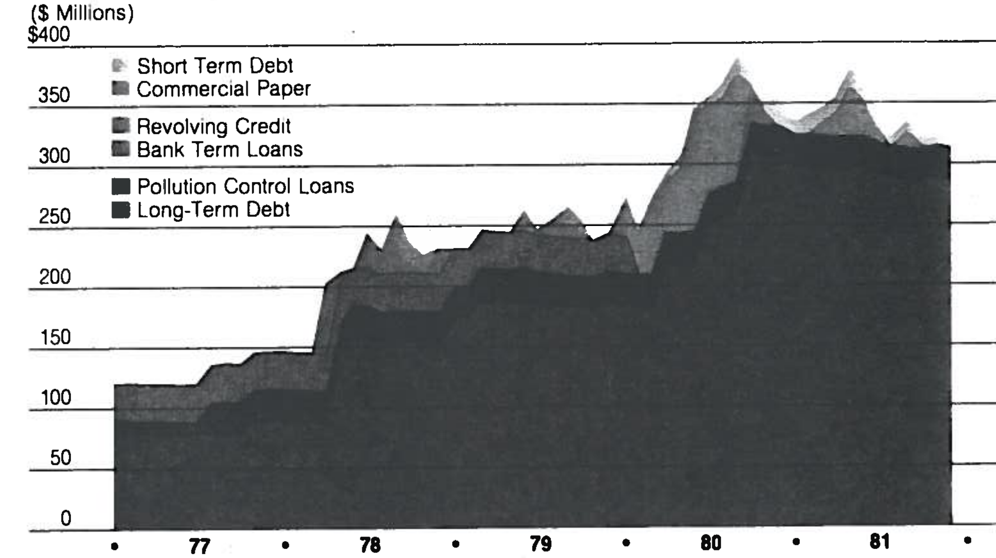
Over the three-year period, the Company issued 2.8 million common shares, primarily in connection with acquisitions, boosting the number of shares outstanding by 11%. The issuance of 750,000 shares of convertible preference stock on December 23, 1980 provided net proceeds of $72.6 million to the Company. During 1980, $20 million was used to repay indebtedness. During 1981, the Company reduced term debt and capital lease obligations by $19.7 million and short-term debt by $19.2 million.

Financial Structure
Although additional financings in the past three years have increased the Company's debt level, the debt portion of Koppers total capitalization has remained near 30%, well within Koppers self-imposed limit of 35%. The Company's debt level averaged 30% over the past 10 years.

At the close of 1981, the Company was in a highly flexible position to fund future growth. Moreover, management continually reviews the various businesses in which the Company has invested to determine whether any assets should be redeployed. Several current discussions could lead to the sale of assets during 1982. In addition, the Company has an expanded bank credit agreement that provides for revolving credit loans of up to $200 million until September 30, 1986. The agreement was unused at the close of 1981.

Unless market conditions show significant improvement during the year, Koppers will maintain capital expenditures in 1982 at a relatively low level of just over $100 million. Koppers expects to be able to finance those expenditures, along with any increase in working capital required, through internally generated funds and the use of current credit arrangements. The Company is continually looking ahead to possible investment opportunities and, therefore, is constantly examining the options available for future financing. To maintain liquidity and the flexibility desired in Koppers financial structure, management could elect to secure external financing during the coming year, or beyond. There are, however, no immediate plans for doing so.

Debt Used to Support Operations*
($ Millions)



*Does not include obligations under certain leases.

Koppers Total Capitalization

December 31,	1981 $ Millions	1981 % of Total	1980* $ Millions	1980* % of Total	1979* $ Millions	1979* % of Total
Total Debt						
11.25% Promissory notes	**$ 100.0**	**9.7%**	$ 100.0	9.6%	$ —	—%
8.95% Note	**60.0**	**5.8**	60.0	5.8	60.0	7.2
Industrial development bonds	**40.0**	**3.9**	40.0	3.9	40.0	4.8
6% Notes	**32.0**	**3.1**	35.0	3.4	38.0	4.5
Pollution control loans	**25.4**	**2.5**	26.0	2.5	26.0	3.1
8% Notes	**2.2**	**.2**	4.4	.4	6.6	.7
5.8% Notes	**2.6**	**.3**	3.3	.3	4.0	.5
Capital lease obligations	**10.8**	**1.0**	12.5	1.2	12.6	1.5
Other	**16.0**	**1.5**	17.6	1.7	12.6	1.5
Term loans payable to banks	**—**	**—**	9.8	.9	24.4	2.9
Revolving credit loans	**—**	**—**	—	—	—	—
Debt due within one year	**22.2**	**2.2**	21.9	2.1	17.4	2.1
Total	**$ 311.2**	**30.2%**	$ 330.5	31.8%	$241.6	28.8%
Equity						
Common	**$ 629.1**	**61.1%**	$ 619.5	59.6%	$582.2	69.4%
Preference**	**75.0**	**7.3**	75.0	7.2	—	—
Preferred	**15.0**	**1.4**	15.0	1.4	15.0	1.8
Total	**$ 719.1**	**69.8%**	$ 709.5	68.2%	$597.2	71.2%
Total Capitalization	**$1,030.3**	**100.0%**	**$1,040.0**	**100.0%**	**$838.8**	**100.0%**

*Restated to reflect compliance with Financial Accounting Standards No. 43, Accounting for Compensated Absences.
**SEC regulations require that capitalization ratios also be shown with redeemable preference stock included in debt. On this basis, 1981 debt would be 37.5% of total capitalization, with equity being 62.5%.

Capital Expenditures

Koppers total capital expenditures in 1981 were consciously reduced by management because of continued weakness in the Company's major end markets. Investments did continue on several projects associated with new or rapidly growing products.

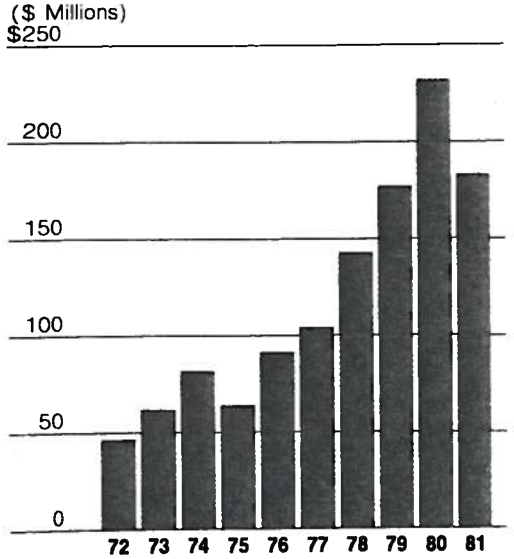
Capital investments in the two years prior to 1981 were at the highest levels in the Company's history. The lower 1981 level will have no meaningful impact on the Company's program to improve plant operating efficiencies. Koppers has ample capacity in virtually all product lines to supply customer needs for the foreseeable future.

The capital investment figures that are reported include the Company's investment in the common stock of Richmond Tank Car Company. The following table separates that investment from total capital expenditures in order to illustrate better the three-year trend in capital expenditures for property, plant and equipment.

Total Capital Expenditures ($ millions)	1981	1980	1979
Expenditures	**$147.3**	$216.9	$177.1
Investment in Richmond Tank Car Company	**34.8**	14.0	—
	$182.1	$230.9	$177.1

Investment of these expenditures by operating group is shown in Table 6 on page 33. As shown in (SEC Schedule V) on page 34, a major portion of each year's expenditures was devoted to increases in Koppers property, plant and equipment. The great majority was used to purchase machinery and equipment in order to modernize, to increase production capacity, or to improve efficiency at Company facilities. During the three-year period, the Company's expenditures to eliminate or bring pollution to satisfactory levels ranged from 4.5% to 10% of the total spent for capital investments.

Capital Expenditures
($ Millions)



Major expenditures or acquisitions completed in each of the past three years are summarized below.

1981—Road Materials acquired three companies in Florida and Colorado-Wyoming that produce aggregates and bituminous and ready-mix concrete and that supply civil construction services. The group also increased aggregate reserves in Denver and completed several expansion and modernization programs at various crushing plants.

A project was under way in Organic Materials to modernize an important tar processing plant, and construction was started on two facilities that will produce the Company's new phenolic foam insulation board. Forest Products started up a plant about mid-1981 that improved its raw material position in its wood-treating chemical operations. The group also was active on several projects to use wood wastes as fuel and reduce plant energy costs.

In Engineered Metal Products, two projects modernized and expanded the Company's Baltimore piston ring and shaft seal facilities. In addition, construction was started on a completely new plant in Georgia that will further increase Koppers capacity to produce high-speed diesel piston rings. A foundry expansion in the group's materials processing and handling operations also was completed during the year.

A small addition was made to the Company's coal properties, a modest investment in a company associated with genetic engineering research was completed, and Koppers purchased additional stock in Richmond Tank Car Company early in the year, increasing its ownership of that company to 23%.

1980—Road Materials acquired companies in North Carolina and Colorado that produce aggregates and supply civil construction services, and two companies in Virginia specializing in highway and bridge construction. The group also increased sand and gravel reserves in Los Angeles and completed several expansion and modernization programs at crushing plants.

Expenditures to modernize several chemical and tar processing facilities were carried out in Organic Materials.

Forest Products had work under way on a plant to produce treating chemicals and on projects that will reduce plant energy costs by burning wood wastes. Additions were made to the Company's Canadian lumber facilities and its coal reserves, and an investment in a genetic engineering research company was increased. Koppers established an initial investment in Richmond Tank Car Company.

1979—Organic Materials completed two coke batteries that added 40% to foundry coke capacity, and expanded resorcinol capacity by 25%, polyester resin capacity by 25% and KMM cold-applied roofing materials capacity by 100%.

Road Materials purchased a leading supplier of aggregates as well as steel concrete-reinforcing products in South-eastern states and moved into Oklahoma with the purchase of a Tulsa supplier of aggregates, bituminous and ready-mix concrete, and construction services.

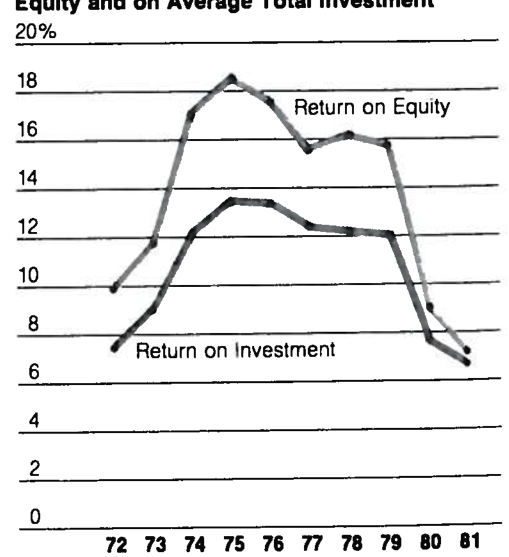
Forest Products investments were directed toward modernizing and improving efficiencies at the Company's treating plants.

Engineered Metal Products completed a new forge shop to serve power transmission couplings operations and acquired a foundry to provide gray iron castings used in several product lines.

Effects of Inflation

A discussion of the effects on the business of changing prices and inflation, begins on the following page.

Returns on Average Common Shareholders' Equity and on Average Total Investment



Chief Financial Officer's Letter

To Our Shareholders:

Most of Koppers major end markets suffered throughout 1981 from weak demand, which declined even further as the year went on. Upward pressures on raw materials and other operating costs were unremitting, and at times intense. In spite of significant deterioration in an already poor business environment, Koppers performance at the operating level did not fall from 1980. This can be seen in the relationship of the Company's sales to cost of sales, discussed on pages 13-14. It indicates that management's efforts to reduce operating and overhead costs, and to increase sales in spite of weak demand, were beginning to pay off.

Koppers management worked to accomplish this in several ways.

Management Actions

First, we adjusted plant operations in a number of businesses to increase operating efficiencies; in other product lines, we stepped up capacity utilization through higher unit sales.

Second, we capitalized on the fact that, for most important businesses, the Company enjoys leadership in major end market segments. We used that position more aggressively in 1981 to maintain or increase our market shares. Even in some cases where unit sales fell, it was our competition that bore the brunt of the drop.

Third, we discontinued five product lines in 1981. This resulted in a charge against Koppers earnings of $.26 per share and nullified the $.24 per share capital gain realized on the sale of the Company's Canadian lumber operations. However, the discontinued operations will shed $34 million in sales that, in 1981, produced $6 million in operating losses.

Work-force reductions were another tool used to lower 1981 operating costs. The total number of Company employees at the close of 1980 was cut by 11% during 1981.

Koppers modest improvement at the operating level was not carried through to earnings per share. Four factors accounted for more than half of the $.40 per share earnings decline.

The unusual items mentioned above reduced earnings by $.05 per share in 1981, versus a $.15 per share reduction in 1980. This pushed the decline for the year to $.50 per share.

The Company's expenses to develop synthetic fuel projects lowered earnings by $.15 per share in 1981, compared with $.02 per share in 1980.

Reductions in Koppers income tax credits due to lower capital investment and export sales cut the total 1981 tax credits to $.28 per share, from $.49 per share in the prior year.

The net effect of these nonrecurring factors was responsible for $.24 of the $.40 earnings per share difference from year to year. Payment of the convertible preference dividend accounted for the balance.

Some of the major steps taken to reduce costs are summarized here.

Operations Strengthened

In Organic Materials, coke operations advanced from a serious loss position to approach the break-even point. We reduced a large coke inventory, raised capacity utilization significantly and greatly expanded our customer base. Unit sales of coke doubled.

Aggressive marketing tactics produced higher income in such other Organic Materials businesses as foundry resins, protective coatings, polyester resins, and other specialty resins and adhesives.

Actions that penalized the earnings of our chemical business in 1981 will lower costs in future years. Plans to consolidate operations further are designed to increase the use of internally produced raw materials in our processing operations and should lead to additional reductions in operating costs.

We introduced a new roof insulation board that has thermal qualities superior to those of competitive products in its price range. Initial market acceptance has been excellent, and this is expected to become a high-volume product in a few years.

Numerous Road Materials operations sustained a high level of income in 1981 after making adjustments for lower demand. An acquisition near the close of the year moved Koppers into the active Rocky Mountain Overthrust Belt in Colorado-Wyoming.

Innovations that cut fuel costs and raised plant productivity contributed to higher income in Forest Products through reductions in operating costs.

Engineered Metal Products, which began to benefit from consolidations made in 1980 to offset the impact of recession, had further consolidations under way in 1981. Continued technological development also paid off as we obtained important new contracts for our advanced materials processing systems.

Engineering and Construction reduced its overhead costs and acquired licenses for new technologies that will broaden the potential markets for this business.

These management actions are expected to contribute to Koppers favorable progress in future years and should help us to overcome the weight of lackluster economic growth.

Effects of Changing Prices

The past decade's high rate of inflation in the United States has led to an emerging concern within the accounting and financial professions that financial statements do not fully measure the trend in real economic performance. The belief is that an enterprise reporting increased operating results might actually be earning less in real terms.

Financial Accounting Standards Statement No. 33, "Financial Reporting and Changing Prices," issued in 1979, attempts to address the distortion that inflation has created in reported financial information. It prescribes two measurement methods to estimate the impact of inflation on selected financial data. The first method, referred to as "constant dollar," requires that certain historical costs be adjusted for general inflation by restatement into dollars having the same general purchasing power as measured by the Consumer Price Index for All Urban Consumers (CPI-U). The second method, referred to as "current cost," adjusts certain historical costs to reflect estimated specific price changes.

Koppers enthusiastically endorses attempts by the accounting and financial professions to find satisfactory ways to present the inflation issue. The present state of the art, however, leaves much to be desired before it can achieve an acceptable inflation accounting standard for corporate reporting purposes. Both methods involve the use of assumptions, approximations and estimates; consequently, the resulting measurements should be viewed in that context and not as precise indicators of the effects of inflation. In addition, the degree of accuracy in compiling the data presented is less than that of the historical-cost data that are reported in the consolidated financial statements.

Koppers, in complying with FASB Statement No. 33, has elected to restate only inventories; sales; cost of sales; property, plant and equipment, net of accumulated depreciation; and depreciation, depletion and amortization. These areas are most affected by inflation. Restatement of other accounts would not materially affect the results. Other data in the five-year summary also are restated for purposes of comparison.

Some Conclusions Concerning the Effect of Inflation on Koppers
The Company's results of operations, as adjusted for general inflation, illustrate some of the more obvious effects of the declining purchasing power of the dollar. Profits have been seriously eroded by inflation, while income taxes as a percentage of pretax earnings have risen considerably. Because the effects of inflation are not deductible for income tax purposes and a larger portion of the Company's earnings is a return of capital, income taxes are, in effect, confiscating capital. Consequently, the maintenance of capital and the potential for growth continue to be adversely affected.

Koppers does not believe, however, that the impact of inflation on the Company's 1981 performance and financial condition was as severe as the inflation-adjusted income data, taken alone, would indicate. Koppers bases its operating and investment decisions on cash flow considerations. Combining inflation-adjusted depreciation, depletion and amortization and net income with deferred taxes shows that cash flow on an inflation-adjusted basis was approximately 20% less than on a historical-cost basis in 1981.

A purchasing power gain results from holding net monetary liabilities (monetary liabilities in excess of monetary assets) because inflation permits the repayment of borrowings with dollars possessing reduced purchasing power. In 1981, Koppers experienced a net gain of $21.4 million from the decline in general purchasing power of net amounts owed.

This represents an unrealized gain. Therefore, the effect of inflation upon such net monetary liabilities is excluded from income of continuing operations, whereas the effect of inflation on nonmonetary assets is recognized over the holding period of the assets and is accordingly included in income from continuing operations.

At the close of 1981, the Company's net assets adjusted for the effects of general inflation on inventory, property, plant and equipment, and net monetary items were $1,072.3 million. The current cost of net assets at the close of the recent year was approximately $1,094.4 million. In each case, the effect of inflation increased the adjusted value of the Company's assets by nearly 50%. Accordingly, the value of shareholders' equity would be increased by the same margin.

Table A indicates that adjusted sales would change only slightly, since actual 1981 sales reflect Koppers seasonal patterns, and only because the rate of inflation increased at a faster pace during the first nine months of 1981 than during the last three months.

Within operating expenses, the major factor, cost of sales, would normally show only a slight impact from inflation because the LIFO method of inventory costing used by Koppers recognizes current costs of employment and materials in cost of sales. However, the more substantial increase in adjusted cost of sales in 1981 resulted from the beneficial effect on historical-cost earnings of liquidating LIFO inventory quantities carried at lower costs prevailing in prior years, as compared with the cost of 1981 purchases. These benefits could not be recognized under either the current-cost or the constant-dollar approach. This, in turn, increased inflation-adjusted current costs of sales over historical-cost figures by $9.2 million, and by $11.4 million on a constant-dollar basis.

For assets involved in the consolidation or disposition of operations, a write-down is required for the reduction of property, plant and equipment from its constant-dollar or current-cost amount to its lower recoverable amount. This results principally from the recognition that even under constant-dollar or current-cost accounting, assets held for sale should be shown at net realizable value as recorded on the books of the Company and not at inflated current-cost or constant-dollar amounts. Recognition of the reduction of the value of certain assets the Company is considering for disposition in 1982 resulted in the lower level of other income under constant-dollar and current-cost accounting.

The five-year comparisons shown in Table B similarly show restated dollar information in average 1981 dollar values.

Table A Consolidated Statement of Income From Operations Adjusted for Changing Prices

For the Year Ended December 31, 1981 ($ Thousands, except per share figures)	As Reported in 1981 Financial Statements Historical Cost)	Adjusted for General Inflation (Constant Dollars)	Adjusted for Changes in Specific Prices (Current Cost)
	Dollars of Current Purchasing Power*		
Net sales	**$2,018,562**	$2,023,902	$2,023,902
Operating expenses:			
Cost of sales	**1,597,556**	1,625,317	1,619,248
Depreciation, depletion and amortization	**83,564**	136,174	133,044
Taxes, other than income taxes	**49,155**	49,155	49,155
Selling, research, general and administrative expenses	**189,358**	189,358	189,358
	1,919,633	2,000,004	1,990,805
Operating profit	**98,929**	23,898	33,097
Other income	**20,660**	15,183	16,088
Interest expense	**34,061**	34,061	34,061
Income before income taxes	**85,528**	5,020	15,124
Provision for income taxes	**33,886**	33,886	33,886
Income (loss) from operations	**$ 51,642**	$ (28,866)	$ (18,762)
Dividends on:			
Redeemable convertible preference stock	**7,285**	7,285	7,285
Cumulative preferred stock	**600**	600	600
Net income (loss) applicable to common stock	**$ 43,757**	$ (36,751)	$ (26,647)
Average number of shares of common stock outstanding during year (thousands)	**27,667**	27,667	27,667
Earnings per share of common stock	**$ 1.58**	$ (1.33)	$ (.96)
Gain from decline in purchasing power of net amounts owed		$ 21,365	$ 21,365
Increase in current cost of inventory and property, plant and equipment held during the year**			$ 150,803
Effect of increase in general price level			131,475
Increase (decrease) in specific prices over increase in general price level			$ 19,328

*Current-cost and constant-dollar amounts are expressed in average 1981 dollars. Changes are measured by the Consumer Price Index.
**At December 31, 1981, the current cost of inventories was $337,263, and the current cost of property, plant and equipment, net of accumulated depreciation, was $924,748.

Mineral Reserves
Information on Koppers mineral reserves is on page 40.

A. William Capone
Senior Vice President and
Chief Financial Officer

February 22, 1982

Methods of Computation
The adjusted information shown in Table A was prepared by converting historical amounts into dollars with purchasing power equivalent to that of average 1981 dollars (the constant-dollar method) or adjusted for "changes in specific prices" (the current-cost method).

In 1981, two items had significant effects upon both the constant-dollar and current-cost financial statements in comparison with historical cost and prior-year statements: (1) the beneficial effect on historical-cost earnings of liquidating LIFO inventory quantities carried at lower costs prevailing in prior years, as compared with the cost of 1981 purchases could not be recognized under either the constant-dollar or current-cost approach; (2) a write-down was required for the reduction of property, plant and equipment from its current-cost or constant-dollar amount to its lower recoverable amount. Under both accounting methods, assets held for sale should be shown at net realizable value, the amount of cash, or its equivalent, expected to be derived from the anticipated sale of the asset.

Constant-Dollar Method
We used the Consumer Price Index—All Urban Consumers (CPI-U) to measure general inflation in arriving at the constant-dollar restatement.

Current-Cost Method
Under the current-cost approach, property, plant and equipment (including mineral resources) current cost was estimated by using various indices published by the federal government, private organizations and internal sources. The indexing approach most closely reflects reproduction cost and does not necessarily take into consideration any technological changes and associated cost efficiencies that may be experienced when modern assets are used to replace existing assets. The restatement of historically reported depreciation, depletion and amortization, to both constant dollar and current cost, was based on the above restatements of property, plant and equipment using the same useful lives and depreciation methods as used in the primary financial statements. Inventory restatement on a current-cost basis involves two types of adjustments: (1) to reflect depreciation allocated to inventories at current cost, and (2) a time-lag adjustment to reflect increases or decreases in other cost components occurring between the time the inventories are acquired or produced and average costs for the year using specific price indices.

Cost of sales on a current-cost basis was determined by combining the cost of LIFO-based inventories with FIFO-based inventories. Cost of sales under the LIFO inventory method was assumed to already approximate the current cost at date of sale and thus was only adjusted into average dollars for the year. FIFO inventories were adjusted to reflect standard costs in effect at the time sales were made and when end-of-year inventory was produced.

Other income and certain other expenses do not require adjustment, as they are considered to have occurred proportionately over the year, thus already reflecting average 1981 dollars.

The actual provision for taxes on income is not adjusted since companies are not permitted to recognize any general inflation effects for tax purposes.

Table B Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

($ Thousands, except per share figures)	As Reported in 1981 Financial Statements (Historical Cost)	Years Ended December 31, (In Average 1981 Dollars) 1981	1980*	1979*	1978*	1977
Net Sales	**$2,018,562**	$2,023,902	$2,124,956	$2,283,326	$2,197,585	$2,029,969
Historical-cost information:						
Adjusted for general inflation:						
Net assets at year end	**$ 719,052**	$1,072,346	$1,034,043	$ 865,665		
Income (loss) from operations	**$ 51,642**	$ (28,866)	$ 35	$ 57,273		
Income (loss) from operations per common share	**$ 1.58**	$ (1.33)	$ (.02)	$ 2.16		
Gain from decline in purchasing power of net amounts owed	**—**	$ 21,365	$ 27,235	$ 20,959		
Adjusted for changes in specific prices:						
Net assets at year end	**$ 719,052**	$1,094,399	$1,058,175	$ 913,042		
Income (loss) from operations	**$ 51,642**	$ (18,762)	$ 2,960	$ 56,685		
Income (loss) from operations per common share	**$ 1.58**	$ (.96)	$ .09	$ 2.13		
Excess (deficit) of increase/decrease in specific prices over increase in general price level	**—**	$ 19,328	$ (18,148)	$ 19,534		
Other information:						
Cash dividends declared per common share	**$ 1.40**	$ 1.41	$ 1.56	$ 1.58	$ 1.58	$ 1.43
Market price per common share at year end	**$ 17.00**	$ 16.45	$ 26.35	$ 32.05	$ 27.02	$ 33.21
Average Consumer Price Index		272.4	246.8	217.4	195.4	181.5

*Restated to reflect compliance with Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences (Note 1, page 30).

Koppers 10-Year Financial Highlights and Operating Statistics

($ millions, except per share data)		1981	1980*	1979*	1978*	1977	1976	1975	1974	1973	1972
Sales by Business Group	Organic Materials	$ 678.1	$ 577.2	$ 556.6	$ 482.5	$ 427.8	$ 384.4	$ 323.3	$285.8	$173.4	$139.6
	Road Materials	$ 541.9	$ 531.7	$ 454.1	$ 304.1	$ 174.1	$ 134.7	$ 111.8	$117.4	$ 92.2	$ 72.0
	Forest Products	$ 379.8	$ 380.9	$ 368.8	$ 313.7	$ 296.3	$ 261.2	$ 244.7	$270.4	$193.7	$167.4
	Engineered Metal Products	$ 342.5	$ 358.1	$ 328.2	$ 285.6	$ 265.4	$ 267.5	$ 240.3	$158.4	$119.5	$105.7
	Engineering and Construction	$ 58.6	$ 64.6	$ 113.8	$ 192.0	$ 189.8	$ 138.8	$ 153.8	$ 80.5	$ 62.2	$ 62.7
	Miscellaneous	$ 17.7	$ 16.7	$ 6.8	$ 4.0	$ 2.3	$ 2.6	$ 1.6	$ 1.7	$ 82.9	$ 65.4
	Total corporate sales	$2,018.6	$1,929.2	$1,828.3	$1,581.9	$1,355.7	$1,189.2	$1,075.5	$914.2	$723.9	$612.8
Corporate Operating Expenses	Wages, salaries and pension expense	$ 449.6	$ 428.4	$ 427.0	$ 359.1	$ 304.7	$ 276.0	$ 248.5	$202.2	$189.6	$166.0
	Materials, supplies and services	$1,337.2	$1,280.3	$1,164.2	$1,020.1	$ 866.2	$ 746.4	$ 675.1	$594.7	$432.8	$368.2
	Depreciation, depletion and amortization	$ 83.6	$ 78.9	$ 63.6	$ 52.7	$ 42.6	$ 37.8	$ 30.3	$ 27.8	$ 28.7	$ 24.5
	Taxes, other than income taxes	$ 49.2	$ 44.3	$ 40.1	$ 33.0	$ 26.2	$ 22.2	$ 19.7	$ 16.5	$ 14.9	$ 12.6
	Total corporate operating expenses	$1,919.6	$1,831.9	$1,694.9	$1,464.9	$1,239.7	$1,082.4	$ 973.6	$841.2	$666.0	$571.3
	Operating profit	$ 98.9	$ 97.3	$ 133.4	$ 117.0	$ 116.0	$ 106.8	$ 101.9	$ 73.0	$ 57.9	$ 41.5
	Other income	$ 20.7	$ 7.6	$ 14.5	$ 24.9	$ 9.2	$ 15.1	$ 10.8	$ 15.8	$ 3.3	$ 1.7
Operating Income By Business Group (before corporate overhead)	Organic Materials	$ 29.2	$ 47.2	$ 55.6	$ 43.5	$ 49.8	$ 55.8	$ 49.4	$ 48.8	$ 21.1	$ 14.0
	Road Materials	$ 57.9	$ 57.2	$ 55.0	$ 36.2	$ 21.0	$ 17.1	$ 12.0	$ 14.0	$ 12.9	$ 11.1
	Forest Products	$ 42.9	$ 21.3	$ 31.9	$ 26.2	$ 25.8	$ 18.6	$ 25.4	$ 17.6	$ 20.7	$ 13.4
	Engineered Metal Products	$ 12.7	$ (1.1)	$ 11.4	$ 13.6	$ 17.5	$ 20.8	$ 20.0	$ 8.4	$ 7.0	$ 5.6
	Engineering and Construction	$ (7.5)	$ (.4)	$ 10.5	$ 18.2	$ 20.1	$ 13.0	$ 7.7	$ 2.8	$ (2.7)	$ (1.2)
	Miscellaneous	$ 6.9	$ 4.8	$ 5.7	$ 22.1	$ 3.8	$ 8.5	$ 8.6	$ 13.2	$ 13.2	$ 5.9
	Total operating income	$ 142.1	$ 129.0	$ 170.1	$ 159.8	$ 138.0	$ 133.8	$ 123.1	$104.8	$ 72.2	$ 48.8
Corporate Income	Corporate overhead (included in above expenses)	$ 22.5	$ 24.1	$ 22.2	$ 17.9	$ 12.8	$ 11.9	$ 10.4	$ 16.0	$ 11.0	$ 5.5
	Income before income taxes and interest expense	$ 119.6	$ 104.9	$ 147.9	$ 141.9	$ 125.2	$ 121.9	$ 112.7	$ 88.8	$ 61.2	$ 43.2
	Interest expense	$ 34.1	$ 33.2	$ 20.6	$ 13.2	$ 11.8	$ 12.6	$ 11.8	$ 12.6	$ 10.1	$ 7.5
	Income taxes	$ 33.9	$ 17.7	$ 42.4	$ 52.7	$ 47.0	$ 41.8	$ 40.6	$ 28.4	$ 21.6	$ 12.6
	Net income	$ 51.6	$ 54.0	$ 84.9	$ 76.0	$ 66.4	$ 67.5	$ 60.3	$ 47.8	$ 29.5	$ 23.1
	Preference and preferred dividends	$ 7.9	$ .6	$ .6	$ .6	$ .6	$ .6	$ .6	$ .6	$ .6	$ .6
	Income to common shareholders	$ 43.7	$ 53.4	$ 84.3	$ 75.4	$ 65.8	$ 66.9	$ 59.7	$ 47.2	$ 28.9	$ 22.5
Financial Position At December 31,	Current assets	$ 542.8	$ 644.9	$ 535.3	$ 530.4	$ 438.9	$ 427.1	$ 369.4	$339.1	$255.1	$236.0
	Current liabilities	$ 272.1	$ 319.9	$ 270.0	$ 247.7	$ 208.3	$ 167.7	$ 150.6	$144.0	$107.0	$ 70.4
	Working capital	$ 270.7	$ 325.0	$ 265.3	$ 282.7	$ 230.7	$ 259.3	$ 218.8	$195.1	$148.0	$165.6
	Property, plant and equipment—net	$ 679.1	$ 667.0	$ 555.8	$ 457.7	$ 378.1	$ 325.5	$ 255.3	$226.7	$240.3	$210.1
	Total assets	$1,328.2	$1,389.5	$1,140.7	$1,036.1	$ 870.3	$ 783.6	$ 679.7	$647.9	$520.2	$470.8
	Long-term debt and capital lease obligations	$ 288.9	$ 308.7	$ 224.2	$ 233.6	$ 152.0	$ 159.7	$ 132.6	$166.6	$112.8	$120.8
	Total debt—% of total capitalization	30%	32%	29%	32%	26%	28%	27%	35%	30%	33%
	Common shareholders' equity	$ 629.1	$ 619.5	$ 582.2	$ 498.3	$ 454.8	$ 410.2	$ 353.3	$297.1	$259.0	$238.1
Data Per Common Share	Earnings	$ 1.58	$ 1.98	$ 3.21	$ 3.01	$ 2.64	$ 2.70	$ 2.49	$ 2.04	$ 1.28	$ 1.00
	Common stock dividends	$ 1.40	$ 1.40	$ 1.25	$ 1.125	$ .95	$ .80	$ .65	$ .535	$ .45	$ .415
	Shareholders' equity	$ 22.58	$ 22.41	$ 21.81	$ 20.12	$ 18.21	$ 16.50	$ 14.57	$ 12.81	$ 11.39	$ 10.58
Other Statistics	Capital expenditures	$ 182.1	$ 230.9	$ 177.1	$ 144.5	$ 104.5	$ 90.6	$ 62.2	$ 80.3	$ 61.7	$ 47.1
	Cash flow	$ 132.1	$ 134.6	$ 141.5	$ 141.7	$ 114.8	$ 107.3	$ 94.3	$ 72.5	$ 59.8	$ 51.3
	Current ratio	1.99-to-1	2.02-to-1	1.98-to-1	2.14-to-1	2.11-to-1	2.55-to-1	2.45-to-1	2.35-to-1	2.38-to-1	3.35-to-1
	Return on average invested capital	6.7%	7.7%	12.0%	12.1%	12.4%	13.4%	13.6%	12.2%	9.1%	7.5%
	Return on average common equity	7.2%	9.0%	15.8%	16.2%	15.6%	17.6%	18.5%	17.1%	11.8%	9.9%
	Average common shares outstanding (thousands)	27,667	26,989	26,228	25,031	24,886	24,809	24,002	23,141	22,531	22,502
	Shareholders at year end	20,326	18,362	18,115	17,729	17,553	16,729	15,352	15,164	15,639	15,755
	Average number of employees	20,113	21,029	22,087	20,858	18,168	17,880	17,549	15,763	15,921	15,456

* Restated to reflect compliance with Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, and reclassified to conform with 1981 classification.

Index to Financial Statements

Koppers Company, Inc. Covered by Report of Certified Public Accountants

Schedules I, II, IV, VII, XI, XII and XIII are not given, as the subject matter thereof either is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the financial statements or the notes thereto.

Statement of Accounting Policies

Koppers Company, Inc. and Subsidiaries

The major accounting policies of the Company are set forth below. The word "Company" as used in this report includes consolidated entities as well as Koppers Company, Inc.

Principles of Consolidation—The consolidated statements include the accounts of the Company and all of its subsidiaries. All intercompany transactions have been eliminated.

Inventories—Inventories are valued at the lower of cost or market. Cost for approximately 67% of inventories for both 1981 and 1980 is determined by the LIFO (last-in, first-out) method. Cost for the remainder of the inventories represents average costs or standard costs, which approximate actual on the FIFO (first-in, first-out) basis. Market is replacement cost for raw materials and net realizable value for work in process and finished goods.

Investments—Companies owned between 20% and 50% are accounted for on the equity method except for certain foreign investments accounted for at cost because of repatriation regulations.

Fixed Assets—Buildings, machinery and equipment are depreciated on the straight-line method over their useful lives. All ordinary maintenance and repair expenses are charged to operations. Timber and mineral properties are depleted on the basis of units produced.

When land, standing timber or property units are sold, the difference between selling price and cost, after recognition of accumulated depreciation and depletion, is reflected as Other income.

Long-Term Contracts—Sales and income on long-term construction contracts are accounted for on the percentage-of-completion basis; losses are recognized as soon as they are determined.

Pension Plans—The Company has pension plans covering substantially all employees. The Company provides for amortization of unfunded prior service costs over periods up to 40 years and pays provisions for pension expense into trust funds annually.

Income Taxes—Benefits from investment tax credit are reflected currently in income.

Earnings Per Share—Earnings per share have been computed on the basis of the average number of common shares outstanding. The effect on earnings resulting from the assumed conversion of preference stock is antidilutive.

Report of Certified Public Accountants

Arthur Young & Company
Certified Public Accountants

The Board of Directors and Shareholders
Koppers Company, Inc.:

We have examined the consolidated financial statements of Koppers Company, Inc. and subsidiaries listed in the accompanying Index to Financial Statements. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements listed in the accompanying Index to Financial Statements present fairly the consolidated financial position of Koppers Company, Inc. and subsidiaries at December 31, 1981 and 1980 and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis during the period after restatement of the consolidated financial statements for years prior to 1981 to give retroactive effect to the change, with which we concur, in the method of accounting for compensated absences as described in Note 1 to the financial statements.

Arthur Young & Company

2400 Koppers Building
Pittsburgh, Pennsylvania 15219
January 22, 1982

Consolidated Statement of Income

1981	1980*	1979*	Koppers Company, Inc. and Subsidiaries	Explanations
($ Thousands, except per share figures)				
$2,018,562	$1,929,190	$1,828,268	Net sales	1
			Operating expenses:	2
1,597,556	1,534,150	1,436,267	Cost of sales	3
83,564	78,860	63,599	Depreciation, depletion and amortization	4
49,155	44,320	40,084	Taxes, other than income taxes	5
189,358	174,600	154,935	Selling, research, general and administrative expenses	6
1,919,633	1,831,930	1,694,885		
98,929	97,260	133,383	Operating profit	
			Other income:	7
7,019	(6,499)	3,928	Profit (loss) on disposal of net assets of discontinued operations (Note 10)	8
5,207	3,795	3,221	Profit on sales of capital assets	9
(3,023)	—	—	Provision for decline in value of investment	
5,369	5,138	2,527	Equity in earnings of affiliates (dividends received: 1981—$8,304; 1980—$4,328; 1979—$1,994)	10
4,698	3,526	3,850	Interest income	11
1,390	1,651	1,033	Miscellaneous	
20,660	7,611	14,559		
119,589	104,871	147,942	Income before interest expense and provision for income taxes	
			Interest expense:	12
28,578	23,192	17,800	Term debt	
5,483	9,998	2,796	Other	
34,061	33,190	20,596		
85,528	71,681	127,346	Income before provision for income taxes	
33,886	17,721	42,496	Provision for income taxes (Note 11)	13
$ 51,642	$ 53,960	$ 84,850	Net income for the year	14
			Dividends on:	
7,285	—	—	Redeemable convertible preference stock	15
600	600	600	Cumulative preferred stock	15
$ 43,757	$ 53,360	$ 84,250	Net income applicable to common stock	16
27,667	26,989	26,228	Average number of shares of common stock outstanding during year (in thousands)	
$1.58	$1.98	$3.21	Earnings per share of common stock	

*Restated (Note 1) and reclassified to conform with 1981 classifications (Note 10).
(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

1. Total received, or receivable, from customers.

2. Costs related to the year's operations.

3. Directly related to operating levels: wages, salaries, raw materials, energy, transportation, pensions, supplies and services.

4. Related to the Company's investment in fixed assets—this portion of the original cost of machinery, plants, etc. has been allocated against the year's income.

5. Not closely related to operating levels: social security and unemployment taxes, state and local franchise and real estate taxes.

6. Salesmen's compensation, research activities and such other costs to support operations as corporate staff and officers' salaries, pensions, and other general expenses.

7. Not resulting directly from sale of Company products, although most is included in operating income of business segments; see page 33.

8. Gain or loss realized from sale or write-off of assets of discontinued business lines or facilities.

9. Profit on sales of equipment, facilities, etc. no longer needed in ongoing operations.

10. Represents Koppers portion of earnings of companies in which it has 20%-50% ownership interest.

11. Realized from short-term investment of cash.

12. Cost of borrowed funds.

13. Total income taxes: federal, state and foreign.

14. This was earned for all shareholders.

15. In 1981, $7.9 million in dividends was paid to preferred and preference shareholders.

16. This portion of net income was available to common shareholders; in 1981, $38.8 million was paid in dividends, the remainder reinvested in Koppers operations.

Consolidated Balance Sheet

Assets

December 31, 1981	1980*	Koppers Company, Inc. and Subsidiaries	
($ Thousands)			
		Current assets:	1
$ 46,824	$ 84,377	Cash, including short-term investments of $41,458 in 1981 and $64,755 in 1980	2
264,874	298,370	Accounts receivable, principally trade, less allowance for doubtful accounts of $4,720 in 1981 and $4,875 in 1980 (Note 2)	3
		Inventories (Note 3):	4
		At cost—FIFO (first-in, first-out) basis:	
160,367	177,512	Product	
50,732	50,112	Work in process	
129,492	122,020	Raw materials and supplies	
340,591	349,644		
126,836	109,305	Less excess of FIFO cost over LIFO (last-in, first-out)	5
213,755	240,339		6
17,297	21,769	Prepaid expenses	7
542,750	644,855	Total current assets	8
		Investments:	9
83,304	50,780	Affiliated companies, at equity (Note 4)	
6,816	2,697	Affiliated and other, at cost	
90,120	53,477		
		Fixed assets, at cost:	10
123,669	115,849	Buildings	
907,211	857,413	Machinery and equipment	
1,030,880	973,262		
493,955	438,900	Less accumulated depreciation	11
536,925	534,362		
12,997	16,438	Assets under capital leases, net of accumulated amortization of $10,316 in 1981 and $9,609 in 1980 (Note 6)	
87,597	81,795	Depletable properties, less accumulated depletion of $14,826 in 1981 and $19,667 in 1980	12
41,558	34,420	Land	
679,077	667,015		
16,228	24,139	Other assets	
$1,328,175	$1,389,486		13

*Restated—Note 1.
(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows what Koppers owned.

1. Likely to be converted into cash within one year.

2. Primarily kept in bank accounts for normal business use or invested in short-term notes.

3. Amounts owed to Company by customers and others.

4. Goods being stockpiled or used in the process of manufacturing or held for sale. Value of these inventories is based on the FIFO accounting method, which reflects the most recent cost of goods.

5. Company uses LIFO accounting for substantially all domestic inventories to charge current income with most recent costs of goods, thus eliminating illusory inventory profits.

6. LIFO value of inventory results in understatement of Company assets. See discussion on page 16.

7. Amounts paid in advance for items to be rendered in the future, such as insurance premiums, property taxes and rents.

8. See discussion of working capital on page 16.

9. Koppers equity ownership in other companies.

10. The original amount paid for Company-owned buildings, machinery and equipment.

11. Accumulation of the portion of the original amount paid for fixed assets that has been allocated to operating costs since the assets were purchased.

12. Cost of properties having exhaustible resources, such as timber, coal and stone, reduced for value of resources used in the past.

13. The total net cost assigned to everything Koppers owns.

Consolidated Balance Sheet

Liabilities and Shareholders' Equity

December 31, 1981	1980*	Koppers Company, Inc. and Subsidiaries	
($ Thousands, except per share figures)			
		Current liabilities:	1
$ 75,699	$ 96,717	Accounts payable, principally trade	2
		Accrued liabilities:	3
17,414	6,764	Income taxes	
28,901	32,191	Pensions (Note 5)	
18,608	15,271	Insurance	
38,576	39,931	Payroll and other compensation costs (Note 1)	
49,733	59,029	Other accruals	
15,168	22,805	Advance payments received on contracts	4
22,227	21,874	Term debt and obligations under capital leases due within one year	5
5,750	25,294	Short-term debt	
272,076	319,876	Total current liabilities	6
278,090	296,151	Term debt, due after one year (Note 7)	7
10,839	12,519	Obligations under capital leases (Note 6)	8
13,948	12,336	Deferred compensation (Note 9)	
34,170	39,129	Deferred income taxes	9
75,000	75,000	Redeemable convertible preference stock, no par value, stated value $100 per share: issued and outstanding 750,000 shares, 10% series (Note 8)	
15,000	15,000	Cumulative preferred stock (not subject to mandatory redemption), $100 par value: authorized 300,000 shares; issued and outstanding 150,000 shares, 4% series	
34,819	34,558	Common stock, $1.25 par value: authorized 60,000,000 shares; issued 27,857,138; and outstanding 27,855,478 shares in 1981 and 27,646,563 shares in 1980	10
132,935	128,608	Capital in excess of par value	10
461,298	456,309	Earnings retained in the business (Note 7)	10
$1,328,175	$1,389,486		

*Restated—Note 1.
(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows everything Koppers owed.

1. These are liabilities payable within one year.

2. Due to suppliers for goods and services provided.

3. Amounts owed but not required to be paid at year end.

4. For services and products paid for by customers, which Koppers will provide in the near future.

5. Repayment of long-term debt and capital lease obligations required during coming year.

6. Amounts payable within one year; Company's current assets at year-end 1981 covered these liabilities by a current ratio of 1.99-to-1. See discussion on page 16.

7. Borrowings used to expand Koppers income-producing base. Shareholders can benefit as this added capital generates earnings in excess of interest costs on the debt.

8. The Company leases land, buildings, machinery and equipment. As with long-term debt, there is an obligation to pay off portions of these leases each year. This represents the present value of lease payments that will be made in the future.

9. Differences in accounting rules and tax regulations result in certain income and expenses in financial reports that are not included in tax reports in the same year. This total represents the taxes on the difference that will be paid in future years.

10. The total of these items, $629.1 million, represents the total common shareholders' ownership in Koppers at the close of 1981. Common equity was equal to $22.58 for each share of common stock outstanding at the close of 1981, versus $22.41 at the end of 1980.

Consolidated Statement of Changes in Financial Position

1981	1980*	1979*	Koppers Company, Inc. and Subsidiaries	
	($ Thousands)			
			Source of funds:	1
			Operations:	
$ 51,642	$ 53,960	$ 84,850	Net income	2
83,564	78,860	63,599	Depreciation, depletion and amortization	3
4,975	5,174	7,842	Deferred income taxes and other expenses	4
7,114	—	—	Provision for plant dispositions and decline in value of investment	5
4,615	(810)	(533)	Equity in earnings of affiliated companies, less dividends received	6
151,910	137,184	155,758	Funds provided from operations	
1,602	134,558	29,565	Term debt and obligations under capital leases issued	7
5,821	26,413	32,243	Common stock issued	8
—	72,590	—	Preference stock issued, net of associated expenses	
38,344	10,899	15,247	Book value of fixed assets and other noncurrent assets disposed of or sold	9
197,677	381,644	232,813		10
			Disposition of funds:	11
182,106	230,871	177,125	Capital investments	12
21,343	50,065	39,018	Term debt and capital leases retired	13
46,653	38,387	33,174	Dividends paid	14
1,233	2,347	—	Treasury stock acquired	
647	253	1,006	Other	
251,982	321,923	250,323		
$ (54,305)	$ 59,721	$ (17,510)	Increase (decrease) in working capital	15
			Changes in components of working capital:	16
			Increase (decrease) in current assets:	
$ (37,553)	$ 73,665	$ (95)	Cash and short-term investments	
(33,496)	3,163	(52,452)	Accounts receivable	
(26,584)	28,459	48,927	Inventories	
(4,472)	4,313	8,432	Prepaid expenses	
(102,105)	109,600	4,812		
			Increase (decrease) in current liabilities:	
(21,018)	(2,713)	16,337	Accounts payable	
46	20,128	3,144	Accrued liabilities	
(7,637)	2,674	(4,767)	Advance payments received on contracts	
353	4,521	7,583	Term debt and obligations under capital leases due within one year	
(19,544)	25,269	25	Short-term debt	
(47,800)	49,879	22,322		
$ (54,305)	$ 59,721	$ (17,510)	Increase (decrease) in working capital	

*Restated—Note 1.
(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

1. Where the funds came from:

2. From line 14 of the income statement on page 25.

3. This operating cost does not require the payment of funds, which are retained for use in the business.

4. Taxes and other expenses not paid currently, available for use in operations until the time when payment becomes due.

5. Plant write-offs and write-down of investment reduced Company income but did not result in an outflow of funds. The amount by which income was reduced represents funds retained for use in the business.

6. Income actually received from affiliated companies greatly exceeded dividends in 1981. See page 25.

7. Borrowings explained on page 16.

8. Negotiated value of companies acquired in exchange for shares of common stock, plus value of shares contributed to Employee Stock Ownership Plan as determined by federal tax regulations.

9. Disposal of equipment, facilities, etc. no longer needed in operations.

10. Total of cash generated from all sources.

11. Where the funds went:

12. Capital investments to provide further growth.

13. Repayment of debt and capital lease obligations.

14. Returns to common, preference and preferred shareholders per Explanations 14 and 15 on page 25.

15. Result of subtracting funds paid out from funds generated.

16. This is how the change in working capital at year end affected the items in current assets and current liabilities.

Consolidated Statement of Shareholders' Equity Other Than Redeemable Convertible Preference Stock

Koppers Company, Inc. and Subsidiaries (Amounts in thousands, except outstanding shares and per share figures)

	Outstanding Shares						
	Cumulative Preferred Stock	Common Stock	Cumulative Preferred Stock	Common Stock	Capital in Excess of Par Value	Earnings Retained in the Business	Total
Balance at January 1, 1979 as previously reported	150,000	25,087,492	$15,000	$31,359	$ 80,476	$392,822	$519,657
Adjustment for cumulative effect on prior years of retroactive accrual of vacation earned (Note 1)			—	—	—	(6,330)	(6,330)
Balance at January 1, 1979 as restated	150,000	25,087,492	15,000	31,359	80,476	386,492	513,327
Net income for the year 1979 (restated, Note 1)			—	—	—	84,850	84,850
Cash dividends paid:							
On preferred stock, $4.00 per share			—	—	—	(600)	(600)
On common stock, $1.25 per share			—	—	—	(32,574)	(32,574)
Common stock issued during 1979:							
Acquisitions accounted for as purchases		1,383,551	—	1,730	27,097	—	28,827
Acquisition accounted for as a pooling		201,309	—	252	—	2,568	2,820
Contributed to Employee Stock Ownership Plan		25,976	—	32	564	—	596
Balance at December 31, 1979	150,000	26,698,328	15,000	33,373	108,137	440,736	597,246
Net income for the year 1980 (restated, Note 1)			—	—	—	53,960	53,960
Cash dividends paid:							
On preferred stock, $4.00 per share			—	—	—	(600)	(600)
On common stock, $1.40 per share			—	—	—	(37,787)	(37,787)
Expenses associated with redeemable convertible preference shares issued			—	—	(2,410)	—	(2,410)
Purchase of common stock for treasury		(95,374)	—	(119)	(2,228)	—	(2,347)
Common stock issued during 1980:							
Acquisitions accounted for as purchases		905,546	—	1,132	21,657	—	22,789
Contributed to Employee Stock Ownership Plan		42,689	—	53	1,148	—	1,201
Common stock issued from treasury to Employee Savings and Profit Sharing Plan		95,374	—	119	2,304	—	2,423
Balance at December 31, 1980	150,000	27,646,563	15,000	34,558	128,608	456,309	634,475
Net income for the year 1981			—	—	—	51,642	51,642
Cash dividends paid:							
On preference stock, $10.00 per share			—	—	—	(7,285)	(7,285)
On preferred stock, $4.00 per share			—	—	—	(600)	(600)
On common stock, $1.40 per share			—	—	—	(38,768)	(38,768)
Purchase of common stock for treasury		(58,443)	—	(73)	(1,160)	—	(1,233)
Common stock issued during 1981:							
Acquisitions accounted for as purchases		166,499	—	208	3,532	—	3,740
Contributed to Employee Stock Ownership Plan		44,076	—	55	815	—	870
Common stock issued from treasury to Employee Savings and Profit Sharing Plan		56,783	—	71	1,140	—	1,211
Balance at December 31, 1981	150,000	27,855,478	$15,000	$34,819	$132,935	$461,298	$644,052

(See accompanying statement of accounting policies and notes to financial statements.)

Notes to Financial Statements

December 31, 1981, 1980 and 1979

1. Compensated Absences—In compliance with Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, the financial statements have been restated to reflect the Company's obligation for the accrual of all vacation earned. In 1981, this change reduced net income by $289,000, or $.01 per share. For prior years, the effect was as follows:

($ Thousands)	Decrease in Net Income and Retained Earnings	Decrease in Earnings Per Share
1978 and prior years	$6,330	NA
1979	1,621	$.06
1980	1,029	.04

2. Accounts Receivable—Receivables include the following amounts applicable to long-term construction contracts:

($ Thousands)	1981	1980
Billed or billable	**$26,659**	$34,827
Retainage:		
Due after one year	**$ 1,501**	$ 3,474
Due within one year	**11,930**	16,463
Total	**$13,431**	$19,937

3. Inventories—The Company reports lower earnings and current tax liabilities by using the LIFO method for most inventories, through which current costs are charged to current revenue, than it would by using other inventory methods. The effect of using the LIFO inventory method (compared with the FIFO method) reduced the Company's net income per share by $.31 in 1981, $.32 in 1980 and $.50 in 1979.

During 1981, certain inventories were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 1981 purchases, the effect of which increased net earnings in 1981 by approximately $3,769,000, or $.14 per share.

4. Investments—In February, 1981, the Company increased its equity investment in Richmond Tank Car Company common stock from $14,000,000 (500,000 shares, or 9%) at year-end 1980 to $48,825,000 (1,550,000 shares, or 23%). After this additional purchase, the Company's total investment exceeded the underlying net assets by $26,096,000, which is being amortized against income over 30 years. The quoted market value of this investment at December 31, 1981 was $20,538,000 ($13.25 per share). Management considers this reduced market value to represent a temporary decline.

5. Retirement Plans

Company Plans—Total pension expense in 1981 was $27,727,000, as compared with $31,192,000 and $28,301,000 in 1980 and 1979, respectively. In 1981, the Company changed its investment return assumption from 6% to 8% and increased the salary scale rate from 4% to 6% to reflect current pension fund earnings experience and salary increases. The net effect of these changes was to reduce pension expense for the year by $7,524,000 and increase net income by $3,738,000, or $.14 per share. A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit plans as of December 31, 1981 and 1980 is presented below.

($ Thousands)	1981	1980
Actuarial present value of accumulated plan benefits:		
Vested	**$189,331**	$205,227
Nonvested	**28,079**	29,543
	$217,410	$234,770
Net assets available for benefits	**$258,794**	$258,976

The rate used in determining the actuarial present value of accumulated plan benefits was 10% for 1981 and 8% for 1980.

The Company has an Employee Stock Ownership Plan (ESOP) for the benefit of employees upon retirement. Contributions to the ESOP are offset by additional investment tax credit.

Multiemployer Plans—In addition to the expense for the Company-sponsored plans, the Company had pension expense for full-time employees of $5,444,000, $5,704,000 and $6,301,000 in 1981, 1980 and 1979, respectively, for contributions to multiemployer plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and plan net assets of multiemployer plans is not determinable by the Company and is not included in the above information.

6. Leases—The Company, as lessee, has entered into various lease arrangements covering land, buildings, machinery and equipment. The following is an analysis of the property under capital leases:

($ Thousands)	1981	1980
Land and buildings	**$16,813**	$16,804
Machinery and equipment	**6,500**	9,243
	23,313	26,047
Less accumulated amortization	**10,316**	9,609
	$12,997	$16,438

The following is a schedule by years of future minimum lease payments as of December 31, 1981.

($ Thousands)	Capital Leases	Operating Leases
1982	$ 3,121	$ 3,931
1983	2,424	2,214
1984	1,253	1,512
1985	1,058	922
1986	934	777
1987 and later	14,214	2,647
Total minimum lease payments	$23,004	$12,003
Less amount representing executory costs	77	
Net minimum lease payments	22,927	
Less amount representing interest	10,037	
Present value of net minimum lease payments (including $2,051 classified as current obligations under capital leases)	$12,890	

Debts issued by municipal authorities and guaranteed by the Company are not considered lease agreements even though the legal form of the transaction is a lease. Such obligations are classified as term debt.

7. Term Debt—Term debt due after one year consists of the items shown in Table 1.

The aggregate term debt maturity in the years 1982 through 1986, respectively, is $20,176,000, $10,365,000, $11,532,000, $11,312,000 and $17,974,000.

Additional Debt Information—In 1981, the Company amended its revolving credit bank loan agreement. The agreement as amended provides the Company with $100,000,000 of credit that would not have been available under the old agreement until December 28, 1983. This agreement provides for revolving credit loans of up to $200,000,000 until September 30, 1986. Commitment fees of up to ⅜ of 1% per annum are required on any unborrowed amounts. Any loans outstanding on September 30, 1986 may be converted to term loans payable during the succeeding three years. The agreement calls for interest at one of three options chosen by the Company, those being the prime rate, the certificate of deposit rate or the Eurorate, with factors up to $\frac{7}{10}$ of 1% added to these rates after September 30, 1985. The Company had no borrowings under this agreement at December 31, 1981 and 1980.

The Company's term debt agreements contain various restrictions as to dividend payments and incurrence of additional indebtedness. As of December 31, 1981, under the most restrictive provisions, $170,534,000 of consolidated earnings retained in the business was available for the payment of cash dividends, and the Company could incur additional indebtedness of approximately $158,523,000.

The Company has guaranteed $9,885,000 of the indebtedness of affiliated and other corporations as of December 31, 1981.

Table 1. Term Debt

($ Thousands)	1981	1980
11.25% promissory notes due $6,500 annually beginning 1986, $9,000 balance due in 2000	**$100,000**	$100,000
8.95% promissory notes due $4,000 annually beginning 1984	**60,000**	60,000
6% notes due $3,000 annually	**32,000**	35,000
Pollution control bonds and notes:		
8.25% bonds due 1983-2002	**39,000**	39,000
5.875% tax-exempt bonds due 1998-2017	**16,350**	16,350
5.9% and 6% notes due 1983-1998	**10,600**	10,600
	65,950	65,950
10% term loan payable	**—**	9,795
Other	**20,140**	25,406
	$278,090	$296,151

8. Redeemable Convertible Preference Stock—On December 23, 1980, the Company issued 750,000 shares of convertible preference stock (preference stock), with each share convertible into 3.48 shares of the Company's common stock. The Company may redeem the preference shares beginning in 1983 at $107 per share, declining by $1 per share each year through 1990. Beginning in 1990, the Company is required to make sinking fund payments at $100 per share sufficient to retire 37,500 shares of preference stock annually except that prior redemptions or conversions may be applied to such requirements at the Company's option.

The Company may not pay common or preference stock dividends if required sinking fund payments are not made. If preference stock dividends are in arrears for an amount equal to more than six quarterly dividends, the holders of preference stock may then elect two directors.

The Company has authorized but unissued an additional 250,000 shares of preference stock.

9. Employee Compensation Plans

Deferred Compensation Plan—The Company has a Deferred Compensation Unit Plan for officers and other key employees. Operating expense has been charged with $2,139,000, $1,881,000 and $1,504,000 to provide for the benefits accrued during 1981, 1980 and 1979, respectively.

Incentive Plans—The Company has an Incentive Plan for key employees that is based upon the attainment of a specific return on invested capital using income before interest expense and income taxes. Operating expense was charged with $2,430,000 in 1979. There was no charge to operating expense in 1980 or 1981 because of the Company's insufficient return on investment.

Performance Share Plan—The Company has a Performance Share Plan for key employees that provides for an award of performance shares (up to a maximum of 500,000 shares), each equivalent to one share of the Company's common stock and cash. Distribution of the common stock plus cash equal to the fair market value of the common stock will be made at the end of designated periods if specified earnings are attained.

In 1980, $2,418,000 previously charged to operating expenses in 1979 for benefits under the plan were credited against expense as the Company did not expect to reach the required growth rate. The related 1979 cycle performance shares expired on December 31, 1981.

Currently, 74,050 performance shares awarded in 1981 for the award period ending December 31, 1983 are outstanding. No provision has been made in 1981 based on profit performance for that year.

Savings and Profit Sharing Plan—Effective January 1, 1980, the Company initiated a Savings and Profit Sharing Plan for all eligible employees. Participating employees may elect to contribute up to 6% of their salaries, and the Company contributes an amount equal to a specified percentage, based on Company earnings, of the employees' contributions to a limit of $6,000 per employee. The Company's contributions may be made in cash or common stock of the Company. The Company's contribution amounted to $1,923,000 in 1981 and $4,375,000 in 1980.

10. Discontinued Operations—In 1981, the Company discontinued or disposed of several operating locations and portions of business segments that did not meet management's objectives. The effect on operations and the related profit or loss on disposition for these locations, and similar dispositions in prior years, is shown in Table 2.

The more significant dispositions included: Forest Products. The Canadian spruce lumber operations were sold in 1981, resulting in a gain of $20,196,000, or $6,757,000 after tax ($.24 per share).

Organic Materials. Operations discontinued in 1981 resulted in a loss of $12,371,000, or $6,573,000 after tax ($.24 per share). Organic Materials also had losses on dispositions of $2,374,000 and $1,494,000, or $1,281,000 and $777,000 after tax in 1980 and 1979 ($.05 and $.03 per share), respectively.

Engineered Metal Products. Costs in 1981 related to discontinued operations were

Table 2. Discontinued Operations

($ Thousands)	1981	1980	1979
Net sales	**$34,182**	$ 47,484	$88,420
Operating expenses	**40,414**	52,061	78,381
Operating profit (loss)	**(6,232)**	(4,577)	10,039
Profit (loss) on disposal of net assets	**7,019**	(6,499)	3,928
	$ 787	$(11,076)	$13,967

$806,000, or $435,000 after tax ($.02 per share). Operations discontinued in 1980 resulted in a loss of $4,125,000, or $2,228,000 after tax ($.08 per share).

Road Materials. The bituminous liquids operation was sold in 1979 at a profit of $5,866,000, or $3,140,000 after tax ($.12 per share).

11. Income Taxes—Income before provision for income taxes and the components of income tax expense are shown in Table 3.

The components of deferred tax expense and related tax effect are shown in Table 4.

The differences between the statutory and effective income tax rates are shown in Table 5.

Table 3. Components of Income Taxes

($ Thousands)	1981	1980 (restated)	1979 (restated)
Income before provision for income taxes:			
Domestic operations	**$71,290**	$61,354	$109,625
Foreign operations*	**14,238**	10,327	17,721
Total	**$85,528**	$71,681	$127,346
Income tax expense:			
Current:			
Federal	**$25,550**	$ 8,607	$ 33,825
Foreign	**2,964**	2,353	6,594
State	**1,901**	4,390	8,421
	30,415	15,350	48,840
Deferred:			
Federal	**4,044**	1,478	(6,940)
Foreign	**(573)**	893	596
	3,471	2,371	(6,344)
Total	**$33,886**	$17,721	$ 42,496

*Foreign operations income before the provision for income taxes includes equity income from foreign investments of $11,178,000, $5,683,000 and $2,579,000 for 1981, 1980 and 1979, respectively.

Table 4. Deferred Tax Expense

($ Thousands)	1981	1980 (restated)	1979 (restated)
Excess of tax over book depreciation	**$ 6,064**	$ 7,991	$ 7,838
Anticipated expenses provided in advance of deductibility for tax purposes	**(4,303)**	(4,358)	(3,150)
Difference in book and tax income recognition:			
—Sale of investment in Cutler-Hammer, Inc.	**—**	—	(8,706)
—Construction contracts	**3,399**	1,308	(399)
—Inventory timing difference	**(1,303)**	(857)	(451)
Other—net	**(386)**	(1,713)	(1,476)
	$ 3,471	$ 2,371	$(6,344)

Table 5. Statutory and Effective Income Tax Rates

	1981	1980 (restated)	1979 (restated)
Statutory tax rate:			
Federal	**46.0%**	46.0%	46.0%
State, net of federal tax benefit	**1.2%**	3.3%	3.6%
Effect of additional taxes on gain from the sale of a Canadian subsidiary	**3.8%**	—	—
Investment tax credit	**(7.3%)**	(14.8%)	(10.8%)
Nontaxable earnings of Domestic International Sales Corporation	**(1.2%)**	(2.1%)	(1.0%)
Effect of percentage over cost depletion	**(3.6%)**	(4.5%)	(2.4%)
Effect of lower statutory tax rate applicable to capital gain income	**(1.5%)**	(1.8%)	(.8%)
Other—net	**2.2%**	(1.4%)	(1.2%)
	39.6%	24.7%	33.4%

The provisions for income taxes for the years 1981, 1980 and 1979 have been reduced by $6,423,000, $11,066,000 and $14,435,000, respectively, for investment tax credit.

At December 31, 1981, 1980 and 1979, consolidated earnings retained in the business included approximately $25,230,000, $25,041,000 and $19,494,000, respectively, on which federal income tax has not been provided since the Company has reinvested such earnings and intends to continue such investment permanently in export activities.

12. Acquisitions—In 1981, the Company's Road Materials Group acquired three companies for a total of 166,499 shares of Company common stock and $21,213,000 in cash. The acquisitions were accounted for using the purchase method of accounting, and results of operations have been included from the respective dates of these acquisitions.

In 1980, the Company's Road Materials Group acquired five companies for a total of 905,546 shares of Company common stock and $594,000 in cash. The acquisitions were accounted for using the purchase method of accounting, and results of operations have been included from the respective dates of these acquisitions. One of the acquisitions provides for the issuance of up to 250,000 additional shares of Company common stock if and when a net recovery is received from claims on certain construction contracts that are in litigation.

Pro forma results of operations for acquisitions made in 1981 and 1980 have not been reflected because the effects are not material.

13. Operations by Business Segments—The Company operates principally in five business segments. Financial information about each segment is provided in Table 6 on the following page. Information relating to the products and services provided by these segments is located on pages 41 through 45 of this annual report and 10-K. Intersegment sales are not disclosed because of immateriality.

14. Litigation—Inland Steel Company has asserted a claim against the Company in the amount of $100 million for delay damages under a construction contract. The Company and its legal advisors believe there are sound defenses against Inland's claim. The Company has filed a claim against Inland to recover $17 million, representing fees on the contract.

Table 6. Operations by Business Segments

($ Thousands)	Organic Materials	Road Materials	Forest Products	Engineered Metal Products	Engineering and Construction	Misc.	Consolidated
Year ended December 31, 1981:							
Net sales	$678,099	$541,920	$379,823	$342,464	$ 58,567	$ 17,689	$2,018,562
Operating profit before general corporate overhead	$ 42,238	$ 46,647	$ 19,652	$ 12,941	$ (6,601)	$ 6,583	$ 121,460
Other income (expense) (Note 10)	(15,030)	3,334	22,209	(157)	28	4,907	15,291
Equity in earnings (loss) of affiliates	2,023	7,908	1,048	(50)	(1,000)	(4,560)	5,369
Operating income (loss)	$ 29,231	$ 57,889	$ 42,909	$ 12,734	$ (7,573)	$ 6,930	$ 142,120
General corporate overhead							22,531
Interest expense							34,061
Income before provision for income taxes							$ 85,528
Identifiable assets as of December 31, 1981	$377,156	$346,701	$203,077	$195,620	$ 22,596	$124,873	$1,270,023
General corporate assets							58,152
Total assets							$1,328,175
Depreciation, depletion and amortization	$ 29,932	$ 29,077	$ 14,274	$ 8,259	$ 264	$ 721	$ 82,527
Depreciation and amortization of general corporate assets							1,037
							$ 83,564
Capital investment	$ 37,895	$ 52,770	$ 23,798	$ 18,795	$ 588	$ 48,260	$ 182,106
Year ended December 31, 1980 (restated):							
Net sales	$577,196	$531,729	$380,862	$358,067	$ 64,601	$ 16,735	$1,929,190
Operating profit before general corporate overhead	$ 47,598	$ 52,096	$ 17,223	$ 2,032	$ (1,854)	$ 4,289	$ 121,384
Other income (expense) (Note 10)	(2,432)	2,620	3,257	(3,293)	1,403	918	2,473
Equity in earnings (loss) of affiliates	2,016	2,533	842	164	—	(417)	5,138
Operating income (loss)	$ 47,182	$ 57,249	$ 21,322	$ (1,097)	$ (451)	$ 4,790	$ 128,995
General corporate overhead							24,124
Interest expense							33,190
Income before provision for income taxes							$ 71,681
Identifiable assets as of December 31, 1980	$410,229	$334,963	$225,316	$206,218	$ 29,523	$ 85,369	$1,291,618
General corporate assets							97,868
Total assets							$1,389,486
Depreciation, depletion and amortization	$ 27,364	$ 27,289	$ 13,655	$ 7,509	$ 227	$ 746	$ 76,790
Depreciation and amortization of general corporate assets							2,070
							$ 78,860
Capital investment	$ 40,955	$ 78,614	$ 31,705	$ 14,302	$ 42	$ 65,253	$ 230,871
Year ended December 31, 1979 (restated):							
Net sales	$556,583	$454,102	$368,858	$328,181	$113,790	$ 6,754	$1,828,268
Operating profit before general corporate overhead	$ 54,619	$ 46,818	$ 29,476	$ 10,768	$ 10,409	$ 3,450	$ 155,540
Other income (expense) (Note 10)	(1,278)	7,724	2,048	810	153	2,575	12,032
Equity in earnings (loss) of affiliates	2,230	455	374	(182)	—	(350)	2,527
Operating income	$ 55,571	$ 54,997	$ 31,898	$ 11,396	$ 10,562	$ 5,675	$ 170,099
General corporate overhead							22,157
Interest expense							20,596
Income before provision for income taxes							$ 127,346
Identifiable assets as of December 31, 1979	$386,511	$256,291	$199,053	$205,342	$ 38,599	$ 26,511	$1,112,307
General corporate assets							28,404
Total assets							$1,140,711
Depreciation, depletion and amortization	$ 22,576	$ 18,580	$ 13,143	$ 6,640	$ 810	$ 397	$ 62,146
Depreciation and amortization of general corporate assets							1,453
							$ 63,599
Capital investment	$ 64,136	$ 63,091	$ 28,228	$ 16,929	$ 113	$ 4,628	$ 177,125

Schedules for Form 10-K
Koppers Company, Inc. and Subsidiaries

Investments in Affiliated Companies at Equity (SEC Schedule III)

($ Thousands)	Classified as Long-Term Assets			Contract joint ventures classified as current assets	Total
	Richmond Tank Car Company (RTC)*	Other investments	Total		
Balance at December 31, 1980	$14,000	$36,780	$50,780	$ —	$50,780
Additional investments	34,825	6,156	40,981	1,853	42,834
Equity in earnings of investments	1,509	(3,540)**	(2,031)	7,400	5,369
Dividends received	(1,162)	(2,241)	(3,403)	(4,901)	(8,304)
Provision for decline in value	—	(3,023)	(3,023)	—	(3,023)
Balance at December 31, 1981	$49,172	$34,132	$83,304	$ 4,352	$87,656

*Because of the time lag in receiving Richmond Tank Car Company's statements, the Company is recording equity income on a one-month lag basis. For additional information on Richmond Tank Car Company, see Note 4 to financial statements.
**Includes $6,362,000 of expenses incurred for synthetic fuel projects.

Property, Plant and Equipment (SEC Schedule V)

Classification	($ Thousands)				
	Balance at beginning of year	Additions at cost	Retirements or sales	Transfers and other additions (deductions) (2)	Balance at close of year
Year ended December 31, 1981					
Land	$ 34,420	$ 2,827	$ 1,152	$ 5,463	$ 41,558
Buildings	115,849	8,869	7,486	6,437	123,669
Machinery and equipment	857,413	85,447	52,792	17,143	907,211
Depletable mineral properties	70,173	4,242	566	2,716	76,565
Depletable timber properties	31,289	6,917	12,348	—	25,858
Capitalized leases	26,047	123	1,927	(930)	23,313
	$1,135,191	$108,425	$76,271 (1)	$30,829	$1,198,174
Year ended December 31, 1980					
Land	$ 25,598	$ 7,817	$ 313	$ 1,318	$ 34,420
Buildings	87,581	15,385	1,106	13,989	115,849
Machinery and equipment	745,924	101,562	10,588	20,515	857,413
Depletable mineral properties	40,941	26,405	46	2,873	70,173
Depletable timber properties	26,812	7,707	2,894	(336)	31,289
Capitalized leases	30,577	137	1,190	(3,477)	26,047
	$ 957,433	$159,013	$16,137	$34,882	$1,135,191
Year ended December 31, 1979					
Land	$ 24,855	$ 1,921	$ 517	$ (661)	$ 25,598
Buildings	73,428	10,914	1,618	4,857	87,581
Machinery and equipment	626,548	112,598	13,666	20,444	745,924
Depletable mineral properties	32,784	964	—	7,193	40,941
Depletable timber properties	23,980	9,336	6,702	198	26,812
Capitalized leases	29,497	1,050	2,395	2,425	30,577
	$ 811,092	$136,783	$24,898	$34,456	$ 957,433

(1) Includes $44,650,000 from discontinued operations.
(2) Property acquired through acquisitions, 1981—$26,899,000; 1980—$34,979,000; 1979—$34,329,000.

Accumulated Depreciation, Depletion and Amortization (SEC Schedule VI)

Description	($ Thousands)				
	Balance at beginning of year	Additions charged to income	Retirements	Other additions	Balance at close of year
Year ended December 31, 1981					
Depreciation and amortization	$438,900	$75,182	$29,827	$ 9,700	$493,955
Depletion	19,667	4,869	9,814	104	14,826
Amortization of capital leases	9,609	2,105	1,058	(340)	10,316
	$468,176	$82,156	$40,699 (1)	$ 9,464	$519,097
Year ended December 31, 1980					
Depreciation and amortization	$373,461	$70,234	$ 5,019	$ 224	$438,900
Depletion	15,865	4,391	1,065	476	19,667
Amortization of capital leases	12,336	2,195	992	(3,930)	9,609
	$401,662	$76,820	$ 7,076	$(3,230)	$468,176
Year ended December 31, 1979					
Depreciation and amortization	$327,591	$55,656	$10,375	$ 589	$373,461
Depletion	12,997	5,021	2,153	—	15,865
Amortization of capital leases	12,852	1,712	2,228	—	12,336
	$353,440	$62,389	$14,756	$ 589	$401,662

(1) Includes $20,739,000 from discontinued operations.

Valuation and Qualifying Accounts (SEC Schedule VIII)

Description	($ Thousands)			
	Balance at beginning of year	Additions charged to income	Deductions (1)	Balance at close of year
Year ended December 31, 1981				
Allowance for doubtful accounts	$4,875	$2,555	$2,710	$4,720
Allowance for doubtful notes receivable	3,000	2,929	5,929	—
Allowance for decline in value of investment	—	3,023	—	3,023
	$7,875	$8,507	$8,639	$7,743
Year ended December 31, 1980				
Allowance for doubtful accounts	$4,295	$1,235	$ 655	$4,875
Allowance for doubtful notes receivable	—	3,000	—	3,000
	$4,295	$4,235	$ 655	$7,875
Year ended December 31, 1979				
Allowance for doubtful accounts	$3,907	$2,027	$1,639	$4,295

(1) Accounts written off, less recoveries.

Short-Term Borrowings (SEC Schedule IX)

Category of Short-Term Borrowings ($ Thousands)	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period[3]	Weighted average interest rate during the period[3]
Year ended December 31, 1981					
Amounts payable to banks	$ —	—	$ 5,914	$ 2,036	18.5%
Commercial paper	$ —	—	$43,000	$10,360	17.3%
Other	$ 5,750[1]	15.2%	$24,000	$ 7,917	15.4%
Year ended December 31, 1980					
Amounts payable to banks	$ 1,294	18.3%	$ 7,192	$ 3,075	14.6%
Commercial paper	$ —	—	$96,000	$50,540	11.4%
Other	$24,000[2]	10.8%	$24,000	$ 5,063	10.5%
Year ended December 31, 1979					
Amounts payable to banks	$ —	—	$ 4,518	$ 1,112	12.9%
Commercial paper	$ —	—	$29,000	$ 8,956	11.1%
Other	$ 25	—	$ 25	$ 13	—

(1) Includes $5,650,000 payable on demand to Genex Corporation upon prior notification.
(2) Includes $10,000,000 payable on demand to Genex Corporation upon prior notification. $14,000,000 is payable to a third party for the 500,000 shares of common stock of Richmond Tank Car Company purchased on December 5, 1980.
(3) The average amount outstanding for each period was computed by using a daily average during the year. The weighted average interest rate for each period was computed by weighing the effective interest rate over the year.

Supplementary Income Statement Information (SEC Schedule X)

Item	($ Thousands) Charged to expenses		
Years ended December 31,	1981	1980	1979
Maintenance and repairs	$110,320	$108,014	$97,112
Rents	$ 23,611	$ 28,428	$28,153
Research and development	$ 18,286	$ 16,411	$13,693

Koppers Board of Directors And Officers

Directors

Charles F. Barber 65
Chairman and Chief Executive Officer, ASARCO Inc.
Nonferrous metals producer

Evelyn Berezin 56
President, Greenhouse Management Corporation, venture capital investment, and Potech Corporation, consulting; former Director—Long-Range Planning for Office Automation Systems, Burroughs Corporation; former President, Redactron Corporation

†Fletcher L. Byrom 63
Chairman of the Board, Koppers Company, Inc.

***Dr. Richard M. Cyert** 60
President, Carnegie-Mellon University

†*Douglas Grymes 68
Retired Vice Chairman of the Board, Koppers Company, Inc.

Terrance Hanold 69
President and Director, The Arter Company
Capital management and investment

†*Curtis E. Jones 63
Retired President and Director, Mellon Bank N. A.

William H. Knoell 57
President, Chief Executive Officer and Director, Cyclops Corporation
Basic and specialty steels and steel products

†*Andrew W. Mathieson 53
Executive Vice President, Richard K. Mellon and Sons
Investment management

†*Nathan W. Pearson 70
Financial Advisor, Paul Mellon family interests

†Charles R. Pullin 58
Vice Chairman of the Board, Koppers Company, Inc.

†Executive Committee
*Audit Committee

This list reflects all title changes as of February 28, 1982.

Corporate Officers

Fletcher L. Byrom 63
Chairman of the Board (Chief Executive Officer) since 1970. Joined Koppers in 1947.

Charles R. Pullin 58
Vice Chairman of the Board since 1981; formerly President (Chief Operating Officer)—Road Materials Group since 1978; formerly Vice President and General Manager. Joined Koppers in 1946.

Burnett G. Bartley, Jr. 57
Deputy Chairman since 1978; formerly Group Vice President. Joined Koppers in 1949.

William B. Jackson 60
Deputy Chairman since 1978; formerly Group Vice President. Joined Koppers in 1943.

B. Otto Wheeley 60
Deputy Chairman since 1978; formerly Senior Vice President—Marketing. Joined Koppers in 1943.

Edward D. Losch 53
President (Chief Operating Officer)—Organic Materials Group since 1978; formerly Vice President and General Manager. Joined Koppers in 1949.

Thomas M. St. Clair 46
President (Chief Operating Officer)—Engineered Metal Products Group since 1978; formerly Corporate Comptroller. Joined Koppers in 1958.

Richard E. Spatz 56
President (Chief Operating Officer)—Forest Products Group since 1978; formerly Vice President and General Manager. Joined Koppers in 1951.

Jack L. Wilks 63
President (Chief Operating Officer)—Road Materials Group since 1981; formerly Vice President and Manager—Operations. Joined Koppers in 1941.

Robert G. Wilson 59
President (Chief Operating Officer)—Engineering and Construction Group since 1978; formerly Vice President and General Manager. Joined Koppers in 1952.

A. William Capone 62
Senior Vice President since 1978, Chief Financial Officer; formerly Vice President and Treasurer. Joined Koppers in 1946.

Thomas C. Cochran, Jr. 61
Senior Vice President since 1978, Secretary and General Counsel; formerly Vice President, Secretary and General Counsel. Joined Koppers in 1956.

Organic Materials Group

Paul L. Bost 58
Vice President and General Manager—Industrial Products Division since 1978; formerly Vice President. Joined Koppers in 1948.

Charles P. Dorsey 54
Vice President and General Manager—Coatings and Resins Division since 1978; formerly Vice President. Joined Koppers in 1966.

Thomas M. June 53
Vice President and General Manager—Building Materials Division since 1978; formerly Manager. Joined Koppers in 1951.

Lawrence L. Nagel 58
Vice President and Manager—Operations, Industrial Products Division since 1978; formerly Manager—Foundry Products, then Vice President and Manager—Technical Services. Joined Koppers in 1949.

Dr. Randall L. C. Russell 37
Vice President and General Manager—Chemical Division since 1978; formerly General Purchasing Agent, Purchasing and Traffic Department. Joined Koppers in 1970.

Francis J. Sullivan 57
Vice President and Manager—Marketing, Industrial Products Division since 1978; formerly Sales Manager—Foundry Products Group. Joined Koppers in 1955.

Charles H. Teller, Jr. 39
Vice President and Marketing Manager—Chemical Division since 1980; formerly Manager. Joined Koppers in 1970.

Glen C. Tenley 54
Vice President and General Manager—Foundry and Industrial Supply Division since 1980; formerly Vice President and Manager—Purchasing Department. Joined Koppers in 1955.

Subsidiary and Other Officers

Peter Barry 54
President—Thiem Corporation, acquired by Koppers in 1976.

Edward C. Hills 60
President—Parr, Inc., acquired by Koppers in 1977.

Joseph M. Madeira 45
President—U.S. Plastic and Chemical Corporation, acquired by Koppers in 1965.

Brooks C. Wilson 48
Managing Director—Koppers Australia Pty. Ltd. Joined Koppers in 1965.

Road Materials Group

R. Kenneth MacGregor 59
Vice President and Manager—West Coast Operations, and President and General Manager—Sully-Miller Contracting Company, acquired by Koppers in 1978.

Frederick C. Moore 48
Assistant to the Road Materials Group President, and Chairman of the Board—The General Crushed Stone Company; formerly President and General Manager—The General Crushed Stone Company, acquired by Koppers in 1970.

Alvin L. Walters 53
Vice President and Manager—Western Operations; formerly President and General Manager—Western Paving Construction Company, acquired by Koppers in 1976.

Subsidiary Officers

Lloyd D. Ahnstedt 49
President and General Manager—Western Paving Construction Company, acquired by Koppers in 1976.

Marvin E. Browning 56
President and General Manager—Sim J. Harris Company, acquired by Koppers in 1976; formerly Vice President.

Broadus N. Davidson 57
President and General Manager—The Kentucky Stone Company, acquired by Koppers in 1977; formerly Vice President—Engineering, then Executive Vice President and Assistant General Manager.

Bernard E. Elmer 54
President and General Manager—The General Crushed Stone Company; formerly Executive Vice President.

Roger W. Farris 39
President and General Manager—Fairfield Bridge Company, Inc., acquired by Koppers in 1980.

Robert A. Good 45
President and General Manager—Kaiser Sand and Gravel Company, acquired by Koppers in 1977; formerly Executive Vice President.

W. Ansel Gower 57
President and General Manager—Broderick and Gibbons, Inc., acquired by Koppers in 1980.

George V. LaBonte, Jr. 57
President and General Manager—Echols Brothers, Inc., acquired by Koppers in 1980.

Pierce E. Marks, Jr. 53
President and General Manager—Ivy Corporation, acquired by Koppers in 1979.

J. Paul Martin 56
President and General Manager—Lycoming Silica Sand Company, acquired by Koppers in 1966; formerly Vice President and Manager—Pennsylvania for The General Crushed Stone Company.

Jack W. McMichael, Jr. 58
President and General Manager—The McMichael Company, acquired by Koppers in 1979; formerly Vice President.

Sidney E. Smith, Jr. 56
President and General Manager—Erie Sand and Gravel Company and Erie Sand Steamship Company, both acquired by Koppers in 1967; formerly Vice President—Erie Sand Steamship Company.

Nello L. Teer, Jr. 67
President and General Manager—Nello L. Teer Company, acquired by Koppers in 1980.

Carl L. Todd 60
President—The Sterling Companies, acquired by Koppers in 1981.

Raymond C. Wiley 56
President and General Manager—Eastern Rock Products, Inc. and The Buffalo Slag Company, Inc., both acquired by Koppers in 1967; formerly Vice President and General Manager—Eastern Rock Products, Inc.

A. Gordon Willis, Jr. 60
President and General Manager—Culpeper Stone Company, Inc., acquired by Koppers in 1974; formerly Executive Vice President.

Forest Products Group

James R. Batchelder 46
Vice President and General Manager—Western Wood Products Division since 1978; formerly Manager—Plant Services. Joined Koppers in 1959.

Earl A. Clendaniel 51
Vice President and Manager—Utility and Heavy Construction Department, Treated Wood Products Division since 1979; formerly Manager. Joined Koppers in 1949.

Robert B. Dehls 57
Vice President and Manager—Transportation Sales and Planning since 1978; formerly Manager. Joined Koppers in 1950.

Robert J. Dingman 40
Vice President and General Manager—Architectural Building Products Division since 1979; formerly Assistant Vice President. Joined Koppers in 1966.

Donald G. Hallahan 51
Vice President and Manager—Marketing since 1978; formerly Manager. Joined Koppers in 1958.

Robert G. Hamilton 37
Vice President and General Manager—Timberlands and Hardwood Lumber Division since 1979; formerly Assistant Vice President. Joined Koppers in 1969.

John D. Hite, Jr. 44
Vice President and General Manager—Specialty Wood Chemicals Division since 1978; formerly Manager. Joined Koppers in 1960.

Gerald L. Reynolds 54
Vice President and Manager—Raw Materials Department since 1975; formerly Manager. Joined Koppers in 1951.

Robert K. Wagner 50
Vice President and General Manager—Treated Wood Products Division since 1978; formerly Vice President. Joined Koppers in 1953.

Subsidiary Officers

C. R. Mallory Smith 51
President—Koppers International Canada Ltd., a wholly owned subsidiary since 1969. Joined Koppers in 1957.

Engineered Metal Products Group

Donald L. DeVries 64
Senior Vice President and consultant—advisor to the President since 1978; formerly Vice President and General Manager—Engineered Metal Products. Joined Koppers in 1940.

Walter C. Arnold 57
Vice President and General Manager—Container Machinery Division since 1978; formerly Manager. Joined Koppers in 1962.

Hugh J. Blecki 51
Vice President and General Manager—Piston Ring and Seal Division since 1978; formerly Vice President—Marketing and Sales, Engineered Metal Products. Joined Koppers in 1956.

Gerald Champness 43
Vice President and General Manager—Mineral Processing Systems Division since 1980; formerly Operations Manager—Sprout-Waldron. Joined Koppers in 1956.

Richard E. Hug 47
Vice President—Koppers since 1973; President—Environmental Elements Corporation, a subsidiary, since 1974. Joined Koppers in 1957.

Samuel W. Koster 62
Vice President and General Manager—Power Transmission Division since 1978; formerly Manager. Joined Koppers in 1974.

Lester L. Murray 53
Vice President and General Manager—Sprout-Waldron Division since 1978; formerly Vice President and Chief Executive Officer—Sprout-Waldron and Company, Inc., acquired by Koppers in 1975. Joined Sprout-Waldron in 1956.

Engineering and Construction Group

James A. Harris 47
Vice President and General Manager since 1981; formerly Vice President—Executive Department. Joined Koppers in 1965.

Jack D. Rice 60
Vice President and Assistant General Manager since 1966. Joined Koppers in 1946.

Corporate Staff Officers

J. Roger Beidler 46
Vice President—Investor Relations since 1980; formerly Manager. Joined Koppers in 1960.

Jay A. Best 48
Vice President and Manager—Traffic and Transportation Department since 1978; formerly General Traffic Manager. Joined Koppers in 1956.

Fitzhugh L. Brown 49
Comptroller and Assistant Treasurer since 1978; formerly Manager—Administration, Engineering and Construction Group. Joined Koppers in 1962.

Arthur W. Cowles 63
Vice President—Executive Department since joining Koppers in 1965.

Frank E. Davis, Jr. 57
Vice President and Manager—Advertising and Public Relations Department since 1972. Joined Koppers in 1962.

William T. Hawkins 55
Vice President and General Manager—Natural Resources Division since 1978; formerly Manager. Joined Koppers in 1950.

Dr. Alonzo Wm. Lawrence 44
Vice President—Science and Technology since 1981; formerly Vice President—Environmental Resources and Occupational Health Department. Joined Koppers in 1976.

Dr. William N. Maclay 57
Vice President and Manager—Research and Development Department since 1981; formerly Vice President and Director—Research. Joined Koppers in 1959.

John P. McCarthy 55
Vice President; Co-ordinator, Product Safety and Regulatory Affairs for Organic Materials Group since 1981; formerly Vice President. Joined Koppers in 1947.

Andrew C. Middleton 33
Vice President and Manager—Environmental Resources Department since 1981; formerly Manager. Joined Koppers in 1978.

Andrew J. Pepper 58
Vice President—Management Information Systems, Finance Department since 1980; formerly Assistant Vice President and Director—Systems, Methods and Data Processing. Joined Koppers in 1950.

John F. Ramser 49
Vice President and Manager—Human Resources Department since 1980; formerly Assistant Secretary—Law Department. Joined Koppers in 1970.

Walter R. Vogler 58
Treasurer since 1978; formerly Director—Financial and Administrative Services, Finance Department. Joined Koppers in 1951.

Raymond R. Wingard 51
Vice President and Manager—Marketing Services and Corporate Growth Planning since 1980; formerly Vice President and Manager—Human Resources Department. Joined Koppers in 1952.

Description of Koppers Business

General Development of Koppers Business
Koppers Company, Inc. was incorporated on September 30, 1944. It succeeded by merger to the properties and business of four predecessor companies. Those companies grew logically out of Koppers original business, established in 1907, to design and build chemical-recovery coke plants for the American steel industry.

Prior to 1965, Koppers was highly dependent upon its original steel plant construction business for earnings growth. This accounted for as much as 40% of the Company's annual earnings. It was a cyclical business that had a disconcerting roller-coaster effect on the Company's prospects for growth.

In 1965, the Company began to build a manufacturing organization that would produce consistent earnings growth and thereby reduce Koppers dependence upon the steel industry capital investment cycle. Koppers today is a diversified manufacturing corporation offering specialized engineering and construction capabilities. Over the past five years, its manufacturing groups have provided nearly 95% of its total operating income. Headquartered in Pittsburgh, Pennsylvania, it has 293 operating locations and makes more than 100 types of products.

Pursuit of the Company's objective to expand its manufacturing businesses to achieve consistent earnings growth has been characterized by rising levels of capital investment.

This expansion program has increased the total investment in Koppers operations from $190 million in 1964 to $1,030 million at the close of 1981.

Employment
The average number of persons employed by the Company was 20,113 in 1981 and 21,029 in 1980.

Approximately 8,100 of the Company's employees are covered by 146 different collective bargaining agreements, scheduled to expire at various times during the course of the next three years.

Successful labor contract negotiations were completed at 42 locations in 1981.

Mineral Assets Price and Quantity Information
The table below provides information relating to Koppers mineral reserves. Estimates for proven and probable mineral reserves were obtained at the times of acquisition of the reserves, which range from 1967 to the present.

(Volumes are in thousands of tons; $ are per-ton values.)	Years Ended December 31, 1981	1980	1979	1978	1977
Proven and probable reserves at beginning of year					
Coal	**145,009**	71,048	72,619	2,619	250
Stone	**1,834,450**	1,480,014	1,286,701	1,255,504	1,162,857
Sand and gravel	**438,982**	388,211	400,433	392,708	242,300
Additions resulting from purchases of in-place mineral reserves					
Coal	**2,009**	76,000	—	70,000	2,375
Stone	**49,454**	387,081	223,875	54,120	112,744
Sand and gravel	**21,872**	70,295	9,580	24,740	162,814
Reductions resulting from production					
Coal	**2,616**	2,039	1,571	—	6
Stone	**23,887**	32,645	30,562	22,923	20,097
Sand and gravel	**13,679**	19,524	21,802	17,015	12,406
Proven and probable reserves at end of year					
Coal	**144,402**	145,009	71,048	72,619	2,619
Stone	**1,860,017**	1,834,450	1,480,014	1,286,701	1,255,504
Sand and gravel	**447,175**	438,982	388,211	400,433	392,708
Average market price					
Coal*	**$33.20**	$30.49	$25.99	—	$22.70
Stone	**$ 3.69**	$ 3.68	$ 3.23	$2.78	$ 2.50
Sand and gravel	**$ 3.48**	$ 3.22	$ 2.68	$2.39	$ 2.33
Average royalty rate					
Coal*	**$ 2.72**	$ 2.52	$ 1.94	—	$ 2.27

*Koppers primarily acts as a lessor to coal mining companies and receives a royalty fee on each ton sold.

Research and Development
The Company conducts its research activities at two locations in suburban Pittsburgh, Pennsylvania as well as through special projects at a number of universities and at Genex Corporation. The corporate research laboratories perform studies aimed at the exploration of advanced technologies, the development of new products and the improvement of manufacturing processes. Special services, such as pollution control and analytical and engineering support, are provided to all operations of the Company. Development laboratories at several locations support each of the Company's business segments. The amount spent on research and development activities was approximately $18.3 million in 1981, $16.4 million in 1980 and $13.7 million in 1979.

Financial Information By Industry Segment
Selected financial information for each of Koppers operating groups for a 10-year period appears on page 22. Additional financial information on the operating groups appears in the table "Operations by Business Segments" on page 33.

Patents and Licensing
Koppers owns more than 900 existing United States patents and a large number of foreign patents covering many products and processes. Some of the Company's patents and technology are licensed to other companies. The Company makes few of its products under licenses from other companies with respect to patents they own or technology they have supplied. No single patent or license is considered material in relation to the Company's overall performance.

Properties
The Company's 293 operating locations include: Organic Materials, 39; Road Materials, 156; Forest Products, 82; Engineered Metal Products, 14; and Natural Resources, 2. Engineering, drafting, estimating, procurement and scheduling personnel for the Engineering and Construction business segment are headquartered in Pittsburgh, Pennsylvania. Field forces are employed as they are required for particular projects.

In the opinion of management, the production capacities in Koppers various business segments are adequate to operate at a significantly higher volume than in 1981.

Organic Materials Group

Organic Materials Business
Organic Materials has interrelated businesses using the technology associated with the manufacture and use of products derived from coal. Over half of the present product mix is manufactured from coal or such derivative products as coal tar and naphthalene. Other lines serve specialty markets. The group has five operating divisions and three wholly owned subsidiaries.

Industrial Products Division operates six tar processing plants and is a major producer of such coal tar derivatives as:

Coal tar pitches used by the aluminum and commercial carbon industries as binders in the manufacture of electrodes;

Creosote, a complex mixture of chemicals, used primarily as a wood preservative, half for Forest Products operations; and

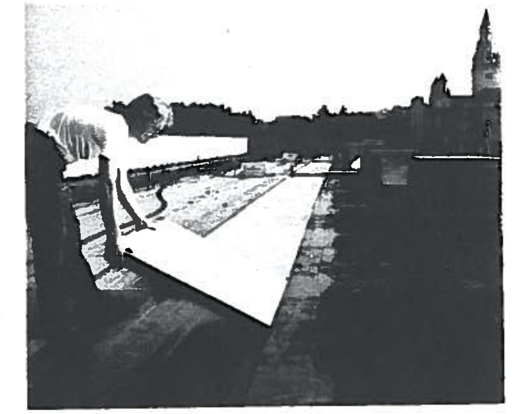
Chemical oil, a raw material for Koppers chemicals operations.

Foundry and Industrial Supply Division operates three coke plants and is among the largest merchant producers of foundry coke, one of the principal products used for melting metal in foundries and other industrial operations. Other grades of coke are manufactured for reducing iron ore in steelmaking, for melting in rock wool operations, for nonferrous metal smelting and in sugar beet refining.

A subsidiary in the division, Thiem Corporation, produces binder systems and coatings for molding metal in foundries, as well as refractory systems for casting iron and steel.

Chemical Division operates four plants and is a major supplier of naphthalene (used to produce phthalic anhydride and agricultural chemicals); phthalic anhydride (used in the production of alkyd and polyester resins and of plasticizers for plastics); resorcinol (used primarily to produce adhesives used in rubber tires and laminated wood); antioxidants (used in rubber, plastics and other products); and a group of intermediate chemicals.

Coatings and Resins Division is a growing supplier of polyester resins (used in glass-reinforced and nonreinforced plastics); bituminous coatings (for underground pipelines, tanks and severe industrial applications); and chemical-based coatings (used on swimming pools, water storage tanks, sewage treatment facilities and marine and industrial applications).



New phenolic foam board provides superior insulation and fire resistance.

Building Materials Division makes cold-applied roofing and maintenance products to supplement high-performance roofing and waterproofing products based on pitches (primarily commercial and industrial). The division also produces a new phenolic foam fire-retardant insulation board in a semi-commercial plant.

Other subsidiaries manufacture polyester button blanks and buttons and other lines related to protective coatings, roofing and waterproofing systems.

Raw Materials and Fuel
Organic Materials depends heavily upon coal and coal-derived products for raw materials. Most coal tar processed is purchased from steelmaking operations, under contract arrangements with varying periods and conditions. Purchasing agreements cover such other important raw materials as coal, benzene, orthoxylene and additional materials from the petrochemical industry. Long-term commitments for raw materials from various sources of supply have been made in the past and will continue to be made. With existing arrangements, no major disruption of business in 1982 is expected as a result of shortages of raw materials or energy. The group's energy needs are supplied by natural gas, fuel oil, coal, and coke oven gas.

Organic Materials 1981 Sales by End Market	($ Millions)	%
Chemicals, Plastics and Rubber	$205.0	30%
Iron and Steel	122.4	18
Architectural Construction	109.1	16
Nonferrous Metals and Mining	93.9	14
Engineered Construction	59.5	9
Lumber and Wood Products	27.3	4
Utilities	21.0	3
Transportation	16.2	2
Other	23.7	4
	$678.1	100%

Competitive and Seasonal Conditions
Most of Organic Materials products are sold in highly competitive markets. Except for certain proprietary items, there are at least five or six suppliers of identical products in all business areas, as well as competition from alternative materials performing the same function and a substantial quantity of imported material. The principal factors in competition are price and product performance. In a number of cases, service also is important. In certain product lines, Koppers has an advantage because of multiple production locations or because it has manufacturing plants near the markets it serves. In others, Koppers has an advantage because of continuing internal requirements within the group or other Koppers operations.

Most of Organic Materials business is not affected by seasonal variations, but winter does reduce volume in certain roofing, coating and other construction product lines.

Products are generally marketed nationwide through the group's sales organization. Certain lines are marketed through independent distributors and agents.

The group maintains substantial inventories of critical raw materials and finished products, but it is not the practice to carry customer inventories or to provide financing.

Backlog
Organic Materials 1981 year-end backlog was $88.0 million, versus $115.3 million a year earlier. The backlog normally increases substantially during the month of January, and at the close of January, 1982, the backlog was $305.7 million, versus $300.8 million a year earlier. This is derived from the detailed analysis of each customer's expected 1982 requirements. The total backlog is expected to be shipped during 1982, although most unfilled orders are subject to cancellation at the option of the buyer.

Road Materials Group

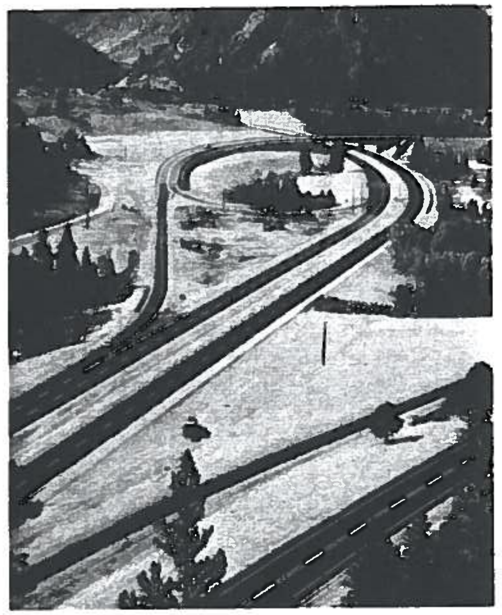
Road Materials Business
Road Materials is made up of 156 domestic facilities that serve roadbuilding and construction markets in 18 states as well as operations in Central and South America, Africa and the Middle East. About 85% of sales are from aggregates (crushed stone, sand, gravel and slag), bituminous concrete, ready-mix concrete and paving services. The balance is from welded wire fabric and related specialty products.

The group's civil construction services account for 37% of total sales including some product cost (paving materials, concrete, etc.). Among these services are road and bridge building, other paving activities, nonresidential building construction and dam building.

About 50% of Road Materials sales result from publicly funded road maintenance and construction projects. The remainder is from privately funded work in many segments of the construction market.

Transportation is a major factor in total product cost. The delivered price doubles when crushed stone is transported 20 to 30 miles. Aggregate markets, therefore, are localized, and the Company generally supplies markets near its quarries in California, Colorado, Florida, Georgia, Indiana, Kansas, Kentucky, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Virginia and Wyoming. Six facilities in the Southeast and Southwest produce and distribute welded wire fabric and other concrete-reinforcing and forming accessories.

Raw Materials and Fuel
Aggregate raw materials consist of sand and gravel, granite, limestone, trap rock and sandstone, which come from quarries, mines or Great Lakes dredging operations. Most of Koppers quarries are on land either owned by the Company or held under long-term leases. It is estimated that the present reserves of aggregates will be sufficient for more than 25 years at current production rates. Other major raw materials include asphalt, slag, cement and steel rod, which are purchased from oil companies, steel producers and cement suppliers. Adequate supplies of raw materials and fuel are expected to continue. Fuel oil satisfies nearly half of Road Materials energy requirements; natural gas and diesel fuel, each about 20%.


Acquisition of The Sterling Companies strengthened Colorado and Wyoming roadbuilding activities.

Road Materials 1981 Sales by End Market	($ Millions)	%
Engineered Construction	$440.5	81%
Architectural Construction	89.4	16
Agriculture	3.9	1
Other	8.1	2
	$541.9	100%

Competitive and Seasonal Conditions
Road Materials operations are geographically diversified, with limited vertical integration within individual regional markets. Because mineral reserves are limited within regional areas, the Company commonly holds a high share of those regional markets in which it competes.

Principal factors in competition are price and service. Prices for aggregates are determined by local conditions and are not subject to wide fluctuations created by nationwide demand, supply and capacity factors. Increasingly, this business has become service-oriented, calling for on-time delivery from a guaranteed source of supply.

Road Materials business is highly seasonal, with more than 70% of sales occurring during the peak construction period from May 1 to November 30.

Product inventories are controlled at volumes that reflect a balance between the most efficient production level and supplying peak demand. Inventories normally grow substantially during spring months in anticipation of high summer demand. It is not customary, however, to carry inventories or provide financing for customers.

Backlog
Road Materials backlog at the end of 1981 was $100.8 million, versus $106.4 million a year earlier. The normal tendency is for this backlog to increase during the first six months of the year and to decline thereafter. Orders in the backlog are considered firm, and more than 95% of the year-end backlog is expected to result in 1982 sales.

Forest Products Group

Forest Products Business
Koppers is a major producer of chemically treated wood, specialty wood-treating chemicals and laminated wood products, supplying both U.S. and Canadian markets.

Chemical treatment of wood under pressure results in resistance to decay, to invasion by insects and to damage from fire. Products include railroad crossties; utility, transmission, distribution and lighting poles and accessory equipment; building poles and timbers; fence posts; foundation and marine piling; red cedar shakes and shingles; and construction lumber and plywood. Koppers also provides contract wood-treating services for industrial and commercial customers. Conventional wood pressure treatments use creosote, pentachlorophenol and waterborne salt preservatives. Koppers also has proprietary processes using specialty chemicals under such trademarks as CELLON, DRICON, NCX and WOLMAN. Koppers also licenses these proprietary processes and their trademarks and produces and supplies a broad range of chemicals used in pressure treatment, primarily to the more than 80 licensees using Koppers wood-treating processes and trademarks.

The Company engineers and manufactures glue-laminated wood products for industrial, commercial and residential applications, such as structural wood beams, arches, columns, girders, trusses and lighting standards, and power transmission structures.

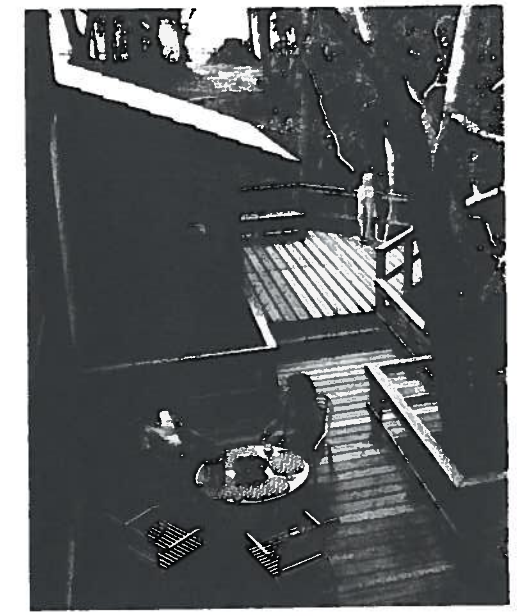
Koppers International Canada Ltd., a wholly owned subsidiary, manufactures laminated wood products and corrugated metal pipe for sewer and drainage lines.

U.S. sawmills, operated primarily to produce railroad crossties, also manufacture hardwood lumber sold for flooring, furniture, pallets, paneling and other end products.

Raw Materials and Fuel
Timber is the main raw material used by Forest Products. The major requirements are Eastern and Southern hardwood to supply railroad crossties and furniture products; and softwood timber, primarily Southern yellow pine and West Coast species, to supply utility poles and construction lumber. Approximately 10% of the group's hardwood and softwood needs are met from Company-owned timberlands or by negotiated cutting rights. Demand and price for softwood are directly influenced by housing. Thanks to the breadth of Koppers product mix and location of processing plants, the Company is able to purchase the necessary timber and finished raw materials. The long-term availability of Eastern hardwood is adequate, since the timber growth rate currently exceeds the rate of cut.

Preservative raw materials are supplied from both Company and outside sources. A fully integrated arsenic acid plant provides raw material stability for WOLMAN wood preservatives.

On the basis of Btu quantities, natural gas accounts for about 40% of Forest Products fuel, wood waste for 30% and oil for 25%. All major plants are equipped to operate on alternative types of fuel. Fuel supply is adequate in all cases. In recent years, several plants have developed wood-waste burning systems in order to lower costs and lessen risk of shutdown due to lack of fuel.


Stronger remodeling and home addition markets resulted in increased use of pressure-treated wood.

Forest Products 1981 Sales by End Market	($ Millions)	%
Transportation	$144.2	38%
Lumber and Wood Products	82.6	22
Utilities	55.1	14
Architectural Construction	53.0	14
Engineered Construction	29.4	8
Other	15.5	4
	$379.8	100%

Competitive and Seasonal Conditions
The wood-preserving industry is highly competitive and fragmented. As the major nationwide supplier, Koppers usually has competition from regional operators. In addition, treated and laminated wood products compete against such other materials as steel, concrete and aluminum. Price and service are the principal requirements for competition. Koppers broad range of products and strategic plant locations provide a significant competitive advantage in this business.

Most products supplied by Forest Products are sold directly to the end user by the group's sales force. Much of Forest Products business is seasonal, since most products are related to the building industry. Sales are reduced during winter months, usually by about 30%, from the peak level of sales through summer months. Although sales of lumber are relatively stable, production is, for the most part, controlled by weather conditions.

Inventory represents a significant factor in the total investment of Forest Products. Sizable inventories must be maintained in some product areas to ensure prompt, dependable service.

Backlog
Forest Products year-end backlog was $88.1 million, versus $74.3 million a year earlier. The total backlog is expected to be shipped during 1982 and, although all orders are considered firm, cancellation can be effected at any time except on finished material or that in process. Forest Products backlog peaks in the first quarter, and the high point represents approximately 50% of annual sales.

Engineered Metal Products Group

Engineered Metal Products Business

Engineered Metal Products designs and manufactures processing machinery systems, machine components and environmental control systems. These business lines are generally characterized by high-value-added, precision-engineered, high-quality products designed to rigid customer specifications.

Sprout-Waldron products include processing machinery for the formula feed, food, chemical, pulp and paper, and other basic industries. Sprout-Waldron also designs and builds complete feed mills, material handling and storage facilities, pulping plants and industrial processing installations.

Mineral processing equipment, such as crushers and Hardinge grinding mills, is manufactured for the processing of coal and for hard-rock applications.

Koppers manufactures corrugated container machinery, which converts kraft paper into corrugated board. The Company also manufactures machinery to make the board into finished containers for packaging producers.

The Company is a major producer of industrial piston rings for diesel engines and shaft seals for use in aircraft engines, pumps and compressors, as well as seal rings for hydraulic cylinders, valves and other industrial and aircraft applications.

Koppers supplies a broad range of power transmission products, including couplings, coupling grease, adjustable-speed drives and torque sensors. Couplings transmit power from one rotating shaft to another and compensate for misalignment. Applications include high-speed compressors, pumps, conveyors, cranes, blowers, boiler feed pumps, paper mill refiners, and main drives in steel rolling mills.

Environmental control capabilities include design, manufacture, erection and marketing of systems for air cleaning, air handling, sound control, water treatment and waste disposal. Products include electrostatic precipitators, baghouses and other air cleaning systems for utilities and industry; sound control systems for jet aircraft, engine test facilities and gas turbine applications; water and wastewater treatment systems for municipal and industrial plants; air handling mechanisms and control units for air distribution systems; and waste disposal equipment to compact refuse and systems to incinerate hazardous materials and industrial waste.

The group also produces medium- and large-size gray iron and ductile castings for use in various areas of the Engineered Metal Products and Engineering and Construction Groups, as well as selling castings directly to outside customers.

Piston rings for diesel engines are precision-engineered to exacting specifications and critical tolerances.

Engineered Metal Products 1981 Sales by End Market	($ Millions)	%
Paper and Packaging	$ 82.1	24%
Machinery	35.8	11
Iron and Steel	33.7	10
Transportation	29.4	9
Architectural Construction	29.0	8
Nonferrous Metals and Mining	28.5	8
Agriculture	27.6	8
Utilities	15.8	5
Chemicals, Plastics and Rubber	13.7	4
Engineered Construction	11.0	3
Other	35.9	10
	$342.5	100%

Raw Materials and Fuel

Principal raw materials, such as metal castings and forgings, are produced within Engineered Metal Products facilities, with some quantities purchased from commercial producers. Steel bars, billets, plates, structural forms and aluminum are purchased from mill and warehouse suppliers. Fuel oil, gas and electricity are the major fuels used, and the natural gas supply is backed up in some locations by propane stored in-plant and in reserve storage.

Competitive and Seasonal Conditions

There is significant competition in each of Engineered Metal Products business lines. Certain of the group's products generally sell at premium prices, and Koppers strong market position is based upon demonstrated excellence in design, performance, technical support and other specific factors.

Principal products and services are distributed mainly through the group's sales force, augmented in some lines by agents and distributors. Most business lines are not affected by seasonal fluctuations, although activity in certain environmental control equipment lines is affected by winter slowdowns in commercial and manufacturing plant construction.

Working capital amounts include repair parts inventories required for field service activities, as well as inventory parts kept on hand for standard machines to meet competitive delivery schedules. In certain lines, such as electrostatic precipitators and sound control products, working capital amounts include retainages that are receivable upon satisfactory performance of the installation.

Backlog

Engineered Metal Products backlog at the end of 1981 was $215.0 million, compared with $169.7 million a year earlier. Total backlog is believed to be firm, and approximately 90% is expected to be shipped in 1982. No significant seasonal factors influence the backlog.

Engineering and Construction Group

Engineering and Construction Business

Koppers is one of the world's largest designers and builders of basic steel plants, including coke ovens and related by-product chemical plants, blast furnaces, basic oxygen furnaces, continuous casting installations, sinter plants and pollution control equipment for the steelmaking process. Licensing arrangements permit the group to market electric arc furnaces and related steelmaking equipment in the Western Hemisphere.

The group is engaged, through KBW Gasification Systems, Inc., in the development of engineering and construction services for the production of synthetic fuels based on the entrained-bed coal gasification process, to produce gas for medium-Btu industrial fuels, for fuel to drive power-generating turbines, for use as chemical feedstocks, and for direct reduction of ores. The group also markets a reclaimer system for bulk material handling.

Current business is directly related to capital expenditures in the primary end of the steel industry. Most of the group's annual sales volume results from work on a relatively small number of large contracts, with a modest volume coming from repair work and replacement equipment. Potential synthetic fuels projects are dependent on actions by various government agencies for loan and price guarantees.

Raw Materials and Fuel

Large quantities of structural and fabricated steel, reinforcing bar, refractories, pipe, electrical wire and conduit are used in the group's construction work. These materials are purchased from others or supplied by subcontractors. No material shortages adversely affected operations in 1981, and it is expected that adequate supplies will be available in 1982 and beyond.

Engineering and construction capabilities encompass a broad range of expertise vital to industrial expansion.

Competitive and Seasonal Conditions

Koppers competes against other U.S. construction companies and against foreign design companies currently working in conjunction with U.S. builders on engineering and construction of domestic steel plant projects. Several large steel producers have internal engineering and construction capabilities. Competition for North American business has been intensified by a lack of capital spending in the world steel industry. Price and performance are major determinants in competition, although the amount of financial risk that the contractor is willing to assume has become a significant factor. Engineering and construction services are sold directly by the group's sales organization. Certain portions of any project may be subcontracted on a project-by-project basis.

Engineering and Construction business is seasonal to the extent that most construction activity is subject to disruptions from severe weather. Every effort is made in planning construction schedules to minimize the possible effects of weather.

Working capital employed in Engineering and Construction work is basically a function of billings rendered on contracts but not yet received. This varies with the volume of construction under way and also with a recent tendency of customers to increase the period between billing and reimbursement, particularly during periods of high interest costs.

Engineering and Construction 1981 Sales by End Market	($ Millions)	%
Iron and Steel	$55.8	95%
Nonferrous Metals and Mining	1.5	3
Other	1.3	2
	$58.6	100%

Backlog

The construction backlog was $23.5 million at the close of 1981, compared with $58.8 million a year earlier. The entire backlog is considered firm, and nearly all of the work is expected to be performed in 1982. The backlog is totally dependent upon the capital investment plans of the steel industry, which are currently at a depressed level. Potential exists for contracts involving engineering and construction of synthetic fuels plants.

Additional Description Of Koppers Business

Legal Proceedings

On July 13, 1979, Tyco Laboratories, Inc. initiated a complaint in the Court of Chancery of New Castle County, Delaware against Koppers and the directors of Cutler-Hammer, Inc. The complaint alleged essentially that the directors of Cutler-Hammer, in a civil conspiracy with Koppers, attempted to "chill the market" for Cutler-Hammer common stock owned or controlled by Tyco in order to deter further purchases by Tyco and thus to entrench the existing management of Cutler-Hammer. On March 2, 1981, the complaint was voluntarily dismissed by Tyco with prejudice to plaintiffs.

Commencing in 1976 and continuing into 1981, a total of 27 women had filed seven different lawsuits in the Court of Common Pleas in Allegheny County, Pennsylvania claiming damages in connection with the deaths of their husbands, allegedly induced by emissions from coke ovens built by Koppers for its customers between 1918 and 1958. Of these claims, 24 were finally dismissed on October 29, 1981 with prejudice to plaintiffs. Koppers insurance carrier is defending the remaining three suits with reservations of coverage. Koppers believes that it has valid defenses to the remaining claims (particularly since Koppers never operated the ovens) or, alternatively, that it has insurance coverage. Koppers management holds the view that this litigation will not result in any material liability to Koppers.

On September 17, 1981, Koppers filed a petition to the Supreme Court of the United States for review of Koppers conviction of having engaged in a combination and conspiracy in restraint of interstate trade in violation of Section 1 of the Sherman Act. This conviction was affirmed by the United States Court of Appeals for the Second Circuit on June 29, 1981 and involved charges that Koppers and another company engaged in collusive bidding and geographic allocation of road tar in sales to the State of Connecticut and its political subdivisions. On November 30, 1981, the United States Supreme Court denied Koppers petition. On October 8, 1981, Koppers agreed to a consent judgment for $100,000 in a companion civil action arising out of the same investigation filed by the State of Connecticut on August 14, 1979 in the United States District Court for the District of Connecticut.

On August 7, 1981, Inland Steel Corporation filed an action against Koppers in the Lake Superior Court, East Chicago, Indiana, alleging that delay in construction of a coke oven battery and blast furnace by Koppers at Inland's Indiana Harbor Works had caused Inland damages in the amount of $100 million. Venue in this action has been moved to the La Porte Circuit Court, La Porte, Indiana. Koppers management and legal advisors believe there are sound defenses against Inland's claim. Koppers has counterclaimed to recover $17 million still unpaid by Inland on the contract for construction of the coke oven battery and blast furnace.

Koppers is involved in environmental proceedings at a small percentage of its plants. These in the aggregate are not material to the business or financial condition of Koppers, nor will their total cost to Koppers exceed 10% of the current assets of Koppers and its subsidiaries on a consolidated basis. Koppers has no reason to believe that any governmental authority will impose sanctions in any such proceedings in excess of $100,000.

Environmental, Occupational Health and Safety Regulations

The Company is subject to federal, state and local regulations on the environmental impacts of solid waste disposal; air and water quality impacts of its manufacturing operations; toxic substance control; and occupational health and safety of its employees. About $4 million, or 4.5%, of Koppers capital investments for plant and equipment in 1981 went to eliminate pollution or to bring it within satisfactory levels. Environmental improvements are expected to account for a comparable proportion of the total funds invested in new facilities in 1982. No estimates are available for subsequent years. Operating expenses attributable to pollution control equipment are increasing at a rate roughly equivalent to the increases in the cumulative capital base of the Company. Although environmental regulations have not yet had a material adverse effect on operations, governmental action has required and may continue to require the Company to modify, supplement, replace or abandon equipment and facilities and may delay or impede construction and operation of new facilities. These potential costs cannot be forecast with precision.

Koppers, in common with many other enterprises, is subject to evolving regulations under the federal Occupational Safety and Health Act. Health and safety regulations have not materially affected the Company's operations in the past. If the standards applicable to chemical processors continue to be made more stringent, these regulations could affect certain of Koppers businesses more significantly in the future.

Some aspects of the Company's business will be affected by U.S. Environmental Protection Agency (EPA) regulations requiring premarket disclosure of the potential health and environmental impact of new chemicals and environmental and health testing of some existing chemicals. The promulgation of stringent federal regulations on chemical solid waste disposal under the Resource Conservation and Recovery Act will add substantially to operating costs in a number of Koppers chemically related businesses and may also require some remedial environmental cleanup at existing Company waste disposal sites. In related matters, ground water quality investigations have been or are being conducted at a number of current manufacturing sites as well as inactive plant sites.

As part of its continuing review of all pesticides, the EPA has issued "Rebuttable Presumption Against Re-registration" notice against three wood preservatives used or produced by Koppers—creosote, pentachlorophenol and arsenicals. The review process, which was begun in 1978, may be completed during 1982.

While the EPA has tentatively concluded that these wood preservatives should be reregistered, the conditions and use restrictions of that reregistration have not yet been settled. It is expected that the final conditions of reregistration will impose additional cost on the manufacturers and users of these preservatives. However, Koppers believes that the costs associated with implementing the final EPA regulations will not be substantial. Thus the market impact on these products will be small and will not have a material effect on the Company's earnings.

Exhibits for Form 10-K

The following exhibits are included as a part of the 1981 Form 10-K Report as required by Item 7 of Regulation S-K. Shareholders may obtain copies of the exhibits not presented here upon written request to: Secretary, Koppers Company, Inc., Koppers Building, Pittsburgh, Pa. 15219.

Exhibit A—3.1 Koppers Certificate of Incorporation, as amended, and the Certificate of Resolution, dated December 16, 1980, setting forth certain terms of Koppers $10 convertible preference stock, filed as exhibits 4.1 and 4.2 to Koppers Registration Statement No. 2-70174 and incorporated herein by this reference.

Exhibit B—3.2 Koppers By-Laws as amended to February 23, 1981, filed as exhibit 3.1 to Koppers Form 10-Q for the quarter ended March 31, 1981 and incorporated herein by this reference.

Exhibit C—10.1 An Incentive Plan for 1982 has been authorized by unanimous action of the Board of Directors for 92 key employees, of whom 22 are officers and two others are officers and directors of the Company, with the following method of determining incentive payments: There shall be credited to the incentive fund an amount equal to 4.3% of the Company's total income before any provision for incentive payments, interest, income taxes and extraordinary items, after deducting 12% of invested capital as defined in the Plan until the fund reaches $1.6 million and thereafter, 1.5% of income shall be credited to the fund. This credit is not to reduce the net income to common stock below an amount equivalent to 125% of the amount needed to cover the regular common stock cash dividends. Calculations will be reported on by the Company's certified public accountants. Participation in the Plan and distribution of the fund to the participants are determined by Company management except that participation by and distribution to the Chairman, Vice Chairman, Deputy Chairmen and the Presidents of the Groups are determined by the Compensation Committee of the Board of Directors. Only officers and other key employees are eligible to participate in the Plan. The members of the Compensation Committee do not participate in the Plan.

Exhibit D—10.2 Koppers Deferred Compensation Unit Plan.

Exhibit E—10.3 Koppers Deferred Compensation Plan for Directors.

Exhibit F—22.1 Koppers has the following subsidiaries whose accounts are included in its consolidated financial statements. The Company also has 46 other subsidiaries, which are not named here because all of them, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Subsidiary and Jurisdiction of Incorporation

Broderick and Gibbons, Inc.—Colorado
The Buffalo Slag Co., Inc.—New York
Cherokee Crushed Stone, Inc.—Delaware
Culpeper Stone Company, Inc.—Virginia
Dantzler Lumber & Export Company—Florida
Eastern Rock Products, Inc.—New York
Echols Brothers, Inc.—Delaware
Environmental Elements Corporation—Delaware
Erie Sand and Gravel Company—Pennsylvania
  Erie Sand Steamship Co.—Delaware
  Ontario-Lake Erie Sand Ltd.—Canada
Fairfield Bridge Company, Inc.—Delaware
The General Crushed Stone Company—Delaware
  Chester Carriers, Inc.—Delaware
  Easton Mack Truck Sales, Inc.—Pennsylvania
  The Stone Man, Inc.—Delaware
Sim J. Harris Company—Delaware
Honolulu Wood Treating Co., Ltd.—Hawaii
Ivy Corporation—Delaware
  Davidson Meadow Corporation—Delaware (a holding company)
  Davidson Mineral Properties, Inc.—Delaware
    The Atlanta, Stone Mountain and Lithonia Railway Company—Georgia
  Gainesville Stone Company, Incorporated—Georgia
  Meadow Steel Products, Inc.—Delaware
  Meadow Steel Products, Inc. (Texas)—Texas
  North Georgia Crushed Stone Corporation—Georgia
Kaiser Sand and Gravel Company—Delaware
The Kentucky Stone Company—Kentucky
Koppers Engineered Products Limited—Ontario, Canada
Koppers International Canada Ltd.—Canada
Lycoming Silica Sand Company—Pennsylvania
The McMichael Company—Delaware
  McMichael Asphalt Sales Co.—Oklahoma
  McMichael Concrete Co.—Oklahoma
  Tulsa Concrete Co.—Oklahoma
  Tulsa Paving Co.—Oklahoma
  Tulsa Rock Co.—Oklahoma
Parr, Inc.—Delaware
Sterling Paving Co.—Colorado
Sterling Sand & Gravel Co.—Colorado
Sterling Sand & Gravel Co. of Wyoming—Wyoming
Sully-Miller Contracting Company—California
  P&K Materials, Inc.—California
  South Coast Asphalt Products Co.—California
  Southern Pacific Milling Co.—California
Susquehanna Quarry Co.—Pennsylvania
Nello L. Teer Co.—Delaware
  Central Engineering and Contracting Corporation—North Carolina
  Romeo Guest Associates, Inc.—North Carolina
  Nello L. Teer International, Inc.—Delaware
  Webster County Coal Company—North Carolina
Thiem Corporation—Delaware
U.S. Plastic and Chemical Corporation—Delaware
Western Paving Construction Co.—Colorado
  Mid-Kansas Construction Company, Inc.—Kansas

Signatures Required for Form 10-K

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Koppers has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on February 22, 1982.

Koppers Company, Inc.

By ______________________
A. William Capone
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of Koppers and in the capacities indicated on February 22, 1982.

Fletcher L. Byrom
Chairman of the Board of Directors
(Chief Executive Officer)

Fitzhugh L. Brown
Comptroller

Curtis E. Jones, Director

Richard M. Cyert, Director

Andrew W. Mathieson, Director

Douglas Grymes, Director

Nathan W. Pearson, Director

Koppers Company, Inc.
Koppers Building
Pittsburgh, Pa. 15219
Area Code 412/227-2000

Common Stock
Symbol: KOP

Exchange Listings:
New York Stock Exchange
Midwest Stock Exchange
Pacific Stock Exchange

Transfer Agents:
Mellon Bank N.A.
Mellon Square
Pittsburgh, Pa. 15230

Bradford Trust Company
2 Broadway
New York, N.Y. 10004

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Ill. 60690

Bank of America National Trust and Savings Association
55 Hawthorne Street
San Francisco, Cal. 94105

Stock Registrars:
Pittsburgh National Bank
P. O. Box 340746P
Pittsburgh, Pa. 15230

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, N.Y. 10015

Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street
Chicago, Ill. 60601

Wells Fargo Bank, National Association
420 Montgomery Street
San Francisco, Cal. 94144

Dividend Disbursing Agent:
Mellon Bank N.A.
Mellon Square
Pittsburgh, Pa. 15230

General Subject Index

To aid the annual report reader who is interested in general subject areas, the following index is an alphabetical guide with specific page references. It is based upon a judgment as to those items most often referred to and should not be considered a complete listing.

Information on Koppers Operations:

KOPPERS

1982 Annual Report and Form 10-K

"The decisions carried out in 1982, or now in the process of being implemented, will make Koppers leaner, more aggressive and more profitable."

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, 1982

Commission File Number 1-3224

Koppers Company, Inc.

A Delaware Corporation
IRS Employer Identification No. 25-0904665

Koppers Building, Pittsburgh, Pennsylvania 15219 (412) 227-2000

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

Common Stock $1.25 Par Value	Registered: New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange
Cumulative Preferred Stock 4% Series, $100 Par Value	Registered: New York Stock Exchange
$10 Convertible Preference Stock No Par Value	Registered: New York Stock Exchange

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS REPORT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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, and (2) has been subject to such filing requirements for the past 90 days.
Yes X No __

As of March 7, 1983, 27,910,834 shares of common stock were outstanding, and the aggregate market value of the shares of Koppers common stock (based upon the closing price of these shares on the New York Stock Exchange/composite tape) held by nonaffiliates was approximately $474.4 million. For this computation, Koppers has excluded the market value of all common stock beneficially owned by officers and directors of Koppers and their associates as a group, and all common stock held by Mellon Bank N.A. Such exclusion is not to signify in any way that any of such persons are "affiliates" of Koppers.

Documents Incorporated by Reference	Part
Koppers 1982 annual report to shareholders and Form 10-K are combined in this document.	
Koppers proxy statement dated March 18, 1983 for the 1983 annual meeting.	I, III

Annual Report and Form 10-K
This 1982 annual report to shareholders incorporates all material required in Koppers 1982 Form 10-K filed with the Securities and Exchange Commission. **The table of contents for Koppers 1982 Form 10-K is on page 21.** Koppers 1982 Annual Report and Form 10-K are combined in this document to provide all Koppers shareholders, as well as others interested in Koppers, timely access to this comprehensive material. (Portions of the 1982 annual report to shareholders, such as the "Chairman's Letter to Koppers Shareholders," are not required by the Form 10-K and are not "filed" with the Securities and Exchange Commission. Only those sections of the annual report referenced in the 10-K index on page 21 and in the index on page 24 are part of the Form 10-K and filed with the Securities and Exchange Commission.)

Koppers Company, Inc./1982 at a Glance

($ Millions, except per share figures)	1982	1981
Total sales from continuing operations	**$1,585.2**	$1,909.7
Net income (loss) from continuing operations	**$ (31.1)**	$ 52.1
Earnings (loss) per share of common stock:		
From continuing operations	**$ (1.41)**	$ 1.60
Net to common stock	**$ (1.67)**	$ 1.58
Dividends per share of common stock	**$ 1.40**	$ 1.40
Return on average common equity	**(7.8%)**	7.2%
Capital expenditures	**$ 76.7**	$ 182.1
Backlog at year end	**$ 369.2**	$ 437.2

Koppers is a diversified manufacturing company with specialized engineering and construction capabilities. Its more than 100 types of products and services go into four major segments of the economy: architectural construction, nonbuilding construction, manufacturers' capital equipment and industrial production.

The Company has endured three consecutive years of progressively worsening recession. Management's determined efforts have succeeded in maintaining Koppers traditionally strong financial condition. With a recently expanded, efficient manufacturing base that has substantial unused capacity, Koppers immediate performance goals include:

- **Aggressively using its leadership position in major businesses to gain more efficient levels of operation;**
- **Moving its depressed return on equity back into a range of 15%-18%;**
- **Further streamlining and tailoring existing operations to cope with structural changes in the economy and other business changes.**

With economic recovery will come the high levels of funds realized from Koppers operations prior to 1982 and therewith the renewed potential for increasing capital expansion. Investments will be made in projects that:

- **Relate to what Koppers knows through experience with raw materials, market participation, production or technology;**
- **Make Koppers a low-cost producer;**
- **Give Koppers a leadership position in major market segments served.**

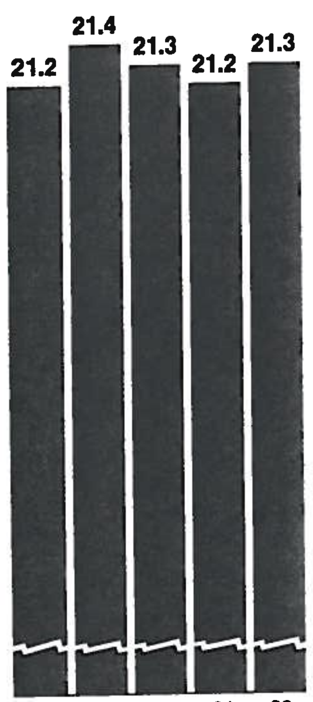
Discussion of the Company's business appears in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Koppers Business."

Annual Meeting
The annual meeting of the shareholders of the Company will be held at 11 a.m. on Monday, April 25, 1983 in the Pittsburgh Room of The William Penn Hotel, Pittsburgh, Pennsylvania.

Inside This 1982 Annual Report

To Our Shareholders:

Gross Operating Profit Margin
(Percentage)



Declining domestic and world economic activity since 1979 has severely tested the ability of U.S. corporations to survive. The year just past brought the greatest challenges of all.

In 1982, as in the two preceding years, management successfully maintained Koppers strong financial position despite seriously depressed business levels in a number of our major end markets. That success demanded—and got—stern measures on the part of management. Such measures point in one certain direction:

The decisions carried out in 1982, or now in the process of being implemented, will make Koppers leaner, more aggressive and more profitable.

Nonrecurring Expenses Lowered Income

We accomplished extensive cost reductions. A number of assets were sold, written off, or written down in value at year end. This accounted for nearly one-third of the $46.2 million (after taxes) in nonrecurring charges against 1982 income, charges that produced a net loss of $31.1 million from continuing operations. More than one-half of the nonrecurring charges resulted from recognition of the decline in the value of our Richmond Tank Car Company investment. The balance was due to severance and other one-time costs.

However, the reported $1.41 per common share net loss from continuing operations does not tell the whole story. Comparison of total funds generated by Koppers from all sources against funds paid out, as discussed on page 19, reveals a positive cash flow. As a result, the Company has adequate liquidity to fund higher operating levels should the expected economic recovery get under way and/or to increase capital expenditures should appropriate growth opportunities develop.

As in any year, our 1982 performance must be assessed against the background of prevailing business conditions, which were exceptionally unfavorable to Koppers end markets.

All of our operating groups registered reduced sales and income in 1982. The 17% drop in Koppers sales was due primarily to declines in unit volumes, although disposals and closings of certain operations also contributed.

Cost Reductions Extensive

As the economic decline deepened during the year, Koppers intensified its countermeasures, especially through efforts to lower break-even points throughout its operations.

- We lowered the number of our employees by more than 20%. Total wages and salaries paid dropped by $47 million. Certain employee benefits were reduced.
- We closed or sold more than a dozen operating units in 1982 or early 1983 and are currently negotiating the sale of others. These were among the "targets for correction" cited in our last annual report. Collectively, they accounted for $7.7 million in operating losses in 1982 and have not operated profitably in the past three years.
- We scheduled a number of other plants for either shutdown or substantial streamlining in 1983.
- In addition, we made provision at year end for the sale of the environmental control and mineral processing equipment operations. Negotiations for their sale are still proceeding. Nevertheless, accounting procedures instruct that sales and operating losses, as well as losses on planned disposal of these businesses, be excluded from Koppers operating results in 1982 and the two previous years. The after-tax effect of this provision further lowered 1982 earnings to a $1.67 per share loss.

On January 31, 1983, the Board of Directors voted to lower the quarterly dividend to 20¢ from 35¢. Postponed as long as possible, the decision recognized concern about the prospects for a sustained economic upturn.

The impact of our cost reductions will grow in 1983 and beyond, especially as unit sales improve. The chart at the left, which traces the five-year relationship of Koppers Cost of Sales to Sales, provides visible evidence of the effect on 1982 results. In spite of the continuing deterioration in our unit sales over the past three years, and especially in 1982, our gross operating profit margin (Sales less Cost of Sales divided by Sales) recorded a modest improvement in 1982.

Charles R. Pullin

Preparing for Change

We believe that our existing operational strengths will find their best use in those sectors of the economy that are fundamental to the nation's productive base, primarily industries that are vital to the American infrastructure.

It is management's responsibility, however, to monitor contemporary change and to reduce Koppers dependence on end markets with diminished growth potentials. Over the past few years, almost all of our sales have gone to some of the most battered sectors of the economy.

These sectors have remained in a trough for most of the past two years. While we feel that their cycles will rise again, we do not expect them to reach their former crests for some time to come.

We have for several years been adapting to perceived changes, a process slowed by the depressed state of the economy. We will nevertheless continue to concentrate on those businesses in which our strengths give us a unique competitive position and in which there is good potential for acceptable growth. The following section, "Looking Back, Planning Ahead", provides an assessment of Koppers progress along this front.

As we move ahead, we will profit from the management philosophy bequeathed to us by Fletcher L. Byrom, who retired as Chairman of the Board in 1982. (Please see page 37.) This does not mean that we will be frozen in our present position. Neither will we cling to traditional business segments when circumstances indicate that we should strike out in new directions, de-emphasizing areas whose economic cycles hamper the Company's prospects.

In late 1982, we signed a letter of intent with the U.S. Synthetic Fuels Corporation for adequate loan and price guarantees to justify our participation in a North Carolina project for the conversion of peat into methanol. This project, which calls on our KBW coal gasification technology, provides an excellent opportunity, at acceptable risk, for Koppers to establish a foothold in an emerging industry.

The Outlook

The current outlook is similar to that which prevailed at this same point in each of the past two years, when the economists' encouraging projections were dashed by the reality of recession.

This coincidence alone is cause for concern. We still feel that those factors which Koppers management can directly control are moving along a favorable path. We will continue to operate as a lean enterprise. We will closely limit our investment in fixed assets and working capital in 1983 so long as observable business conditions dictate that we should do so. We will further reduce operating costs and pursue vigorous marketing strategies to improve our market positions.

Within this atmosphere of caution, there resides some reason for optimism. The 5¢-per-gallon increase in the federal tax on transportation fuels will improve the prospects in markets for our road maintenance and construction materials and services. Initiation of the North Carolina synthetic fuels project in 1983 would benefit the Company as supplier, operator and equity holder. The recent declines in interest and inflation rates are certainly positive indications. Still needed, however, is a solution of the possible conflict between federal fiscal and monetary policies that would permit these favorable trends to lead to a sustainable recovery.

If the domestic economy in 1983 proceeds on a course of moderate recovery, which the consensus now foresees, Koppers will show a significant improvement from the depressed results of 1982.

C R Pullin

Charles R. Pullin
Chairman of the Board

February 15, 1983

Looking Back, Planning Ahead

Koppers remains convinced that the United States, in order to restore its economic health, must modernize its aging production base and revitalize the decaying elements—from highways to sewage systems—that constitute its infrastructure.

The table on page 7 shows that the diversified manufacturing base Koppers has formed now serves four basic sectors of the economy encompassing many of the industries that compose the production base and infrastructure of our nation.

As the adjacent charts show, little progress has been made in the past five years toward improving these fundamental segments of our economic society. High interest rates, inflation and other factors have held down needed investment. Overall business volumes in the four segments are measured in actual and inflation-adjusted dollars and production levels.

Nonbuilding Construction activity, adjusted for inflation, has been declining for the past three years. With three-fourths of all money spent on roads coming from state or local governments, fuel tax revenues have fallen.

Architectural Construction has stagnated, as housing has recovered only slowly. Widespread weakness in commercial and industrial construction was masked by strong office-complex activity.

Manufacturers' Capital Equipment has suffered a three-year drop in demand. Capacity utilization within the manufacturing sector has fallen to below 70%, a record. Structural changes within the economy are creating permanent declines in numerous basic industries.

Industrial Production in 1982, adjusted for inflation, was less than in 1977, as the need to reduce inventories has cut output. The greatest weaknesses were in autos and consumer durables, along with metals and building products. Changes and dislocations in certain industries will not be sorted out for years.

What We Have Done

In response to these and other developments, Koppers has reassessed its operating and growth strategies, withdrawing from nearly 10 businesses, selling or closing more than a dozen marginal plants and reducing operations at numerous others. At the end of 1982, negotiations were under way to sell the environmental systems and mineral processing equipment businesses, as well as other Company assets.

With depressed businesses streamlined, the Company has fought to strengthen the market positions of its core operations, determined to emerge in better operating and financial shape than when the current recession began.

Organic Materials continued to enhance its leadership position in major end markets for coal tar pitches, thanks to high product quality and efficient, well-located plants.

The group has eliminated marginal chemical lines, shifted from petroleum feedstocks to more internally generated raw materials, and slashed plant operating costs. Overcapacity in certain commodity chemicals is producing stiff price competition.

The group has increased its share of the foundry coke market through superior product quality. Weak demand and intense price competition continue.

Two major new products—a cold-applied roofing system and phenolic foam insulation—are designed to strengthen Koppers lead as a supplier of premium building materials.

With modern plants, certain unprofitable businesses eliminated and capacity utilization at less than 50%, Organic Materials has the potential for a dramatic earnings turnaround during an economic recovery.

Road Materials—This group has cut operating costs and competed strenuously for available business. Emphasis on greater integration of certain regional operations has helped to expand Koppers position from a supplier of crushed aggregates into additional materials processing and into construction contracting services.

The group has withdrawn in recent years from four geographic markets that no longer fit its strategies and will continue to explore opportunities in new, fast-growing regions.

Forest Products—To improve its return on investment, this group has closed or is selling eight U.S. treating plants, sold Canadian spruce lumber operations and withdrawn from the Canadian wood-treating market. Hardwood timberlands and sawmills are being disposed of. Internally developed wood-waste burning systems now save more than $4 million annually in plant fuel costs. Plant productivity has steadily improved.

Forest Products has maintained its leadership in wood treatment and wood-treating chemicals. That position could improve as other companies withdraw in the face of competitive or environmental problems and with the favorable acceptance of new products.

Engineered Metal Products—This group is being streamlined. The Company has sold or closed several plants and disposed of one business. As noted earlier, we are in the process of negotiating to sell the environmental systems and mineral processing equipment operations. The container machinery business has been scaled back to supply spare parts and selected machinery. The group's strongest product lines are intact.

A new piston ring plant will improve overall efficiencies and help to advance Koppers technological lead in the diesel engine industry. Backward integration has increased the value added in our power transmission couplings operations.

Sprout-Waldron has greatly modernized and expanded its facilities for the production of materials processing equipment. Its improved technology for the pulp and paper industry has firmly established Koppers world leadership.

Engineering and Construction—This group has been hard hit by the prolonged depression in the domestic steel industry. With virtually no backlog of steelmaking projects, the group has cut employment by about 60% in the past year. Capabilities are now concentrated on the synthetic fuels project in which Koppers will hold a major equity position.

Koppers Prospects

In the short run, Koppers will be smaller and more concentrated in businesses in which its leadership derives from efficient plants, low production costs, high product quality and strong market shares. It will be a more profitable company, well-armed to compete in an uncertain, potentially volatile economy.

The Company could resume its profitability in 1983 if interest rates continue downward and if trends currently in motion continue favorable in certain of the economic sectors in which Koppers is positioned. These are discussed in the charts above.

Also promising is the possible investment in a synthetic fuels project in North Carolina. Initially, Koppers will receive design, engineering and construction revenues that could total $200 million in the next three years. Site preparation was started in 1982, with operation scheduled to begin in 1986. The unit will convert peat into about 60 million gallons of methanol annually for use as a motor fuel or as an additive to raise the octane rating of gasoline.

Venture Capital Investments

For some years to come, the largest share of our strength and growth will derive from the businesses we have in place today, supported by the most modern and efficient physical plant in our history and by a reputation for quality and market leadership.

We are still convinced that energetic development of our existing capabilities will bring forth opportunities for long-term growth. In addition, we have invested in venture capital operations to expand our technological scope. These continued to progress in 1982.

Genex, with Koppers owning a major share, is a leading genetic engineering organization. Genex has two products in pilot production and has a high level of research under way.

DNAP, active in agricultural biotechnology, is carrying on research for major food companies to develop new, disease-resistant varieties of tomatoes, coffee, sugar cane, tobacco and other plants.

Engenics concentrates on translating laboratory results in genetic engineering into production, moving through process design and scale-ups into full-scale manufacturing aided by continuous analytical hardware.

Ceramatec, a researcher-manufacturer in high-technology ceramics, carries out industry and government projects covering a range from microelectronics to aerospace fuel cells and high-temperature diesel engines.

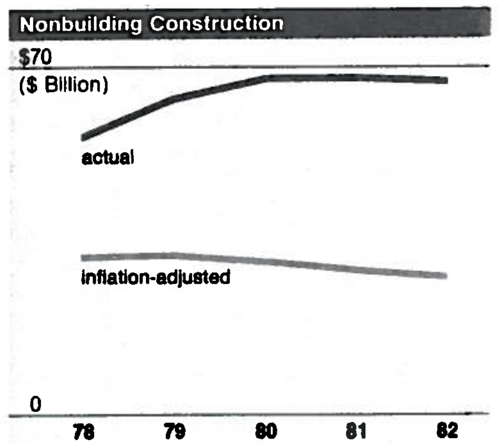
EOTec is a leader in fiber optics research in communications, sensors and specialty glass. It develops and sells short-range data cables for process controls and computer-networking. It also offers proprietary technology for telecommunication networks.

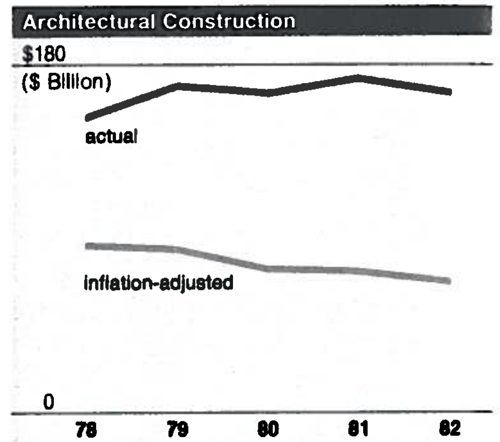
American Robot is a developer of electric motor drive robots for the high-precision electronics and auto industries. "MERLIN," its modular, expandable robot line, won acclaim after its commercial introduction.

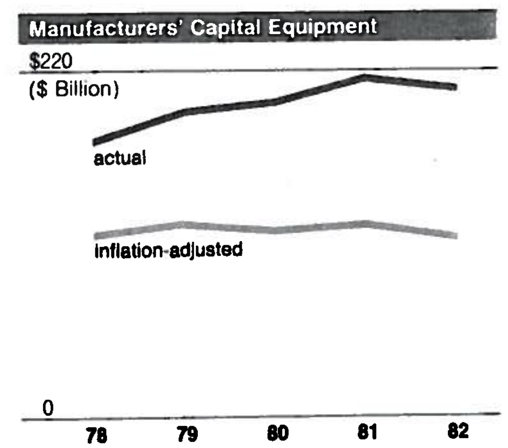
METCAL produces space-age metallurgical materials with unique energy and process control efficiencies. It combines exotic metallic materials into heating elements and electrical connections that can reach a given temperature, sense it, and then self-regulate to reduce power.

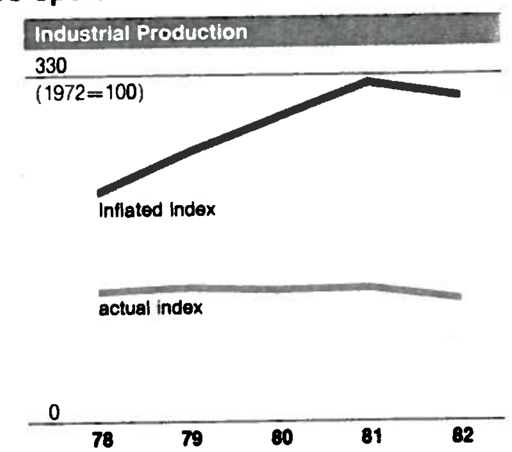
We remain confident that Koppers will continue to find ways of adapting certain of these technologies to our businesses that will achieve lasting benefits.

These four economic segments, depressed by the prolonged recession, have the greatest impact on Koppers operations.









■ ***Nonbuilding construction—Housing starts stimulate work on roads, streets, sewers, utility lines and other projects that are part of the nearly 45% of Company sales. Koppers is especially oriented toward highway construction and repair, aware that more than 60% of the nation's two million miles of paved roads are rated fair to poor. The 5¢-per-gallon gasoline tax boost is expected to spur highway construction and maintenance for a number of years. Also important to Koppers is the nation's rail system. Upgrading of deteriorated track systems, active for a while, was interrupted by the rail industry's decline in 1982. Crosstie sales are expected to pick up as economic recovery develops.***

■ ***Architectural construction—Although our direct participation in housing is modest, new starts trigger the need for shopping centers, office complexes and other commercial and institutional structures to strengthen Koppers sales that go into building and construction materials.***

■ ***Industrial production—Sustained recovery in such industries as autos, consumer durables, aluminum, tires and steel would begin to utilize the operating leverage that exists in Organic Materials. This could lead to strong income improvements.***

■ ***Manufacturers' capital equipment—Prospects are not as favorable in this sector although disposal of several unprofitable businesses and marginal plants should prove helpful. Industries important to Koppers here include paper and packaging, diesel and aircraft engine manufacture, food and grain processing, and petroleum and steel production. Sustained recovery could bring renewed investment in capital equipment in late 1983 and beyond.***

Koppers Operating Results by Business Segments

($ Millions)	Year	Sales	Operating Income (Loss)	During 1982	Near-Term Outlook
Organic Materials	**82** 81	**$ 535.3** $ 678.1	**$ 8.5** $ 29.2	Income declined as weak demand reduced sales. Nonrecurring expenses lowered income in each year. Chemical plant capacity utilization fell to 42%. Drop in furnace coke sales deepened losses. Binder pitch volume was off 38%; creosote, 21%. Favorable mix in coatings, polyester resins improved income. New foam insulation product was introduced.	**Major end markets continue depressed. Improving signs in auto, tire, aluminum, consumer durables production could begin income turnaround. Lower interest rates would aid building materials upturn, introduction of new foam insulation products. Cost reductions will contribute to recovery.**
Road Materials	**82** 81	**$ 485.9** $ 541.9	**$ 38.9** $ 57.9	Severe weather in Western markets, weak demand in nonbuilding construction, nonrecurring expenses resulted in lower earnings. Intense competition offset cost reductions. Shipments of aggregates fell 10%. Income also was reduced by lower overseas construction volume.	**Gasoline tax increase will add $4.4 billion annually to federal funds for highway and road improvements starting in 1983. Gains in housing construction, lower interest rates should lead to pickup in other nonbuilding construction.**
Forest Products	**82** 81	**$ 297.1** $ 379.8	**$ 10.3** $ 42.9	Weak demand in railroad, utility, construction markets lowered sales and income in the treated-wood business. Cost reductions helped offset lower crosstie shipments. Depressed demand for wood-treating chemicals began to improve near year end. Plant closings, other nonrecurring expenses cut income.	**Lower railroad carloadings point to continued low crosstie sales. Early signs are visible of improving railroad shipments. Actions to close marginal plants, other cost reductions should benefit performance. Lower interest rates should renew demand for treated lumber, wood-treating chemicals.**
Engineered Metal Products	**82** 81	**$ 215.5** $ 233.6	**$ 4.9** $ 13.4	Demand fell for industrial capital equipment, components. Income was penalized also by disposal of businesses, severance, other nonrecurring charges. Results rose in Sprout-Waldron as demand was high for advanced pulping systems for paper industry. Piston rings, couplings, container machinery operated at lower levels.	**With backlogs low in most product lines, 1983 improvement will rely on favorable impact of disposals, other cost reductions, moderate demand upturn. Future improvements will result from recoveries in such industries as paper, diesel and aircraft engines, food and grain processing, petroleum, steel.**
Engineering and Construction	**82** 81	**$ 32.9** $ 58.6	**$ (16.3)** $ (7.6)	Depressed conditions in steel industry resulted in lack of new contracts in 1982. Sales fell to substantially less than break-even. Much of loss was from severance costs. Capabilities are now concentrated on potential synthetic fuels project.	**Low capacity utilization in steel industry, intense competition are expected to hold construction volume at a low level. Anticipated start of North Carolina synfuels project could help construction volume during 1983-1985.**
Miscellaneous	**82** 81	**$ 18.5** $ 17.7	**$ (46.0)** $ 6.9	Slack demand in utility, other markets reduced income from coal operations. Loss resulted from write-down of investment in Richmond Tank Car Company, development costs on synthetic fuels project.	**Recovery should improve demand for coal. Agreement on loan and price guarantees for synthetic fuels project could result in equity investment. Methanol seen as emerging transportation fuel.**
Total	**82** 81	**$1,585.2** $1,909.7	**$ 0.3** $142.7		
	82 81		**$ 25.5** $ 22.5	**General Corporate Overhead**	
	82 81		**$ (25.2)** $120.2	**Income (Loss) Before Interest Expense and Income Taxes**	

Koppers Sales to Major Economic Sectors

As the following table shows, Koppers sales go to four broad segments of the U.S. economy. The specific end markets within each segment that are most important to Koppers are listed in parentheses.

($ Millions)	Year	Sales	% Total	During 1982	Near-Term Outlook
Nonbuilding Construction (Products and construction services used in highways, roads, bridges, streets and such other infrastructure facilities as railroads, utilities and pipelines; iron and steel)	**82** 81	**$711.4** $824.3	**44.9** 43.2	Total sales in the nonbuilding construction sector fell by nearly 5% in inflation-adjusted dollars. Highway spending continued near the same low level as the previous year, weakening demand for aggregates. Steel industry expenditures were slightly higher than in 1981, but projects in primary production met with delays and cancellations. Railroads and utilities curtailed spending for maintenance and new facilities, reduced sales of treated wood products.	**The newly enacted transportation fuels tax will improve state and local financing for highway construction and maintenance, with the greater effect to start in the last half of 1983. Steel industry investment will remain extremely low because of continued financial weakness and marginal operating rates. Railroads and utilities are expected to make further cutbacks in expenditures before recovery stimulates an upturn in demand.**
Architectural Construction (Building materials for commercial, industrial and residential structures)	**82** 81	**$217.2** $273.9	**13.7** 14.3	Housing starts were at depressed levels for most of the year, with expenditures down 16% for new homes, additions and alterations. Office building construction peaked with a 30% rise during the year, but most other areas of nonresidential building activity declined from the previous year's levels. Overall reduction in architectural construction activity was more than 7% in 1982, resulting in general weakness for Company's construction products.	**New housing starts are forecast to rise 25% to 30% in 1983, with deferred demand supported by lower mortgage rates and improving real incomes. The office building boom has ended, with activity expected to drop by 10% or more. The total of nonresidential building will be lower after adjusting for inflation. This is expected to include a drop in new factory construction, stores, schools, hospitals, other types of buildings.**
Manufacturers' Capital Equipment (Components and machinery used in paper and packaging, transportation, agriculture, food and grain processing, steel, pipelines)	**82** 81	**$215.6** $233.7	**13.6** 12.2	Businesses reduced new equipment investments by 6% to 7% because of weak end-market demand and lower profits. Capacity utilization dropped to the lowest level in nearly 40 years and borrowing costs were high throughout the year, further eroding incentives to expand.	**Major capacity expansions will not be triggered until operating rates climb substantially higher. Real interest rates remain high and cash flow, though expected to improve, is still sluggish. Recovery in capital equipment markets is not foreseen before late 1983 or 1984.**
Industrial Production (Products used by producers of chemicals, plastics, rubber, lumber and wood, ferrous and nonferrous metals, mineral ores)	**82** 81	**$441.0** $577.8	**27.8** 30.3	Total industrial output dropped 8%, but declines were even more severe for a number of key markets: automobiles, basic chemicals, steel mills, foundries, aluminum, railroad equipment, metal mining. Coal mining and utilities held about even with the previous year's output, but all other sectors declined. Prices were weaker for most Company products sold to the industrial sector.	**Industry output is forecast to rise 2% to 3% in 1983. Auto sales are expected to increase by about one million units, mostly domestic production. Steel and iron castings markets should bounce back from depressed levels. Moderate improvement is expected for paper, chemicals, tires and rubber, lumber and coal, but recovery in the machinery sector is likely to lag.**
Total Sales	**82** 81	**$1,585.2** $1,909.7	**100%** 100%		

Shareholder Information

Market for Koppers Common Stock and Related Security Holder Information
Koppers common stock, $1.25 par value, is principally traded on the New York Stock Exchange and is listed also on the Midwest and Pacific stock exchanges. The tables below present its high and low market prices, and dividend information. Cash dividends have been paid on these shares every year since 1944, the year the Company was incorporated.

Long-term debt agreements and the terms of Koppers cumulative preferred stock, $100 par value, 4% Series, and Koppers $10 convertible preference stock, no par value, include certain restrictive covenants. These, among other things, prohibit certain aggregate amounts of the Company's dividends and distributions on its stock from exceeding specified levels. The most restrictive provision, contained in a long-term debt agreement that matures in the year 1998, permitted $110,035,000 of consolidated earnings retained in the business to be available for cash dividends in 1982.

Cumulative Preferred Stock
The outstanding shares of cumulative preferred stock, $100 par value, 4% Series, may be redeemed at the option of the Company, as a whole or in part, at any time upon not less than 30 nor more than 60 days' notice, at $107.75 per share, together with accrued and unpaid dividends to the date fixed for redemption. Although the Company also has the right, with the approval of the Board of Directors, to repurchase cumulative preferred shares in the open market, it has no current plans to redeem or repurchase shares.

$10 Convertible Preference Stock
The outstanding shares of $10 convertible preference stock, no par value, may be converted into shares of common stock of the Company at any time, unless previously redeemed, at the conversion price of $28.75 per share, subject to adjustment in certain events. The preference stock is not redeemable prior to December 15, 1983 and, on and after such date, is redeemable on not less than 30 days' notice at the option of the Company at a price beginning at $107.00 per share and declining by $1 per share each year through 1990.

Equity Security Holders

Title of Class	Number of Shareholders of Record on March 7, 1983
Common Stock, $1.25 Par Value	20,491
Cumulative Preferred Stock, $100 Par Value	1,286
Convertible Preference Stock	501

Continuing Growth of Participation in Dividend Reinvestment Plans
More than 14% of Koppers shareowners participated in the Company's cost-free Dividend Reinvestment/Cash Payment Plan in 1982. The number of participants grew by more than 31% during the year, to nearly 3,000. Participating shareholders invested nearly $1 million to purchase almost 70,000 additional shares during 1982. These plans enable shareholders, on a cost-free basis, to:

- Elect to invest common and/or preferred dividends in shares of Koppers common stock; and/or
- Purchase additional Koppers common stock by making voluntary cash payments of $25 to $1,000 in any month.

Shareholders may obtain further information on these plans by writing to Mellon Bank N.A., Stock Transfer Section, P.O. Box 444, Pittsburgh, Pennsylvania 15230.

Koppers Common Stock Statistics

	1982	1981	1980	1979	1978
Common stock price ranges on NYSE/Composite:					
High	$18¼	$27⅞	$35¼	$27⅝	$24⅝
Low	11¼	16⅛	19	17⅜	18¾
Close	16	17	25	27	20⅛
Volume traded (in thousands)	11,445	8,781	7,780	4,183	4,684
% of shares outstanding	41%	32%	29%	16%	19%

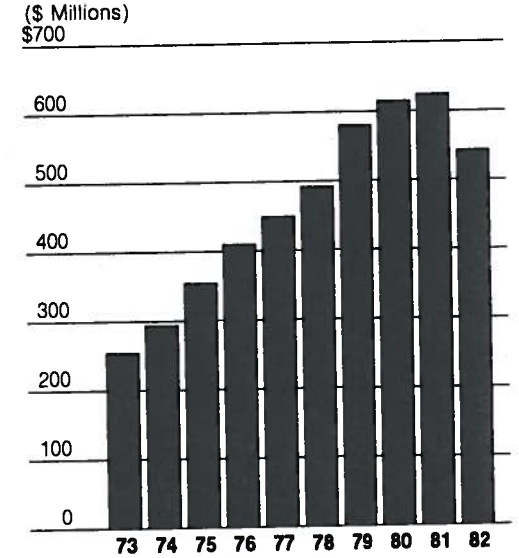
Quarterly Common Stock Price Ranges and Dividends

	1982			1981		
Quarter	High	Low	Dividend	High	Low	Dividend
1st	$17⅞	$14	$0.35	$27⅞	$20¾	$0.35
2nd	16¼	13	0.35	27¼	22½	0.35
3rd	14⅜	11¼	0.35	24⅞	17¼	0.35
4th	18¼	12⅜	0.35	18¾	16⅛	0.35

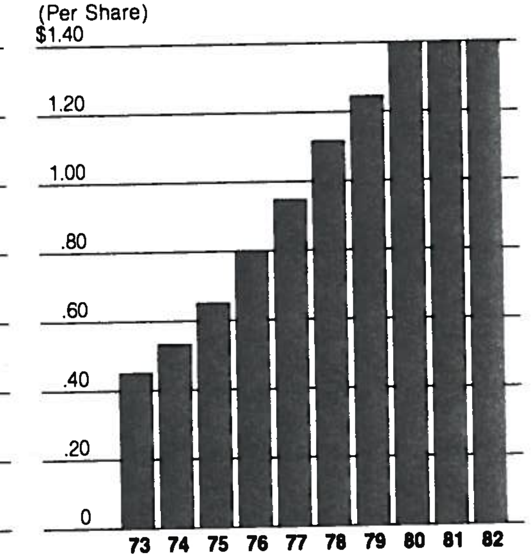
The Shareholders' Scorecard

This series of charts illustrates how owners of Koppers common stock have fared over the past 10 years. Value of the Company's common equity, although slightly reduced by the 1982 loss, has substantially more than doubled. The dividend has plateaued for three years, yet continued ahead of inflation and increased threefold in the recent decade. Price of the common stock fluctuated widely in recent years and, despite the 1981-1982 decline, continues ahead of leading market indices. The total return (stock appreciation plus dividends reinvested) also has kept Koppers shareholders ahead of inflation. This chart shows in effect that $1,000 invested in Koppers common stock at the start of 1973 would have grown to $3,059 at the close of 1982.

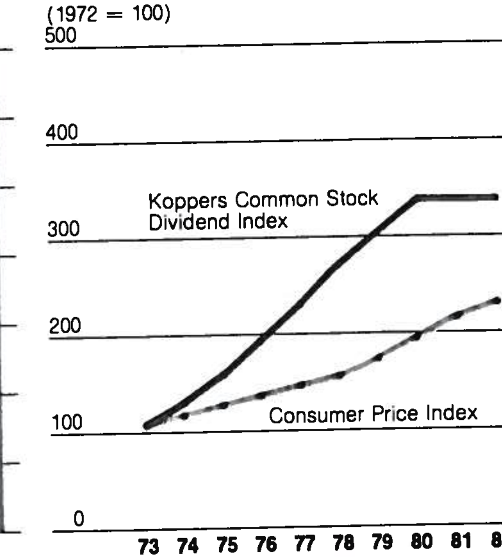
Common Shareholders' Equity
($ Millions)



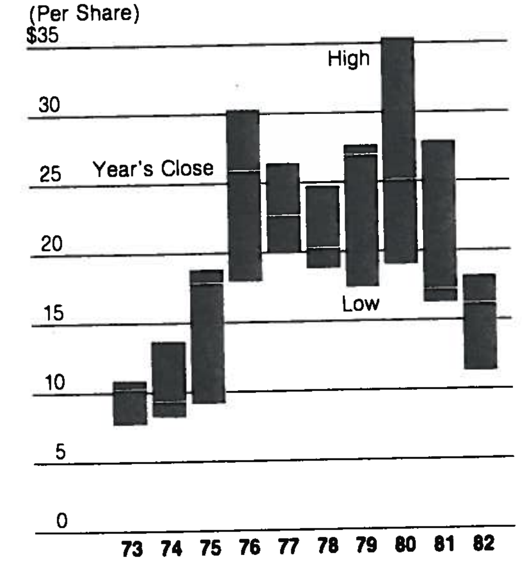
Annual Common Dividend
(Per Share)



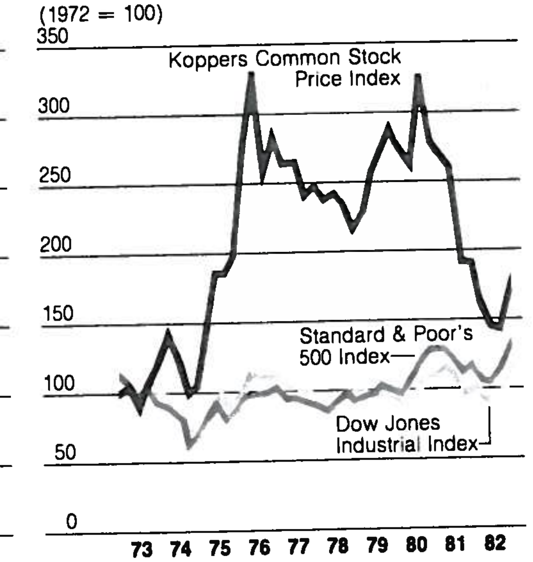
Dividends Outgrew Inflation
(1972 = 100)



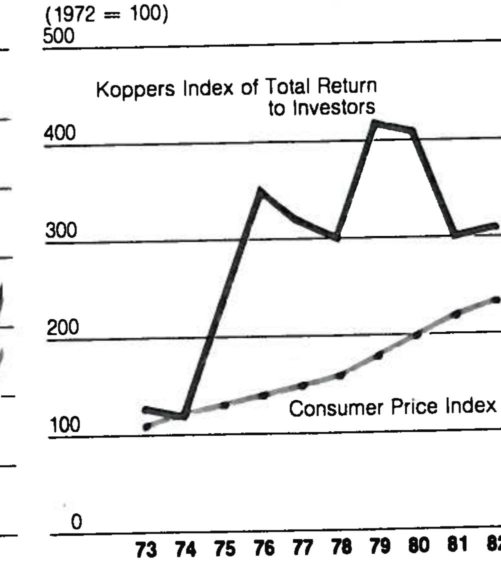
Common Stock Price Trend
(Per Share)



Common Stock vs. Market Indices
(1972 = 100)



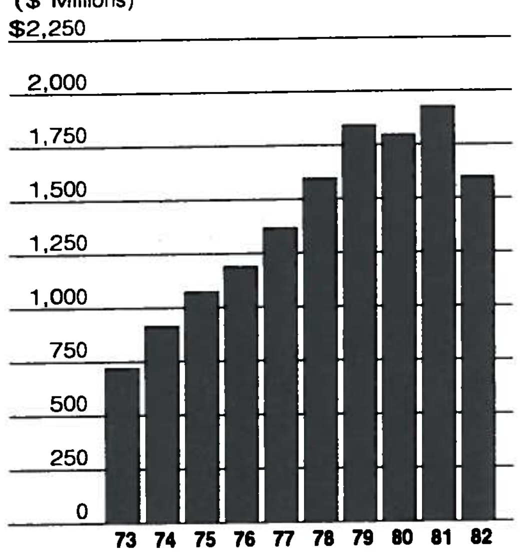
Annual Total Returns to Shareholders
(1972 = 100)



Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis in this section cover, for the period 1980-1982, the performance of Koppers business segments, other factors in the income statement (page 25) that materially influenced the Company's financial results, and changes in liquidity and use of capital resources that had a meaningful effect on Koppers financial condition at the close of 1982.

Koppers Sales From Continuing Operations
($ Millions)



Results of Continuing Operations

Net Sales and Income
Company sales declined by 17% in 1982 as all operating groups had lower sales. Weak market demand lowered unit volumes and caused increased pricing pressures in most business segments, compared with 1981 and 1980, when price increases largely accounted for overall sales growth in many product lines. Added factors in the lower sales total were discontinuation of certain product lines, divestitures, and cutbacks in marginal operations. Acquisitions in 1981 and 1980 added about 5% to Koppers sales in each of the past three years; there were no sizable acquisitions in 1982. As the result of anticipating the discontinuation of two major Company businesses at the end of 1982, the quarterly sales, profit, net income and earnings per share in the table below have been restated to exclude the results of those businesses.

Normally, Koppers annual sales are lowest in the first quarter and reach their peak during the second and third quarters, then begin to decline in the fourth quarter because of seasonal influences. Usually, the Company's income also follows this pattern, which is shown in the Quarterly Financial Data below. In 1982, however, there was an unusually large fourth-quarter loss due to various write-offs and write-downs at year end. Gross profit remained at a high level in the 1981 fourth quarter as a result of unusual income and expenses and of efforts to improve operating efficiencies.

Following are discussions of the performance of each of Koppers operating groups.

Organic Materials

($ Millions)	1982	1981	1980
Sales	**$535.3**	$678.1	$577.2
Operating income	**$ 8.5**	$ 29.2	$ 47.2

In 1980 and 1981, Organic Materials product lines felt the impact of the recession, with lower volumes and income from automotive, steel, housing and related markets. Demand for nearly all products worsened in 1982, with resulting income declines. Chemicals and roofing materials, which began to slump in 1981, were joined in the downward trend in 1982 by pitches, creosote and coke. Only coatings and polyester resins were able to exceed 1981 income levels in 1982. The sharp drop in 1982 operating income, in addition to weaker business performances, included nonrecurring expenses of $14.3 million from the shutdown of marginal facilities and write-offs of intangible and other assets, as compared with similar expenses in 1981 of $14.1 million for write-offs and a write-down. In 1980, nonrecurring income of $3.5 million was received from insurance claim recoveries. Inventory reductions that generated favorable LIFO reserve adjustments in each of the past two years partly offset the effects of nonrecurring expenses.

Chemical operations declined in 1982 after a small gain in 1981 and strong income performance in 1980. Write-offs of certain chemical operations in 1982 and 1981 should improve profitability in this business.

Chemical prices weakened in 1982 after improvements in 1981 and 1980, with the added burden of higher fixed costs, as well as increased costs of most raw materials, energy and labor. Chemical plant capacity utilization was 42% in 1982, down from 52% in the prior year and 63% in 1980.

The roofing materials business continued weak as a result of depressed construction markets. Interest rates, which rose steadily in 1980 and 1981 and contributed to lagging construction demand, began to recede in mid-1982; however, improvement in roofing materials sales was not evident at the end of 1982. Income dropped for the second consecutive year as declines in nonresidential construction and reroofing, which began in late 1980, continued in 1981 and 1982. The Company began commercial production in 1982 of its new phenolic foam insulation board, which offers superior thermal and fire-resistant properties. Initial markets are commercial roofing and residential sidewall insulation.

The coke operations loss worsened in 1982 after near break-even results in 1981 that benefited significantly from inventory LIFO liquidations. Unit sales dropped 33% in 1982 as against an impressive 83% rise in 1981. Weak industry demand, combined with the continuing problem of overcapacity in foundry coke, resulted in intense price competition. Blast furnace coke sales dropped 56% in 1982; foundry coke volume was near the 1981 level; and industrial coke showed a small gain for 1982. Sales and income in specialty foundry products declined, reversing the 1981 performance improvement.

The weakening trend in carbon binder pitch demand that began in mid-1981 continued throughout 1982 as aluminum industry production fell. Unit sales of pitch dropped 38% in 1982, following a 2% decline in 1981. Creosote had good sales gains in 1980 and 1981, but felt the effects of railroad and utility industry cutbacks as 1982 sales were 20% below the 1981 level.

Protective coatings and polyester resins reported higher income despite a 13% sales volume decline, as 1982 results were aided by a more favorable sales mix and inventory reductions. Coatings business benefited from continued strong demand in underground pipeline construction and in defense and original equipment markets. Polyester resin sales declined 11% in 1982 after a 14% rise in 1981, which had benefited from high volumes in specialty polyester resins. Lower 1982 sales and income also occurred in specialty coating, sealant and adhesive lines.

Road Materials

($ Millions)	1982	1981	1980
Sales	**$485.9**	$541.9	$531.7
Operating income	**$ 38.9**	$ 57.9	$ 57.2

After improvements in 1981 and 1980, Road Materials 1982 sales and income dipped because of widespread weaknesses in the U.S. nonresidential construction market. Sales declined 10% for the year, compared with increases of 2% in 1981 and 17% in 1980. In 1982, Eastern operations maintained income near 1981 levels while Southern and Western operations declined. The construction slowdown that began in mid-1981 continued during 1982, and bad weather early in the year hindered Western operations. Income in 1982 suffered as the volume of overseas construction work carried out by foreign subsidiaries declined from a high 1981 level. Operating income in 1982 was reduced also by $3.2 million in nonrecurring charges that resulted from losses on the sale of certain operations in New York and Virginia, equipment write-offs and employment severance costs. There were no comparable expenses in the two prior years.

Koppers total shipments of aggregates fell to 44 million tons in 1982, from 49 million tons in 1981 and 50 million tons in 1980. Construction services, which have been growing in volume in recent years, accounted for 35% of Road Materials sales total in 1982, slightly less than the 37% in both 1981 and 1980. Responding to decreased demand, work schedules were reduced and other cost-cutting measures lowered break-even levels. Capital expenditures in 1982 were restricted to replacement equipment necessary to maintain capacity or support existing business. In 1981, acquisitions included a Florida aggregates producer and a supplier of road materials and construction services in the Western Overthrust Belt of Wyoming-Colorado.

Forest Products

($ Millions)	1982	1981	1980
Sales	**$297.1**	$379.8	$380.9
Operating income	**$ 10.3**	$ 42.9	$ 21.3

Forest Products sales and income declined in 1982 as unit sales were lower in most business lines because of weak demand for crossties, utility poles, construction products and wood-treating services. The specialty wood-treating chemical unit performed at near 1981 levels, helping to offset losses in building products and hardwood lumber businesses. Operating income in 1982 was reduced by $5.1 million in nonrecurring charges that resulted from the sale or the expected closing of several plants and other facilities. Income in 1981 was increased by $20.2 million by the sale of Canadian spruce lumber operations.

Railroad crosstie sales rose steadily in 1980, leveled off in 1981, and dropped by 25% in 1982. Railroads cut back on track improvement programs during 1982 as revenues declined. Utility pole and piling sales also were lower as excess production capacity in the industry and lower demand resulted in severe price competition. In spite of unit sales declines, operating income did not fall proportionately as lower raw materials costs, improved plant efficiencies and energy and other cost reductions partly offset the lower volumes. The year-end backlog for treated wood products was lower.

After gradual rises in 1981 and 1980, sales of wood-treating chemicals leveled off through much of 1982 because of very low activity levels in housing and light-frame construction. Activity picked up noticeably in the fourth quarter, however. Koppers continued its efforts to increase raw material integration in production of these specialty chemicals. A new fire-retardant for use primarily in interior construction was introduced during 1982 with good initial market acceptance.

Losses continued in timberland and hardwood operations, although they were partly offset by income from sales of sawmill facilities and timberlands.

Koppers Quarterly Financial Data (from continuing operations)

($ Millions, except per share data)	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total	
	1982	1981*	**1982**	1981*	**1982**	1981*	**1982**	1981*	**1982**	1981*
Net sales	**$330.7**	$399.0	**$418.8**	$509.9	**$455.4**	$515.1	**$380.3**	$485.7	**$1,585.2**	$1,909.7
Gross profit**	**34.7**	43.1	**68.8**	79.5	**77.1**	85.1	**45.4**	83.9	**226.0**	291.6
Net income (loss)	**(10.3)**	(3.3)	**8.3**	16.1	**20.1**	25.5	**(49.2)**	13.8	**(31.1)**	52.1
Earnings (loss) per common share	**$(0.44)**	$(0.18)	**$ 0.22**	$ 0.51	**$ 0.65**	$ 0.85	**$(1.84)**	$ 0.42	**$ (1.41)**	$ 1.60

*Restated operating results to reflect continuing operations only.
**Net sales less Cost of sales (including allocable portion of Depreciation, depletion and amortization and Taxes, other than income taxes).

Engineered Metal Products

($ Millions)	1982	1981	1980
Sales	**$215.5**	$233.6	$229.1
Operating income	**$ 4.9**	$ 13.4	$ 9.5

Operating income for continuing operations fell in almost all business segments in 1982, reversing the group's slight recovery in 1981. Markets for industrial capital equipment deteriorated as a result of the recession and low industry capacity utilization. However, the 1982 decline was increased by $5.3 million in charges from losses anticipated or realized on the curtailment of certain operations, from severance costs, and from write-downs of inventories. Income in 1981 was reduced $3.7 million primarily from losses realized from the bankruptcy of a former affiliate.

Sales of diesel piston rings and shaft seals dropped by 11% after growing by more than 20% in 1981 from a weakened 1980 level. Demand was depressed for rings in the truck, construction equipment, farm, marine, and oil and gas industries. Shaft seal operations remained high as aircraft jet engine production continued strong in military markets.

A new manufacturing plant, completed in Georgia in 1982, increased Koppers capacity for piston rings used in medium-sized diesel engines, a market expected to have good growth in coming years. The facility also will significantly increase Koppers overall efficiency in this business.

Power transmission couplings sales and income declined in 1982 after a gain in 1981. With the exception of strong sales to the petrochemical industry, end-market demand for couplings was weak. The year-end couplings backlog was down 27%, compared with gains of 16% in 1981 and 11% in 1980.

Sales and income improved in 1982 for the Sprout-Waldron materials processing equipment lines as the result of strong demand for the unit's innovative, cost-saving technology in thermomechanical pulping systems, used by paper manufacturers to convert wood chips to pulp. The 12% sales increase reversed an 11% drop in 1981. Income rose substantially in 1982 from the nearly equal totals in the previous two years. New orders decreased during the year as capital investment slowed in pulp and paper and feed and grain mill businesses.

A major foundry expansion at Sprout-Waldron was completed during 1982, with plans to expand into commercial production of castings in addition to the division's proprietary castings line.

Container machinery operated at a loss. Market conditions deteriorated in the final six months of the year and the 1982 year-end backlog was reduced more than 50% from a year earlier. Weak market demand and overcapacity in this industry have created intense pricing competition.

Negotiations were under way at year end on the possible sale of the environmental systems and mineral processing equipment businesses. Combined sales of $90.2 million and net operating losses of $3.1 million after tax from these businesses were not included in the group results, nor were amounts relative to 1981 and 1980 included.

Engineering and Construction

($ Millions)	1982	1981	1980
Sales	**$ 32.9**	$58.6	$64.6
Operating loss	**$(16.3)**	$(7.6)	$(0.4)

Losses deepened in Koppers engineering and construction activity as steel industry spending continued to decline, reaching extremely low levels. Employment was significantly reduced, and $5.4 million of the 1982 loss resulted from nonrecurring charges, most of which were severance costs. The 1981 loss included a nonrecurring expense of $2.3 million from an unfavorable lawsuit settlement. Actions to enter new business areas, begun in 1981, were continued. The group acquired an exclusive U.S. license for process control systems with application in metals, automotive and cement industries. A joint venture with a Japanese company will provide technology and financing arrangements for domestic steelmaking projects.

The KBW (Koppers-Babcock and Wilcox) gasification process will be used in the synthetic fuels plant planned for construction in North Carolina to convert peat to methanol. Koppers is in a position to supply technology, engineering and construction services and equipment for the project.

Miscellaneous Sales and Operating Income

($ Millions)	1982	1981	1980
Sales	**$ 18.5**	$17.7	$16.7
Operating income (loss)	**$(46.0)**	$ 6.9	$ 4.8

Miscellaneous sales and operating income includes revenues received by Koppers that are not the result of group operations. Revenues and income from Koppers investment in Tennessee coal lands come under this heading and account for the majority of 1981 and 1980 results. Koppers leases these lands for production to independent coal operators. Income from coal operations in 1982 dropped nearly 50% from 1981 levels because of low demand from utilities and other industries.

Most of the loss in this category in 1982 resulted from the $39.3 million write-down of the Company's investment in Richmond Tank Car Company. Other amounts included a nonrecurring charge that arose from employee severances and losses incurred by companies in which Koppers has equity investments. A portion of this equity loss, $5.8 million, was related to the Company's interest in synfuels projects.

Most of the expenses incurred on the development of synthetic fuels projects arose from Koppers equity interest in Peat Methanol Associates, a project in North Carolina for the construction of a facility costing in excess of $500 million to convert peat into methanol. Methanol is widely used to improve gasoline octane or to fully power fleets of automobiles. A letter of intent to build the plant was signed with the Synthetic Fuels Corporation in December, 1982 and construction was commenced at the site. Construction is scheduled to accelerate in 1983, assuming efforts to obtain loan and price guarantees from the Synthetic Fuels Corporation are completed as expected in the first half of the year.

Financial Results

Operating Expenses

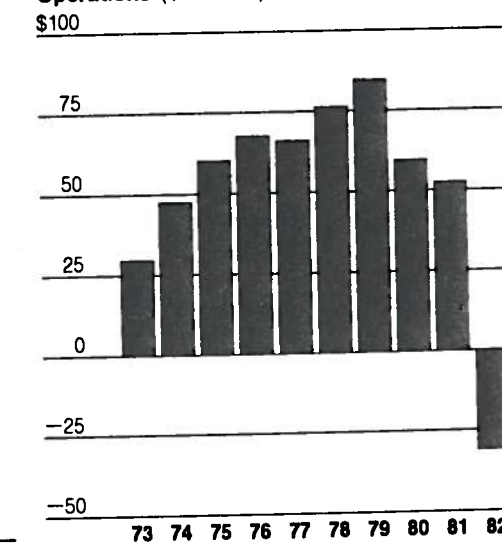
The various trends in profitability in Koppers major product lines during 1980-1982 were discussed in the preceding section. These individual performances combine to form Koppers overall profit performance, which is most accurately reflected in the relationship between the Company's Sales and Cost of sales, shown in Operating expenses in the income statement (page 25). Cost of sales is made up of expenses directly incurred by the Company's operating units in a given year: wages, salaries and pensions; raw materials; energy; transportation and other supplies and services.

Subtracting Cost of sales from Sales provides the Gross operating profit, which, expressed as a percentage of sales, is the Gross operating profit margin:

	1982	1981	1980
Gross operating profit margin	**21.3%**	21.2%	21.3%

As shown above, the Company's Gross operating profit margin stayed within a narrow range over the past three years in spite of continued declines in unit sales in the Company's business lines. Nonrecurring expenses influenced Cost of sales in each of the past three years, and the net effect these had on Cost of sales is shown in the table in the far right column. Costs were increased in 1982 by certain of the nonrecurring charges

Net Income (Loss) From Continuing Operations ($ Millions)



taken at year end related to employment severance costs and write-offs of several nonfixed assets. Costs were reduced in 1981 by adjustments that lowered pension expenses and by a recovery on an insurance claim, which were somewhat offset by an unfavorable lawsuit settlement. The 1980 cost increase resulted primarily from equipment replacement guarantees that were not totally matched by insurance claim recoveries.

Also shown in the table in the third column is the Adjusted gross operating profit margin that reflects the Company's performance in each year before the impact of the nonrecurring expenses. This shows more clearly how Koppers operating managers have progressed in recent years in measures to reduce costs, including closing plants and discontinuing businesses, in order to offset the combined effects of a severe recession and inflation.

($ Millions)	1982	1981	1980
Nonoperating expenses (income)	**$ 8.4**	($2.7)	$ 8.3
Adjusted gross operating profit margin	**21.8%**	21.0%	21.7%

In each of the past two years, Cost of sales has benefited from the Company's efforts to reduce inventories. (See Note 1 on page 30.) The liquidation of last-in, first-out (LIFO) inventory quantities results in inventory costs charged against current sales that are older, therefore lower than current actual raw material costs. This lowers Cost of sales. In order to reduce inventories, however, plant production is held at a lower level than market demand, usually at an inefficient level that increases unit cost of sales. In 1980, inventory reduction was not a factor.

The improving trend in the Company's Gross operating profit margin was not carried through to Operating profit over the past three years. With the significant decline in unit sales and increasing cost pressures in recent years, it was not possible for management to proportionately reduce other, more entrenched operating costs that were not directly related to the Company's volume of operations. In total, however, these expenses declined in 1982 for the first time in the past 10 years.

Although Depreciation, depletion and amortization rose slightly, it was the smallest increase in the past decade. The Company's high levels of capital investment in that period have greatly expanded the depreciable asset base. Depreciation increases have slowed as Koppers has reduced its capital investments in 1981 and 1982.

Taxes, other than income taxes, declined in 1982 for the first time in the past decade, although they continued to rise in relation to sales. In the two prior years, these

Foreign Operations*

($ Millions) Year ended December 31,	1982	1981**	1980**
Koppers identifiable assets:			
Foreign operations	**$51.6**	$79.1	$109.2
% of consolidated identifiable assets	**4%**	6%	8%
Canadian identifiable assets included in above	**$16.1**	$23.5	$ 58.9
% of foreign operations identifiable assets	**31%**	30%	54%
Koppers revenues (net sales):			
From foreign operations	**$47.4**	$85.3	$ 95.5
% of consolidated revenues	**3%**	4%	5%
From Canadian operations included in above	**$25.5**	$59.8	$ 70.0
% of foreign revenues	**54%**	69%	73%
Koppers income (after foreign and applicable U.S. income taxes):			
From foreign operations	**$ 5.6**	$ 9.4	$ 2.6
% of total net income	**—**	18%	4%
From Canadian operations included in above	**—**	$ 1.3	$ 0.8
% of foreign income	**—**	13%	29%

* Koppers export sales are not included in this presentation as they constitute less than 6% of the Company's total sales and are not material.
**Results have been reclassified to conform with 1982 classifications (Note 8).

expenses rose more than twice as fast as the growth in sales because of rising real estate, personal property and Social Security taxes. Each of these taxes declined modestly in 1982.

Selling, research, general and administrative expenses also continued to increase in relation to sales in 1982, but declined in total dollars. The reduction was accomplished even though research expenditures rose by $6 million, or 34%, after another increase in 1981. General and administrative expenses were down in 1982, primarily because of a reduction in wages and salaries.

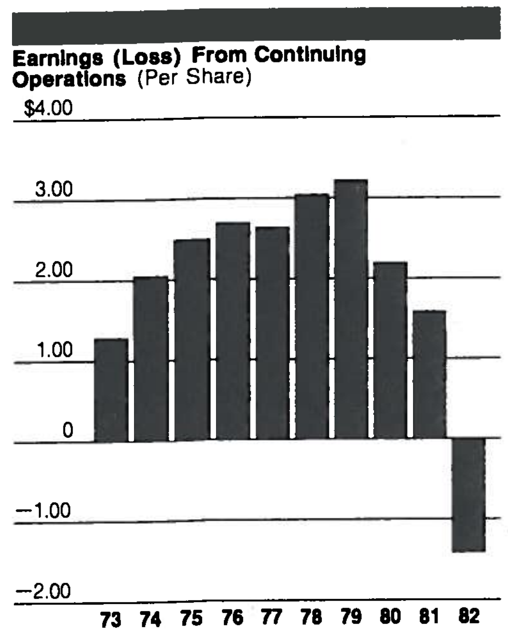
In spite of the control exercised in these last three categories of Operating expenses, they continued to reduce Koppers profit margin on sales, which declined to 2.2% in 1982 from 5.2% in 1981 and 5.8% in 1980.

Other Income

The Company incurred a sizable loss in Other income in 1982 as the result of decisions to dispose of, or close, numerous operations, and to write down an investment, as well as losses incurred in the Company's equity in earnings of affiliates. The Company's Other income has varied significantly in each of the past three years because of a number of factors.

- Provisions were made in 1982 for the closing or disposal of numerous plant operations, including units in each operating group. The $21.5 million loss incurred from these actions was a substantial change from the $7.4 million gain realized in 1981, when a $12.8 million write-off from the disposal of operations was more than offset by a $20.2 million gain realized on the sale of the Company's Canadian lumber business. This compared with a $2.4 million loss on disposal of operations in 1980. Note 8 (page 31) provides more detailed information on the operating losses incurred from operations disposed of or closed.

Earnings (Loss) From Continuing Operations (Per Share)



- The large Provision for decline in value of investment resulted from the Company's $39.3 million write-down of its investment in Richmond Tank Car Company. Additional information on this write-down is in Note 2 (page 30). The 1981 loss was from a write-off of an investment in a dyestuffs subsidiary.
- The large loss in the Company's Equity in earnings of affiliates resulted primarily from the Company's investments in Richmond Tank Car Company, in synthetic fuels projects and in various venture capital companies.

The distribution of Koppers Other income by individual business segment for the past three years is shown in Table 6 (page 33).

Interest Expense

Koppers 1982 Interest expense declined by $4.1 million, or 12.1%, as the result of a $43 million decline in average debt outstanding from 1981, as both short-term and long-term borrowings were reduced. This is a reversal of a rising trend in interest expense for several years as the Company used debt in order to finance its high level of capital spending. The last debt issue was in 1980, when $100 million in 11¼% promissory notes was placed privately. During this period, Koppers also substantially raised its use of commercial paper to meet increased working capital needs. The growth in Interest expenses moderated in 1981 as short-term debt was reduced and long-term debt was lowered by $20 million. In the past two years, Koppers has reduced its total short- and long-term debt by $68.8 million.

Income Taxes

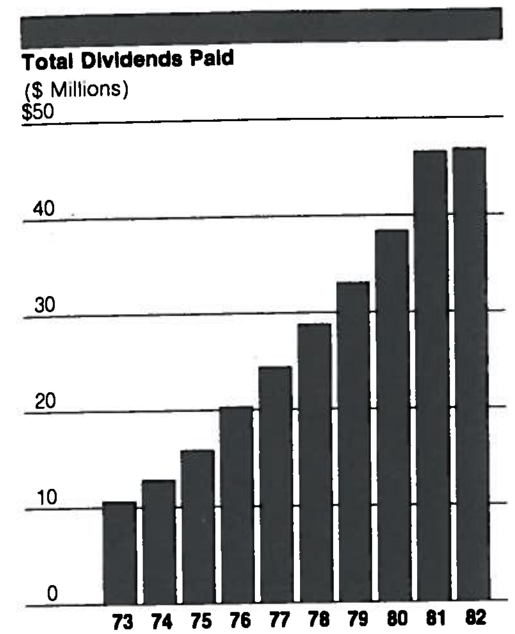
Koppers had a $23.8 million income tax credit in 1982 on the $54.9 million pretax loss from continuing operations, incurred as the result of numerous nonrecurring charges taken near year end. Since the Company had no income, the 1982 investment tax credit, net operating loss and foreign tax credits were carried back to prior years and benefited income in the current year by $13.7 million. In 1981, the Company's Provision for income taxes, and its effective tax rate, rose significantly from the prior year because of the high tax rate encountered on the sale of Canadian lumber operations and because lower capital investments and weaker export sales substantially reduced tax credits. The lower tax rate in 1980 was from higher benefits from investment tax credits, from the effect of percentage depletion over cost depletion and from the effect of the lower tax rate on capital gain income. The various factors that influenced the Company's effective tax rate for the past three years are shown in Note 9 (page 32).

Koppers Selected Financial Data (from continuing operations)

($ Millions, except per share data)	1982	1981*	1980*	1979	1978
***Operating results:**					
Net sales	**$1,585.2**	$1,909.7	$1,800.2	$1,828.3	$1,581.9
Income (loss) from operations	**$ (31.1)**	$ 52.1	$ 59.7	$ 84.9	$ 76.0
Income (loss) from operations —per common share	**$ (1.41)**	$ 1.60	$ 2.19	$ 3.21	$ 3.01
At year end:					
Total assets	**$1,192.9**	$1,328.2	$1,389.5	$1,140.7	$1,036.1
Long-term debt	**$ 275.7**	$ 288.9	$ 308.7	$ 224.2	$ 233.6
Redeemable convertible preference stock	**$ 75.0**	$ 75.0	$ 75.0	—	—
Total long-term debt and redeemable preference stock	**$ 350.7**	$ 363.9	$ 383.7	$ 224.2	$ 233.6
Cash dividends declared per common share	**$ 1.40**	$ 1.40	$ 1.40	$ 1.25	$ 1.125

* Results have been reclassified to conform with 1982 classifications (Note 8).

Total Dividends Paid
($ Millions)



Discontinued Operations

The Company decided in late 1982 to dispose of two major operations in the Engineered Metal Products group: the environmental systems and mineral processing equipment businesses. A total pretax reserve of $7.5 million was set up at year end for the expected losses on these disposals.

These operations are not included in Koppers sales and income for 1982, 1981 and 1980. Sales applicable to the discontinued operations were $90.2 million, $108.8 million and $128.9 million for 1982, 1981 and 1980, respectively. As shown in the income statement, these units had losses in the same three years of $3.1 million, $0.4 million and $5.8 million. In addition, a $4.3 million loss on disposal was provided in the fourth quarter of 1982, discussed in Note 8 (page 31).

Financial Condition

This is a discussion of how Koppers management has conducted its affairs during 1980-1982 in order to finance the Company's capital expenditures, to provide working capital needed to support sales, to repay debt and to compensate shareholders through dividend payments, all with the objective of maintaining a strong financial position.

The table below is a summary showing the funds generated by Koppers over the past three years and the ways in which these funds were used.

The first two years in the period encompassed the highest annual levels of capital expenditures in Company history. During the period, the level of funds paid to holders of the Company's common stock increased only modestly, but the issuance of 750,000 shares of convertible preference stock near the close of 1980 produced a significant rise in total dividend payout over the three-year period, as shown in the graph to the left.

As indicated in the table below, funds generated from the Company's operations have provided a high proportion of the Company's total financial needs over the past three years. Term debt, used to finance part of the high levels of capital expenditures carried out during 1980 and 1981, peaked in 1980 and has been reduced in the past two years. Funds received from the convertible preference issue went largely toward the Company's investment in Richmond Tank Car Company and to the reduction of debt.

Koppers management follows a number of criteria to ensure that the Company's ability to maintain the required liquidity remains strong. Cash flow from operations is an important indicator. The levels of investment in components of working capital are

Funds Generated by Koppers

($ Millions)	1982	1981	1980
Sources of cash:			
Funds from operations			
Net income (loss) from continuing operations	$(31.1)	$ 52.1	$ 59.7
Depreciation, depletion and amortization	82.2	81.6	76.7
Deferred taxes and other expenses	(7.0)	4.9	5.1
Provisions for operations disposed of or closed and decline in value of investment	50.0	7.1	—
Equity in earnings (losses) of affiliates, less dividends received	15.0	4.6	(0.8)
Total from continuing operations	**$109.1**	**$150.3**	**$140.7**
Loss from discontinued operations	(7.4)	(0.4)	(5.8)
Depreciation, depletion and amortization	2.1	2.0	2.2
Deferred taxes and other expenses	2.4	0.8	4.2
Total from discontinued operations	**$ (2.9)**	**$ 2.4**	**$ 0.6**
Funds provided from operations	106.2	152.7	141.3
Term debt and capital leases	23.2	1.6	134.6
Sale of fixed assets	20.5	39.3	7.8
Common stock issued	2.2	5.8	26.4
Preference stock issued	—	—	72.6
Net decrease in working capital, excluding cash	55.0	16.7	13.9
Total	**$207.1**	**$216.1**	**$396.6**
Uses of cash:			
Capital expenditures*	76.7	182.1	230.9
Term debt and capital leases retired	33.2	21.3	50.1
Dividends paid	47.1	46.7	38.4
Issuance of receivables due after one year	17.8	1.7	1.0
Other	4.3	1.9	2.5
Total	**$179.1**	**$253.7**	**$322.9**
Increase/(decrease) in cash	$ 28.0	$(37.6)	$ 73.7
*Portion represented by issuance of common stock	$ —	$ 3.7	$ 22.8

another, and the Company's debt-equity position and borrowing capacity round out the criteria. Each of these influences the Company's liquidity.

Cash Flow

In order to remove the distortion that nonrecurring charges had on the cash flow reported in 1982 and the Company's financial performance, the table on the previous page of Funds generated by Koppers in 1982 has been assembled to show that, in spite of a reported loss, the Company had a positive flow of cash in 1982. As is shown in the line "Provisions for operations disposed of or closed and decline in value of investment," a major portion of the nonrecurring charges in 1982 did not result in any outflow of Company funds.

Depreciation has been the most consistent component of cash flow. Its growth has moderated in the past two years as Koppers capital spending levels have been reduced. Depreciation in 1983 is expected to remain at approximately its current level.

Working Capital

Koppers management has concentrated on controlling its investment in working capital over the past three years. Working capital is the surplus of current assets over current liabilities and indicates the amount of financial flexibility a company has to meet day-to-day business obligations, to withstand adversity and to pay dividends.

Programs to reduce inventory levels at least in line with weakening business conditions have been consistently applied. Close attention has been paid also to accounts receivable, so that in a declining business and financial environment, payments due from customers would not tie up Company funds excessively. The combined reduction of investment in inventories and trade accounts receivable from 1981 freed more than $99 million in cash in 1982. The overall decline in working capital was only $27 million, however, as funds were used to reduce accounts payable and debt by about $34 million, and the balance of cash held at year end was increased by $28 million.

($ Millions)	1982	1981	1980
Working Capital	**$243.7**	$270.7	$325.0

The large increase in 1980 working capital was a temporary condition that resulted when $53 million from the issuance of convertible preference stock in December of 1980 was held in cash at year end. These funds were intended for use in completing the purchase of stock in Richmond Tank Car Company and for the reduction of corporate debt. Excluding these funds temporarily held in cash, working capital at the close of 1980 would have been $272 million.

In the past, a widely accepted rule of thumb within the investment and financial community stated that a prudently run corporation should maintain a ratio of current assets to current liabilities of approximately 2-to-1, or better. As has been pointed out in past annual reports, this rule cannot be rigidly applied to companies that have been on LIFO accounting for a number of years. The use of LIFO accounting, while it recognizes the current costs of labor and materials in the Cost of sales, results in an understatement of the Company's current assets, specifically its value of inventories (on the balance sheet). This, therefore, leads to understatement of the level of day-to-day business a company's working capital can realistically support. Had the FIFO method of accounting been continued since 1974, the Company's tax liability would have been substantially increased together with the need for increased long-term funding to maintain the necessary level of working capital.

It should, therefore, be recognized that companies using LIFO accounting can have a strong liquidity position with a current ratio of less than 2-to-1. It is more important in considering the financial condition of a company that the current ratio should be maintained at a reasonably stable level over an extended period of time. The following comparison of the Company's current ratio, using both types of inventory valuation, illustrates the significant variation that can exist.

Current Ratio	1982	1981	1980
Inventory Value:			
FIFO	**2.54-to-1**	2.41-to-1	2.34-to-1
LIFO	**1.99-to-1**	1.99-to-1	2.02-to-1

Koppers ability to meet its short-term obligations remains excellent.

Borrowed Funds

Koppers uses commercial paper and revolving bank credit during the course of any year to cover peak working capital requirements. As shown in the chart on page 17, use of this type of short-term debt occurs most heavily during the second and third quarters of the year. In 1982, the Company's average level of commercial paper issued was 50% less than the 1981 average and was sold at substantially lower rates of interest. In 1982, the maximum amount of revolving credit loans outstanding was $21 million. No comparable loans were outstanding for 1981.

During 1980, Koppers received $100 million from the issuance of 11.25% promissory notes and two 10% $9.8 million term loans. That was the last increase in term borrowings by the Company. In the past two years, term debt has been reduced by $26.4 million. In the same two years, the Company has eliminated its short-term debt obligations totaling $25.3 million.

Financial Structure

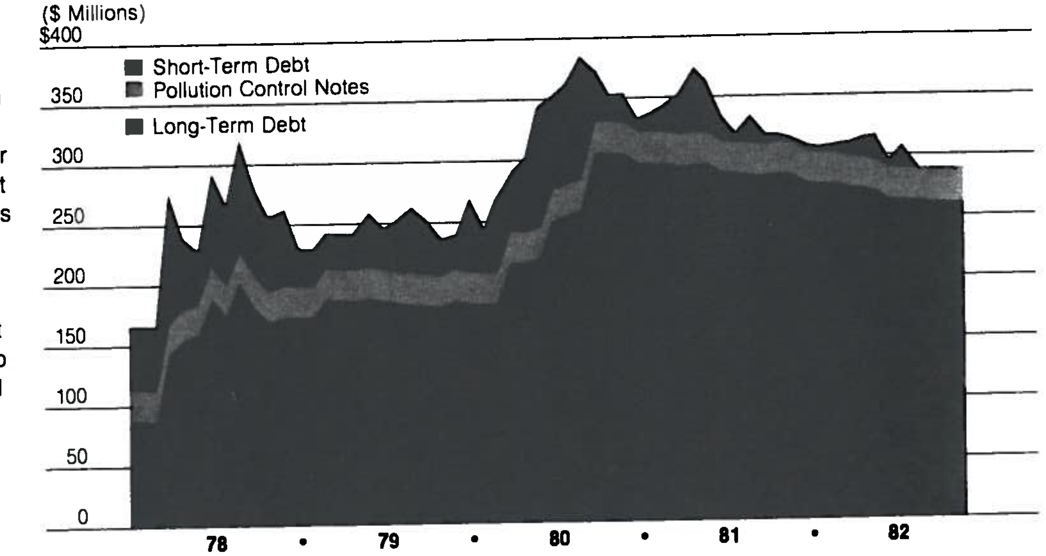
Throughout its recent history, Koppers has maintained the debt portion of its total capitalization within a narrow range, about 30%. This is well within the Company's self-imposed limit of debt to 35% of total capitalization.

Liquidity

At the close of 1982, the Company was in a highly liquid position and had good flexibility to fund future growth. Of total current assets of $490.1 million, nearly $88 million, or 18%, was held in such highly liquid forms as cash or tax refunds receivable. This compared with similar types of funds that accounted for approximately $46.8 million, or 9% of current assets, in 1981. In addition, the Company has a bank credit agreement that provides for revolving credit loans of up to $200 million until September 30, 1986. The agreement was unused at the close of 1982. As a result of the Company's decision to dispose of two major operations, expected to be concluded in early 1983, the Company would receive approximately $11 million in cash and an equal amount in promissory notes and preferred stock. Other discussions now being held could lead to the sale of additional assets during 1983.

Koppers expects to be able to finance any increase in capital expenditures and working capital with internally generated funds and the use of current credit arrangements. The Company is continually looking ahead to possible investment opportunities and, therefore, is constantly examining the options available for future financing. Substantial capacity exists within the Company's economic structure to finance a major expansion. To maintain liquidity and the flexibility desired in Koppers economic structure, however, management could elect to secure external financing during the coming year, or beyond. There are, however, no immediate plans for doing so.

Debt Used to Support Operations*
($ Millions)



*Does not include obligations under certain leases.

Koppers Total Capitalization

December 31,	1982 $ Millions	1982 % of Total	1981 $ Millions	1981 % of Total	1980 $ Millions	1980 % of Total
Total Debt						
11.25% Promissory notes	**$100.0**	**10.9%**	$ 100.0	9.7%	$ 100.0	9.6%
8.95% Note	**60.0**	**6.5**	60.0	5.8	60.0	5.8
Industrial development bonds	**38.1**	**4.1**	40.0	3.9	40.0	3.9
6% Notes	**29.0**	**3.2**	32.0	3.1	35.0	3.4
Pollution control loans	**25.2**	**2.7**	25.4	2.5	26.0	2.5
8% Notes	**1.0**	**0.1**	2.2	0.2	4.4	0.4
5.8% Notes	**2.0**	**0.2**	2.6	0.3	3.3	0.3
Capital lease obligations	**6.0**	**0.7**	10.8	1.0	12.5	1.2
Other	**14.4**	**1.6**	16.0	1.5	17.6	1.7
Term loans payable to banks	**—**	**—**	—	—	9.8	0.9
Debt due within one year	**11.3**	**1.2**	22.2	2.2	21.9	2.1
Total	**$287.0**	**31.2%**	$ 311.2	30.2%	$ 330.5	31.8%
Equity						
Common	**$544.1**	**59.1%**	$ 629.1	61.1%	$ 619.5	59.6%
Preference*	**75.0**	**8.1**	75.0	7.3	75.0	7.2
Preferred	**15.0**	**1.6**	15.0	1.4	15.0	1.4
Total	**$634.1**	**68.8%**	$ 719.1	69.8%	$ 709.5	68.2%
Total Capitalization	**$921.1**	**100.0%**	**$1,030.3**	**100.0%**	**$1,040.0**	**100.0%**

*SEC regulations require that capitalization ratios also be shown with redeemable preference stock included in debt. On this basis, 1982 debt would be 39.3% of total capitalization, with equity being 60.7%.

Capital Expenditures

Koppers lower 1982 capital expenditures were directed toward improving plant efficiencies and carrying out projects associated with new or rapidly growing products. Reduced expenditures in 1982 and 1981 reversed the increasing trend in expenditures, which peaked in 1980, as management acted to assure the Company's strong financial position and maintain good liquidity during the prolonged business recession.

Capital Expenditures ($ Millions)	1982	1981	1980
Expenditures	**$76.5**	$147.3	$216.9
Investment in Richmond Tank Car Co.	**0.2**	34.8	14.0
Total	**$76.7**	$182.1	$230.9

Through extensive modernization efforts in the past five years, Koppers today has sufficient available capacity in nearly all product lines to supply increasing customer needs as the economy improves. The reported capital investment figures include the Company's investment in the common stock of Richmond Tank Car Company. The accompanying table separates that investment from total capital expenditures to better illustrate the three-year trend in capital expenditures for property, plant and equipment.

Capital expenditures by operating group are shown in Table 6 (page 33). As shown on SEC Schedule V (page 34), most expenditures are devoted to increases in Koppers property, plant and equipment to modernize, to increase production capacity, or to improve efficiency at Company facilities. During the three-year period, the Company's expenditures to eliminate pollution or bring it to satisfactory levels ranged from 4.5% to 8% of the total spent for capital investments. Major expenditures or acquisitions completed in each of the past three years are summarized below.

1982—Organic Materials started production at one of two new plants built to produce the Company's new phenolic foam insulation board; the second opened in early 1983.

Road Materials increased aggregate reserves in California and added new facilities and equipment at several crushing plants.

Forest Products installed additional wood-waste-fired boiler systems at plants to achieve energy savings.

Engineered Metal Products completed a new diesel piston ring manufacturing plant in Georgia during 1982, significantly increasing capacity and improving the overall efficiency of this product line. The Sprout-Waldron foundry was expanded to manufacture castings for their own products in addition to castings for customers.

The Company's venture capital program added investments in manufacturers of industrial robots and metallurgical materials. Koppers had previously acquired interests in such areas as genetic engineering, fiber optics and advanced ceramics.

1981—Road Materials acquired three companies in Florida and Colorado-Wyoming that produce aggregates and bituminous and ready-mix concrete and that supply civil construction services. The group also increased aggregate reserves in Denver and completed several expansion and modernization programs at various crushing plants.

A project was under way in Organic Materials to modernize an important tar processing plant, and construction was started on two facilities that will produce the Company's new phenolic foam insulation board. Forest Products started up a plant about mid-1981 that improved its raw material position in its wood-treating chemical operations. The group also was active on several projects to use wood wastes as fuel and reduce plant energy costs.

In Engineered Metal Products, two projects modernized and expanded the Company's Baltimore piston ring and shaft seal facilities. In addition, construction was started on a completely new plant in Georgia that will further increase Koppers capacity to produce high-speed diesel piston rings.

A small addition was made to the Company's coal properties, a modest investment in Genex Corporation was completed, and Koppers purchased additional stock in Richmond Tank Car Company early in the year, increasing its ownership of that company to 23%.

1980—Road Materials acquired companies in North Carolina and Colorado that produce aggregates and supply civil construction services, and two companies in Virginia specializing in highway and bridge construction. The group also increased sand and gravel reserves in Los Angeles and completed several expansion and modernization programs at crushing plants.

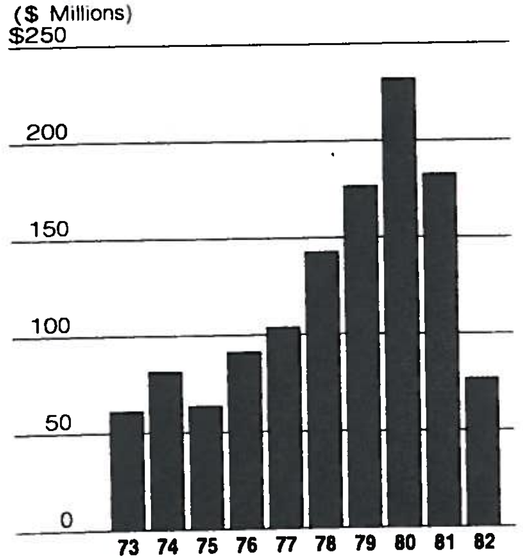
Expenditures to modernize several chemical and tar processing facilities were carried out in Organic Materials.

Forest Products had work under way on a plant to produce treating chemicals and on projects that will reduce plant energy costs by burning wood wastes. Additions were made to the Company's Canadian lumber facilities and its coal reserves, and an investment in Genex Corporation, a genetic engineering research company, was increased. Koppers established an initial investment in Richmond Tank Car Company.

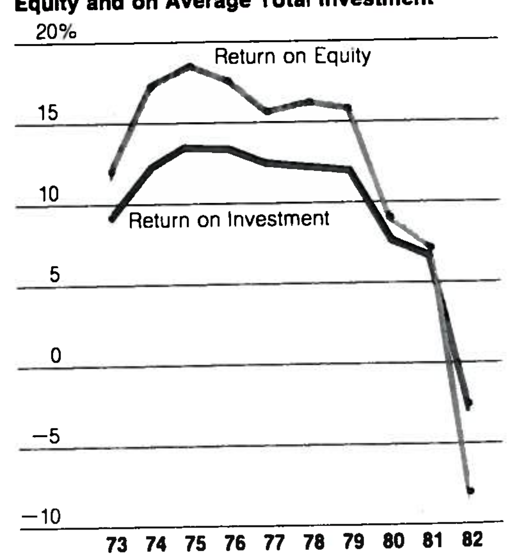
Effects of Inflation

A discussion of the effects of changing prices and inflation on the Company's business begins in the letter following.

Capital Expenditures
($ Millions)



Returns on Average Common Shareholders' Equity and on Average Total Investment



Chief Financial Officer's Letter

To Our Shareholders:

Our 1981 annual report discussed the actions taken by management to cope with unfavorable conditions in those sectors of the domestic economy in which our end markets lie. We recognized then a precarious balance of economic forces that, while they might lead to recovery, could just as likely push the country backward into recession. We pledged that we would not "mark time until external conditions provide a more congenial environment for our activities." Rather, we said, "We will continue to exert every effort to strengthen this enterprise, especially under the currently depressed state of the economy."

As we had feared, economic trends in 1982 began to worsen. In response, we inaugurated a number of additional measures to maintain Koppers strong operating and financial posture. These are summarized in the Chairman's letter on page 2. Their benefits should begin to be felt in 1983 and will continue thereafter.

Collectively, these measures penalized our 1982 financial results. The fact is that the loss reported in our income statement does not truly convey the Company's financial accomplishments during the year. More accurate is the table on page 15, which shows how the high level of funds generated by Koppers operations, along with stringent controls on investments and expenses, was more than sufficient to support those operations. At year end, cash held by the Company was up by $28 million over the close of 1981.

The table shows also that the sources of cash from continuing operations totaled $109.1 million, as contrasted with the $31.1 million loss from continuing operations reported in the income statement. This difference is traceable to the nonrecurring charges against income, almost none of which created any actual outflow of Company funds. Thus, $50 million was available to the Company as a source of cash. The same effect occurs with depreciation, which remained at a high level in 1982.

Of the other sources of funds, the most meaningful were the close controls that recaptured $99 million from trade receivables and inventories. After we used some of this to reduce debt and accounts payable, the net decrease in working capital (excluding cash) totaled $55 million. This was the major reason that 1982's figure of $207.1 million for Total funds generated was only slightly lower than 1981's $216.1 million.

The Company significantly reduced its use of cash. A cut of more than $105 million in capital investments far offset the increased use of funds to repay debt and support the issuance of long-term receivables. The $28 million increase in cash at year end further boosted our liquidity.

Current plans are to control capital spending so that internally generated funds will be sufficient to finance capital expenditures and any increase in working capital.

Effects of Changing Prices

The Financial Accounting Standards Board (FASB) requires supplementary disclosure of selected historical financial data on an

Table A. Consolidated Statement of Income From Continuing Operations Adjusted for Changing Prices

For the Year Ended December 31, 1982 ($ Thousands, except per share figures)	As Reported in 1982 Financial Statements (Historical Cost)	Dollars of Current Purchasing Power*: Adjusted for General Inflation (Constant Dollars)	Adjusted for Changes in Specific Prices (Current Cost)
Net sales	**$1,585,206**	$1,586,505	$1,586,505
Operating expenses:			
Cost of sales	**1,247,719**	1,273,941	1,276,082
Depreciation, depletion and amortization	**82,223**	150,089	149,499
Taxes, other than income taxes	**44,242**	44,242	44,242
Selling, research, general and administrative expenses	**175,697**	175,697	175,697
	1,549,881	1,643,969	1,645,520
Operating profit	**35,325**	(57,464)	(59,015)
Other expense	**60,570**	65,988	65,694
Interest expense	**29,676**	29,676	29,676
Loss before income taxes	**(54,921)**	(153,128)	(154,385)
Provision for income tax benefit from continuing operations	**(23,790)**	(23,790)	(23,790)
Loss from continuing operations	**$ (31,131)**	$ (129,338)	$ (130,595)
Dividends on:			
Redeemable convertible preference stock	**7,500**	7,500	7,500
Cumulative preferred stock	**600**	600	600
Loss applicable to common stock	**$ (39,231)**	$ (137,438)	$ (138,695)
Average number of shares of common stock outstanding during year (thousands)	**27,854**	27,854	27,854
Loss per share of common stock	**$ (1.41)**	$ (4.93)	$ (4.98)
Gain from decline in purchasing power of net amounts owed		$ 3,186	$ 3,186
Decrease in current cost of inventory and property, plant and equipment held during the year**			$ (31,773)
Effect of increase in general price level			103,591
Decrease in specific prices net of increase in general price level			$ (135,364)

*Current-cost and constant-dollar amounts are expressed in average 1982 dollars. Changes are measured by the Consumer Price Index.

**At December 31, 1982, the current cost of inventories was $281,378, and the current cost of property, plant and equipment, net of accumulated depreciation, was $848,585.

adjusted basis to recognize the effect of inflation in times of change in the general price level (constant-dollar method) and changes in specific prices. Koppers endorses attempts to present the effects of inflation on a company's reported financial results. However, the present state of the art leaves much to be desired as it involves the use of assumptions, approximations and estimates. Consequently, the Company believes these indicators may be misleading in determining the effects of inflation.

Koppers, in complying with FASB Statement No. 33, has elected to restate only inventories; sales; cost of sales; property, plant and equipment, net of accumulated depreciation; and depreciation, depletion and amortization. These areas are most affected by inflation. Restatement of other accounts would not materially affect the results. Other data in the five-year summary also are restated for purposes of comparison.

Some Conclusions Concerning the Effect of Inflation on Koppers

The Company's results of operations, as adjusted for general inflation, illustrate some of the more obvious effects of the declining purchasing power of the dollar. Profits have been eroded by inflation, while income taxes as a percentage of pretax earnings have risen considerably. Because the effects of inflation are not deductible for income tax purposes and a larger portion of the Company's earnings is a return of capital, income taxes are, in effect, confiscating capital. Consequently, the maintenance of capital and the potential for growth continue to be adversely affected.

Koppers does not believe, however, that the impact of inflation on the Company's performance and financial condition during the past four years was as severe as the inflation-adjusted income data, taken alone, would indicate.

Mineral Reserves

Information on Koppers mineral reserves is on page 40.

A. William Capone
Senior Vice President and
Chief Financial Officer

February 15, 1983

Table B. Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

($ Thousands, except per share figures)	As Reported in 1982 Financial Statements (Historical Cost)	Years Ended December 31, (In Average 1982 Dollars) 1982	1981*	1980*	1979	1978
Net Sales	**$1,585,206**	$1,586,505	$2,031,990	$2,113,513	$2,423,310	$2,332,313
Historical-cost information:						
Adjusted for general inflation:						
Net assets at year end	**$ 634,055**	$ 974,251	$1,094,005	$1,053,940	$ 883,043	
Income (loss) from continuing operations	**$ (31,131)**	$ (129,338)	$ (29,087)	$ 8,133	$ 60,784	
Income (loss) from continuing operations per common share	**$ (1.41)**	$ (4.93)	$ (1.35)	$ (0.28)	$ 2.29	
Gain from decline in purchasing power of net amounts owed	**—**	$ 3,186	$ 22,675	$ 28,905	$ 22,244	
Adjusted for changes in specific prices:						
Net assets at year end	**$ 634,055**	$ 960,664	$1,117,410	$1,079,551	$ 933,325	
Income (loss) from continuing operations	**$ (31,131)**	$ (130,595)	$ (18,408)	$ 11,183	$ 60,160	
Income (loss) from continuing operations per common share	**$ (1.41)**	$ (4.98)	$ (0.97)	$ 0.39	$ 2.26	
Excess (deficit) of increase/decrease in specific prices net of increase in general price level	**—**	$ (135,364)	$ 20,513	$ (19,260)	$ 20,731	
Other information:						
Cash dividends declared per common share	**$ 1.40**	$ 1.40	$ 1.49	$ 1.66	$ 1.68	$ 1.68
Market price per common share at year end	**$ 16.00**	$ 15.82	$ 17.46	$ 27.97	$ 34.01	$ 28.67
Average Consumer Price Index		289.1	272.4	246.8	217.4	195.4

* Adjusted to conform with 1982 classifications (Note 8).

Methods of Computation

The adjusted information shown in Table A was prepared by converting historical amounts into dollars with purchasing power equivalent to that of average 1982 dollars (the constant-dollar method) or adjusted for "changes in specific prices" (the current-cost method).

In 1982 and 1981, two items had significant effects upon both the constant-dollar and current-cost financial statements in comparison with historical cost and prior-year statements: (1) the beneficial effect on historical-cost earnings of liquidating LIFO inventory quantities carried at lower costs prevailing in prior years, as compared with the cost of 1981 purchases, could not be recognized under either the constant-dollar or current-cost approach; (2) a write-down was required for the reduction of property, plant and equipment from its current-cost or constant-dollar amount to its lower recoverable amount. Under both accounting methods, assets held for sale should be shown at net realizable value, the amount of cash, or its equivalent, expected to be derived from the anticipated sale of the asset.

Constant-Dollar Method

The Consumer Price Index—All Urban Consumers (CPI-U) was used to measure general inflation in arriving at the constant-dollar restatement.

Current-Cost Method

Under the current-cost approach, property, plant and equipment (including mineral resources) current cost was estimated by using various indices published by the federal government, private organizations and internal sources. The indexing approach most closely reflects reproduction cost and does not necessarily take into consideration any technological changes and associated cost efficiencies that may be experienced when modern assets are used to replace existing assets. The restatement of historically reported depreciation, depletion and amortization, to both constant dollar and current cost, was based on the above restatements of property, plant and equipment using the same useful lives and depreciation methods as used in the primary financial statements. Inventory restatement on a current-cost basis involves two types of adjustments: (1) to reflect depreciation allocated to inventories at current cost, and (2) a time-lag adjustment to reflect increases or decreases in other cost components occurring between the time the inventories are acquired or produced and average costs for the year using specific price indices.

Cost of sales on a current-cost basis was determined by combining the cost of LIFO-based inventories with FIFO-based inventories. Cost of sales under the LIFO inventory method was assumed to already approximate the current cost at date of sale and thus was only adjusted into average dollars for the year. FIFO inventories were adjusted to reflect standard costs in effect at the time sales were made and when end-of-year inventory was produced.

Other income and certain other expenses do not require adjustment, as they are considered to have occurred proportionately over the year, thus already reflecting average 1982 dollars.

The actual provision for taxes on income is not adjusted since companies are not permitted to recognize any general inflation effects for tax purposes.

Table of Contents
Form 10-K Report
Koppers Company, Inc./1982

Koppers 10-Year Financial Highlights and Operating Statistics

($ Millions, except per share data)		1982	1981*	1980*	1979	1978	1977	1976	1975	1974	1973
Sales by Business Group	Organic Materials	**$ 535.3**	$ 678.1	$ 577.2	$ 556.6	$ 482.5	$ 427.8	$ 384.4	$ 323.3	$285.8	$173.4
	Road Materials	**$ 485.9**	$ 541.9	$ 531.7	$ 454.1	$ 304.1	$ 174.1	$ 134.7	$ 111.8	$117.4	$ 92.2
	Forest Products	**$ 297.1**	$ 379.8	$ 380.9	$ 368.8	$ 313.7	$ 296.3	$ 261.2	$ 244.7	$270.4	$193.7
	Engineered Metal Products	**$ 215.5**	$ 233.6	$ 229.1	$ 328.2	$ 285.6	$ 265.4	$ 267.5	$ 240.3	$158.4	$119.5
	Engineering and Construction	**$ 32.9**	$ 58.6	$ 64.6	$ 113.8	$ 192.0	$ 189.8	$ 138.8	$ 153.8	$ 80.5	$ 62.2
	Miscellaneous	**$ 18.5**	$ 17.7	$ 16.7	$ 6.8	$ 4.0	$ 2.3	$ 2.6	$ 1.6	$ 1.7	$ 82.9
	Total sales from continuing operations	**$1,585.2**	$1,909.7	$1,800.2	$1,828.3	$1,581.9	$1,355.7	$1,189.2	$1,075.5	$914.2	$723.9
Corporate Operating Expenses	Wages, salaries and pension expense	**$ 369.8**	$ 416.8	$ 390.6	$ 427.0	$ 359.1	$ 304.7	$ 276.0	$ 248.5	$202.2	$189.6
	Materials, supplies and services	**$1,053.7**	$1,265.7	$1,188.0	$1,164.2	$1,020.1	$ 866.2	$ 746.4	$ 675.1	$594.7	$432.8
	Depreciation, depletion and amortization	**$ 82.2**	$ 81.6	$ 76.7	$ 63.6	$ 52.7	$ 42.6	$ 37.8	$ 30.3	$ 27.8	$ 28.7
	Taxes, other than income taxes	**$ 44.2**	$ 46.3	$ 41.1	$ 40.1	$ 33.0	$ 26.2	$ 22.2	$ 19.7	$ 16.5	$ 14.9
	Total corporate operating expenses	**$1,549.9**	$1,810.4	$1,696.4	$1,694.9	$1,464.9	$1,239.7	$1,082.4	$ 973.6	$841.2	$666.0
	Operating profit	**$ 35.3**	$ 99.3	$ 103.8	$ 133.4	$ 117.0	$ 116.0	$ 106.8	$ 101.9	$ 73.0	$ 57.9
	Other income (expense)	**$ (60.5)**	$ 20.9	$ 11.7	$ 14.5	$ 24.9	$ 9.2	$ 15.1	$ 10.8	$ 15.8	$ 3.3
Operating Income (Loss) by Business Group (before corporate overhead)	Organic Materials	**$ 8.5**	$ 29.2	$ 47.2	$ 55.6	$ 43.5	$ 49.8	$ 55.8	$ 49.4	$ 48.8	$ 21.1
	Road Materials	**$ 38.9**	$ 57.9	$ 57.2	$ 55.0	$ 36.2	$ 21.0	$ 17.1	$ 12.0	$ 14.0	$ 12.9
	Forest Products	**$ 10.3**	$ 42.9	$ 21.3	$ 31.9	$ 26.2	$ 25.8	$ 18.6	$ 25.4	$ 17.6	$ 20.7
	Engineered Metal Products	**$ 4.9**	$ 13.4	$ 9.5	$ 11.4	$ 13.6	$ 17.5	$ 20.8	$ 20.0	$ 8.4	$ 7.0
	Engineering and Construction	**$ (16.3)**	$ (7.6)	$ (0.4)	$ 10.5	$ 18.2	$ 20.1	$ 13.0	$ 7.7	$ 2.8	$ (2.7)
	Miscellaneous	**$ (46.0)**	$ 6.9	$ 4.8	$ 5.7	$ 22.1	$ 3.8	$ 8.5	$ 8.6	$ 13.2	$ 13.2
	Total operating Income from continuing operations	**$ 0.3**	$ 142.7	$ 139.6	$ 170.1	$ 159.8	$ 138.0	$ 133.8	$ 123.1	$104.8	$ 72.2
Corporate Income (Loss)	Corporate overhead (included in above expenses)	**$ 25.5**	$ 22.5	$ 24.1	$ 22.2	$ 17.9	$ 12.8	$ 11.9	$ 10.4	$ 16.0	$ 11.0
	Income (loss) before taxes and interest expense	**$ (25.2)**	$ 120.2	$ 115.5	$ 147.9	$ 141.9	$ 125.2	$ 121.9	$ 112.7	$ 88.8	$ 61.2
	Interest expense	**$ 29.7**	$ 33.7	$ 32.9	$ 20.6	$ 13.2	$ 11.8	$ 12.6	$ 11.8	$ 12.6	$ 10.1
	Income taxes (benefit)	**$ (23.8)**	$ 34.4	$ 22.9	$ 42.4	$ 52.7	$ 47.0	$ 41.8	$ 40.6	$ 28.4	$ 21.6
	Net income (loss) from continuing operations	**$ (31.1)**	$ 52.1	$ 59.7	$ 84.9	$ 76.0	$ 66.4	$ 67.5	$ 60.3	$ 47.8	$ 29.5
	Preference and preferred dividends	**$ 8.1**	$ 7.9	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6
	Income (loss) to common shareholders	**$ (39.2)**	$ 44.2	$ 59.1	$ 84.3	$ 75.4	$ 65.8	$ 66.9	$ 59.7	$ 47.2	$ 28.9
Financial Position At December 31,	Current assets	**$ 490.1**	$ 542.8	$ 644.9	$ 535.3	$ 530.4	$ 438.9	$ 427.1	$ 369.4	$339.1	$255.1
	Current liabilities	**$ 246.4**	$ 272.1	$ 319.9	$ 270.0	$ 247.7	$ 208.3	$ 167.7	$ 150.6	$144.0	$107.0
	Working capital	**$ 243.7**	$ 270.7	$ 325.0	$ 265.3	$ 282.7	$ 230.7	$ 259.3	$ 218.8	$195.1	$148.0
	Property, plant and equipment—net	**$ 633.6**	$ 679.1	$ 667.0	$ 555.8	$ 457.7	$ 378.1	$ 325.5	$ 255.3	$226.7	$240.3
	Total assets	**$1,192.9**	$1,328.2	$1,389.5	$1,140.7	$1,036.1	$ 870.3	$ 783.6	$ 679.7	$647.9	$520.2
	Long-term debt and capital lease obligations	**$ 275.7**	$ 288.9	$ 308.7	$ 224.2	$ 233.6	$ 152.0	$ 159.7	$ 132.6	$166.6	$112.8
	Total debt—% of total capitalization	**31%**	30%	32%	29%	32%	26%	28%	27%	35%	30%
	Common shareholders' equity	**$ 544.1**	$ 629.1	$ 619.5	$ 582.2	$ 498.3	$ 454.8	$ 410.2	$ 353.3	$297.1	$259.0
Data Per Common Share	Earnings (loss) from continuing operations	**$ (1.41)**	$ 1.60	$ 2.19	$ 3.21	$ 3.01	$ 2.64	$ 2.70	$ 2.49	$ 2.04	$ 1.28
	Common stock dividends	**1.40**	$ 1.40	$ 1.40	$ 1.25	$ 1.125	$ 0.95	$ 0.80	$ 0.65	$ 0.535	$ 0.45
	Shareholders' equity	**$ 19.49**	$ 22.58	$ 22.41	$ 21.81	$ 20.12	$ 18.21	$ 16.50	$ 14.57	$ 12.81	$ 11.39
Other Statistics	Capital expenditures	**$ 76.7**	$ 182.1	$ 230.9	$ 177.1	$ 144.5	$ 104.5	$ 90.6	$ 62.2	$ 80.3	$ 61.7
	Cash flow	**$ 18.6**	$ 132.8	$ 134.6	$ 141.5	$ 141.7	$ 114.8	$ 107.3	$ 94.3	$ 72.5	$ 59.8
	Current ratio	**1.99-to-1**	1.99-to-1	2.02-to-1	1.98-to-1	2.14-to-1	2.11-to-1	2.55-to-1	2.45-to-1	2.35-to-1	2.38-to-1
	Return on average invested capital	**(2.4%)**	6.7%	7.7%	12.0%	12.1%	12.4%	13.4%	13.5%	12.2%	9.1%
	Return on average common equity	**(7.8%)**	7.2%	9.0%	15.8%	16.2%	15.6%	17.6%	18.5%	17.1%	11.8%
	Average common shares outstanding (thousands)	**27,854**	27,667	26,989	26,228	25,031	24,886	24,809	24,002	23,141	22,531
	Shareholders at year end	**22,489**	20,326	18,362	18,115	17,729	17,553	16,729	15,352	15,164	15,639
	Average number of employees	**17,334**	20,113	21,029	22,087	20,858	18,168	17,880	17,549	15,763	15,921

*Reclassified to conform with 1982 classifications

Index to Consolidated Financial Statements

Koppers Company, Inc. Covered by Report of Certified Public Accountants

Schedules I, II, III, IV, VII, XI, XII and XIII are not given, as the subject matter thereof either is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the financial statements or the notes thereto.

Statement of Accounting Policies

Koppers Company, Inc. and Subsidiaries

The major accounting policies of the Company are set forth below. The word "Company" as used in this report includes consolidated entities as well as Koppers Company, Inc.

Principles of Consolidation—The consolidated statements include the accounts of the Company and all of its subsidiaries. All intercompany transactions have been eliminated.

Inventories—Inventories are valued at the lower of cost or market. Cost for approximately 65% and 67% of inventories for 1982 and 1981, respectively, is determined by the LIFO (last-in, first-out) method. Cost for the remainder of the inventories represents average costs or standard costs, which approximate actual on the FIFO (first-in, first-out) basis. Market is replacement cost for raw materials and net realizable value for work in process and finished goods.

Investments—Companies owned between 20% and 50% are accounted for on the equity method except for certain foreign investments accounted for at cost because of repatriation regulations.

Fixed Assets—Buildings, machinery and equipment are depreciated on the straight-line method over their useful lives. All ordinary maintenance and repair expenses are charged to operations. Timber and mineral properties are depleted on the basis of units produced.

When land, standing timber or property units are sold, the difference between selling price and cost, after recognition of accumulated depreciation and depletion, is reflected as Other income.

Long-Term Contracts—Sales and income on long-term construction contracts are accounted for on the percentage-of-completion basis; losses are recognized as soon as they are determined.

Pension Plans—The Company has pension plans covering substantially all employees. The Company provides for amortization of unfunded prior service costs over periods up to 40 years and pays provisions for pension expense into trust funds annually.

Income Taxes—Benefits from investment tax credit are reflected currently in income.

Earnings Per Share—Earnings (loss) per share have been computed on the basis of the average number of common shares outstanding. The effect on earnings resulting from the assumed conversion of preference stock is antidilutive.

Report of Certified Public Accountants

Arthur Young & Company
Certified Public Accountants

The Board of Directors and Shareholders
Koppers Company, Inc.:

We have examined the consolidated financial statements of Koppers Company, Inc. and subsidiaries listed in the accompanying Index to Financial Statements. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements listed in the accompanying Index to Financial Statements present fairly the consolidated financial position of Koppers Company, Inc. and subsidiaries at December 31, 1982 and 1981 and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

2400 Koppers Building
Pittsburgh, Pennsylvania 15219
January 21, 1983

Consolidated Statement of Operations

1982	1981*	1980*	Koppers Company, Inc. and Subsidiaries	
($ Thousands, except per share figures)				
$1,585,206	$1,909,744	$1,800,250	Net sales	1
			Operating expenses:	
1,247,719	1,505,488	1,417,084	Cost of sales	2
82,223	81,570	76,659	Depreciation, depletion and amortization	3
44,242	46,270	41,092	Taxes, other than income taxes	4
175,697	177,083	161,605	Selling, research, general and administrative expenses	5
1,549,881	1,810,411	1,696,440		
35,325	99,333	103,810	Operating profit	
			Other income (expense):	6
(21,506)	7,433	(2,374)	Profit (loss) on operations disposed of or closed (Note 8)	7
4,187	5,164	3,792	Profit on sales of capital assets	8
(40,362)	(3,023)	—	Provision for decline in value of investment (Note 2)	9
(7,722)	5,369	5,138	Equity in earnings (losses) of affiliates (dividends received: 1982—$9,204; 1981—$8,304; 1980—$4,328)	10
4,372	4,635	3,458	Interest income	11
461	1,350	1,632	Miscellaneous	
(60,570)	20,928	11,646		
(25,245)	120,261	115,456	Income (loss) before interest expense and provision for income taxes	
			Interest expense:	12
26,907	28,560	23,164	Term debt	
2,769	5,194	9,700	Other	
29,676	33,754	32,864		
(54,921)	86,507	82,592	Income (loss) from continuing operations before provision for income taxes	
(23,790)	34,445	22,867	Provision (benefit) for income taxes (Note 9)	13
$ (31,131)	$ 52,062	$ 59,725	Income (loss) from continuing operations	14
			Discontinued operations (Note 8):	15
(3,096)	(420)	(5,765)	Loss from discontinued operations (less applicable income tax benefit: 1982—$2,633; 1981—$559; 1980—$5,146)	
(4,305)	—	—	Loss on disposal of discontinued operations (less applicable income tax benefit of $2,378)	
$ (38,532)	$ 51,642	$ 53,960	Net income (loss) for the year	16
			Dividends on:	
7,500	7,285	—	Redeemable convertible preference stock	
600	600	600	Cumulative preferred stock	
$ (46,632)	$ 43,757	$ 53,360	Net income (loss) applicable to common stock	17
27,854	27,667	26,989	Average number of shares of common stock outstanding during year (in thousands)	
			Earnings (loss) per share of common stock:	
$(1.41)	$1.60	$2.19	From continuing operations	
$(1.67)	$1.58	$1.98	Net earnings (loss) to common stock	

*Results have been reclassified to conform with 1982 classifications (Note 8).
(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

1. Total received, or receivable, from customers. Excludes discontinued operations.

2. Directly related to operating levels: wages, salaries, raw materials, energy, transportation, pensions, supplies and services.

3. Related to the Company's investment in fixed assets—this portion of the original cost of machinery, plants, etc. has been allocated against the year's income.

4. Not closely related to operating levels: social security and unemployment taxes, state and local franchise and real estate taxes.

5. Salesmen's compensation, corporate staff and officers' salaries, pensions, and other general expenses.

6. Not resulting directly from sale of Company products, although most is included in operating income of business segments; see page 33.

7. Gain or loss realized from sale or write-off of assets of business lines or facilities.

8. Profit on sales of equipment, facilities, etc. no longer needed.

9. Recognition that the realizable value of an investment (Explanation 10, page 26) has fallen below the value carried on the balance sheet.

10. Represents Koppers portion of earnings or losses of companies in which it has 20%-50% ownership.

11. From short-term cash investments.

12. Cost of borrowed funds.

13. Total income taxes and credits: federal, state and foreign.

14. This was earned for all shareholders by businesses that will continue to be operated in future.

15. After-tax effect of decisions made in 1982 not to remain in certain businesses.

16. After including all operations.

17. This portion of net income (loss) was applicable to common shareholders; in 1982, $39.0 million was paid in dividends; the sum of the net loss and all dividends was charged against retained earnings, thus reducing common shareholders' equity.

Consolidated Balance Sheet

Assets

December 31, 1982	1981	Koppers Company, Inc. and Subsidiaries	Ref.
($ Thousands)			
		Current assets:	1
$ 74,858	$ 46,824	Cash, including short-term investments of $65,739 in 1982 and $41,458 in 1981	2
207,529	264,874	Accounts receivable, principally trade, less allowance for doubtful accounts of $5,015 in 1982 and $4,720 in 1981	3
13,102	—	Refundable federal income taxes (Note 9)	4
		Inventories (Note 1):	5
		At cost—FIFO (first-in, first-out) basis:	
134,604	160,367	Product	
36,036	50,732	Work in process	
98,271	129,492	Raw materials and supplies	
268,911	340,591		
97,253	126,836	Less excess of FIFO cost over LIFO (last-in, first-out)	6
171,658	213,755		7
22,980	17,297	Prepaid expenses	8
490,127	542,750	Total current assets	9
		Investments:	10
35,756	83,304	Affiliated companies, at equity (Note 2)	
6,889	6,816	Affiliated and other, at cost	
42,645	90,120		
		Fixed assets, at cost:	11
130,161	123,669	Buildings	
940,961	907,211	Machinery and equipment	
1,071,122	1,030,880		
572,336	493,955	Less accumulated depreciation	12
498,786	536,925		
6,926	12,997	Assets under capital leases, net of accumulated amortization of $5,134 in 1982 and $10,316 in 1981 (Note 4)	
84,444	87,597	Depletable properties, less accumulated depletion of $14,584 in 1982 and $14,826 in 1981	13
43,446	41,558	Land	
633,602	679,077		
26,550	16,228	Other assets	
$1,192,924	$1,328,175		14

(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows what Koppers owned.

1. Likely to be converted into cash within one year.

2. Primarily kept in bank accounts for normal business use or invested in short-term notes.

3. Amounts owed to Company by customers and others.

4. Funds to be received in 1983 from overpayment of taxes during 1982.

5. Goods being stockpiled or used in the process of manufacturing or held for sale. Value of these inventories is based on the FIFO accounting method, which reflects the most recent cost of goods.

6. Company uses LIFO accounting for substantially all domestic inventories to charge current income with most recent costs of goods, thus eliminating illusory inventory profits.

7. LIFO value of inventory results in understatement of Company assets. See discussion on page 16.

8. Amounts paid in advance for items to be rendered in the future, such as insurance premiums, property taxes and rents.

9. See discussion of working capital on page 16.

10. Koppers ownership in other companies.

11. The original amount paid for Company-owned buildings, machinery and equipment.

12. Accumulation of the portion of the original amount paid for fixed assets that has been allocated to operating costs since the assets were purchased.

13. Cost of properties having exhaustible resources, such as timber, coal and stone, reduced for value of resources used in the past.

14. The total net cost assigned to everything Koppers owns.

Consolidated Balance Sheet

Liabilities and Shareholders' Equity

December 31, 1982	1981	Koppers Company, Inc. and Subsidiaries	Ref.
($ Thousands, except per share figures)			
		Current liabilities:	1
$ 58,693	$ 75,699	Accounts payable, principally trade	2
		Accrued liabilities:	3
4,485	17,414	Income taxes	
29,446	28,901	Pensions (Note 3)	
28,021	18,608	Insurance	
40,553	38,576	Payroll and other compensation costs	
54,001	49,733	Other accruals	
19,883	15,168	Advance payments received on contracts	4
11,292	22,227	Term debt and obligations under capital leases due within one year	5
—	5,750	Short-term debt	
246,374	272,076	Total current liabilities	6
269,764	278,090	Term debt, due after one year (Note 5)	7
5,959	10,839	Obligations under capital leases (Note 4)	8
15,619	13,948	Deferred compensation (Note 7)	
21,153	34,170	Deferred income taxes	9
75,000	75,000	Redeemable convertible preference stock, no par value, stated value $100 per share: authorized 1,000,000 shares; issued and outstanding 750,000 shares, 10% series (Note 6)	
15,000	15,000	Cumulative preferred stock (not subject to mandatory redemption), $100 par value: authorized 300,000 shares; issued and outstanding 150,000 shares, 4% series	
34,889	34,819	Common stock, $1.25 par value: authorized 60,000,000 shares; issued and outstanding 27,910,834 shares in 1982; issued 27,857,138 and outstanding 27,855,478 shares in 1981	10
133,501	132,935	Capital in excess of par value	10
375,665	461,298	Earnings retained in the business (Note 5)	10
$1,192,924	$1,328,175		

(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows everything Koppers owed

1. These are liabilities payable within one year.

2. Due to suppliers for goods and services provided

3. Amounts owed but not required to be paid at year end

4. For services and products paid for by customers, which Koppers will provide in the near future

5. Repayment of long-term debt and capital lease obligations required during coming year.

6. Company's current assets at year-end 1982 covered these liabilities by a current ratio of 1.99-to-1. See discussion on page 16

7. Borrowings used to expand Koppers income-producing base. Shareholders can benefit as this added capital generates earnings in excess of interest costs on the debt.

8. The Company leases land, buildings, machinery and equipment. As with long-term debt, there is an obligation to pay off portions of these leases each year. This represents the present value of lease payments that will be made in the future.

9. Differences in accounting rules and tax regulations result in certain income and expenses in financial reports that are not included in tax reports in the same year. This total represents the taxes on the difference that will be paid in future years.

10. The total of these items, $544.1 million, represents the total common shareholders' ownership in Koppers at the close of 1982. Common equity was equal to $19.49 for each share of common stock outstanding at the close of 1982, versus $22.58 at the end of 1981. The reduction is discussed in explanation 17 on page 25.

Consolidated Statement of Changes in Financial Position

1982	1981*	1980*	Koppers Company, Inc. and Subsidiaries	
	($ Thousands)			
			Source of funds:	1
			Operations:	
$(31,131)	$ 52,062	$ 59,725	Income (loss) from continuing operations	2
82,223	81,570	76,659	Depreciation, depletion and amortization	3
(7,015)	4,975	5,174	Deferred income taxes and other expenses	4
50,037	7,114	—	Provision for operations disposed of or closed and decline in value of investments	5
14,988	4,615	(810)	Equity in (earnings) losses of affiliated companies, less dividends received	6
109,102	150,336	140,748	Total from continuing operations	
(7,401)	(420)	(5,765)	Loss from discontinued operations	7
2,059	1,994	2,201	Depreciation, depletion and amortization	
2,439	782	4,125	Deferred income taxes and other expenses	
(2,903)	2,356	561	Total from discontinued operations	7
106,199	152,692	141,309	Funds provided from operations	
23,232	1,602	134,558	Term debt and capital leases issued	8
2,165	5,821	26,413	Common stock issued	9
—	—	72,590	Preference stock issued, net of associated expenses	
20,546	39,313	7,812	Book value of fixed assets and other noncurrent assets disposed of or sold	10
152,142	199,428	382,682		11
			Disposition of funds:	12
76,677	182,106	230,871	Capital investments	13
33,157	21,343	50,065	Term debt and capital leases retired	14
47,101	46,653	38,387	Dividends paid	15
1,529	1,233	2,347	Treasury stock acquired	
17,839	1,751	1,038	Issuance of receivables due after one year	16
2,760	647	253	Other	
179,063	253,733	322,961		
$(26,921)	$(54,305)	$ 59,721	Increase (decrease) in working capital	17
			Changes in components of working capital:	18
			Increase (decrease) in current assets:	
$ 28,034	$(37,553)	$ 73,665	Cash and short-term investments	
(44,243)	(33,496)	3,163	Accounts receivable	
(42,097)	(26,584)	28,459	Inventories	
5,683	(4,472)	4,313	Prepaid expenses	
(52,623)	(102,105)	109,600		
			Increase (decrease) in current liabilities:	
(17,006)	(21,018)	(2,713)	Accounts payable	
3,274	46	20,128	Accrued liabilities	
4,715	(7,637)	2,674	Advance payments received on contracts	
(10,935)	353	4,521	Term debt and obligations under capital leases due within one year	
(5,750)	(19,544)	25,269	Short-term debt	
(25,702)	(47,800)	49,879		
$(26,921)	$(54,305)	$ 59,721	Increase (decrease) in working capital	

Years ended December 31, 1982, 1981*, 1980*.

(See accompanying statement of accounting policies and notes to financial statements.)
*Results have been reclassified to conform with 1982 classifications (Note 8).

Explanations

1. Where the funds came from:
2. From line 14 on page 25.
3. This operating cost does not require the payment of funds, which are retained for use in the business.
4. Taxes and other expenses not paid currently, available for use in operations until the time when payment becomes due.
5. Plant write-offs and write-downs of investments reduced income but did not result in an outflow of funds. The amount by which income was reduced represents funds retained for use in the business.
6. Includes cash dividends received from certain equity affiliates plus the Company's portion of the losses incurred by affiliated companies that reduced Koppers income but did not result in an outflow of funds.
7. Losses reported on income statement include certain expenses that did not require payment of funds, as explained in 3 and 4 above.
8. Borrowings explained on page 16.
9. Negotiated value of companies acquired in exchange for shares of common stock, plus value of shares contributed to Employee Stock Ownership Plan.
10. Received from disposal of equipment, facilities, etc. no longer needed in operations.
11. Total funds from all sources.
12. Where the funds went:
13. To provide further growth.
14. Repayment of obligations.
15. Returns to common, preference and preferred shareholders.
16. Includes notes received on sale of certain investments and assets.
17. Subtracting funds paid out from funds generated results in a change in working capital employed.
18. This section shows how the change in working capital affected the items in current assets and current liabilities.

Consolidated Statement of Shareholders' Equity Other Than Redeemable Convertible Preference Stock

Koppers Company, Inc. and Subsidiaries

(Amounts in thousands, except outstanding shares and per share figures)

	Outstanding Shares						
	Cumulative Preferred Stock	Common Stock	Cumulative Preferred Stock	Common Stock	Capital in Excess of Par Value	Earnings Retained in the Business	Total
Balance at December 31, 1979	150,000	26,698,328	$15,000	$33,373	$108,137	$440,736	$597,246
Net income for the year 1980			—	—	—	53,960	53,960
Cash dividends paid:							
On preferred stock, $4.00 per share			—	—	—	(600)	(600)
On common stock, $1.40 per share			—	—	—	(37,787)	(37,787)
Expenses associated with redeemable convertible preference shares issued			—	—	(2,410)	—	(2,410)
Purchase of common stock for treasury		(95,374)	—	(119)	(2,228)	—	(2,347)
Common stock issued during 1980:							
Acquisitions accounted for as purchases		905,546	—	1,132	21,657	—	22,789
Contributed to Employee Stock Ownership Plan		42,689	—	53	1,148	—	1,201
Common stock issued from treasury to Employee Savings and Profit Sharing Plan		95,374	—	119	2,304	—	2,423
Balance at December 31, 1980	150,000	27,646,563	15,000	34,558	128,608	456,309	634,475
Net income for the year 1981			—	—	—	51,642	51,642
Cash dividends paid:							
On preference stock, $10.00 per share			—	—	—	(7,285)	(7,285)
On preferred stock, $4.00 per share			—	—	—	(600)	(600)
On common stock, $1.40 per share			—	—	—	(38,768)	(38,768)
Purchase of common stock for treasury		(58,443)	—	(73)	(1,160)	—	(1,233)
Common stock issued during 1981:							
Acquisitions accounted for as purchases		166,499	—	208	3,532	—	3,740
Contributed to Employee Stock Ownership Plan		44,076	—	55	815	—	870
Common stock issued from treasury to Employee Savings and Profit Sharing Plan		56,783	—	71	1,140	—	1,211
Balance at December 31, 1981	150,000	27,855,478	15,000	34,819	132,935	461,298	644,052
Net loss for the year 1982			—	—	—	(38,532)	(38,532)
Cash dividends paid:							
On preference stock, $10.00 per share			—	—	—	(7,500)	(7,500)
On preferred stock, $4.00 per share			—	—	—	(600)	(600)
On common stock, $1.40 per share			—	—	—	(39,001)	(39,001)
Purchase of common stock for treasury		(101,804)	—	(127)	(1,402)	—	(1,529)
Common stock issued during 1982:							
Contributed to Employee Stock Ownership Plan		53,696	—	67	645	—	712
Common stock issued from treasury to Employee Savings and Profit Sharing Plan		103,464	—	130	1,323	—	1,453
Balance at December 31, 1982	150,000	27,910,834	$15,000	$34,889	$133,501	$375,665	$559,055

(See accompanying statement of accounting policies and notes to financial statements.)

Notes to Financial Statements

December 31, 1982, 1981 and 1980

1. Inventories—During 1982 and 1981, inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of purchases in current years, the effect of which increased net earnings in 1982 and 1981 by approximately $13,297,000, or $0.48 per share, and $3,769,000, or $0.14 per share, respectively.

2. Investments—During 1982, the Company increased its equity investment in Richmond Tank Car Company (RTC) common stock from $48,825,000 (1,550,000 shares, or 23.3%) to $48,975,000 (1,575,000 shares, or 23.6%) and advanced Richmond Leasing Company (RLC), a nonconsolidated subsidiary of RTC, $2,200,000 in the form of a 16% subordinated demand note. During 1982 and 1981, the Company recognized equity income (losses) of ($4,518,000) and $1,509,000, respectively, and received dividends of $775,000 and $1,162,000 relative to their investment.

In December, 1982, the Company wrote down its investment in RTC by $39,304,000 to an estimated realizable value of $4,725,000. The write-down was in recognition of RTC's severe financial problems and the Company's belief that this situation has impaired the value of the investment. The quoted market value of this investment at December 31, 1982 was $5,316,000 ($3.375 per share). On January 7, 1983, RLC filed for protection under Chaper 11 of the Federal Bankruptcy Code.

In December, 1982, the Company, through its partnership, Peat Methanol Associates (PMA), secured a letter of intent and an agreement on terms with the Synthetic Fuels Corporation (SFC) to construct and operate a peat-to-methanol facility at a projected cost of $576,000,000. SFC has provided a commitment to guarantee up to $465,000,000 of this through loan and price guarantees.

The Company's accounting policy has been to expense all costs related to its synfuels projects because of uncertainty of ultimate realization. During 1982 and 1981, the Company recognized $6,689,000 (including $4,582,000 for PMA) and $6,632,000, respectively, of equity losses from their synthetic fuel investments. Any recovery of SFC-approved costs will be realized as a reduction of future investment and amortized over the life of the project.

3. Retirement Plans

Company Plans—Total pension expense for continuing operations in 1982 was $25,342,000, as compared with $24,998,000 and $28,068,000 in 1981 and 1980, respectively. In 1981, the Company changed its investment return assumption from 6% to 8% and increased the salary scale rate from 4% to 6% to reflect current pension funds earnings experience and salary increases. The net effect of these changes was to reduce pension expense in 1981 by $7,524,000 and increase net income by $3,738,000, or $0.14 per share. A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit plans as of December 31, 1982 and 1981 is presented below.

($ Thousands)	1982	1981
Actuarial present value of accumulated plan benefits:		
Vested	**$210,499**	$189,331
Nonvested	**27,752**	28,079
	$238,251	$217,410
Net assets available for benefits	**$307,409**	$258,984

The rate used in determining the actuarial present value of accumulated plan benefits was 10%. The actuarial present value of accumulated plan benefits is less than that considered in calculating the funding requirements of the plan partly because of differences in actuarial assumptions relating to future salaries, wages and interest.

The Company has an Employee Stock Ownership Plan (ESOP) for the benefit of employees upon retirement. Contributions to the ESOP are offset by additional investment tax credit.

Multiemployer Plans—In addition to the expense for the Company-sponsored plans, the Company had pension expense for full-time employees of $4,647,000, $5,327,000 and $5,577,000 in 1982, 1981 and 1980, respectively, for contributions to multiemployer plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and plan net assets of multiemployer plans is not determinable by the Company and is not included in the above information.

4. Leases—The Company, as lessee, has entered into various lease arrangements covering land, buildings, machinery and equipment. The following is an analysis of the property under capital leases:

($ Thousands)	1982	1981
Land and buildings	**$ 7,862**	$16,813
Machinery and equipment	**4,198**	6,500
	12,060	23,313
Less accumulated amortization	**5,134**	10,316
	$ 6,926	$12,997

The following is a schedule by years of future minimum lease payments as of December 31, 1982:

($ Thousands)	Capital Leases	Operating Leases
1983	$ 2,224	$ 4,384
1984	1,046	2,627
1985	845	1,831
1986	721	1,371
1987	732	763
1988 and later	7,287	2,204
Total minimum lease payments	$12,855	$13,180
Less amount representing interest	5,321	
Present value of net minimum lease payments (including $1,575 classified as current obligations under capital leases)	$ 7,534	

Table 1. Term Debt

($ Thousands)	1982	1981
11.25% promissory notes due $6,500 annually beginning 1986, $9,000 balance due in 2000	**$100,000**	$100,000
8.95% promissory notes due $4,000 annually beginning 1984	**60,000**	60,000
6% notes due $3,000 annually	**29,000**	32,000
Pollution control bonds and notes:		
8.25% bonds due 1983-2002	**37,100**	39,000
5.875% tax-exempt bonds due 1998-2017	**16,350**	16,350
5.9% and 6% notes due 1983-1998	**10,460**	10,600
Other	**16,854**	20,140
	$269,764	$278,090

Debts issued by municipal authorities and guaranteed by the Company are not considered lease agreements even though the legal form of the transaction is a lease. Such obligations are classified as term debt.

5. Term Debt—Term debt due after one year is shown in Table 1.

The aggregate term debt maturity in the years 1983 through 1987, respectively, is $9,717,000, $12,825,000, $11,322,000, $18,004,000 and $16,881,000.

Additional Debt Information—The Company has a revolving credit bank loan agreement that provides for revolving credit loans of up to $200,000,000 until September 30, 1986. Commitment fees of up to $\frac{3}{8}$ of 1% per annum are required on any unborrowed amounts. Any loans outstanding on September 30, 1986 may be converted to term loans payable during the succeeding three years. The agreement calls for interest at one of three options chosen by the Company, those being the prime rate, the certificate of deposit rate or the Eurorate, with factors up to $\frac{7}{10}$ of 1% added to these rates after September 30, 1985. In 1982, the average daily amount of revolving credit loans outstanding was $1,556,000, with a daily weighted average annual interest rate of 16.2%. The maximum amount of revolving credit loans outstanding during 1982 was $21,000,000, with no borrowings as of December 31, 1982. The Company had no borrowings under this agreement in 1981.

The Company's term debt agreements contain various restrictions as to dividend payments and incurrence of additional indebtedness. As of December 31, 1982, under the most restrictive provisions, $110,035,000 of consolidated earnings retained in the business was available for the payment of cash dividends, and the Company could incur additional indebtedness of approximately $134,311,000.

6. Redeemable Convertible Preference Stock—On December 23, 1980, the Company issued 750,000 shares of convertible preference stock (preference stock), with each share convertible into 3.48 shares of the Company's common stock. The Company may redeem the preference shares beginning in 1983 at $107 per share, declining by $1 per share each year through 1990. Beginning in 1990, the Company is required to make sinking fund payments at $100 per share sufficient to retire 37,500 shares of preference stock annually except that prior redemptions or conversions may be applied to such requirements at the Company's option.

The Company may not pay cash dividends on common or preference stock if required sinking fund payments are not made. If preference stock dividends are in arrears for an amount equal to more than six quarterly dividends, the holders of preference stock may then elect two directors.

7. Employee Compensation Plans

Deferred Compensation Plan—The Company has a Deferred Compensation Unit Plan for officers and other key employees. Operating expense has been charged with $2,300,000, $2,139,000 and $1,881,000 to provide for the benefits accrued during 1982, 1981 and 1980, respectively.

Incentive Plans—The Company has an Incentive Plan for key employees that is based upon the attainment of a specific return on invested capital using income before interest expense and income taxes. There was no charge to operating expense in 1982, 1981 or 1980 because of the Company's insufficient return on investment.

Performance Share Plan—The Company has a Performance Share Plan for key employees that provides for an award of performance shares (up to an aggregate maximum of 500,000 shares), each equivalent to one share of the Company's common stock and cash. Distribution of the common stock plus cash equal to the fair market value of the common stock will be made at the end of designated periods if specified earnings are attained.

Currently, 73,375 performance shares are outstanding for the award period ending December 31, 1983 and 134,650 for the period ending December 31, 1984. Based on profit performance, no provision has been made for the years 1982 and 1981.

Savings and Profit Sharing Plan—Effective January 1, 1980, the Company initiated a Savings and Profit Sharing Plan for all eligible employees. Participating employees may elect to contribute up to 6% of their salaries. The Company contributes an amount equal to a specified percentage of the employees' contributions to a limit of $6,000 per employee. The Company's contributions may be made in cash or common stock of the Company. The Company's contributions amounted to $1,724,000 in 1982, $1,923,000 in 1981 and $4,375,000 in 1980.

8. Closed Operations and Disposals

In the fourth quarter of 1982, the Company made final decisions to close, reduce operations of, or sell various operating units.

Discontinued Operations—The Company decided to divest two major operations, the Environmental Elements (ENELCO) subsidiary and the Mineral Processing Systems Division (MPSD). Reserve provisions of $4,492,000 after tax ($0.16 per share) were made in December, 1982 for the expected losses on these disposals. The total combined proceeds from these disposals, including the 1982 sale of the Titus Products Division of ENELCO, is expected to be about $33 million. The sale of Titus resulted in a small after-tax gain.

Net sales of the discontinued operations were $90,178,000, $108,818,000 and $128,940,000 for 1982, 1981 and 1980, respectively. Included in the Consolidated Balance Sheet at December 31, 1982 are assets of $46,844,000 and liabilities of $17,612,000 applicable to discontinued operations.

Amounts in the Consolidated Statement of Operations for the years 1981 and 1980 have been reclassified to conform with 1982 disclosure for discontinued operations.

Other Operations Disposed of or Closed—In addition to the discontinued operations, provisions were made for the closing or disposal of numerous plant operations in 1982. The most significant of these occurred in the Organic Materials and Forest Products Groups and resulted in a loss of $8,039,000, or $4,389,000 after tax ($0.16 per share), and a loss of $3,902,000, or $2,261,000 after tax ($0.08 per share), respectively. Provisions for severance

Table 2. Operations Disposed of or Closed

($ Thousands)	1982	1981	1980
Net sales	**$ 73,296**	$152,255	$169,539
Operating expenses	**80,997**	156,460	170,154
Operating loss	**(7,701)**	(4,205)	(615)
Profit (loss) on disposal of net assets	**(21,506)**	7,433	(2,374)
	$(29,207)	$ 3,228	$ (2,989)

Table 3. Components of Income Taxes (Benefit)
($ Thousands)

	1982	1981*	1980*
Income (loss) from continuing operations before provision for income taxes:			
Domestic operations	$(64,121)	$71,873	$71,778
Foreign operations**	9,200	14,634	10,814
Total	$(54,921)	$86,507	$82,592
Income tax expense (benefit):			
Continuing operations	$(23,790)	$34,445	$22,867
Discontinued operations	(5,011)	(559)	(5,146)
Total	$(28,801)	$33,886	$17,721
Current:			
Federal	$(13,745)	$24,781	$ 8,607
Foreign	4,049	2,964	2,353
State	1,485	1,901	4,390
	(8,211)	29,646	15,350
Deferred:			
Federal	(20,424)	4,813	1,478
Foreign	(166)	(573)	893
	(20,590)	4,240	2,371
Total	$(28,801)	$33,886	$17,721

*Reclassified to conform with 1982 classifications.
**Foreign operations income before the provision for income taxes includes equity income from foreign investments of $6,429, $11,178 and $5,683 for 1982, 1981 and 1980, respectively.

Table 4. Deferred Tax Expense (Benefit)
($ Thousands)

	1982	1981	1980
Excess of tax over book depreciation	$ 7,292	$ 6,064	$ 7,991
Anticipated expenses provided in advance of deductibility for tax purposes	950	(469)	(2,583)
Difference in book and tax income recognition:			
—Construction contracts	(4,876)	3,399	1,308
—Inventory timing difference	(603)	(1,303)	(857)
Provisions for operations discontinued, disposed of or closed	(12,205)	(3,065)	(1,775)
RTC investment provision	(11,025)	—	—
Other—net	(123)	(386)	(1,713)
	$(20,590)	$ 4,240	$ 2,371

Table 5. Statutory and Effective Income Tax (Benefit) Rates

	1982	1981*	1980*
Statutory tax rate:			
Federal	(46.0%)	46.0%	46.0%
State, net of federal tax benefit	1.5%	1.2%	2.8%
Effect of additional taxes on gain from the sale of a Canadian subsidiary	—	3.8%	—
Investment tax credit	(12.9%)	(7.1%)	(12.6%)
Nontaxable earnings of Domestic International Sales Corporation	(1.1%)	(1.1%)	(1.9%)
Effect of percentage over cost depletion	(5.7%)	(3.6%)	(3.9%)
Effect of lower statutory tax rate applicable to capital gains and equity investment transactions	15.9%	(1.6%)	(3.1%)
Other—net	5.0%	2.2%	0.4%
	(43.3%)	39.8%	27.7%

*Reclassified to conform with 1982 classifications.

costs related to the Company's closed operations resulted in a loss of $5,037,000, or $2,720,000 after tax ($0.10 per share).

In 1981, the significant dispositions included the Canadian spruce lumber operations, which were sold at a gain of $20,196,000, or $6,757,000 after tax ($0.24 per share), and operations closed or disposed of in Organic Materials Group, which resulted in a loss of $12,371,000, or $6,573,000 after tax ($0.24 per share).

The effect on operations and the related profit or loss on operations disposed of and closed, and similar disposals in prior years is shown in Table 2 (page 31).

9. Income Taxes—Income (loss) from continuing operations before provision for income taxes and the components of income tax expense are shown in Table 3.

The components of deferred tax expense and related tax effect are shown in Table 4.

The differences between the statutory and effective income tax rates applicable to continuing operations are shown in Table 5.

The provisions for income taxes for the years 1982, 1981 and 1980 have been reduced by $7,222,000, $6,423,000 and $11,066,000, respectively, for investment tax credit.

At December 31, 1982, 1981 and 1980, consolidated earnings retained in the business included approximately $27,019,000, $25,230,000 and $25,041,000, respectively, on which federal income tax has not been provided since the Company has reinvested such earnings and intends to continue such investment permanently in export activities.

10. Operations by Business Segments—The Company operates principally in five business segments. Information relating to the products and services provided by these segments is located on pages 41 through 45 of this annual report and 10-K. Intersegment sales are not disclosed because of immateriality.

11. Litigation—Inland Steel Company has asserted a claim against the Company in the amount of $100 million for delay damages under a construction contract. The Company and its legal advisors believe there are sound defenses against Inland's claim. The Company has filed a claim against Inland to recover $17 million, representing fees on the contract.

Table 6. Operations by Business Segments
($ Thousands)

	Organic Materials	Road Materials	Forest Products	Engineered Metal Products	Engineering and Construction	Misc.	Consolidated
Year ended December 31, 1982:							
Net sales from continuing operations	$535,323	$485,833	$297,089	$215,541	$ 32,926	$ 18,494	$1,585,206
Operating profit (loss) before general corporate overhead	$ 15,506	$ 33,843	$ 10,802	$ 8,715	$(10,868)	$ 2,899	$ 60,897
Other income (expense) (Notes 2 and 8)	(8,583)	1,075	(1,360)	(3,909)	(4,573)	(35,498)	(52,848)
Equity in earnings (loss) of affiliates	1,529	4,032	852	120	(863)	(13,392)	(7,722)
Operating income (loss)	$ 8,452	$ 38,950	$ 10,294	$ 4,926	$(16,304)	$(45,991)	$ 327
General corporate overhead							25,572
Interest expense							29,676
Loss from continuing operations before provision for income taxes							$ (54,921)
Identifiable assets as of December 31, 1982	$327,124	$328,130	$171,663	$177,264	$ 18,393	$ 80,584	$1,103,158
General corporate assets							89,766
Total assets							$1,192,924
Depreciation, depletion and amortization	$ 32,628	$ 28,271	$ 11,931	$ 7,138	$ 352	$ 596	$ 80,916
Depreciation and amortization of general corporate assets							1,307
							$ 82,223
Capital expenditures	$ 21,159	$ 15,485	$ 12,097	$ 17,164	$ 59	$ 10,713	$ 76,677
Year ended December 31, 1981 (reclassified):							
Net sales from continuing operations	$678,099	$541,920	$379,823	$233,646	$ 58,567	$ 17,689	$1,909,744
Operating profit (loss) before general corporate overhead	$ 42,238	$ 46,647	$ 19,652	$ 13,345	$ (6,601)	$ 6,583	$ 121,864
Other income (expense) (Note 8)	(15,030)	3,334	22,209	111	28	4,907	15,559
Equity in earnings (loss) of affiliates	2,023	7,908	1,048	(50)	(1,000)	(4,560)	5,369
Operating income (loss)	$ 29,231	$ 57,889	$ 42,909	$ 13,406	$(7,573)	$ 6,930	$ 142,792
General corporate overhead							22,531
Interest expense							33,754
Income from continuing operations before provision for income taxes							$ 86,507
Identifiable assets as of December 31, 1981	$377,156	$346,701	$203,077	$195,620	$ 22,596	$124,873	$1,270,023
General corporate assets							58,152
Total assets							$1,328,175
Depreciation, depletion and amortization	$ 29,596	$ 28,997	$ 14,094	$ 6,077	$ 264	$ 721	$ 79,749
Depreciation and amortization of general corporate assets							1,821
							$ 81,570
Capital expenditures	$ 37,895	$ 52,770	$ 23,798	$ 18,795	$ 588	$ 48,260	$ 182,106
Year ended December 31, 1980 (reclassified):							
Net sales from continuing operations	$577,196	$531,729	$380,862	$229,127	$ 64,601	$ 16,735	$1,800,250
Operating profit (loss) before general corporate overhead	$ 47,598	$ 52,096	$ 17,223	$ 8,582	$ (1,854)	$ 4,289	$ 127,934
Other income (expense) (Note 8)	(2,432)	2,620	3,257	742	1,403	918	6,508
Equity in earnings (loss) of affiliates	2,016	2,533	842	164	—	(417)	5,138
Operating income (loss)	$ 47,182	$ 57,249	$ 21,322	$ 9,488	$ (451)	$ 4,790	$ 139,580
General corporate overhead							24,124
Interest expense							32,864
Income from continuing operations before provision for income taxes							$ 82,592
Identifiable assets as of December 31, 1980	$410,229	$334,963	$225,316	$206,218	$ 29,523	$ 85,369	$1,291,618
General corporate assets							97,868
Total assets							$1,389,486
Depreciation, depletion and amortization	$ 27,364	$ 27,289	$ 13,655	$ 5,308	$ 227	$ 746	$ 74,589
Depreciation and amortization of general corporate assets							2,070
							$ 76,659
Capital expenditures	$ 40,955	$ 78,614	$ 31,705	$ 14,302	$ 42	$ 65,253	$ 230,871

Schedules for Form 10-K
Koppers Company, Inc. and Subsidiaries

Property, Plant and Equipment (SEC Schedule V)

($ Thousands)

Classification	Balance at beginning of year	Additions at cost	Retirements or sales	Transfers and other additions (deductions) (2)	Balance at close of year
Year ended December 31, 1982					
Land	$ 41,558	$ 1,271	$ 825	$ 1,442	$ 43,446
Buildings	123,669	10,813	7,898	3,577	130,161
Machinery and equipment	907,211	51,420	27,752	10,082	940,961
Depletable mineral properties	76,565	1,600	—	(660)	77,505
Depletable timber properties	25,858	1,776	6,111	—	21,523
Capitalized leases	23,313	210	1,167	(10,296) (3)	12,060
	$1,198,174	$ 67,090	$43,753 (1)	$ 4,145	$1,225,656
Year ended December 31, 1981					
Land	$ 34,420	$ 2,827	$ 1,152	$ 5,463	$ 41,558
Buildings	115,849	8,869	7,486	6,437	123,669
Machinery and equipment	857,413	85,447	52,792	17,143	907,211
Depletable mineral properties	70,173	4,242	566	2,716	76,565
Depletable timber properties	31,289	6,917	12,348	—	25,858
Capitalized leases	26,047	123	1,927	(930)	23,313
	$1,135,191	$108,425	$76,271 (1)	$30,829	$1,198,174
Year ended December 31, 1980					
Land	$ 25,598	$ 7,817	$ 313	$ 1,318	$ 34,420
Buildings	87,581	15,385	1,106	13,989	115,849
Machinery and equipment	745,924	101,562	10,588	20,515	857,413
Depletable mineral properties	40,941	26,405	46	2,873	70,173
Depletable timber properties	26,812	7,707	2,894	(336)	31,289
Capitalized leases	30,577	137	1,190	(3,477)	26,047
	$ 957,433	$159,013	$16,137	$34,882	$1,135,191

(1) Includes $14,058 in 1982 and $44,650 in 1981 from operations disposed of or closed.
(2) Property acquired through acquisitions, 1981—$26,899; 1980—$34,979.
(3) Primarily related to purchase of previously leased assets.

Accumulated Depreciation, Depletion and Amortization (SEC Schedule VI)

($ Thousands)

Description	Balance at beginning of year	Additions charged to income (1)	Retirements	Other additions	Balance at close of year
Year ended December 31, 1982					
Depreciation and amortization	$493,955	$75,338	$25,464	$28,507 (3)	$572,336
Depletion	14,826	3,737	3,979	—	14,584
Amortization of capital leases	10,316	1,514	1,109	(5,587) (4)	5,134
	$519,097	$80,589	$30,552 (2)	$22,920	$592,054
Year ended December 31, 1981					
Depreciation and amortization	$438,900	$75,182	$29,827	$ 9,700 (2)	$493,955
Depletion	19,667	4,869	9,814	104	14,826
Amortization of capital leases	9,609	2,105	1,058	(340)	10,316
	$468,176	$82,156	$40,699 (2)	$ 9,464	$519,097
Year ended December 31, 1980					
Depreciation and amortization	$373,461	$70,234	$ 5,019	$ 224	$438,900
Depletion	15,865	4,391	1,065	476	19,667
Amortization of capital leases	12,336	2,195	992	(3,930)	9,609
	$401,662	$76,820	$ 7,076	$ (3,230)	$468,176

(1) Includes provision relating to both continuing and discontinued operations.
(2) Includes $5,770 in 1982 and $20,739 in 1981 from operations disposed of or closed.
(3) Includes $14,492 in 1982 and $4,091 in 1981 of valuation reserves for operations disposed of or closed.
(4) Primarily related to purchase of previously leased assets.

Valuation and Qualifying Accounts (SEC Schedule VIII)

($ Thousands)

Description	Balance at beginning of year	Additions charged to income	Deductions (1)	Balance at close of year
Year ended December 31, 1982				
Allowance for doubtful accounts	$4,720	$ 3,589	$3,294	$ 5,015
Allowance for doubtful notes receivable	—	135	—	135
Allowance for decline in value of investment	3,023	40,362	3,023	40,362
	$7,743	$44,086	$6,317	$45,512
Year ended December 31, 1981				
Allowance for doubtful accounts	$4,875	$ 2,555	$2,710	$ 4,720
Allowance for doubtful notes receivable	3,000	2,929	5,929	—
Allowance for decline in value of investment	—	3,023	—	3,023
	$7,875	$ 8,507	$8,639	$ 7,743
Year ended December 31, 1980				
Allowance for doubtful accounts	$4,295	$ 1,235	$ 655	$ 4,875
Allowance for doubtful notes receivable	—	3,000	—	3,000
	$4,295	$ 4,235	$ 655	$ 7,875

(1) Accounts written off, less recoveries.

Short-Term Borrowings (SEC Schedule IX)

Category of Short-Term Borrowings	Balance at end of period ($ Thousands)	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period(3)	Weighted average interest rate during the period(3)
Year ended December 31, 1982					
Amounts payable to banks	$ —	—	$ 1,133	$ 290	17.2%
Commercial paper	$ —	—	$31,000	$ 5,375	12.5%
Other	$ —	—	$ 5,750	$ 2,319	13.0%
Year ended December 31, 1981					
Amounts payable to banks	$ —	—	$ 5,914	$ 2,036	18.5%
Commercial paper	$ —	—	$43,000	$10,360	17.3%
Other	$ 5,750(1)	15.2%	$24,000	$ 7,917	15.4%
Year ended December 31, 1980					
Amounts payable to banks	$ 1,294	18.3%	$ 7,192	$ 3,075	14.6%
Commercial paper	$ —	—	$96,000	$50,540	11.4%
Other	$24,000(2)	10.8%	$24,000	$ 5,063	10.5%

(1) Includes $5,650 payable on demand to Genex Corporation upon prior notification.
(2) Includes $10,000 payable on demand to Genex Corporation upon prior notification. $14,000 is payable to a third party for the 500,000 shares of common stock of Richmond Tank Car Company purchased on December 5, 1980.
(3) The average amount outstanding for each period was computed by using a daily average during the year. The weighted average interest rate for each period was computed by weighting the effective interest rate over the year.

Supplementary Income Statement Information (SEC Schedule X)

Item	($ Thousands) Charged to expenses 1982	1981*	1980*
Years ended December 31,			
Maintenance and repairs	$91,420	$108,908	$106,224
Taxes, other than payroll and income taxes	$16,908	$ 17,516	$ 14,127
Rents	$19,222	$ 22,701	$ 26,879
Research and development	$22,031	$ 16,466	$ 14,953

*Reclassified to conform with 1982 classifications.

Koppers Board of Directors And Officers

As of February 28, 1983.

On June 1, 1982, **Fletcher L. Byrom** *retired after 35 years of outstanding service to Koppers. He had been Chairman of the Board since 1970, guiding the Company through its greatest period of growth. In addition, as a world-renowned spokesman for industry, he brought honor and recognition to Koppers far out of proportion to its ranking among the nation's corporate giants. As an articulate business philosopher, he defined the societal mission of this enterprise and challenged others to do likewise with their own enterprises. Educated as a metallurgist, he extended the range of his expertise to embrace subjects from education to health care to the proper functioning of political systems. Happily for us, he has agreed to continue in service on the Board of Directors.*

Directors

Charles F. Barber 66
Director and Chairman of the Finance Committee and retired Chairman and Chief Executive Officer,
ASARCO Inc.
Nonferrous metals producer

***Evelyn Berezin 57**
President, Greenhouse Management Corporation, venture capital investment, and Potech Corporation, consulting; former Director—Long-Range Planning for Office Automation Systems, Burroughs Corporation.

Fletcher L. Byrom 64
Retired Chairman of the Board, Koppers Company, Inc.

†Dr. Richard M. Cyert 61
President,
Carnegie-Mellon University

Edmund B. Fitzgerald 57
Chairman of the Board,
Northern Telecom Inc.

***Douglas Grymes 69**
Retired Vice Chairman of the Board,
Koppers Company, Inc.

***Terrance Hanold 70**
Retired President and Director,
The Arter Company
Capital management and investment

†Curtis E. Jones 64
Retired President and Director,
Mellon Bank N. A.

†William H. Knoell 58
President, Chief Executive Officer and Director, Cyclops Corporation
Basic and specialty steels and steel products

†*Andrew W. Mathieson 54
Executive Vice President,
Richard K. Mellon and Sons
Investment management

†Nathan W. Pearson 71
Financial Advisor,
Paul Mellon family interests

†Charles R. Pullin 59
Chairman of the Board,
Koppers Company, Inc.

†Executive Committee
*Audit Committee

Corporate Officers

Charles R. Pullin 59
Chairman of the Board (Chief Executive Officer) since 1982; formerly Vice Chairman of the Board since 1981 and President and Chief Operating Officer—Road Materials Group. Joined Koppers in 1946.

Burnett G. Bartley, Jr. 58
Deputy Chairman since 1978; formerly Group Vice President. Joined Koppers in 1949.

William B. Jackson 61
Deputy Chairman since 1978; formerly Group Vice President. Joined Koppers in 1943.

B. Otto Wheeley 61
Deputy Chairman since 1978; formerly Senior Vice President—Marketing. Joined Koppers in 1943.

Thomas M. St. Clair 47
President (Chief Operating Officer)—Engineered Metal Products Group since 1978; formerly Corporate Comptroller. Joined Koppers in 1958.

Richard E. Spatz 57
President (Chief Operating Officer)—Forest Products Group since 1978; formerly Vice President and General Manager. Joined Koppers in 1951.

Jack L. Wilks 64
President (Chief Operating Officer)—Road Materials Group since 1981; formerly Vice President and Manager—Operations. Joined Koppers in 1941.

Robert G. Wilson 60
President (Chief Operating Officer)—Engineering and Construction Group since 1978; formerly Vice President and General Manager. Joined Koppers in 1952.

A. William Capone 63
Senior Vice President since 1978; Chief Financial Officer; formerly Vice President and Treasurer. Joined Koppers in 1946.

Thomas C. Cochran, Jr. 62
Senior Vice President since 1978; Secretary and General Counsel; formerly Vice President, Secretary and General Counsel. Joined Koppers in 1956.

Group Officers

Organic Materials Group

Paul L. Bost 59
Vice President and General Manager—Industrial Products Division since 1978; formerly Vice President. Joined Koppers in 1948.

Charles P. Dorsey 55
Vice President and General Manager—Specialty Systems Division since 1978; formerly Vice President. Joined Koppers in 1966.

Robert G. Hamilton 38
Vice President and Assistant to the Deputy Chairman since 1982; formerly General Manager—Timberlands and Hardwood Lumber Division. Joined Koppers in 1969.

Thomas M. June 54
Vice President and General Manager—Building Materials Division since 1978; formerly Manager. Joined Koppers in 1951.

Lawrence L. Nagel 59
Vice President and Manager—Operations, Industrial Products Division since 1978; formerly Manager—Foundry Products, then Vice President and Manager—Technical Services. Joined Koppers in 1949.

Dr. Randall L. C. Russell 38
Vice President and General Manager—Chemical Division since 1978; formerly General Purchasing Agent, Purchasing and Traffic Department. Joined Koppers in 1970.

Francis J. Sullivan 58
Vice President and Manager—Marketing, Industrial Products Division since 1978; formerly Sales Manager—Foundry Products Group. Joined Koppers in 1955.

Charles H. Teller, Jr. 40
Vice President and Manager—Marketing, Chemical Division since 1980; formerly Manager. Joined Koppers in 1970.

Glen C. Tenley 55
Vice President and General Manager—Foundry and Industrial Supply Division since 1980; formerly Vice President and Manager—Purchasing Department. Joined Koppers in 1955.

Subsidiary and Other Officers

Peter Barry 55
President—Thiem Corporation, acquired by Koppers in 1976.

Joseph M. Madeira 46
President—U.S. Plastic and Chemical Corporation, acquired by Koppers in 1965.

Francis W. Neville 59
President—Parr, Inc., acquired by Koppers in 1977.

Brooks C. Wilson 49
Managing Director—Koppers Australia Pty. Ltd. Joined Koppers in 1965.

Road Materials Group

R. Kenneth MacGregor 60
Vice President and Manager—West Coast Operations since 1982, and President and General Manager—Sully-Miller Contracting Company. Joined Koppers in 1978.

Frederick C. Moore 49
Vice President and General Manager—Eastern Region Operations since 1983 and Chairman of the Board—The General Crushed Stone Company; formerly Vice President and Assistant to the Road Materials Group President. Joined Koppers in 1970.

Alvin L. Walters 54
Vice President and General Manager—Western Region Operations since 1982; formerly President and General Manager—Western Paving Construction Company. Joined Koppers in 1976.

Subsidiary Officers

Lloyd D. Ahnstedt 50
President and General Manager—Western Paving Construction Company, acquired by Koppers in 1976.

Marvin E. Browning 57
President and General Manager—Sim J. Harris Company, acquired by Koppers in 1976; formerly Vice President.

Broadus N. Davidson 58
President and General Manager—The Kentucky Stone Company, acquired by Koppers in 1977; formerly Executive Vice President and Assistant General Manager.

Bernard E. Elmer 55
President and General Manager—The General Crushed Stone Company; formerly Executive Vice President.

Roger W. Farris 40
President and General Manager—Fairfield Bridge Company, Inc., acquired by Koppers in 1980.

Robert A. Good 46
President and General Manager—Kaiser Sand and Gravel Company, acquired by Koppers in 1977; formerly Executive Vice President.

W. Ansel Gower 58
President and General Manager—Broderick and Gibbons, Inc., acquired by Koppers in 1980.

Daniel A. Hodge 42
President—Sterling Sand and Gravel Company of Wyoming, acquired by Koppers in 1981.

George V. LaBonte, Jr. 58
President and General Manager—Echols Brothers, Inc., acquired by Koppers in 1980.

Pierce E. Marks, Jr. 54
President and General Manager—Ivy Corporation, acquired by Koppers in 1979.

J. Paul Martin 57
President and General Manager—Lycoming Silica Sand Company, acquired by Koppers in 1966.

Jack W. McMichael, Jr. 59
President and General Manager—The McMichael Company, acquired by Koppers in 1979; formerly Vice President.

Homer L. Riley 60
President—Nello L. Teer Company, acquired by Koppers in 1980; formerly Vice President and Assistant Secretary.

Sidney E. Smith, Jr. 57
President and General Manager—Erie Sand and Gravel Company and Erie Sand Steamship Company, both acquired by Koppers in 1967; formerly Vice President—Erie Sand Steamship Company.

Nello L. Teer, Jr. 68
Chairman of the Board and Chief Executive Officer—Nello L. Teer Company, acquired by Koppers in 1980.

Carl L. Todd 61
President—Sterling Sand and Gravel Company and Sterling Paving Company, both acquired by Koppers in 1981.

Raymond C. Wiley 57
President and General Manager—Eastern Rock Products, Inc., acquired by Koppers in 1967.

Forest Products Group

James R. Batchelder 47
Vice President and General Manager—Western Wood Products Division since 1978; formerly Manager—Plant Services. Joined Koppers in 1959.

Earl A. Clendaniel 52
Vice President and Manager—Utility and Heavy Construction Department, Treated Wood Products Division since 1979; formerly Manager. Joined Koppers in 1949.

Robert B. Dehls 58
Vice President and Manager—Transportation Sales and Planning since 1978; formerly Manager. Joined Koppers in 1950.

Donald G. Hallahan 52
Vice President and Manager—Marketing since 1978; formerly Manager. Joined Koppers in 1958.

John D. Hite, Jr. 45
Vice President and General Manager—Specialty Wood Chemicals Division since 1978; formerly Manager. Joined Koppers in 1960.

Gerald L. Reynolds 55
Vice President and Manager—Raw Materials Department since 1975; formerly Manager. Joined Koppers in 1951.

Robert K. Wagner 51
Vice President and General Manager—Treated Wood Products Division since 1978; formerly Vice President. Joined Koppers in 1953.

Subsidiary Officers

Robert A. Cruise 53
President—Koppers International Canada Ltd., a wholly owned subsidiary since 1969. Joined Koppers in 1973.

Engineered Metal Products Group

Walter C. Arnold 58
Vice President and General Manager—Container Machinery Division since 1978; formerly Manager. Joined Koppers in 1962.

Hugh J. Blecki 52
Vice President and General Manager—Piston Ring and Seal Division since 1978; formerly Vice President—Marketing and Sales, Engineered Metal Products. Joined Koppers in 1956.

Gerald Champness 44
Vice President and General Manager—Mineral Processing Systems Division since 1980; formerly Operations Manager—Sprout-Waldron. Joined Koppers in 1956.

Richard E. Hug 48
Vice President—Koppers since 1973; President—Environmental Elements Corporation, a subsidiary, since 1974. Joined Koppers in 1957.

Samuel W. Koster 63
Vice President and General Manager—Power Transmission Division since 1978; formerly Manager. Joined Koppers in 1974.

Lester L. Murray 54
Vice President and General Manager—Sprout-Waldron Division since 1978; formerly Vice President and Chief Executive Officer—Sprout-Waldron and Company, Inc., acquired by Koppers in 1975. Joined Sprout-Waldron in 1956.

Engineering and Construction Group

James A. Harris 48
Vice President and General Manager since 1981; formerly Vice President—Executive Department. Joined Koppers in 1965.

Science and Technology

Dr. Alonzo Wm. Lawrence 45
Vice President—Science and Technology since 1981; formerly Vice President—Environmental Resources and Occupational Health Department. Joined Koppers in 1976.

Dr. William N. Maclay 58
Vice President and Manager—External Research since 1982; formerly Vice President and Manager—Research and Development Department. Joined Koppers in 1959.

Dr. Andrew C. Middleton 34
Vice President and Manager—Environmental Resources Department since 1981; formerly Manager. Joined Koppers in 1978.

Corporate Staff Officers

J. Roger Beidler 47
Vice President—Investor Relations since 1980; formerly Manager. Joined Koppers in 1960.

Jay A. Best 49
Vice President and Manager—Traffic and Transportation Department since 1978; formerly General Traffic Manager. Joined Koppers in 1956.

Fitzhugh L. Brown 50
Comptroller and Assistant Treasurer since 1978; formerly Manager—Administration, Engineering and Construction Group. Joined Koppers in 1962.

Arthur W. Cowles 64
Vice President—Executive Department since joining Koppers in 1965.

Frank E. Davis, Jr. 58
Vice President and Manager—Advertising and Public Relations Department since 1972. Joined Koppers in 1962.

William T. Hawkins 56
Vice President and General Manager—Natural Resources Division since 1978; formerly Manager. Joined Koppers in 1950.

Robert R. Moran 58
Vice President—Purchasing since 1982; formerly Manager—Raw Materials. Joined Koppers in 1947.

Andrew J. Pepper 59
Vice President—Management Information Systems, Finance Department since 1980; formerly Assistant Vice President and Director—Systems, Methods and Data Processing. Joined Koppers in 1950.

John F. Ramser 50
Vice President and Manager—Human Resources Department since 1980; formerly Assistant Secretary—Law Department. Joined Koppers in 1970.

Walter R. Vogler 59
Treasurer since 1978; formerly Director—Financial and Administrative Services, Finance Department. Joined Koppers in 1951.

Raymond R. Wingard 52
Vice President and Manager—Marketing Services and Corporate Growth Planning since 1980; formerly Vice President and Manager—Human Resources Department. Joined Koppers in 1952.

Description of Koppers Business

General Development of Koppers Business

Koppers Company, Inc. was incorporated on September 30, 1944. It succeeded by merger to the properties and business of four predecessor companies. Those companies grew logically out of Koppers original business, established in 1907, to design and build chemical-recovery coke plants for the American steel industry.

Prior to 1965, Koppers was highly dependent upon its original steel plant construction business for earnings growth. This accounted for as much as 40% of the Company's annual earnings. It was a cyclical business that had a disconcerting roller-coaster effect on the Company's prospects for growth.

In 1965, the Company began to build a manufacturing organization that would produce consistent earnings growth and thereby reduce Koppers dependence upon the steel industry capital investment cycle. Koppers today is a diversified manufacturing corporation offering specialized engineering and construction capabilities. Over the past five years, its manufacturing groups have provided nearly 95% of its total operating income.

Pursuit of the Company's objective to expand its manufacturing businesses to achieve consistent earnings growth has been characterized by rising levels of capital investment.

This expansion program has increased the total investment in Koppers operations from $190 million in 1964 to $1,071 million at the close of 1982.

Employment

The average number of persons employed by the Company was 17,334 in 1982, down from 20,113 in 1981. While most of the employment drop in 1982 resulted from layoffs related to weak business conditions, it also included an increase in the number of persons retiring during the year.

Approximately 8,000 of the Company's employees are covered by 150 different collective bargaining agreements. Successful labor contract negotiations were completed at 41 locations in 1982.

Financial Information By Industry Segment

Selected financial information for each of Koppers operating groups for a 10-year period appears on page 22. Additional financial information on the operating groups appears in the table "Operations by Business Segments" on page 33.

Patents and Licensing

Koppers owns more than 800 existing United States patents and a large number of foreign patents covering many products and processes. Some of the Company's patents and technology are licensed to other companies. The Company makes few of its products under licenses from other companies with respect to patents they own or technology they have supplied. No single patent or license is considered material in relation to the Company's overall performance.

Mineral Assets Price and Quantity Information

The table below provides information relating to Koppers mineral reserves. Estimates for proven and probable mineral reserves were obtained at the times of acquisition of the reserves, which range from 1967 to the present.

(Volumes are in thousands of tons; $ are per-ton values.)	Years Ended December 31, 1982	1981	1980	1979	1978
Proven and probable reserves at beginning of year					
Coal	**144,402**	145,009	71,048	72,619	2,619
Stone	**1,860,017**	1,834,450	1,480,014	1,286,701	1,255,504
Sand and gravel	**447,175**	438,982	388,211	400,433	392,708
Additions resulting from purchases of in-place mineral reserves					
Coal	**80**	2,009	76,000	—	70,000
Stone	**44,127**	49,454	387,081	223,875	54,120
Sand and gravel	**2,424**	21,872	70,295	9,580	24,740
Reductions resulting from production					
Coal	**1,883**	2,616	2,039	1,571	—
Stone	**20,505**	23,887	32,645	30,562	22,923
Sand and gravel	**8,072**	13,679	19,524	21,802	17,015
Proven and probable reserves at end of year					
Coal	**142,599**	144,402	145,009	71,048	72,619
Stone	**1,883,639**	1,860,017	1,834,450	1,480,014	1,286,701
Sand and gravel	**441,527**	447,175	438,982	388,211	400,433
Average market price					
Coal*	**$33.45**	$33.20	$30.49	$25.99	—
Stone	**$ 4.01**	$ 3.69	$ 3.68	$ 3.23	$2.78
Sand and gravel	**$ 3.64**	$ 3.48	$ 3.22	$ 2.68	$2.39
Average royalty rate					
Coal*	**$ 2.77**	$ 2.72	$ 2.52	$ 1.94	—

*Koppers primarily acts as a lessor to coal mining companies and receives a royalty fee on each ton sold.

Properties

The Company's 270 operating locations include: Organic Materials, 37; Road Materials, 151; Forest Products, 67; Engineered Metal Products, 12; and Natural Resources, 3. Engineering, drafting, estimating, procurement and scheduling personnel for the Engineering and Construction group are located in Pittsburgh, Pennsylvania.

In the opinion of management, the production capacities in Koppers various business segments are adequate to operate at a significantly higher volume than in 1982.

Research and Development

The Company conducts its research activities at two locations in suburban Pittsburgh, Pennsylvania as well as through special projects at a number of universities and at Genex Corporation, a major biotechnology firm. Koppers research laboratories explore advanced technologies, develop new products and improve manufacturing processes. Special services, such as pollution control and analytical and engineering support, are provided to all operations of the Company. Development laboratories at several locations support each of the Company's business segments. The amount spent on research and development activities was approximately $22.0 million in 1982, $16.5 million in 1981 and $15.0 million in 1980.

Organic Materials Group

Organic Materials Business

Organic Materials has interrelated businesses using the technology associated with the manufacture and use of products derived from coal. Over half of the present product mix is manufactured from coal or such derivative products as coal tar and naphthalene. Other lines serve specialty markets. The group has five operating divisions and three wholly owned subsidiaries.

Industrial Products Division operates six tar processing plants and is a major producer of such coal tar derivatives as: coal tar pitches used by the aluminum and commercial carbon industries as binders in the manufacture of electrodes; creosote, a complex mixture of chemicals, used primarily as a wood preservative; and chemical oil, a raw material for Koppers chemicals operations.

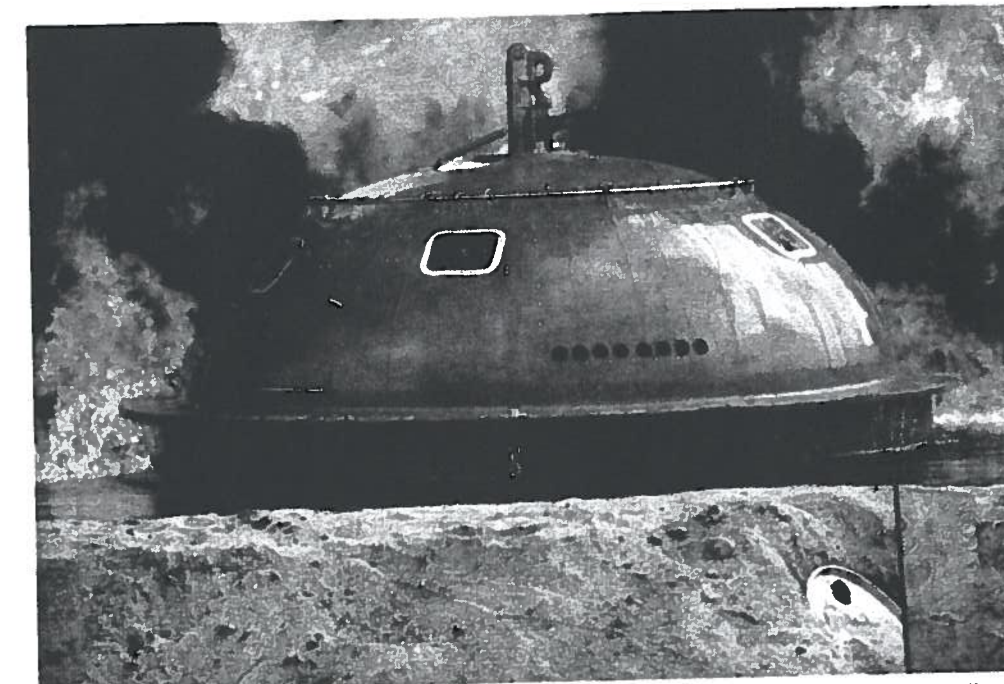
Foundry and Industrial Supply Division operates three coke plants and is among the largest merchant producers of foundry coke, one of the principal products used for melting metal in foundries and other industrial operations. Other grades of coke are manufactured for reducing iron ore in steelmaking, for melting in rock wool operations, for nonferrous metal smelting and in sugar beet refining.

A subsidiary, Thiem Corporation, produces binder systems and coatings for molding metal in foundries, as well as refractory systems for casting iron and steel.

Chemical Division operates four plants and is a major supplier of naphthalene (used to produce phthalic anhydride and agricultural chemicals); phthalic anhydride (used in the production of alkyd and polyester resins and of plasticizers for plastics); resorcinol (used primarily to produce adhesives used in rubber tires and laminated wood); antioxidants (used in rubber, plastics and other products); and a group of intermediate chemicals.

Specialty Systems Division is a growing supplier of high-performance polyester resins (used in glass-reinforced and nonreinforced plastics); bituminous coatings (for underground pipelines, tanks and severe industrial applications); and chemical-based coatings (used on swimming pools, water storage tanks, water and sewage treatment facilities and marine and industrial applications), roof coatings, lubricants, rust preventives, caulks, sealants and adhesives.

Building Materials Division makes cold-applied roofing and maintenance products to supplement high-performance roofing and waterproofing products based on pitches (primarily commercial and industrial). The division also produces a new phenolic foam fire-retardant insulation board.



Survival capsules undergoing fire tests for offshore oil rigs are among new applications for the Company's proprietary fire-retardant polyester resins.

Group subsidiaries manufacture button blanks and buttons and other lines related to specialized protective coatings.

Raw Materials and Fuel

Organic Materials depends heavily upon coal and coal-derived products for raw materials. Most coal tar processed is purchased from steelmaking operations, under contract arrangements with varying periods and conditions. Purchasing agreements cover such other raw materials as coal, benzene, orthoxylene and additional petrochemical industry materials. No major disruption of business in 1983 is expected as a result of shortages of raw materials or energy. The group's energy needs are supplied by natural gas, fuel oil, coal, and coke oven gas.

Competitive and Seasonal Conditions

Organic Materials products are sold in highly competitive markets. Except for certain proprietary items, there are suppliers of identical products in all business areas, as well as competition from alternative materials performing the same function. The principal factors in competition are price, product performance and service. In certain product lines, Koppers has an advantage because of multiple production locations or manufacturing plants near major markets.

Most Organic Materials business is not affected by seasonal variations, but winter does reduce volume in roofing, coating and other construction product lines.

Products are generally marketed nationwide through the group's sales organization. Certain lines are marketed through independent distributors and agents.

The group maintains substantial inventories of critical raw materials and finished products, but it is not the practice to carry customer inventories or to provide financing.

Organic Materials 1982 Sales by Major Economic Sectors	($ Millions)	%
Industrial Production	$364.3	68%
Architectural Construction	93.3	17
Nonbuilding Construction	77.7	15
	$535.3	100%

Backlog

Organic Materials 1982 year-end backlog was $96.6 million, versus $92.2 million a year earlier. The backlog normally increases substantially during the month of January, and at the close of January, 1983, the backlog was $215.8 million, versus $305.7 million a year earlier. This is derived from the detailed analysis of each customer's expected 1983 requirements. The total backlog is expected to be shipped during 1983, although most unfilled orders are subject to cancellation at the option of the buyer.

Road Materials Group

Road Materials Business
Road Materials is made up of 154 domestic facilities that serve roadbuilding and construction markets in 17 states as well as operations in Central and South America, Africa and the Middle East. About 90% of sales are from aggregates (crushed stone, sand, gravel and slag), bituminous concrete, ready-mix concrete and paving services. The balance is from welded wire fabric and related specialty products.

The group's civil construction services account for 35% of total sales, including some product cost (paving materials, concrete, etc.). Among these services are road and bridge building, other paving activities, nonresidential building construction and dam building.

About 50% of Road Materials sales result from publicly funded road maintenance and construction projects. The remainder is from privately funded work in many segments of the construction market.

Transportation is a major factor in total product cost. The delivered price doubles when crushed stone is transported 20 to 30 miles. Aggregate markets, therefore, are localized, and the Company generally supplies markets near its quarries in California, Colorado, Florida, Georgia, Indiana, Kansas, Kentucky, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Virginia and Wyoming. Six facilities in the Southeast and Southwest produce and distribute welded wire fabric and other concrete-reinforcing and forming accessories.

Raw Materials and Fuel
Aggregate raw materials consist of sand and gravel, granite, limestone, trap rock and sandstone, which come from quarries, mines or Great Lakes dredging operations. Most of Koppers quarries are on land either owned by the Company or held under long-term leases. It is estimated that the present reserves of aggregates will be sufficient for more than 25 years at current production rates. Other major raw materials include asphalt, slag, cement and steel rod, which are purchased from oil companies, steel producers and cement suppliers. Adequate supplies of raw materials and fuel are expected to continue. Fuel oil satisfies nearly half of Road Materials energy requirements; natural gas and diesel fuel, each about 20%; the remainder includes gasoline, kerosene and propane.

Greater national attention, evidenced by the federal gas tax increase, is going to upgrading of the U.S. infrastructure, initially highways and bridges.

Competitive and Seasonal Conditions
Road Materials operations are geographically diversified, with limited vertical integration within individual regional markets. Because mineral reserves are limited within regional areas, the Company commonly holds a high share of those regional markets in which it competes.

Principal factors in competition are price and service. Prices for aggregates are determined by local conditions and are not subject to wide fluctuations created by nationwide demand, supply and capacity factors. Increasingly, this business has become service-oriented, calling for on-time delivery from a guaranteed source of supply.

Road Materials business is highly seasonal, with more than 70% of sales occurring during the peak construction period from May 1 to November 30.

Product inventories are controlled at volumes that reflect a balance between the most efficient production level and supplying peak demand. Inventories normally grow substantially during spring months in anticipation of high summer demand. It is not customary, however, to carry inventories or provide financing for customers.

Backlog
Road Materials backlog at the end of 1982 was $98.0 million, versus $100.8 million a year earlier. The normal tendency is for this backlog to increase during the first six months of the year and to decline thereafter. Orders in the backlog are considered firm, and more than 95% of the year-end backlog is expected to result in 1983 sales.

Road Materials 1982 Sales by Major Economic Sectors	($ Millions)	%
Nonbuilding Construction	$400.6	82%
Architectural Construction	77.6	16
Industrial Production	7.7	2
	$485.9	100%

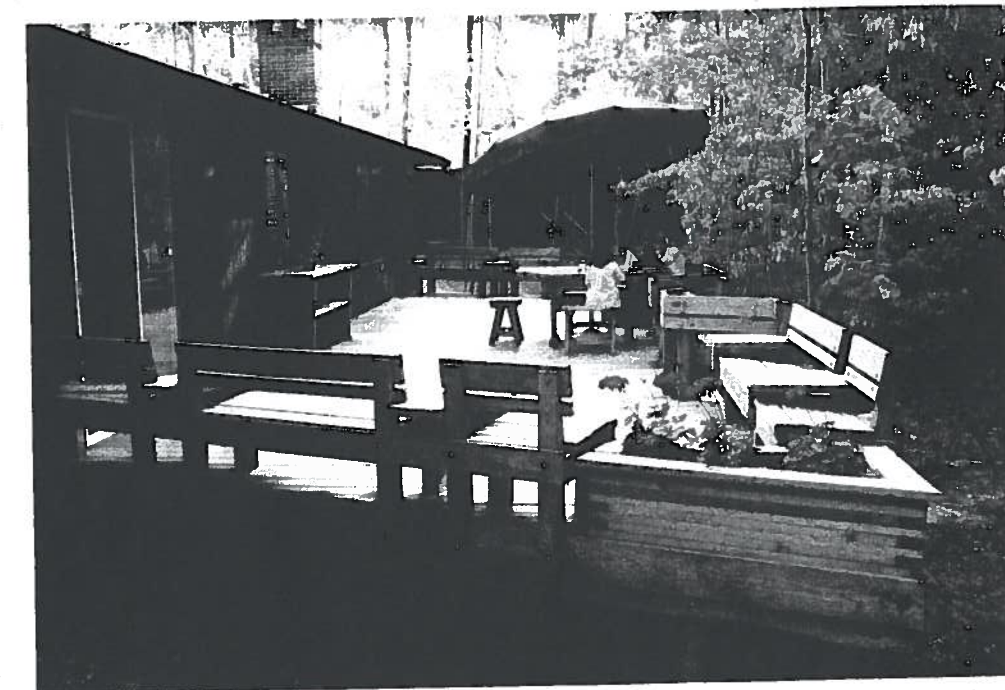
Forest Products Group

Forest Products Business
Forest Products is a major producer of chemically treated wood, specialty wood-treating chemicals and laminated wood products, supplying both U.S. and foreign markets.

Chemical treatment of wood under pressure results in resistance to decay, to invasion by insects and to damage from fire. Products include railroad crossties; utility, transmission, distribution and lighting poles and accessory equipment; building poles and timbers; fence posts; foundation and marine piling; red cedar shakes and shingles; and construction lumber and plywood. Koppers also provides contract wood-treating services for industrial and commercial customers. Conventional wood pressure treatments use creosote, pentachlorophenol and waterborne salt preservatives. Koppers also has proprietary processes and products using specialty chemicals under such trademarks as CELLON, DRICON, NCX and WOLMAN. Koppers also licenses these proprietary processes and their trademarks and produces and supplies a broad range of chemicals used in pressure treatment, primarily to a group of licensees using Koppers wood-treating processes and trademarks. A new line of chemicals (using brush-on or dip treatment techniques) is designed to protect untreated wood and other surfaces from water damage and decay. The chemicals are marketed under the trade names RAINCOAT, WOLMAN CLEAR and WOLMAN GREEN.

The group engineers and manufactures glue-laminated wood products for industrial, commercial and residential applications, such as structural beams, arches, columns, girders, trusses and lighting standards.

Raw Materials and Fuel
Timber is the main raw material used by Forest Products. The major requirements are Eastern and Southern hardwood to supply railroad crossties and furniture products; and softwood timber, primarily Southern yellow pine and West Coast species, to supply utility poles and construction lumber. Less than 10% of the group's hardwood and softwood needs are met from Company-owned timberlands or by negotiated cutting rights. Demand and price for softwood are directly influenced by housing construction. The breadth of Koppers product mix and location of processing plants enables the group to purchase the necessary timber and finished raw materials. The long-term availability of Eastern hardwood is adequate, since the timber growth rate currently exceeds the rate of cut.



Use of pressure-treated lumber continues to increase in housing, renovation and expansion markets as awareness of cost benefits grows among consumers.

Preservative raw materials are supplied from both Company and outside sources. A fully integrated arsenic acid plant provides raw material stability for WOLMAN wood preservatives.

On the basis of Btu quantities, natural gas accounts for about 40% of Forest Products fuel, wood waste for 30% and oil for 25%. All major plants are equipped to operate on alternative types of fuel. Fuel supply is adequate in all cases. In recent years, several plants have developed wood-waste burning systems in order to lower costs and lessen risk of shutdown due to lack of fuel. Two plants operate electrical co-generation systems providing energy for processing, with the excess electric power sold to local utilities.

Competitive and Seasonal Conditions
The wood-preserving industry is highly competitive and fragmented. As the major nationwide supplier, Koppers usually has competition from regional operators. In addition, treated and laminated wood products compete against such other materials as steel, concrete and aluminum. Price and service are the principal requirements for competition. Koppers broad range of products and strategic plant locations provide a significant competitive advantage in this business.

Most products supplied by Forest Products are sold directly to the end user by the group's sales force. Much of Forest Products business is seasonal, since most products are related to the building industry. Sales are reduced during winter months, usually by about 30%, from the peak level of sales through summer months.

Inventory represents a significant factor in the total investment of Forest Products. Sizable inventories must be maintained in some product areas to ensure prompt, dependable service.

Forest Products 1982 Sales by Major Economic Sectors	($ Millions)	%
Nonbuilding Construction	$200.2	67%
Industrial Production	50.6	17
Architectural Construction	46.3	16
	$297.1	100%

Backlog
Forest Products year-end backlog was $73.7 million, versus $83.4 million a year earlier. The total backlog is expected to be shipped during 1983 and, although all orders are considered firm, cancellation can be effected at any time except on finished material or that in process. Forest Products backlog peaks in the first quarter, and the high point represents approximately 50% of annual sales.

Engineered Metal Products Group

Engineered Metal Products Business
Engineered Metal Products designs and manufactures processing machinery systems and machine components. These business lines are generally characterized by high-value-added, precision-engineered, high-quality products designed to rigid customer specifications.

Sprout-Waldron products include processing machinery for the formula feed, food, chemical, pulp and paper, and other basic industries. Sprout-Waldron also designs and builds complete feed mills, material handling and storage facilities, pulping plants and industrial processing installations.

Koppers manufactures corrugated container machinery, which converts kraft paper into corrugated board. The Company also manufactures machinery to make the board into finished containers for packaging producers.

The Company is a major producer of industrial piston rings for diesel engines and shaft seals for use in aircraft engines, pumps and compressors, as well as seal rings for hydraulic cylinders, valves and other industrial and aircraft applications.

Koppers supplies a broad range of power transmission products, including couplings, coupling grease, adjustable-speed drives, torque sensors and forgings. Couplings transmit power from one rotating shaft to another and compensate for misalignment. Applications include high-speed compressors, pumps, conveyors, cranes, blowers, boiler feed pumps, paper mill refiners, and main drives in steel rolling mills.

The group also produces medium- and large-sized gray iron and ductile castings for use in various areas of the Engineered Metal Products and Engineering and Construction Groups, as well as selling castings directly to outside customers.

Advanced energy-efficient wood pulping systems are manufactured by Koppers for U.S. and overseas paper producers.

Negotiations are currently under way to sell both the environmental control systems business and the mineral processing equipment business.

Raw Materials and Fuel
Principal raw materials, such as metal castings and forgings, are produced within the group's facilities, with some quantities supplied by commercial producers. Steel bars, billets, plates, structural forms and aluminum are purchased from mill and warehouse suppliers. Fuel oil, gas and electricity are the major fuels used, and the natural gas supply is backed up in some locations by propane stored in-plant and in reserve storage.

Engineered Metal Products 1982 Sales by Major Economic Sectors	($ Millions)	%
Manufacturers' Capital Equipment	$215.5	100%

Competitive and Seasonal Conditions
There is significant competition in each of Engineered Metal Products business lines. Certain of the group's products generally sell at premium prices, and Koppers strong market position is based upon demonstrated excellence in design, performance, technical support and other specific factors.

Principal products and services are distributed mainly through the group's sales force, augmented in some lines by agents and distributors. Most business lines are not affected by seasonal fluctuations.

Working capital amounts include repair parts inventories required for field service activities, as well as inventory parts kept on hand for standard machines to meet competitive delivery schedules. In certain lines, such as electrostatic precipitators and sound control products, working capital amounts include retainages that are receivable upon satisfactory performance of the installation.

Backlog
Engineered Metal Products backlog at the end of 1982 was $102.9 million, compared with $137.4 million a year earlier. Total backlog is believed to be firm, and approximately 90% is expected to be shipped in 1983. No significant seasonal factors influence the backlog.

Engineering and Construction Group

Engineering and Construction Business
Koppers is one of the world's largest designers and builders of basic steel plants, including coke ovens and related by-product chemical plants, blast furnaces, basic oxygen furnaces, continuous casting installations, sinter plants and pollution control equipment for the steelmaking process.

Licensing arrangements permit the group to market products and services related to steelmaking in the Western Hemisphere, including electric arc furnaces, process control systems and components, and various equipment designs.

Kop-Tech, a joint venture company with Trans Tech Corporation of Japan, has access to Japanese financing and use of Japanese technology in North America for the steel industry.

The group is engaged, through KBW Gasification Systems, Inc., in the development of engineering and construction services for the production of synthetic fuels based on the entrained-bed coal gasification process, to produce gas for medium-Btu industrial fuels, for fuel to drive power-generating turbines, for use as chemical feedstocks, and for direct reduction of ores. Koppers and other equity partners are in final negotiations with the U.S. Synthetic Fuels Corporation for loan and price guarantees for a peat-to-methanol conversion project in North Carolina utilizing the KBW (Koppers-Babcock and Wilcox) process. A contract for construction and operation of the facility is expected during 1983.

Current business is directly related to capital expenditures in the primary end of the steel industry. Most of the group's annual sales volume results from work on a relatively small number of large contracts, with a modest volume coming from repair work and replacement equipment. Synthetic fuels projects are dependent on actions by various government agencies for loan and price guarantees.

A proposed synthetic fuels facility would utilize a broad range of Koppers engineering and construction capabilities as well as demonstrate the KBW coal gasification technology.

Raw Materials and Fuel
Large quantities of structural and fabricated steel, reinforcing bar, refractories, pipe, electrical wire and conduit are used in the group's construction work. These materials are purchased from others or supplied by subcontractors. No material shortages adversely affected operations in 1982, and it is expected that adequate supplies will be available in 1983 and beyond.

Engineering and Construction 1982 Sales by Major Economic Sectors	($ Millions)	%
Nonbuilding Construction	$32.9	100%

Competitive and Seasonal Conditions
Koppers competes against other U.S. construction companies and against foreign design companies currently working in conjunction with U.S. builders on engineering and construction of domestic steel plant projects. Several large steel producers have internal engineering and construction capabilities. Competition for North American business has been intensified by a lack of capital spending in the world steel industry. Price and performance are major determinants in competition, although the amount of financial risk that the contractor is willing to assume has become a significant factor. Engineering and construction services are sold directly by the group's sales organization. Certain portions of any project may be subcontracted on a project-by-project basis.

Engineering and Construction business is seasonal to the extent that most construction activity is subject to disruptions from severe weather. Every effort is made in planning construction schedules to minimize the possible effects of weather.

Working capital employed in Engineering and Construction work is basically a function of billings rendered on contracts but not yet received. This varies with the volume of construction under way and also with a recent tendency of customers to increase the period between billing and reimbursement, particularly during periods of high interest costs.

Backlog
The construction backlog was $6.8 million at the close of 1982, compared with $25.9 million a year earlier. The entire backlog is considered firm, and nearly all of the work is expected to be performed in 1983. The backlog is totally dependent upon the capital investment plans of the steel industry, which are currently at a depressed level. Potential exists for contracts involving engineering and construction of synthetic fuels plants.

Additional Description Of Koppers Business

Legal Proceedings

On April 26, 1982, Republic Steel Corporation filed an action in the United States District Court for the Northern District of Ohio against certain of its insurance carriers seeking to recover $41 million under its contracts of insurance for damages to a coke oven battery at its Cleveland, Ohio plant resulting from its coking operations. The coke oven battery was constructed for Republic by Koppers with construction being completed in 1977. On December 28, 1982, the carriers joined Koppers as a third-party defendant to the action alleging that the coke oven battery was improperly designed or constructed. Koppers management believes that it has sound defenses to this claim and that this litigation will not result in any material liability to Koppers.

On August 7, 1981, Inland Steel Corporation filed an action against Koppers in the Lake Superior Court, East Chicago, Indiana, alleging that delay in construction of a coke oven battery and blast furnace by Koppers at Inland's Indiana Harbor Works had caused Inland damages in the amount of $100 million. Venue in this action was moved to the La Porte Circuit Court, La Porte, Indiana. Koppers management and legal advisors believe there are sound defenses against Inland's claim. Koppers has counterclaimed to recover $17 million still unpaid by Inland on the contract for construction of the coke oven battery and blast furnace.

Koppers is involved in environmental proceedings at a small percentage of its plants. These in the aggregate are not material to the business or financial condition of Koppers, nor will their total cost to Koppers exceed 10% of the current assets of Koppers and its subsidiaries on a consolidated basis. Koppers has no reason to believe that any governmental authority will impose sanctions in any such proceedings in excess of $100,000.

Environmental, Occupational Health and Safety Regulations

The Company is subject to federal, state and local regulations on the environmental impacts of solid waste disposal; air and water quality impacts of its manufacturing operations; toxic substance control; and occupational health and safety of its employees. About $4.4 million, or 6.6%, of Koppers capital investments for plant and equipment in 1982 went to eliminate pollution or to bring it within satisfactory levels. Environmental improvements are expected to account for a comparable proportion of the total funds invested in new facilities in 1983. No estimates are available for subsequent years. Operating expenses attributable to pollution control equipment are increasing at a rate roughly equivalent to the increases in the cumulative capital base of the Company. Although environmental regulations have not yet had a material adverse effect on operations, governmental action has required and may continue to require the Company to modify, supplement, replace or abandon equipment and facilities and may delay or impede construction and operation of new facilities. These potential costs cannot be forecast with precision.

Koppers, in common with many other enterprises, is subject to regulations under the federal Occupational Safety and Health Act. Health and safety regulations have not materially affected the Company's operations in the past. If the standards applicable to chemical processors are made more stringent, these regulations could affect certain of Koppers businesses more significantly in the future.

Some aspects of the Company's business will be affected by U.S. Environmental Protection Agency (EPA) regulations requiring premarket disclosure of the potential health and environmental impact of new chemicals and environmental and health testing of some existing chemicals. The promulgation of stringent federal regulations on chemical solid waste disposal under the Resource Conservation and Recovery Act has added to operating costs in a number of Koppers chemically related businesses and has required some remedial environmental cleanup at existing Company waste disposal sites. In related matters, groundwater quality investigations are continuing at a number of current manufacturing sites as well as inactive plant sites and are expected to result in some additional remedial actions.

Koppers has received seven citations under the "Superfund" or Comprehensive Environmental Response Compensation and Liability Act. This action requires the Company to conduct hydrogeological studies at each location to determine the nature of the problems and the best available solutions. The Company expects to negotiate settlements with EPA in all cases. Preliminary estimates indicate that total costs will not result in any material liability to the Company.

As part of its continuing review of all pesticides, the EPA has issued "Rebuttable Presumption Against Re-registration" notice against three wood preservatives used or produced by Koppers—creosote, pentachlorophenol and arsenicals. The review process, which was begun in 1978, may be completed during 1983.

While the EPA has tentatively concluded that these wood preservatives should be reregistered, the conditions and use restrictions of the reregistration have not yet been settled. It is expected that the final conditions of reregistration will impose additional cost on the manufacturers and users of these preservatives. Koppers believes, however, that the costs associated with implementing the final EPA regulations will not be substantial. Thus the market impact on these products will be small and will not have a material effect on the Company's earnings.

Exhibits for Form 10-K

The following exhibits are included as a part of the 1982 Form 10-K Report as required by Item 601 of Regulation S-K. Shareholders may obtain copies of the exhibits not presented here upon written request to: Secretary, Koppers Company, Inc., Koppers Building, Pittsburgh, Pa. 15219.

Exhibit A—3.1 Koppers Certificate of Incorporation, as amended, and the Certificate of Resolution, dated December 16, 1980, setting forth certain terms of Koppers $10 convertible preference stock, filed as exhibits 4.1 and 4.2 to Koppers Registration Statement No. 2-70174 and incorporated herein by this reference.

Exhibit B—3.2 Koppers By-Laws as amended to April 26, 1982, filed as exhibit 3.1 to Koppers Form 10-Q for the quarter ended March 31, 1982 and incorporated herein by this reference.

Exhibit C—10.1 Koppers Deferred Compensation Unit Plan, filed as Exhibit 10.2 to Koppers Annual Report and Form 10-K for the year ended December 31,1981 and incorporated herein by this reference.

Exhibit D—10.2 Koppers Deferred Compensation Plan for Directors, filed as Exhibit 10.3 to Koppers Annual Report and Form 10-K for the year ended December 31, 1981 and incorporated herein by this reference.

Exhibit E—10.3 Agreement dated April 26, 1982 between Koppers and Fletcher L. Byrom for consulting services, filed as exhibit 10.1 to Koppers Form 10-Q for the quarter ended June 30, 1982 and incorporated herein by this reference.

Exhibit F—22.1 Koppers has the subsidiaries listed below whose accounts are included in its consolidated financial statements. The Company also has 44 other subsidiaries, which are not named here because all of them, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Subsidiary and Jurisdiction of Incorporation

Broderick and Gibbons, Inc.—Colorado
Cherokee Crushed Stone, Inc.—Delaware
Eastern Rock Products, Inc.—New York
Echols Brothers, Inc.—Delaware
Environmental Elements Corporation—Delaware
Erie Sand and Gravel Company—Pennsylvania
- **Erie Sand Steamship Co.**—Delaware
- **Ontario-Lake Erie Sand Ltd.**—Canada

Fairfield Bridge Company, Inc.—Delaware
The General Crushed Stone Company—Delaware
- **Chester Carriers, Inc.**—Delaware
- **Easton Mack Truck Sales, Inc.**—Pennsylvania
- **The Stone Man, Inc.**—Delaware

Sim J. Harris Company—Delaware
Honolulu Wood Treating Co., Ltd.—Hawaii
Ivy Corporation—Delaware
- **Davidson Mineral Properties, Inc.**—Delaware
- **Gainesville Stone Company, Incorporated**—Georgia
- **Meadow Steel Products, Inc.**—Delaware
- **North Georgia Crushed Stone Corporation**—Georgia

Kaiser Sand and Gravel Company—Delaware
The Kentucky Stone Company—Kentucky
Koppers Engineered Products Limited—Ontario, Canada
Koppers International Canada Ltd.—Canada
Lycoming Silica Sand Company—Pennsylvania
The McMichael Company—Delaware
- **McMichael Asphalt Sales Co.**—Oklahoma
- **McMichael Concrete Co.**—Oklahoma
- **Tulsa Concrete Co.**—Oklahoma
- **Tulsa Paving Co.**—Oklahoma
- **Tulsa Rock Co.**—Oklahoma

Parr, Inc.—Delaware
Sterling Paving Co.—Colorado
Sterling Sand & Gravel Co.—Colorado
Sterling Sand & Gravel Co. of Wyoming—Wyoming
Sully-Miller Contracting Company—California
- **P&K Materials, Inc.**—California
- **South Coast Asphalt Products Co.**—California
- **Southern Pacific Milling Co.**—California

Susquehanna Quarry Co.—Pennsylvania
Nello L. Teer Co.—Delaware
- **Central Engineering and Contracting Corporation**—North Carolina
- **Romeo Guest Associates, Inc.**—North Carolina
- **Nello L. Teer International, Inc.**—Delaware
- **Webster County Coal Company**—North Carolina

Thiem Corporation—Delaware
U.S. Plastic and Chemical Corporation—Delaware
Western Paving Construction Co.—Colorado
- **Mid-Kansas Construction Company, Inc.**—Kansas

Exhibit G—24.1 Consent of Arthur Young & Company, Certified Public Accountants, to the incorporation by reference in the Registration Statement (Form S-8 #2-65753) and the related Prospectus pertaining to Koppers Savings and Profit Sharing Plan of their report dated January 21, 1983 included in the Form 10-K.

Signatures Required for Form 10-K

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Koppers has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on February 15, 1983.

Koppers Company, Inc.

By *A W Capone*
A. William Capone
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of Koppers in the capacities and on the dates indicated.

C R Pullin
Charles R. Pullin
Chairman of the Board of Directors
(Chief Executive Officer)
February 15, 1983

Fitzhugh L. Brown
Fitzhugh L. Brown, Comptroller
February 15, 1983

Curtis E. Jones
Curtis E. Jones, Director
February 18, 1983

Evelyn Berezin
Evelyn Berezin, Director
February 15, 1983

W. H. Knoell
William H. Knoell, Director
February 18, 1983

Richard M. Cyert
Richard M. Cyert, Director
February 18, 1983

Andrew W. Mathieson
Andrew W. Mathieson, Director
February 15, 1983

Douglas Grymes
Douglas Grymes, Director
February 15, 1983

Nath. W. Pearson
Nathan W. Pearson, Director
February 18, 1983

Koppers Company, Inc.
Koppers Building
Pittsburgh, Pa. 15219
Area Code 412/227-2000

Common Stock
Symbol: KOP

Exchange Listings:
New York Stock Exchange
Midwest Stock Exchange
Pacific Stock Exchange

Transfer Agents:
Mellon Bank N.A.
Mellon Square
Pittsburgh, Pa. 15230

Bradford Trust Company
2 Broadway
New York, N.Y. 10004

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Ill. 60690

Bank of America National Trust and Savings Association
55 Hawthorne Street
San Francisco, Cal. 94105

Stock Registrars:
Pittsburgh National Bank
P. O. Box 340746P
Pittsburgh, Pa. 15230

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, N.Y. 10015

Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street
Chicago, Ill. 60601

Wells Fargo Bank, National Association
420 Montgomery Street
San Francisco, Cal. 94144

Dividend Disbursing Agent:
Mellon Bank N.A.
Mellon Square
Pittsburgh, Pa. 15230

General Subject Index

To aid the annual report reader who is interested in general subject areas, the following index is an alphabetical guide with specific page references. It is based upon a judgment as to those items most often referred to and should not be considered a complete listing.

Information on Koppers Operations:

For information on the above subjects as they relate to individual Koppers operating groups, consult the following:

RECORD OF TELEPHONE CONVERSATION

Name of firm or party

Address

Contact

Phone

To: Bob Lee

Re: Koppers - Financial Requirements for FY84

1983 post closure = 0

1983 closure cost was $33,794. This estimate was based on burning sludge in the boiler.

We required Koppers to revise their closure cost estimate and to base it on off-site non-recycled disposal. Revised 1983 estimate was $67,637.

This year's submittal is based on burning the sludge in their boiler.

~~The DRAFT PART B (Nov 11 1983) shows the cost based on off-site disposal~~

ATTACHMENT ONE - The Jan 11, 84 PART B Revision shows cost based on burning sludge.

ATTACHMENT TWO - What is apparently the original closure plan (July 27, 82) is based on off-site disposal.

See attachments.

One more thing - I can't find anything in the financial file that shows non-sudden insurance coverage!

Signature

Date

ATTACHMENT ONE

CLOSURE AND POST CLOSURE

Closure plans for both the container storage area and the surface impoundment have been developed and is attached along with a closure cost analysis. This plan was designed to prevent threats to human health and the environment. No post closure plans are required for this facility.

RCRA CLOSURE PLAN

for

Container Storage*

EPA FACILITY I.D. NO.	MSD007027543
OWNER OR OPERATOR'S NAME	Koppers Company, Inc.
ADDRESS & PHONE NO.	P. O. Box 160
	Tie Plant, Mississippi 38960
	(601) 226-4584
FACILITY LOCATION	Tie Plant, Mississippi

A. Currently, there is no expected date of closure for the plant's container storage facility. However, at which time Koppers Management decides that the container storage facility will cease operations it will be closed in accordance with this plan. Such actions will be completed within six months after receiving the final volume of hazardous waste.

1. Within 90 days after receiving the final volume of hazardous wastes, all containers will be manifested and transported to a permitted Treatment, Storage, and/or Disposal facility. At no point during the life of the facility will the quantity of waste stored exceed the design capacity reported to EPA on the plant's Part A application.

2. The storage area, including equipment and appurtenances, will be decontaminated and the contaminated material properly contained and disposed of at a permitted Treatment, Storage, and/or Disposal facility. Depending on site conditions, this decontamination could range from sweeping/rinsing to scraping/solvent washing.

B. General

1. This plan will be submitted to the Regional Administrator at least 180 days before the date closure is expected to begin.

2. A certificate of closure will be submitted to the Regional Administrator by the owner and/or operator, and by an independent registered professional engineer.

---

* The following material was used as a guideline in the preparation of this Closure Plan:

Draft Guidance for Subpart G of the Interim Status Standards for Owners and Operators of Hazardous Waste Treatment, Storage, and Disposal Facilities, EPA Contract No. 68-01-5794, IR&T Corporation, October 6, 1980.

CONTAINER STORAGE FACILITY
CLOSURE COSTS
KOPPERS COMPANY, INC.
TIE PLANT, MISSISSIPPI
EPA I.D. NO. D007027543

January, 1984

I. General

The container storage facility with a capacity of 192 - 55 gallon drums, will be closed in accordance with its Closure Plan found in its Part B Permit.

II. Cost

Chemical Waste Management Costs (1984)	
192 Drums x \$ 28.00 =	\$ 5,376.
2 Truckloads @ \$600. ea. =	1,200.
Alabama Disposal Tax \$ 2.00 x 192 =	384.
Superfund Tax @ \$2.13/ton x 38.4 = (400 lbs x 192 ÷ 2000 lbs = 38.4 tons)	82.
Sub-Total	\$ 7,042.
Koppers Plant Labor Costs (1984)	
25 hr. @ \$8.50/hr. loading =	\$ 212.00
20 hr. @ \$8.50/hr. Cleanup =	170.00
Professional Engineer Certification =	500.00
Sub-Total	\$ 882.00
TOTAL =	\$7,924.00

Supporting documentation:
Chemical Waste Management, Inc. estimates dated January 4, 1984.

RCRA CLOSURE PLAN
SURFACE IMPOUNDMENT
KOPPERS COMPANY, INC.
TIE PLANT, MISSISSIPPI
EPA I.D. NO. MSD007027543

OWNER: Koppers Company, Inc.

ADDRESS: P. O. Box 160
Tie Plant, MS. 38960

TELEPHONE: (601) 226-4584

ADDRESS: Tie Plant Road
Tie Plant, MS. 38960

GENERAL

In 1984 there is no specific date for the closure of the plant or its surface impoundment (SI). However, at such time as Koppers decides to close this hazardous waste facility, it shall be closed in accordance with this plan.

BACKGROUND

This surface impoundment (SI) was constructed in the 1970's as part of the plant's wastewater management program. No engineering drawings or records exist. Verbal history indicates it was excavated in natural clay, and the surface compacted. The SI is about 284' by 95' wide with a depth of about 10' below top of dikes. The embankments extend upward out of the ground as much as 6' and as little as 3.0 feet because of the local slope of land. The hydraulic volume of the SI is about 3/4 million gallons. Oily wood preserving sludges in the amount of 100 cubic yards are expected to collect on the bottom of this SI by closure time.

It is anticipated that the sludge and contaminated clay liner will be removed at closure.

METHOD OF CLOSURE

1. Allow water to stand for 30 days after last ineffluent is received. Add polymers to aid in settling any remaining oils. Bench jar tests may be required. Start with polymers used in the plants oil/water separator to break emulsions.

2. Decant water to spray irrigation field in accordance with its permitted application rate.

3. Allow sludge to stand for 30 days (summer conditions), removing rain water as necessary.

4. Use vacuum truck (min. 4" diameter suction) to remove oily sludge from bottom of SI. Mix wood waste (saw dust and wood chips as necessary) for handling ease.

5. Transport vacuum truck contents to boiler house full bunker for use of waste as fuel additive for the plants wood waste fired boiler.

6. Use backhoe and/or front-end loader to excavate contaminated clay liner. Sample for K-001 in accordance with the Waste Analysis Plan of the Part B Permit.

7. Load the transport contaminated clay in closed bottom, bulk trailer to a secure landfill. Cover, and manifest as applicable at the time.

8. Resample when completed for contamination.

9. Use uncontaminated earth from berms and off-site soil to backfill the SI. Cover with top soil, and seed with local grasses to establish cover. Slope to natural contours at site.

DECONTAMINATION

All workers shall observe the safety procedures outlined for handling hazardous waste as presented in the Part B Permit for this facility.

All equipment shall be decontaminated using fuel oil (No. 2 or better). Place equipment in shallow sump constructed on site and lined with plastic film. Use low pressure sprays to clean working surfaces and collect the flushing oil in the sump. Pump the collected oil in the sump to 55 gallon drums (approved in Part B Permit) and transport to the on-site fuel bunker for the waste-wood fired boiler which has oil as the start-up and back-up fuel.

At the close of the project, manifest plastic film, work clothes, gloves and rags of site for disposal as K-001 waste. Package in open head, approved 55 gallon drums.

GROUNDWATER MONITORING

Four monitoring wells are in place to observe the condition of groundwater. At the time this Plan was prepared, no adverse data had collected after several rounds of sampling. This sampling and monitoring effort will continue until the Professional Engineer certifying closure receives approval from the controlling agency.

DOCUMENTATION

1. This plan will be submitted to the State of Mississippi Environmental Agency at least 180 days before the date closure is expected to begin.

2. Tests on subsurface soil below the impoundment.

3. Certification of closure will be submitted to the State by the owner and registered professional engineer.

GUIDANCE

General guidance was obtained in preparing this plan from the US EPA, Office of Solid Waste, Document SW-873-Sept.1982, Closure of Hazardous Waste Surface Impoundments.

Chemical Waste Management, Inc.
Emelle Facility
P.O. Box 55
Emelle, Alabama 35459
205/652-9531
Telex: 782252

RECEIVED
JAN 09 1984
ENVIRONMENTAL RESOURCES

January 4, 1984

Chuck Vita
KOPPERS COMPANY, INC.
1201 Koppers Building
Pittsburgh, PA 15219

Dear Chuck:

Submitted below are cost estimates for disposal and transportation of waste materials generated at Grenada, MS. These costs are current but may be subject to adjustment at a later date.

For disposal of drummed solids: $28.00 each

For transportation from Grenada, MS; $600.00 per load

State of Alabama Disposal Tax: $2.00 per 55-gallon drum

Federal Superfund Tax: $2.13 per dry weight ton

If you require any further assistance, please give me a call.

Sincerely,

Sara

Sara R. Walton
Technical Representative

SRW/jcn

SURFACE IMPOUNDMENT
CLOSURE COSTS
KOPPERS COMPANY, INC.
TIE PLANT, MISSISSIPPI
EPA I.D. NO. MSD007027543

January, 1984

I. General

Estimates submitted in the Part B Permit Application estimate K-001 waste in the impoundment to equal 100 cu. yards (19,545 gallon/2,613 cu.ft) at closure.

II. Closure Cost

1. Dewatering with plant labor =	$ 250.
2. Vacuum Truck *removal of oily sludge from bottom of impoundment- 5 days @ $1000.00/day = (Waste wood (sawdust) mixed with K-001 - No charge at this plant)	$ 5,000.
3. Excavation of contaminated clay liner with backhoe - 4 days @ 200.00/day	$ 800.
4. Burning of oily waste K-001 as fuel in plant boiler $100/ton labor. 78 tons of K-001**	$ 7,800.
5. Off-site disposal of 80 tons of contaminated clay liner @ $56.00/ton (taxes included)	$ 4,480.
6. Transportation of clay off-site @ $30.00/ton (bulk shipment)	$ 2,400.
7. Testing of clay subsoil 10 samples @ $70.00/sample	$ 700.
8. Management Supervision 40 hours @ $15.00/hr.	$ 600.
9. Plant labor 200 hours @ $8.50/hr.	$ 1,700.
10. Clean filling of impoundment 80 additional cu.yd. @ $3.00/yd.	$ 240.
Labor, machine, and landscaping @ 5.00/yd.	$ 400.
11. Certification by Professional Engineer	$ 1,500.
	$25,870.00

II. Closure Cost (continued)

* Koppers demonstrated the effectiveness of this method of removal of creosote sludges at closure of its Memphis, TN. Terminal in September, 1982.

** The value of boiler steam produced has not been considered for Closure Cost. In normal operations, value received from burning waste off-sets labor and utilities consumed.

ATTACHMENT I

SCHEDULE FOR CLOSURE

KOPPERS COMPANY, INC.

MSD I.D.#MSD007027543

ACTIVITY	DAYS				
	0	90	120	150	180
1. Receipt of final volume of hazardous waste.	●				
2. Removal/disposal of final waste inventory.		●			
3. Decontamination of container storage facility.			●		
4. Removal/disposal of contaminated residue and equipment.				●	
5. Completion of closure and certification submittal to EPA Regional Administrator					●

FINANCIAL ASSURANCE MECHANISM FOR CLOSURE

This plant utilizes the corporate financial test to demonstrate Financial Assurance. Enclosed is a copy of the Chief Financial Officer's letter for 1983.

ATTACHMENT TWO

SURFACE IMPOUNDMENT
CLOSURE COSTS
KOPPERS COMPANY, INC.
GRENADA, MISSISSIPPI
EPA I.D. NUMBER MSD007027543

I. GENERAL

1. Size: Approximately 100' x 260' x 6'

2. Volume of Hazardous Waste:

Estimate approximately 4 inches of sludge.
($26,000\ ft^2$) ($.33\ ft$) = $8,580\ ft^3$
Use maximum of $7,300\ ft^3$ due to slope - $270\ yd^3$

II. CLOSURE COSTS

1.	After water removal and drying under ambient conditions.	
2.	Labor to remove sludge from lagoons to $3\ yd^3$ bins - 90 bins	$28,000
3.	Transportation	$ 0
4.	Bin Handling at $50/bin	$ 4,500
5.	Scrape down entire liner 1" area 4, 20 yd bins	$12,600
	Bulk to hazardous waste landfill transport and dispose	$ 8,000
6.	Test remaining liner 10 samples at $35/sample	$ 350
7.	Certification by Professional Engineer 15 hrs. at $100/hr	$ 1,500
8.	Fill utilizing existing dikes additional fill 80 yd^3 at $3/yd and seed	$ 3,440
	CLOSURE COSTS	$58,390

July 27, 1982

RCRA

CLOSURE PLAN

FOR SURFACE IMPOUNDMENTS

EPA FACILITY I.D. NUMBER	MSD007027543
OWNER OR OPERATORS NAME	Koppers Company, Inc.
ADDRESS	P. O. Box 160 (Grenada) Tie Plant, MS 38960
PHONE NUMBER	(601) 226-4584
FACILITY ADDRESS	P. O. Box 160 (Grenada) Tie Plant, MS 38960

Currently there is no specific date for the closure for the plants surface impoundment facility. However, at which time Koppers Management decides the surface impoundment facility will cease operations, it will be closed in accordance with this plan.

I. GENERAL

Surface Impoundment Size - This facility has 1 lagoon that totals approximately 26,000 ft^2 and 6' deep. It is estimated that the maximum amount of sludge stored in the bottom of each surface impoundment would be approximately 4 inches deep, and tapering to zero on the slopes. Therefore, the volume of hazardous waste is approximately: 270 yd^3

II. SURFACE IMPOUNDMENT CLOSURE

A. Drain off water to wastewater treatment system.

B. Remove sludge from the bottom of each impoundment with plant labor using appropriate piece of equipment.

III. SLUDGE REMOVAL

The removed sludge will be stored in approved 3 yd^3 containers and properly labeled. This facility will burn in a Koppers approved boiler. These wastes will be removed from impoundment site within 90 days after receiving the final volume of hazardous wastes.

IV. DECONTAMINATING FACILITIES

1. Remove contaminated soils at the bottom of each surface impoundment.

2. Maximum volume is estimated at approximately a 4" depth.

IV. DECONTAMINATING FACILITIES - contd.

3. This material will be removed within 90 days after receiving the final volume of hazardous wastes to a treatment storage or disposal facility as in the above.

V. GROUNDWATER MONITORING

Estimate four wells will be required to monitor groundwater and that these wells will be sampled before and after the closure operation. As required by RCRA, groundwater monitoring will be conducted during the operation of the storage facility.

VI. DOCUMENTATION

1. This plan will be submitted to the regional administrator at least 180 days before the date closure is expected to begin.

2. Test remaining liner.

3. A certificate of closure will be submitted to the regional administrator by the owner and/or operator and by an independent registered professional engineer.

VII. FINAL CLOSURE

1. Fill utilizing existing dikes and additional fill where necessary.

2. Seed.

* The following material was used as a guideline in the preparation of this Closure Plan:

Draft Guidance for Subpart G of the Interim Status Standards for Owners and Operators of Hazardous Waste Treatment, Storage, and Disposal Facilities, EPA Contract No. 68-01-5794, IR&T Corporation, October 6, 1980.

CONTAINER STORAGE FACILITY
CLOSURE COSTS
KOPPERS CO., INC.
FOREST PRODUCTS GROUP
GRENADA, MISSISSIPPI
EPA I.D. NUMBER D007027543

I. GENERAL

The container storage facility, with a capacity of approximately 90 - 55 gallon drums, will be closed in accordance with the Closure Plan found in Section III of the Plant's Hazardous Materials Handling Manual.

II. COST ESTIMATE

A.	Labor to load 8 3 yd^3 bins	$2,000
B.	Handling $50/bin	$ 400
C.	Decontamination and cleanup 8 hrs at $8.13/hr	$ 65
E.	Certification by Professional Engineer 5 hrs at $100/hr	$ 500
	Cost Estimate for Closure	$2,965

May 21, 1982

RCRA CLOSURE PLAN

for

Container Storage*

EPA FACILITY I.D. NO.	MSD007027543
OWNER OR OPERATOR'S NAME	Koppers Company, Inc.
ADDRESS & PHONE NO.	P. O. Box 160
	Tie Plant, Mississippi 38960
	(601) 226-4584
FACILITY LOCATION	Tie Plant, Mississippi

A. Currently, there is no expected date of closure for the plant's container storage facility. However, at which time Koppers Management decides that the container storage facility will cease operations it will be closed in accordance with this plan. Such actions will be completed within six months after receiving the final volume of hazardous waste.

1. Within 90 days after receiving the final volume of hazardous wastes, all containers will be manifested and transported to a permitted Treatment, Storage, and/or Disposal facility. At no point during the life of the facility will the quantity of waste stored exceed the design capacity reported to EPA on the plant's Part A application.

2. The storage area, including equipment and appurtenances, will be decontaminated and the contaminated material properly contained and disposed of at a permitted Treatment, Storage, and/or Disposal facility. Depending on site conditions, this decontamination could range from sweeping/rinsing to scraping/solvent washing.

B. General

1. This plan will be submitted to the Regional Administrator at least 180 days before the date closure is expected to begin.

2. A certificate of closure will be submitted to the Regional Administrator by the owner and/or operator, and by an independent registered professional engineer.

---

* The following material was used as a guideline in the preparation of this Closure Plan:

Draft Guidance for Subpart G of the Interim Status Standards for Owners and Operators of Hazardous Waste Treatment, Storage, and Disposal Facilities, EPA Contract No. 68-01-5794, IR&T Corporation, October 6, 1980.

MISSISSIPPI DEPARTMENT OF NATURAL RESOURCES
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209
(601) 961-5171

MEMORANDUM

TO: Hazardous Waste Land Disposal Facilities
Koppers MSD007027543

FROM: Bob Lee, Division of Solid Waste Management

SUBJECT: Non-Sudden Insurance

DATE: October 15, 1984

The Mississippi Hazardous Waste Regulations require all land disposal facilities to have non-sudden insurance by January 16, 1985. The amount of insurance must be at least three million dollars per occurrence and six million dollars annual aggregate. The wording must be exactly the same as the attached document.

All facilities must have this insurance by January 16, 1985, or have the following:

1. An approved closure plan;

2. all sludge and visibly contaminated soil removed; and

3. a Commission order that requires closure to be completed by June 16, 1985.

In order for this office to approve a closure plan and allow the required public comment, the closure plan must be in this office no later than November 16, 1984.

BL:hdb

ty Coverage (sudden occurrences)

verage is not at least $1 million per occur

e.

oes not specifically exclude legal cost.

has not been submitted.

lity Endorsement has not been submitted.

criteria in Alternative I or II.

r occurrence, $6 million

ubmitted.

e I or II.

them ... "CFR"

raph 1;

paragraph 3.

year's closure cost estimate

mechanism shows coverage

there is some question as to

~~[illegible]~~ furnace for disposal at the

It must be assumed in the closure cost

Project Officer John Herrmann

Telephone Number 961-5071

Basis for Noncompliance - Koppers.

The items requiring corrections are designated by an (X):

( ) Mechanism improperly addressed.

( ) Invalid signature.

(X) Wording of instrument not identical to Section 264.151. 1

(X) Unreasonable Closure Cost Estimate. 2

( ) Mississippi facility not included in mechanism.

( ) Originally signed duplicate not submitted.

( ) Schedule A not included.

( ) Schedule B not included.

( ) Mechanism not in effect.

( ) Financial institution is not qualified.

(X) Financial mechanism does not cover closure cost estimate. 2

For Financial Test, Corporate Guarantee Option:

( ) No letter from chief financial officer.

( ) No independent CPA's opinion.

( ) The CPA's opinion has been qualified; further information is required.

( ) No written corporate guarantee demonstrating sufficient stock ownership has been submitted.

( ) The designated CPA(s) is(are) not approved by the State Board of Accountancy.

( ) The facility has failed to meet the required criteria in A II.

Koppers Company, Inc.
Environmental Resources and Occupational Health
Pittsburgh, PA 15219, Telephone 412-227-2877

KOPPERS

RECEIVED
'84 APR -2 AM 9:26

Charles P. Brush
Manager
Environmental Planning
and Regulatory Analysis

March 30, 1984

Mississippi Department of Natural Resources
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances

Dear Sir or Madam:

Enclosed is a letter from Koppers Company, Inc., Chief Financial Officer concerning RCRA Financial Requirements for 1983. Also enclosed is our certified public accountant's report on examination of Koppers' financial statement for the latest completed fiscal year. The enclosed 1983 Annual Report contains the SEC Form 10-K for the fiscal year ending December 31, 1983.

Be advised also that our insurance carrier, Travelers, has informed us that our Hazardous Waste Facility Liability Insurance was issued as a continuous policy with no expiration date. It therefore continues in force for 1984.

If you have any questions concerning this submission, please contact me at the above telephone number and address.

Sincerely yours,

Charles Brush

Charles P. Brush, P.E.

CPB/s
encl.

Koppers Company, Inc.
Environmental Resources and Occupational Health
Pittsburgh, PA 15219, Telephone 412-227-2877

KOPPERS

Charles P. Brush
Manager
Environmental Planning
and Regulatory Analysis

RECEIVED
1984 MAY -7 AM 10:01

May 2, 1984

Mr. Jack McMillan, Director
Division of Solid Waste Management
Mississippi Dept. of Natural Resources
Bureau of Pollution Control
P.O. Box 10385
Jackson, Mississippi 39209

CERTIFIED MAIL

Re: EPA ID No. MSD007027543
Your Letter of April 13, 1984
Addressed to Mr. A.W. Capone

Dear Sir:

In order to comply with your notice of April 13, 1984, I met with Mr. John Herrmann on April 25, 1984 to discuss among other things, the basis for your letter and the sentence - "Since there is some question as to the validity of using the furnace for disposal at the sludge, off-site disposal must be assumed in the closure cost estimate." We have not yet fully resolved an appropriate closure cost based upon use of Koppers' wood fired boilers at this time inasmuch as Mr. Herrmann has asked for testing of this plant's waste (btu value).

It is apparent from the testing requested that we cannot respond fully to Mr. Herrmann's concerns and to your May 1, 1984 date and use our present basis of estimating closure costs. I am therefore submitting a revised closure cost estimate based on "off-site", "non-recycled" disposal. Koppers will address the issue of recycled waste in its Part B Closure Estimate and in next year's submission.

Sincerely yours,

Charles P. Brush

Charles P. Brush, P.E.

CPB/mc

Encl.

Koppers Company, Inc., Finance Department
Pittsburgh, PA 15219, Telephone 412-227-2200

KOPPERS

A. William Capone
Senior Vice President
and Chief Financial Officer

March 30, 1984
Revised May 2, 1984

Mississippi Department of Natural Resources
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209

RE: Koppers Company, Inc.
P. O. Box 160
Grenada, MS. 38960
MSD007027543

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for closure and/or post-closure care and liability coverage as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
MSD 007027543 Grenada Plant Koppers Company, Inc. P.O. Box 160 Grenada, MS 38960	$ 67,637.00	0	$67,637.00

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
See Appendix A and B	$1,730,487.52	$62,400	$1,792,887.52

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1983.

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)			$1,860,524.52
2.	Amount of annual aggregate liability coverage to be demonstrated			$ 6,000,000
3.	Sum of lines 1 and 2			$7,860,524.52
*4.	Total liabilities			$ 536,537,000
*5.	Tangible net worth			$ 632,133,000
*6.	Net worth			$ 638,877,000
*7.	Current assets			$ 527,327,000
*8.	Current liabilities			$ 244,975,000
9.	Net working capital			$ 282,352,000
*10.	The sum of net income plus depreciation, depletion and amortization			$ 108,445,000
*11.	Total assets in U.S.			Not Applicable

			Yes	No
12.	Is line 5 at least $10 million?		x	
13.	Is line 5 at least 6 times line 3?		x	
14.	Is line 9 at least 6 times line 3?		x	
*15.	Are at least 90% of assets located in the US? If not complete line 16		x	
16.	Is line 11 at least 6 times line 3?		Not applicable	
17.	Is line 4 divided by line 6 less than 2.0?	.84	x	
18.	Is line 10 divided by line 4 greater than 0.1?	.2	x	
19.	Is line 7 divided by line 8 greater than 1.5?	2.15	x	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

Yours very truly,

A. W. Capone,
Senior Vice President and
Chief Financial Officer
March 30, 1984
Revised May 2, 1984

Koppers Company, Inc., Finance Department
Pittsburgh, PA 15219, Telephone 412-227-2200

KOPPERS

A. William Capone
Senior Vice President
and Chief Financial Officer

March 30, 1984

Mississippi Department of Natural Resources
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209

RE: Koppers Company, Inc.
P. O. Box 160
Grenada, MS. 38960
MSD007027543

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage and closure and/or post-closure care ar being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265:

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
See Appendix B	$220,222.32	$62,400	$282,622.32

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

Plant and ID No.	Current Estimates Closure Cost	 Post-Closure Cost	 Total Cost
NONE			

3. In states where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

Plant and ID No.	Current Estimates Closure Cost	 Post-Closure Cost	 Total Cost
See Appendix A	$1,544,059.20	$ 0	$1,544,059.20

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

Plant and ID No.	Current Estimates Closure Cost	 Post-Closure Cost	 Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1983.

ALTERNATIVE I

#1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)	$1,826,681.52	
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 6,000,000	
3.	Sum of lines 1 and 2	$ 7,826,682	
*4.	Total liabilities	$ 536,537,000	
*5.	Tangible net worth	$ 632,133,000	
*6.	Net worth	$ 638,877,000	
*7.	Current assets	$ 527,327,000	
*8.	Current liabilities	$ 244,975,000	
9.	Net working capital	$ 282,352,000	
*10.	The sum of net income plus depreciation, depletion and amortization	$ 108,445,000	
*11.	Total assets in U.S.	Not Applicable	
		Yes	No
12.	Is line 5 at least $10 million?	x	
13.	Is line 5 at least 6 times line 3?	x	
14.	Is line 9 at least 6 times line 3?	x	
*15.	Are at least 90% of assets located in the US? If not complete line 16	x	
16.	Is line 11 at least 6 times line 3?	Not applicable	
17.	Is line 4 divided by line 6 less than 2.0?	x	
18.	Is line 10 divided by line 4 greater than 0.1?	x	
19.	Is line 7 divided by line 8 greater than 1.5?	x	

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(g) as such regulations were constituted on the date shown immediately below.

Yours very truly,

A. W. Capone,
Senior Vice President and
Chief Financial Officer
March 30, 1984

#This number reflects the total estimated current closure and post-closure costs of all Koppers facilities and includes a total of $33,794.00 of cost for Mississippi facilities.

ATTACHMENTS A & B

KOPPERS COMPANY, INC.

ATTACHMENT A
1983 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvnia 15219

December 31, 1983

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1983. Facilities are listed according to states.

Facility Location	**Cost Estimates** 1983 Closure	1983 Post Closure
Woodward Coke P.O.Box Dolomite, Alabama, 35061 ALD 000771949	$14,560.00 Total Cost = $14,560.00	$0.00
Woodward Tar P.O.Box Dolomite, Alabama, 35061 ALD 085765808	$29,640.00 Total Cost = $29,640.00	$0.00
Montgomery Plant P.O.Box P.O. Box 510 Montgomery, Alabama, 36101 ALD 004009403	$3,083.60 Total Cost = $3,083.60	$0.00
Little Rock Plant P.O.Box P.O. Box 3231 North Little Rock, Arkansas, 72117 ARD 006344824	$83,909.28 Total Cost = $83,909.28	$0.00
Commerce Plant P.O.Box P.O. Box 22066 Los Angeles, California, 90022 CAD 004937793	$16,130.40 Total Cost = $16,130.40	$0.00
Oxnard Plant P.O.Box Oxnard, California, 93033 CAD 087163267	$21,164.00 Total Cost = $21,164.00	$0.00
Cal-Richmond Plant P.O.Box Richmond, California, 94806 CAD 043242718	$8,222.24 Total Cost = $8,222.24	$0.00
Feather River Plant P.O.Box P.O.Box 351 Oroville, California, 95965 CAD 009112087	$63,372.40 Total Cost = $63,372.40	$0.00

ATTACHMENT A - 1983 COSTS

Ontario Plant P.O.Box P.O. Box 1112 Guasti, California, 91743 C A D 000617324	$10,983.44 Total Cost =	$0.00 $10,983.44
Fontana Plant P.O.Box Fontana, California, 92335 C A D 073568677	$57,512.00 Total Cost =	$0.00 $57,512.00
Gainesville Plant P.O.Box P.O. Box 1067 Gainesville, Florida, 32602 F L D 004057535	$9,370.40 Total Cost =	$0.00 $9,370.40
Ocala Plant P.O.Box Ocala, Florida, 32670 F L D 055946891	$3,120.00 Total Cost =	$0.00 $3,120.00
Conley Plant P.O.Box Conley, Georgia, 30027 G A D 004009403	$5,815.68 Total Cost =	$0.00 $5,815.68
Galesburg Plant P.O.Box P.O. Box 1191 Galesburg, Illinois, 61401 IL D 990817991	$5,917.60 Total Cost =	$0.00 $5,917.60
Chicago Plant P.O.Box Chicago, Illinois, 60650 IL D 005164611	$49,306.40 Total Cost =	$0.00 $49,306.40
Carbondale Plant P.O.Box P.O. Box 270 Carbondale, ILLinois, 62901 IL D 000819946	$89,875.76 Total Cost =	$0.00 $89,875.76
Valparaiso Plant P.O.Box P.O.Box 104 Valparaiso, Indiana, 46383 IN D 000781609	$9,120.00 Total Cost =	$0.00 $9,120.00
Parr - West P.O.Box Elkhart, Indiana, 46514 IN D 07427110	$1,508.00 Total Cost =	$0.00 $1,508.00

ATTACHMENT A - 1983 COSTS

Guthrie Plant	$17,749.99	$0.00
P.O.Box P.O. Box 8		
Guthrie, Kentucky, 42234	Total Cost =	$17,749.99
K Y D 006383392		
Salisbury Plant	$7,296.64	$0.00
P.O.Box P.O. Box 2217		
Salisbury, Maryland, 21801	Total Cost =	$7,296.64
M D D 05650680		
Grenada Plant	$33,794.00	$0.00
P.O.Box P.O. Box 8		
Grenada, Mississippi, 38960	Total Cost =	$33,794.00
MSD 007027543		
Kansas City Plant	$6,359.60	$0.00
P.O.Box P.O. Box 8057		
Kansas City, Missouri, 64129	Total Cost =	$6,359.60
M O D 007146517		
St. Louis Plant	$5,569.20	$0.00
P.O.Box		
St. Louis, Missouri, 63110	Total Cost =	$5,569.20
M O D 056963036		
Garwood Plant	$50,221.60	$0.00
P.O.Box P.O. Box 729		
Westfield, New Jersey, 07091	Total Cost =	$50,221.60
NJD		
Newark Plant	$36,836.80	$0.00
P.O.Box		
Newark, New Jersey, 07114	Total Cost =	$36,836.80
NJD 002149789		
Port Newark Plant	$6,931.60	$0.00
P.O.Box		
Port Newark, New Jersey, 07114	Total Cost =	$6,931.60
NJD 000542282		
Nashua	$6,881.68	$0.00
P.O.Box 488		
Nashua, NH, 03061	Total Cost =	$6,881.68
NHD 001084979		
Orrville Product Devleopment	$5,200.00	$0.00
P.O.Box P.O. Box 905		
Orrville, Ohio, 44667	Total Cost =	$5,200.00
O H D 068911494		

ATTACHMENT A - 1983 COSTS

Toledo Plant P.O.Box Toledo, Ohio, 43605 OHD 000817114	$24,232.00 Total Cost =	$0.00 $24,232.00
Youngstown Plant P.O.Box Youngstown, Ohio, 44501 OHD 004198784	$9,828.00 Total Cost =	$0.00 $9,828.00
Parr - Syracuse P.O.Box Cleveland, Ohio, 44110 OHD 004179180	$3,120.00 Total Cost =	$0.00 $3,120.00
Parr - Denison P.O.Box Cleveland, Ohio, 44102 OHD 060431947	$1,092.00 Total Cost =	$0.00 $1,092.00
Northwest Plant P.O.Box Portland, Oregon, 97229 ORD 027734359	$7,176.00 Total Cost =	$0.00 $7,176.00
Florence Plant P.O.Box P.O. Box 1725 Florence, South Carolina, 29503 SCD 003353026	$73,661.12 Total Cost =	$0.00 $73,661.12
Memphis Terminal P.O.Box Memphis, Tennessee, 38113 TND 061647996	$11,200.00 Total Cost =	$0.00 $11,200.00
Irving Plant P.O.Box Irving, Texas, 75060 TXD 053126785	$36,400.00 Total Cost =	$0.00 $36,400.00
Houston Forest Plant P.O.Box P.O. Box 16220 Houston, Texas, 77022 TXD 020802393	$5,133.44 Total Cost =	$0.00 $5,133.44
Houston Tar Plant P.O.Box Houston, Texas, 77015 TXD 008089021	$17,472.00 Total Cost =	$0.00 $17,472.00

ATTACHMENT A - 1983 COSTS

Richmond Plant P.O.Box Richmond, Virginia, 23231 VAD 003121977	$38,010.96 Total Cost =	$0.00 $38,010.96
Roanoke Plant P.O.Box P.O. Box 792 Salem, Virginia, 24153 VAD 003125770	$104,384.80 Total Cost =	$0.00 $104,384.80
Oak Creek Plant P.O.Box Oak Creek, Wisconsin, 53154 WID 057163941	$11,960.00 Total Cost =	$0.00 $11,960.00
West Allis Plant P.O.Box Milwaukee, Wisconsin, 53227 WID 006082127	$7,847.84 Total Cost =	$0.00 $7,847.84
Superior Plant P.O.Box P.O. Box 397 Superior, Wisconsin, 54880 WID 006179493	$140,214.99 Total Cost =	$0.00 $140,214.99

ATTACHMENT B
1983 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvnia 15219

December 31, 1983

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1983. Facilities are listed according to states.

Facility Location	**Cost Estimates** 1983 Closure	1983 Post Closure
Oil City Plant P.O.Box P.O. Box 98 Oil City, Pennsylvania, 16301 PAD 004336756	$171,184.00 Total Cost = $171,184.00	$0.00
Petrolia Plant P.O.Box Petrolia, Pennsylvania, 16050 PAD 004336731	$2,688.40 Total Cost = $2,688.40	$0.00
Verona Research P.O.Box Verona, Pennsylvania, 15147 PAD 000647339	$7,847.00 Total Cost = $7,847.00	$0.00
Morgan Plant P.O.Box P.O. Box 431 Morgan, Pennsylvania, 15064 PAD 000800862	$2,688.40 Total Cost = $2,688.40	$0.00
Erie Plant P.O.Box Erie, Pennsylvania, 16512 PAD 07747864	$4,056.00 Total Cost = $4,056.00	$0.00
Bridgeville Plant P.O.Box P.O. Box 219 Bridgeville, Pennsylvania, 15017 PAD 063764898	$117,208.00 Total Cost = $117,208.00	$0.00
Susquehanna Plant P.O.Box P.O.Box 189 Montgomery, Pennsylvania, 17752 PAD 056723265	$81,859.44 Total Cost = $81,859.44	$0.00
Science & Technology Center P.O.Box Monroeville, Pennsylvania, 15146 PAD 082245754	$5,342.48 Total Cost = $5,342.48	$0.00

ATTACHMENT B - 1983 COSTS

Follansbee Plant	$3,120.00	$0.00
P.O.Box		
Follansbee, West Virginia, 26037	Total Cost =	$3,120.00
W V D 004336749		
Follansbee Landfill	$87,464.00	$62,400.00
P.O.Box		
Follansbee, West Virginia, 26037	Total Cost =	$149,864.00
W V D 550010144		
Green Spring Plant	$34,489.52	$0.00
P.O.Box P.O. Box 98		
Green Spring, West Virginia, 26722	Total Cost =	$34,489.52
W V D 003080959		
Denver Plant	$69,269.99	$0.00
P.O.Box		
Denver, Colorado, 80216	Total Cost =	$69,269.99
C O D 007077175		
Campbell Plant	$17,330.00	$0.00
P.O.Box		
Ewa Beach, Hawaii, 96708	Total Cost =	$17,330.00
HID 009198797		
Maui Plant	$8,548.80	$0.00
P.O.Box P.O. Box 1650		
Maui, Hawaii, 96732	Total Cost =	$8,548.80
HID 059475210		

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

ARTHUR YOUNG

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone: (412) 288-4400
Telex: WU 86-6133

March 30, 1984

Mississippi Department of
Natural Resources
P.O. Box 10385
Jackson, MS 39309

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1983 and the related consolidated statements of operations, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended, and have issued our report thereon dated January 26, 1984, except as to Note 11, as to which the date is February 21, 1984. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

Pursuant to the provisions of Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265, the chief financial officer, A. W. Capone has prepared a letter dated March 30, 1984 demonstrating both liability coverage and assurance of closure or post-closure care. Certain data set forth in this letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1983 Form 10-K.

In connection with the procedure referred to above, nothing came to our attention which caused us to believe that the financial data contained in this letter should be adjusted.

Very truly yours,

Arthur Young & Company

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

ARTHUR YOUNG

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone: (412) 288-4400
Telex: WU 86-6133

March 30, 1984

Mississippi Department of
Natural Resources
P.O. Box 10385
Jackson, MS 39309

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1983 and the related consolidated statements of operations, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended, and have issued our report thereon dated January 26, 1984, except as to Note 11, as to which the date is February 21, 1984. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

Pursuant to the provisions of Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265, the chief financial officer, A. W. Capone has prepared a letter dated March 30, 1984 demonstrating both liability coverage and assurance of closure or post-closure care. Certain data set forth in this letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1983 Form 10-K.

In connection with the procedure referred to above, nothing came to our attention which caused us to believe that the financial data contained in this letter should be adjusted.

Very truly yours,

Arthur Young & Company

Koppers - Financial

April 13, 1984

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

FILE COPY

Mr. A. W. Capone
Senior Vice President
Koppers Company, Inc.
Finance Department
Pittsburgh, Pennsylvania 15219

Dear Mr. Capone:

Re: EPA I.D. No. MSD007027543

On March 31, 1984, the above referenced facility was required to demonstrate compliance with the financial assurance requirements set forth in Section(s) 265.143 and 265.151 of the Mississippi Hazardous Waste Management Regulations. The attached checklist identifies those items which are not in compliance. Unless the above items are corrected no later than May 1, 1984, the Bureau intends to recommend to the Commission on Natural Resources that an enforcement action be taken, which may include the imposition of a penalty not to exceed $25,000 per day per violation.

If you have any questions, please contact John Herrmann of my staff at 961-5171.

Sincerely,

Jack McMillan, Director
Division of Solid Waste Management

JM:JH:cl
Attachment
cc: Mr. Charles P. Brush, Pittsburgh, PA

Basis for Noncompliance

Project Officer John Herrmann

Telephone Number 961-5071

The items requiring corrections are designated by an (X):

( ) Mechanism improperly addressed.

( ) Invalid signature.

(X) Wording of instrument not identical to Section 264.151. (1)

(X) Unreasonable Closure Cost Estimate. (2)

( ) Mississippi facility not included in mechanism.

( ) Originally signed duplicate not submitted.

( ) Schedule A not included.

( ) Schedule B not included.

( ) Mechanism not in effect.

( ) Financial institution is not qualified.

(X) Financial mechanism does not cover closure cost estimate. (2)

For Financial Test, Corporate Guarantee Option:

( ) No letter from chief financial officer.

( ) No independent CPA's opinion.

( ) The CPA's opinion has been qualified; further information is required.

( ) No written corporate guarantee demonstrating sufficient stock ownership has been submitted.

( ) The designated CPA('s) is(are) not approved by the State Board of Accountancy.

( ) The facility has failed to meet the required criteria in Alternative I or II.

For Liability Coverage (sudden occurrences)

( ) Amount of coverage is not at least $1 million per occurrence, $2 million annual aggregate.

( ) Amount of coverage does not specifically exclude legal cost.

( ) Certificate of Insurance has not been submitted.

( ) Hazardous Waste Facility Liability Endorsement has not been submitted.

( ) The facility has failed to meet the criteria in Alternative I or II.

For Liability coverage (nonsudden occurrences)

( ) Amount of coverage is not at least $3 million per occurrence, $6 million annual aggregate.

( ) Certificate of Insurance has not been submitted.

( ) Hazardous Waste Facility Liability Endorsement has not been submitted.

( ) The facility has failed to meet the criteria in Alternative I or II.

Other comments (or explanation of apparent violations).

1. All citations should be "MHWMR" rather than "CFR" Mississippi facility should be listed in paragraph 1; all other facilities should be listed in paragraph 3.

2. According to our records, last year's closure cost estimate was $65,036. This year's mechanism shows coverage for only $33,794. Since there is some question as to the validity of using the furnace for disposal at the sludge, off-site disposal must be assumed in the closure cost estimate.

KOPPERS

From the discipline of recession
has come a streamlined cost base.

- Earnings have rebounded.
- Balance sheet and liquidity remain strong.
- New orders have begun to rise sharply.
- Past investments provide us with ample, efficient production capacities.

With reasonable growth in the economy,
Koppers recovery in the years to come
should be dramatic.

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, 1983

Commission File Number 1-3224

Koppers Company, Inc.

A Delaware Corporation
IRS Employer Identification No. 25-0904665

Koppers Building, Pittsburgh, Pennsylvania 15219 (412) 227-2000

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

Common Stock $1.25 Par Value	Registered: New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange
Cumulative Preferred Stock 4% Series, $100 Par Value	Registered: New York Stock Exchange
$10 Convertible Preference Stock No Par Value	Registered: New York Stock Exchange

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS REPORT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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, and (2) has been subject to such filing requirements for the past 90 days.
Yes X No __

As of March 7, 1984, 28,602,763 shares of common stock were outstanding, and the aggregate market value of the shares of Koppers common stock (based upon the closing price of these shares on the New York Stock Exchange/composite tape) held by nonaffiliates was approximately $472.6 million. For this computation, Koppers has excluded the market value of all common stock beneficially owned by officers and directors of Koppers and their associates as a group, and all common stock held by Mellon Bank N.A. Such exclusion is not to signify in any way that any of such persons are "affiliates" of Koppers.

Documents Incorporated by Reference	Part
Koppers 1983 annual report to shareholders and Form 10-K are combined in this document.	
Koppers proxy statement dated March 16, 1984 for the 1984 annual meeting.	III

Annual Report and Form 10-K

This 1983 annual report to shareholders incorporates all material required in Koppers 1983 Form 10-K filed with the Securities and Exchange Commission. **The table of contents for Koppers 1983 Form 10-K is on page 21.** Koppers 1983 Annual Report and Form 10-K are combined in this document to provide all Koppers shareholders, as well as others interested in Koppers, timely access to this comprehensive material. (Portions of the 1983 annual report to shareholders, such as the "Chairman's Letter to Koppers Shareholders," are not required by the Form 10-K and are not "filed" with the Securities and Exchange Commission. Only those sections of the annual report referenced in the 10-K table of contents on page 21 and in the index on page 26 are part of the Form 10-K and filed with the Securities and Exchange Commission.)

Koppers Company, Inc./1983 at a Glance

($ Millions, except per share figures)	1983	1982
Total sales from continuing operations	$1,565.7	$1,585.2
Net income (loss) from continuing operations	$ 26.3	$ (31.1)
Earnings (loss) per share of common stock:		
From continuing operations	$ 0.66	$ (1.41)
Net to common stock	$ 0.81	$ (1.67)
Dividends per share of common stock	$ 0.80	$ 1.40
Return on average common equity	4.3%	(7.8%)
Capital expenditures	$ 68.6	$ 76.7
Backlog at year end	$ 429.3	$ 369.2

Koppers products and services go into construction and repair of the nation's infrastructure—highways, streets, bridges and pipelines—as well as commercial, industrial and residential construction. Other Koppers products are consumed by such industries as automotive, chemical, aluminum, and iron and steel. Manufacture of capital equipment and components for these and other industries rounds out Koppers businesses.

Now recovering from four years of recession, Koppers priorities are threefold:

1. To increase income and restore its return on common equity to 18%.
2. To sustain its strong financial condition as a base for growth.
3. To become involved in businesses and newer technologies that will, over time, counter the cyclical nature of its current mix of operations and ensure more consistent earnings growth.

Progress toward the first priority began in 1983. With reasonable growth in the U.S. economy during the next several years, Koppers earnings improvement will be dramatic, powered by two forces:

- Improving unit sales that will result in greater use of Koppers modern, efficient production capacities.
- Increasing profitability further leveraged by extensive cost reductions carried out in recent years.

Koppers sound financial condition was sustained throughout the recession by prudent controls. With noteworthy cash flow recovery and meaningful reduction in debt, Koppers excellent financial position creates the flexibility and liquidity necessary for significant growth.

Low-cost leadership positions in its major market segments give Koppers strong bases from which to develop growth opportunities, including the potential for acquisitions. This will be reinforced by the impact of increased resources directed in recent years to research and internal product development and venture capital investments. These are aimed at involving the Company with newer or emerging technologies that will modernize existing operations or lead to establishment of new business lines.

Annual Meeting

The annual meeting of the shareholders of the Company will be held at 11 a.m. on Monday, April 30, 1984 in the Pittsburgh Room of The William Penn Hotel, Pittsburgh, PA.

Inside This 1983 Annual Report

To Our Shareholders:

Last year's annual report bore this brief message on its cover:

"The decisions carried out in 1982, or now in the process of being implemented, will make Koppers leaner, more aggressive and more profitable."

It would appear that the events and trends we witnessed in 1983 proved true to that pledge. They have prepared Koppers for an upswing in its fortunes that is even now beginning to manifest itself, however modestly.

Koppers profitability is recovering

Take the most important of these first. Operating income improved impressively in many of our core businesses. We were aided by improving conditions in several major sectors of the economy during 1983. Much of this improvement could be traced to a brighter picture in automotive and industrial production, spending for the nation's infrastructure and other construction. In most instances, these economic segments have only begun what may be a significant advance. Elsewhere in the economy, we look forward to better results in capital equipment, nonresidential building construction and other major markets important to Koppers.

Koppers earnings of $0.81 per common share included a nonrecurring gain of $0.21 per share that resulted from the buyback of debentures. This compared with the previous year's loss of $1.67 per common share, incurred primarily as the result of write-offs or write-downs of assets and other nonrecurring charges. More important, the Company's gross cash flow rebounded to $123 million from $19 million in 1982.

Two actions that were taken near the close of 1983 will contribute to the continuing improvement in the Company's earnings. We disposed of our investment in the Richmond Tank Car Company and terminated efforts to develop a synthetic fuel project when guarantees offered by the federal government did not provide an economically viable basis to proceed. (See Note 3, page 32.) The combined effect of these two matters added $14 million to Koppers expenses in 1983; outside of shut-down costs, there will be no continuing expense in 1984.

Charles R. Pullin

Koppers is more aggressive

Now more than ever before, we have oriented our goods and services to customer needs. New or modified products are tailored to market-directed demands.

We have made ourselves the leading supplier, or one of the leaders, in each of our businesses, gaining market share in nearly all of them.

The heavy investments we devoted to upgrading our facilities in the late 1970s have made us the low-cost producer in many of our product lines. Our physical asset base is as modern as any existing today among companies in our industries. We are prepared to handle a significant increase in the volume of business in nearly all product lines, with minimal additional investment in facilities and staff.

Koppers is leaner

Since 1980, the Company has withdrawn from about 20 product lines, which has led to closing of a slightly greater number of plants. Our work force is now only two-thirds as large as it was four years ago. Cuts and adjustments affected all levels of the organization. As explained in sections that follow, we have combined several of our operating groups, a move that is expected to continue the drive for greater efficiencies in these operations. In other areas, we made step-by-step improvements, dropping marginal products and either cutting back on activities that were dragging us down or modernizing those that offered greater potential.

Financial condition is excellent

The significant improvement in Koppers cash flow, the reduction of long-term debt and the purchase of a portion of the outstanding convertible preference shares have further strengthened the Company's solid financial position. Koppers present liquidity provides an excellent base to fund not only substantially higher sales, but significantly higher levels of capital investment should business conditions warrant.

On February 21, 1984, a jury rendered a verdict against Koppers in a court suit brought by Inland Steel Company. (See page 44.) It is management's opinion that it has valid defenses to this suit and the Company intends to take all legal actions, including appeals, to set aside the verdict or obtain a new trial.

Holding to growth strategy

Nearly a decade ago, Koppers embarked on what became the largest expansion program in its history. The primary rationale was the belief that America would have to renew its infrastructure and productive base in order to return to its former vigor, and that Koppers was uniquely equipped to aid in the task.

Hope for immediate success had to be deferred as most of what we had built or bought came on-stream in 1980, just as the nation—and eventually, much of the world—entered into the worst recession since the Depression of the 1930s.

Two things must be said:

First, we continue to believe that the economy will—indeed, must—rebound from its recent depths, and that the nation will face the need to devote a major portion of its energies and resources to the reconstruction of its aging infrastructure.

Second, we have not sat still waiting for change to mend our prospects. A new Koppers has taken shape in recent years. It has been molded by investments in existing facilities and acquisitions of new facilities, along with a streamlining of the entire organization. It is bound to ride higher with any lifting of the economic tides.

New avenues for future growth

With the reshaping of Koppers has come an intensive search for logical avenues for growth. One prime route builds on the Company's leadership positions in numerous businesses, which give us not only large and expanding market shares, but opportunities to do other things that lead to new markets and to entirely new businesses. This focuses on internal product development and on acquisitions that complement existing product lines or expand operations into new geographic areas.

New business opportunities for Koppers also depend upon research and investment that will broaden our current capabilities and open the way to new fields for our participation. Toward this end, we have established a pioneering research program that extends along many avenues of opportunity.

There are, for instance, the university-based research projects we have now expanded to a total of 10 institutions. These are geared to specific objectives important to Koppers and give us first rights to whatever findings they may produce.

There is, also, the venture capital unit we call Kopvenco. This permits us to examine a number of emerging technologies and the commercial implications that go with them. New interests added in 1983 and early 1984 created 11 total investments.

The following section, "Koppers: A Story of Continuing Regeneration," conveys these initiatives in greater detail.

Outlook is for continued recovery

Realistically, it is too early to make a certain judgment on the duration and strength of the U.S. economic revival that began in 1983. The course of interest rates will have much to do with the direction of economic trends in 1984 and beyond. Since rates are influenced greatly by federal fiscal and monetary policies, predicting the economy becomes even more difficult.

Amid this uncertainty, there is an impressive array of positive forces now acting upon Koppers end markets. One is the greater level of national resources going to upgrade the infrastructure. Another is the continuing pace of recovery in certain industries. From this has come a greatly elevated use of available production capacity throughout U.S. industry, which, with improved corporate cash flows, bodes well for capital spending and other nonresidential construction.

The effects of these forces began to show in the second half of 1983 as Koppers orders rose by 30% in the fourth quarter from a year earlier. The Company's backlog at year-end 1983 increased to $429 million from $369 million at the close of 1982.

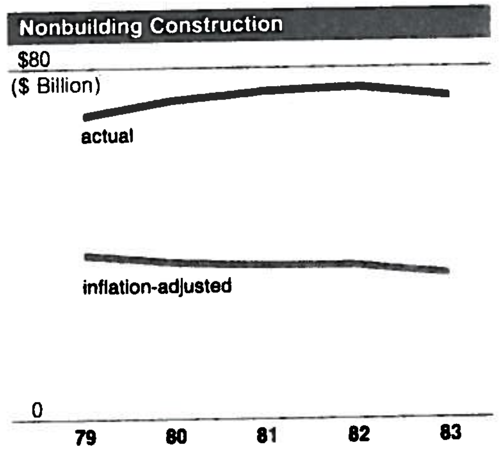
This much can be said without hesitation: should the U.S. economy continue to grow, Koppers—with its streamlined operations, its significant levels of available production capacity, and its sound financial condition—is poised to produce dramatic earnings improvement.

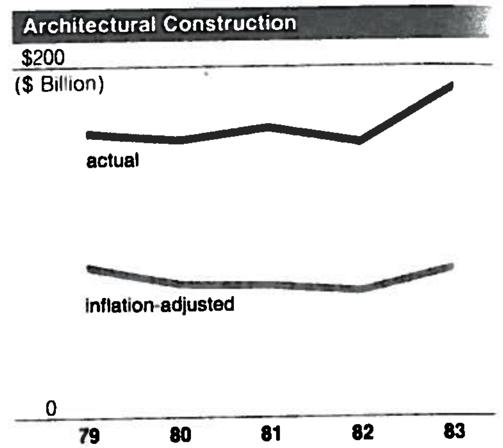
C R Pullin

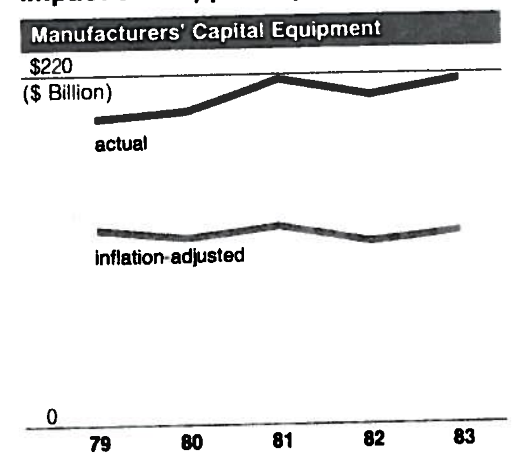
Charles R. Pullin
Chairman of the Board
February 27, 1984

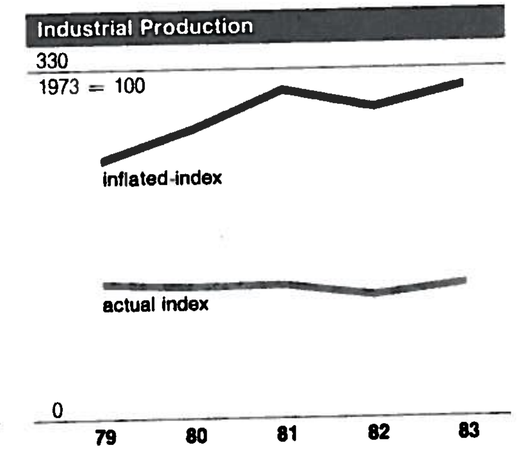
Koppers: A Story of Continuing Regeneration

These four economic segments, emerging from recession, have the greatest impact on Koppers operations.









■ ***Nonbuilding Construction—It accounts for 43% of Koppers sales and normally lags behind recovery in the economy. This sector will benefit from legislation passed in 1982 that will direct an additional $5 billion per year in federal funds into highway construction, resurfacing and repair, as well as into bridge rehabilitation and other highway safety projects. Along with recovery in demand for railroad crossties and for repair of other portions of the nation's infrastructure, the increased funding should begin to reverse the downward trend in this sector of the economy.***

■ ***Architectural Construction—The small portion of Koppers products tied to housing construction benefited from the upturn in 1983. Nonresidential building, which also tends to lag behind economic recovery, remained weak. The recovery in housing should spread to other construction segments if interest rates do not escalate rapidly.***

■ ***Manufacturers' Capital Equipment—Recovery in capital spending was concentrated in office equipment and computers, not industrial machinery, where nearly 12% of Koppers sales are directed. With new orders for Company capital equipment improving and U.S. industrial capacity utilization now above 80%, upturn in capital goods should begin in 1984.***

■ ***Industrial Production—This sector provided the greatest area of recovery for Koppers in 1983. Nearly one-third of Company sales, where the largest segments of unused capacities are concentrated, will benefit from further recovery in such industries as autos, aluminum, tires and consumer durables.***

Any current picture of Koppers must be composed of two apparently conflicting elements—on the one hand, an organization strongly rooted in the fields that have sustained it over several decades—on the other, an organization in constant motion toward a variety of goals. Both views are appropriate as they suggest a company that is continually in regeneration.

The Immediate Horizon

The Koppers most familiar is one that has concentrated its strengths in several areas of critical concern: the nation's decaying infrastructure and its aging production base, as well as the efficient supply of materials consumed in industrial production and building construction. During the period 1976-1980, Koppers invested three-quarters of a billion dollars in new plant and equipment and acquisitions. It did so in the expectation of a vigorous revival in the major businesses it serves—a revival whose delay discouraged optimism until only recently.

It now appears that Koppers may begin to reap the benefits of its expansion as the economic segments most vital to it have begun to show strength, with the promise of steady growth.

During the period 1980-1983, we reshaped the Company, making it leaner, more responsive to change and attuned to external economic developments.

Chemical and Allied Products—the combination of what used to be known as Organic Materials and Forest Products—is operating the most modern physical plants in the business, with capacities available for handling much greater than present demand.

In our coke operations, which were modernized and enlarged extensively in 1980, use of capacity neared 80% in late 1983, prices firmed, and profitability returned.

Our tar plants, nearly all of which were modernized within the past decade, are rapidly approaching full capacity as their customers—particularly the aluminum industry—gain strength.

Our Chicago chemical plant is undergoing a conversion that will permit it to use an internally generated feedstock that should give Koppers a competitive edge in phthalic anhydride, the major chemical in the growing market for reinforced plastics.

The polyester resin plant at Chicago was fully activated last year for the first time since its completion in 1979, and plans are to add to our polyester resin capacity in 1984.

We updated and consolidated our treated wood operations by closing three marginal facilities and upgrading others to operate more efficiently while conforming to strict environmental regulations.

Our specialty wood chemicals—which prospered even in the recession—underwent brisk expansion with the addition of plant capacity, more intensive integration of raw materials and the introduction of brush-on stains, sealers and other products for home improvement centers. We most recently produced a new fire-retardant lumber chemical for interior applications.

Construction Materials and Services—our former Road Materials Group—has taken square aim on the infrastructure market. We expect positive results in the paving, road maintenance and reconstruction, and nonbuilding, commercial and residential construction segments. This trend is supported by increased tax revenues being generated at the federal and state levels specifically earmarked for roads, and from a pickup in overseas construction.

Engineered Metal Products—our collection of businesses linked primarily to capital goods markets—features modern facilities, along with unexcelled expertise in engineering and technology.

The new diesel piston ring plant in Georgia joins the existing facility in Baltimore in anticipation of further "dieselization" of smaller engines, a growing application in trucks.

Our Sprout-Waldron subsidiary, known as the world leader in thermomechanical pulping technology used in paper making, has signed technology and marketing agreements with Sweden's world-renowned Kamyr, Inc., the leader in chemical pulping systems. The agreements cover development, engineering, sales and supply of the most advanced pulpmaking technology available, which will be marketed around the globe by both companies. Because the new process offers quantum leaps in efficiency, environmental cleanliness and waste reduction, it permits paper manufacturers to recover their capital costs within a comparatively short period of time.

The Far Horizon

Toward the end of 1983, *Chemical Week* wrote, "Perhaps more than any other leader in the venturing field, Koppers is using its investments in high-tech fledglings as a way out from under a mature, 19th century technology base."

One interesting aspect of our involvement in the venture capital field is that, while it began primarily as a way to open new doors of technology for us, it has at the same time proved to be a source of profitable investment, evidenced by the gains realized in 1983 from the sale of a portion of our Genex shares.

Our emphasis remains on the development of new and advanced technology, radiating outward from three points:

Internal Research—We have concluded that Koppers regeneration requires greater commitment to in-house research, even—or especially—during a period of moderating sales and shrinking staff. In 1979, when we had some 22,000 employees, we spent $13.7 million for research. By 1983, our employee count was down to 14,500—and research was at $18.3 million.

The results can be seen in such areas as polymer sciences, where we have applied our skills in physical chemistry to actually change molecular structures. Our recently introduced phenolic foam insulation could lead to further new products from our existing polymers base of sealants, caulkings, plastics, adhesives and foams.

University Research—Our program of involvement with the academic community, started four years ago, added a tenth research project at a major university. This arrangement gives us access to a pool of intellectual and scientific resources that would otherwise be unavailable to any company of our size. It has given us first rights to a number of projects directly related to Koppers interests and has produced several patents.

Kopvenco—This wholly owned venture capital subsidiary, which we formed in 1981, now has direct investments in 11 high-technology companies, and in nearly 20 others through participation in a separate venture capital fund.

Kopvenco's direct investments may be classified under three broad headings:

Biotechnology—Among the specialty chemicals in which we have an interest is phenylalanine, being sold for use in a sugar substitute. In plant genetics, we may see the emergence of plant disease diagnostic technologies geared to early diagnosis and treatment of diseases that attack turfgrass, citrus fruits and other important agricultural crops.

Advanced Materials—Progress continues in the field of ion-conducting ceramics, with such potential applications as electric batteries, military and space components, and large batteries used by utilities to store electricity during periods of low consumption. Another company has perfected a novel solder strap now ready for sale and is working on new brazing straps.

Productivity Improvement—One venture links us with the third largest domestic manufacturer of robots, now rapidly emerging as a supplier of computer-integrated manufacturing systems. Two others involve development of computer software. One supplies a computer-assisted design system to the architectural and engineering fields. The other has developed an integrated database management system for one of the fastest-growing software markets.

The most recent investment is in a company formed to market automotive engine technology to increase the power of the standard passenger car or truck to 1.8 horsepower per cubic inch of engine displacement while decreasing fuel consumption.

Conclusion

Koppers is embarked on a realistic growth strategy. It will produce continuous rather than rapid change. We want to grow in a way that, in time, will counter Koppers exposure to the cyclical forces that led to our recent declines. We may not greatly alter our customer mix to do this. There will be opportunities to serve our traditional end markets more efficiently or with new products or services. But we also expect our expansion to take us into some new areas for Koppers. Our goal is to get back in the 1980s to the consistent earnings growth that Koppers enjoyed through the 1970s.

Koppers Operating Results by Business Segments

($ Millions)	Year	Sales	Operating Income (Loss)	During 1983	Near-Term Outlook
Chemical and Allied Products					
Organic Materials	**83**	**$555.0**	**$ 7.2**	Improved demand levels in polyester resins, coal tar pitch, coke were offset by weak performance in building materials. Chemical plant capacity utilization grew to 70%. Coke sales to foundry, steel markets had strong gains and binder pitch volume improved at year end. Nonrecurring expenses were lower than in previous year.	**Turnaround in certain major end markets is under way. Good production levels for auto, tire, aluminum, consumer durables are providing impetus for higher operating rates, income gains. No upturn is expected in building materials before late 1984 or 1985 as high interest rates dampen new construction prospects.**
	82	$535.3	$ 8.5		
	81	$678.1	$ 29.2		
Forest Products	**83**	**$262.5**	**$ 28.1**	Slightly higher demand in railroad, utility, construction markets raised treated wood sales, income. Effects of earlier disposals were being felt as income improved on lower volumes. Demand for wood-treating chemicals grew steadily. A line of brush-on preservatives, color stains for retail markets was introduced.	**Increased spending for railroad maintenance is raising backlogs for crossties, other treated lumber. Effects of operating efficiencies, closings of marginal plants should benefit income. Steady growth in remodeling, architectural markets could improve results in specialty wood chemicals, building products.**
	82	$285.7	$ 11.1		
	81	$358.0	$ 42.3		
Construction Materials and Services					
(Formerly Road Materials)	**83**	**$518.5**	**$ 45.5**	Improved weather in most markets, increased demand in nonbuilding, housing construction, operating efficiencies led to earnings gain. Competition remains intense for available contracts. Aggregate shipments were 2% higher. Several significant construction contracts increased year-end backlog.	**Anticipated growth in spending for highways, bridges will benefit aggregates, construction services. Gasoline tax increases are boosting funds for road maintenance, infrastructure repair. Higher new housing starts should lead to stores, schools, offices, other construction.**
	82	$485.9	$ 38.9		
	81	$541.9	$ 57.9		
Engineered Metal Products					
	83	**$186.8**	**$ 4.4**	Demand levels remained weak in capital equipment, components markets. Income was lower in Sprout-Waldron lines, power transmission equipment. Piston ring and seal results were affected by start-up costs for new Georgia piston ring plant. Container machinery reduced its loss by means of improved replacement parts business, lower costs.	**Capital equipment spending is not expected to improve before 1985. Demand strengthening is taking place in piston rings and seals, replacement parts for container machinery, but recoveries are needed in pulp and paper, food and grain processing, petroleum, steel in order to benefit operations in this business.**
	82	$215.5	$ 4.9		
	81	$233.6	$ 13.4		
Engineering and Construction					
	83	**$11.1**	**$(7.2)**	No major steel industry contracts were received. Cost reductions narrowed operating losses. Sales, backlog fell to extremely low levels.	**Steel industry spending is not expected to show real growth until 1985. Most steelmakers still are closing plants, consolidating operations.**
	82	$32.9	$(16.3)		
	81	$58.6	$(7.6)		
Miscellaneous					
	83	**$31.8**	**$ 7.4**	Income from coal operations suffered from weak pricing due to lack of demand, excess production capacity. Equity investment losses were offset by gains from sales of Koppers shares in Genex Corporation.	**Moderate, steady growth is expected in utility, industrial demand for coal. There may be demand spurt caused by hedge buying against possibility of a coal strike in 1984.**
	82	$29.9	$(46.8)		
	81	$39.5	$ 7.5		
Totals	**83**	**$1,565.7**	**$ 85.4**		
	82	$1,585.2	$ 0.3		
	81	$1,909.7	$142.7		
	83		**$ 17.3**	**General Corporate Overhead**	
	82		$ 25.5		
	81		$ 22.5		
	83		**$ 68.1**	**Income (Loss) Before Interest Expense and Income Taxes**	
	82		$(25.2)		
	81		$120.2		

Koppers Sales to Major Economic Sectors

As the following table shows, Koppers sales go to four broad segments of the U.S. economy. The specific end markets within each segment that are most important to Koppers are listed in parentheses.

($ Millions)	Year	Sales	% Total	During 1983	Near-Term Outlook
Nonbuilding Construction (Products and construction services used in highways, roads, bridges, streets and such other infrastructure facilities as railroads, utilities, pipelines, iron and steel)	**83**	**$673.2**	**43.0**	Highway construction responding to increased fuels tax was a driving force behind the 5% recovery in this sector from 1982. Other nonbuilding construction activity dropped 4%, reflecting weakness in conservation, sewer, water projects. Steelmakers cut capital outlays nearly 15% as operating levels, profit margins remained depressed. Railroads, utilities, with lower earnings, continued to limit spending.	**Further gains in highway, bridge construction are expected. Sewer, water projects should show improvement responding with usual lag to housing rebound. Improved railroad earnings will permit pickup in maintenance programs. Construction spending by utilities will record modest increases, while maintenance projects show little change.**
	82	$711.4	44.9		
	81	$824.3	43.2		
Architectural Construction (Building materials for commercial, industrial, residential structures)	**83**	**$229.5**	**14.7**	Total residential building rose nearly 50% in 1983, as declining mortgage rates early in year spurred housing starts to 1.7 million level. Nonresidential building activity fell 4% under weight of steep reduction in industrial construction spending, weakness in office construction due to overbuilding in many cities. Outlays for shopping centers, stores, other commercial buildings edged slightly higher, tracing housing turnaround.	**Housing industry is expected to produce about same number of units as in 1983. Housing completions, which lag behind starts, will continue to advance, supporting sales of building materials. Moderate quarter-by-quarter improvement is expected in factory building, while shopping center construction keeps pace with homebuilding. Office construction will be sluggish.**
	82	$217.2	13.7		
	81	$273.9	14.3		
Manufacturers' Capital Equipment (Components, machinery used in paper and packaging, transportation, agriculture, food and grain processing, steel, pipelines)	**83**	**$186.8**	**11.9**	Investment in capital goods was 4% ahead of 1982 levels, but increase was concentrated in high-technology, defense, space equipment. Traditional heavy goods lagged in recovery. By December, industrial operating rates reached nearly 80%—10 percentage points above previous lows. Real interest rates declined from last year's record levels and corporate profits posted 15% advance, bolstering business sentiment.	**Capacity utilization should rise to 80%-85% range, sparking renewed interest in upgrading facilities, primarily machinery, equipment, aided by rising corporate cash flow. Prospects are good for broad-based turnaround in capital outlays despite dampening effect of high real interest rates. Investment plans will be directed toward productivity, again centering on high-tech applications, military markets.**
	82	$215.6	13.6		
	81	$233.7	12.2		
Industrial Production (Products used by producers of chemicals, plastics, rubber, lumber and wood, ferrous and nonferrous metals, mineral ores)	**83**	**$476.2**	**30.4**	Total industrial output rose 7%, paced by gains in automobile production that favorably affected the major material suppliers—iron and steel, aluminum, chemicals, tires and rubber, plastics. Active housing market stimulated demand for lumber, wood products, as well as appliances, household furniture. With steel industry, electric utility market still weak, coal production has declined.	**A 9% gain is projected for total industrial production. Sales increase earmarked for auto industry, momentum of new housing should sustain recovery in supplier industries. Demand for chemicals, rubber, plastics, aluminum, steel, cast iron is expected to outpace total industrial advance. Improved productivity, cost-cutting programs are aiding earnings.**
	82	$441.0	27.8		
	81	$577.8	30.3		
Total Sales	**83**	**$1,565.7**	**100%**		
	82	$1,585.2	100%		
	81	$1,909.7	100%		

Shareholder Information

Market for Koppers Common Stock and Related Security Holder Information
Koppers common stock, $1.25 par value, is principally traded on the New York Stock Exchange and is listed also on the Midwest and Pacific stock exchanges. The tables below present its high and low market prices, and dividend information. Cash dividends have been paid on these shares every year since 1944, the year the Company was incorporated.

Long-term debt agreements and the terms of Koppers cumulative preferred stock, $100 par value, 4% Series, and Koppers $10 convertible preference stock, no par value, include certain restrictive covenants. These, among other things, prohibit certain aggregate amounts of the Company's dividends and distributions on its stock from exceeding specified levels. The most restrictive provision, contained in a long-term debt agreement that matures in the year 1986, permitted $92,415,000 of consolidated earnings retained in the business to be available for cash dividends at December 31, 1983.

Cumulative Preferred Stock
The outstanding shares of cumulative preferred stock, $100 par value, 4% Series, may be redeemed at the option of the Company, as a whole or in part, at any time upon not less than 30 nor more than 60 days' notice, at $107.75 per share, together with accrued and unpaid dividends to the date fixed for redemption. Although the Company also has the right, with the approval of the Board of Directors, to repurchase cumulative preferred shares in the open market, it has no current plans to redeem or repurchase shares.

$10 Convertible Preference Stock
The outstanding shares of $10 convertible preference stock, no par value, may be converted into shares of common stock of the Company at any time, unless previously redeemed, at the conversion price of $28.75 per share, subject to adjustment in certain events. The preference stock is redeemable on not less than 30 days' notice at the option of the Company at a price beginning at $107.00 per share on December 15, 1983 and declining by $1 per share each year through 1990. Koppers Board of Directors in 1983 authorized the Company to purchase up to 250,000 shares of convertible preference stock in the open market. A total of 56,000 shares were purchased in 1983 and 113,400 shares in February, 1984.

Continuing Growth of Participation in Dividend Reinvestment Plans
A total of 15% of Koppers shareowners participated in the Company's cost-free Dividend Reinvestment/Cash Payment Plan in 1983. The number of participants grew by 3% during the year, to 3,080. Participating shareholders invested more than $600,000 to purchase almost 33,000 additional shares during 1983. These plans enable shareholders, on a cost-free basis, to:

- Elect to invest common, preferred and/or preference dividends in shares of Koppers common stock; and/or
- Purchase additional Koppers common stock by making voluntary cash payments of $25 to $1,000 in any month.

Shareholders may obtain further information on these plans by writing to Mellon Bank N.A., Stock Transfer Section, P.O. Box 444, Pittsburgh, Pennsylvania 15230.

Koppers Common Stock Statistics

	1983	1982	1981	1980	1979
Common stock price ranges on NYSE/Composite					
High	**$21⅞**	$18¼	$27⅞	$35¼	$27⅝
Low	**15¾**	11¼	16⅛	19	17⅜
Close	**21¾**	16	17	25	27
Volume traded (in thousands)	**12,890**	11,445	8,781	7,780	4,183
% of shares outstanding	**46%**	41%	32%	29%	16%

Equity Security Holders

Title of Class	Number of Shareholders of Record on March 7, 1984
Common Stock, $1.25 Par Value	18,581
Cumulative Preferred Stock, $100 Par Value	1,204
Convertible Preference Stock	535

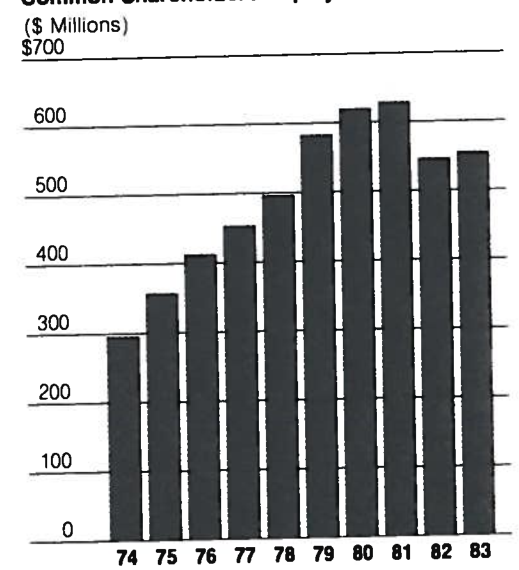
Quarterly Common Stock Price Ranges and Dividends

	1983			1982		
Quarter	High	Low	Dividend	High	Low	Dividend
1st	**$19**	**$15¾**	**$0.20**	$17⅞	$14	$0.35
2nd	**21**	**16⅜**	**0.20**	16¼	13	0.35
3rd	**20½**	**17**	**0.20**	14½	11¼	0.35
4th	**21⅞**	**16⅝**	**0.20**	18¼	12⅜	0.35

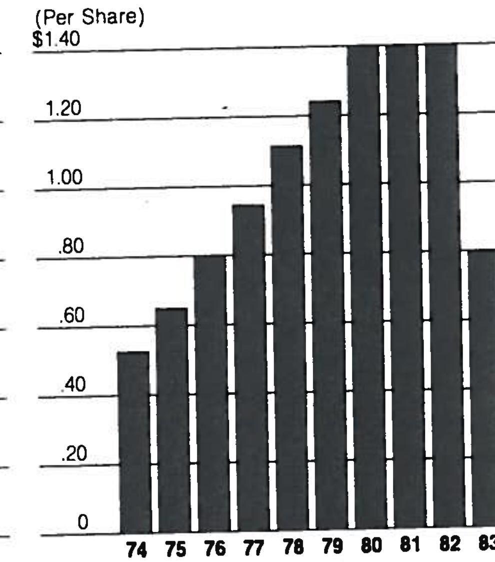
Shareholders' Scorecard

This series of charts illustrates how owners of Koppers common stock have fared over the past 10 years. Value of the Company's common equity, although reduced during 1983 and 1982, has grown substantially. The dividend was lowered during 1983 as part of the efforts to maintain Koppers strong financial position until business conditions improve. Price of the common stock increased during 1983 and continued ahead of leading market indices. The total return (stock appreciation plus dividends reinvested) also has kept Koppers shareholders ahead of inflation. The chart on the bottom right shows in effect that $1,000 invested in Koppers common stock at the start of 1974 would have grown to $3,470 at the close of 1983.

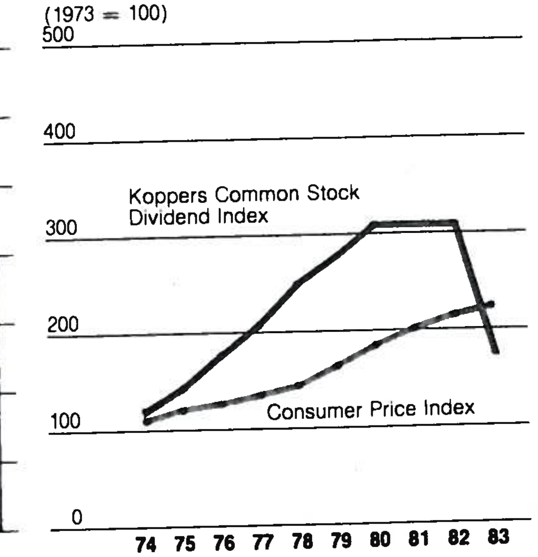
Common Shareholders' Equity
($ Millions)



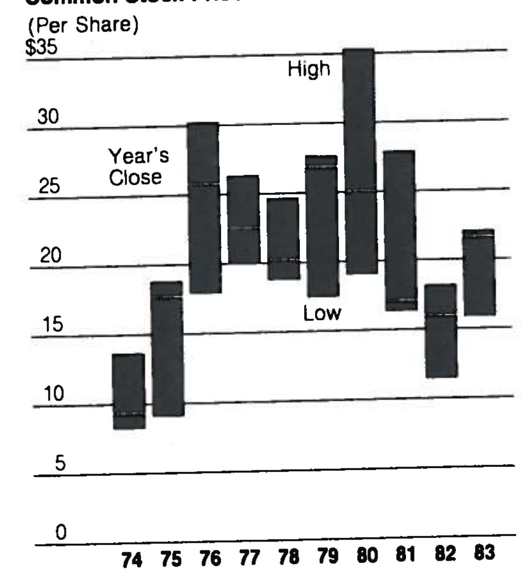
Annual Common Dividend
(Per Share)



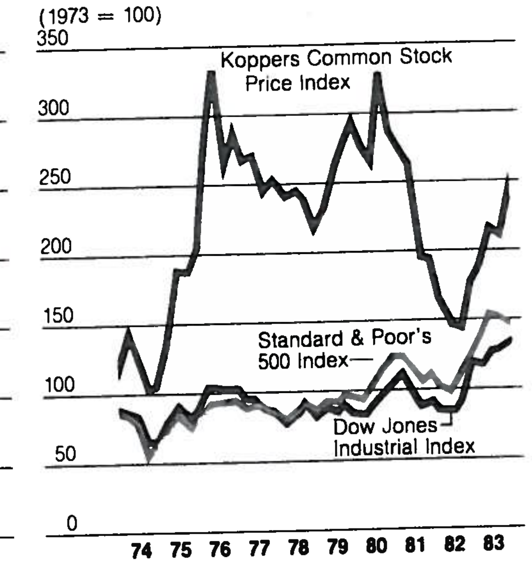
Dividends Versus Inflation
(1973 = 100)



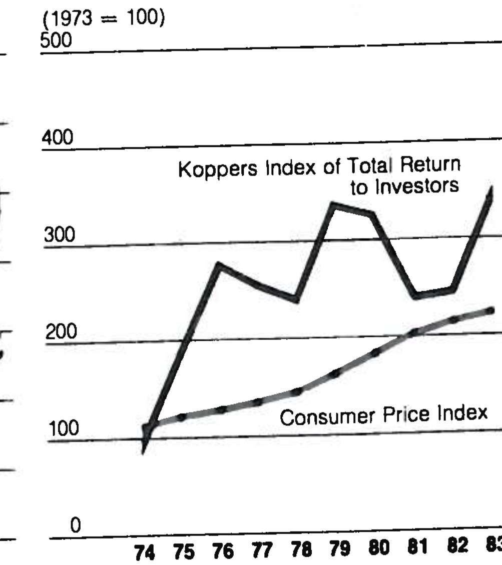
Common Stock Price Trend
(Per Share)



Common Stock vs. Market Indices
(1973 = 100)



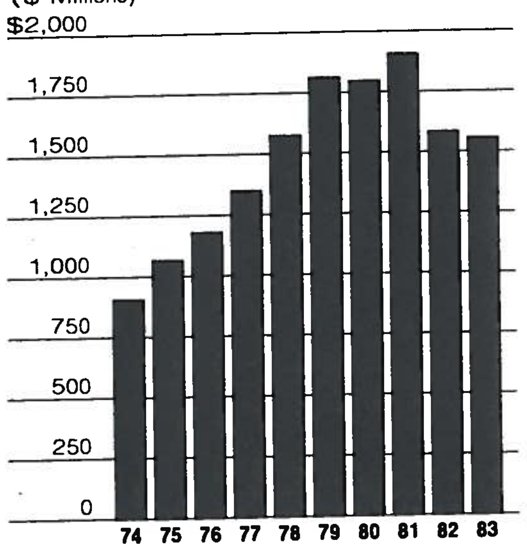
Annual Total Returns to Shareholders
(1973 = 100)



Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis in this section cover, for the period 1981-1983, the performance of Koppers business segments, other factors in the income statement (page 27) that materially influenced the Company's financial results, changes in liquidity and use of capital resources that had a meaningful effect on Koppers financial condition at the close of 1983.

Koppers Sales From Continuing Operations
($ Millions)



Results of Continuing Operations

Net Sales and Income

Company sales declined by 1% in 1983, compared with a 17% drop in 1982. Higher sales in Organic Materials and Road Materials nearly offset lower sales in the other business segments. Increased market demand during the second half of the year helped raise unit volumes in a number of product lines, and price levels improved for certain products from the severely depressed conditions in 1982 and 1981. As in the previous year, the lower sales totals in 1983 were affected by discontinuation of certain product lines, divestitures and cutbacks in marginal operations. In 1983, Koppers acquired two roadbuilding companies in South Carolina and Georgia. There were no sizable acquisitions in 1982.

Koppers annual sales traditionally are lowest in the first quarter and reach their peak during the second and third quarters, then begin to decline in the fourth quarter because of seasonal demand influences. Normally, the Company's income also follows this pattern, which is shown in the Quarterly Financial Data below. In 1983, the Company recorded a profit in the fourth quarter as compared with a large loss in the same 1982 period caused by write-offs and write-downs at year end.

Chemical and Allied Products

Two operations that have been reported as Organic Materials and Forest Products have been combined into one organization named Chemical and Allied Products. This is designed to produce further efficiencies in the operation of these commercially related businesses. In order to maintain the continuity of historical financial reporting, the financial performances of these operations will continue to be reported separately.

Organic Materials ($ Millions)	1983	1982	1981
Sales	**$555.0**	$535.3	$678.1
Operating income	**$ 7.2**	$ 8.5	$ 29.2

Results in Organic Materials product lines began to improve in 1983 following the overall steady declines of 1982 and 1981. Higher unit volumes and income were achieved in automotive, housing, aluminum and consumer durables markets, but steel industry and nonresidential construction markets showed no noticeable improvements during the year. In 1983, coke operations and polyester resins exceeded 1982 income levels. Building materials experienced a larger loss this year.

Chemical operations were at less than break-even levels in 1983 following a similar decline in 1982 and a small gain in 1981. Demand levels and prices for chemical products were weak in 1983 and 1982 after an improvement in 1981. With write-offs of certain chemical operations completed over the past three years, improved results are expected in this business. Chemical plant capacity utilization improved to 70% in 1983, an increase from 42% in the prior year and 52% in 1981.

Coke operations reported a strong turnaround in sales and income as demand rose for foundry and blast furnace coke. Unit sales increased 20% from the low 1982 level, but still did not match higher 1981 sales. Auto industry shipments grew during the year, and capacity utilization at Company coke plants is expected to remain at a high level through 1984.

An electric cogeneration system installed at the Erie coke plant is contributing revenue by selling excess electricity to the local utility. Similar systems are being considered for other Company coke facilities.

Aided by strong aluminum industry demand, carbon binder pitch volumes improved from weak 1982 levels. Unit sales of pitch increased 19%, following declines of 38% and 2% in the two previous years. Creosote totals were adversely affected by low demand and competitive price pressures among domestic and overseas suppliers. Spending cutbacks by railroads, utilities and other construction users were primary factors in the sales volume decline of 4% in 1983 following a 20% drop in 1982.

Polyester resins and protective coatings had mixed results as sales dropped 2% in 1983 following a 13% decline in 1982. Demand for general-purpose and specialty resins remained strong, while pipeline coatings encountered depressed conditions in utility and oil and gas capital spending in domestic and overseas markets. Income in the previous year benefited by a more favorable sales mix and larger inventory reductions. Polyester resins recorded gains in marine, automotive, residential and recreational markets due to increased consumer spending. Higher 1983 sales and income were achieved also in the specialty coating, sealant and adhesive lines.

Depressed demand and severe competition for available business contributed to the 1983 loss in building materials. Sales volume reductions in all roofing and maintenance products combined with continued start-up costs for the new phenolic foam insulation plants increased the loss from the previous year. Sizable increases in market demand are necessary to improve Koppers performance in this business.

Operating income in 1983 was reduced by $8.4 million from nonrecurring charges due to the write-down of a receivable and certain unusual expenses, as compared with charges of $14.3 million in 1982 and $14.1 million in 1981. Inventory reductions that generated favorable LIFO reserve adjustments in each of the three years partly offset the effects of nonrecurring expenses.

Forest Products ($ Millions)	1983	1982	1981
Sales	**$262.5**	$285.7	$358.0
Operating income	**$ 28.1**	$ 11.1	$ 42.3

Forest products income was higher in 1983 despite lower sales, reflecting the impact of lower operating costs and plant closings during the year. Unit sales remained lower in most product lines because of weak demand for crossties, utility poles, construction products and wood-treating services. Results in specialty wood chemicals and building products were aided by increased demand from home remodeling and certain architectural markets.

Operating income in 1983 included a $4.0 million gain from the sale of Canadian timber-cutting rights (negotiated earlier in conjunction with the 1981 sale of Swanson Lumber Company) and a capital gain of $5.7 million on the sale of U.S. timberlands.

Railroad crosstie sales decreased by 18% in 1983 following a 1982 drop of 25% from the previous year. Cutbacks in railroad maintenance programs begun in 1982 were extended through most of 1983. Utility pole and piling sales continued their downward trends in 1983 as lower demand and industry overcapacity combined to depress prices for these materials. The year-end backlog for treated wood products was slightly lower than the backlog at the same 1982 date.

Sales of wood-treating chemicals grew by 17% during 1983 following a leveling-off of sales in 1982 and 1981. A pickup in housing and light-frame construction was a primary factor in the improved performance. Demand continued in remodeling markets. A new line of products for the retail market was introduced during the year with good initial sales response. The first products are a water-repellent coating and color stains.

Income from disposals of sawmill facilities and timberlands overcame losses in other timberland and hardwood operations.

Construction Materials and Services ($ Millions)	1983	1982	1981
Sales	**$518.5**	$485.9	$541.9
Operating income	**$ 45.5**	$ 38.9	$ 57.9

Formerly named Road Materials, Construction Materials and Services new name reflects the broadened scope of its operations. Sales and income improved in 1983 as demand strengthened in the U.S. nonresidential construction market and homebuilding increased. Sales were up 7% for the year, compared with a 10% decline in 1982 and a small gain in 1981.

The 5¢-per-gallon addition to the fuel tax for highway spending had little effect in 1983 as most states had not budgeted matching funds. A number of states increased gasoline taxes during the year and these funds should be available beginning in 1984. Southern and Western operations improved from the previous year's results. While demand rose in some regional construction markets during the year, material prices and contract bidding remained highly competitive. New orders and backlog totals for both road aggregates and construction services were higher at year end compared with 1982. Operating income in 1983 was reduced by $1.1 million in nonrecurring charges resulting from the sales of certain operations. In 1982, operating income was reduced by $3.2 million for comparable expenses.

Koppers total shipments of aggregates rose slightly to 45 million tons in 1983. Cost-containment efforts in the past two years have reduced production costs by about 10%. However, these efficiencies were partially offset by high costs for electricity, natural gas and equipment replacement parts.

Capital expenditures in 1983 included the acquisition of two civil construction service companies, with the remainder directed toward acquisition of mineral reserves and new equipment to increase capacity and improve efficiencies. In 1982, spending was restricted to replacement equipment necessary to maintain capacity or support existing business.

Koppers Quarterly Financial Data (from continuing operations)

($ Millions, except per share data)	1st Quarter 1983	1st Quarter 1982	2nd Quarter 1983	2nd Quarter 1982	3rd Quarter 1983	3rd Quarter 1982	4th Quarter 1983	4th Quarter 1982	Total 1983	Total 1982
Net sales	**$287.7**	$330.7	**$380.2**	$418.8	**$450.8**	$455.4	**$447.0**	$380.3	**$1,565.7**	$1,585.2
Gross profit*	**30.7**	34.7	**56.1**	68.8	**73.6**	77.1	**62.8**	45.4	**223.2**	226.0
Net income (loss)	**(12.8)**	(10.3)	**10.2**	8.3	**20.1**	20.1	**8.8**	(49.2)	**26.3**	(31.1)
Earnings (loss) per common share	**$(0.53)**	$(0.44)	**$ 0.30**	$ 0.22	**$ 0.65****	$ 0.65	**$ 0.24**	$(1.84)	**$ 0.66****	$ (1.41)

* Net sales less Cost of sales (including allocable portion of Depreciation, depletion and amortization and Taxes, other than income taxes).
** Per share figures exclude extraordinary gain of $0.21.

Engineered Metal Products

($ Millions)	1983	1982	1981
Sales	**$186.8**	$215.5	$233.6
Operating income	**$ 4.4**	$ 4.9	$ 13.4

For the second consecutive year, operating income dropped in almost all business segments as spending for industrial capital equipment trailed the recovery in other economic sectors during 1983. In addition, the 1982 results were lowered by $5.3 million in charges from disposals and cutbacks in certain businesses and from write-downs of inventories. The 1981 income was reduced by $3.7 million, primarily by losses realized from the bankruptcy of a former affiliate. The order backlog at the end of 1983 was slightly below the previous year's.

Sales and income were lower for the Sprout-Waldron materials processing equipment lines, and new orders decreased as capital investment slowed in pulp and paper and feed and grain mill businesses. The 6% sales drop reversed a 12% increase in sales during 1982.

Markets for diesel piston rings and jet engine shaft seals remained sluggish during most of the year, and sales dropped 14% after an 11% decline in 1982. Results in shaft seal operations were slightly below the year-earlier levels on steady demand from manufacturers of aircraft engines for military markets. New orders increased in the second half of 1983, and the year-end backlog increased 9% from the previous year.

Power transmission couplings sales and income declined in 1983 as end-market demand continued lower. Sales to the petrochemical industry remained high, but other markets did not improve. The year-end backlog was down 7%, compared with a 27% drop in 1982 and a 16% gain in 1981.

Container machinery operated at a loss for the year. Industry overcapacity and intense pricing competition continue to have a major impact. While spending for new equipment remains poor, there was some improvement during the year in replacement parts business, and the year-end backlog was more than twice the backlog total at the end of 1982.

The divestitures of the environmental systems and mineral processing equipment businesses were completed in 1983.

Engineering and Construction

($ Millions)	1983	1982	1981
Sales	**$11.1**	$32.9	$58.6
Operating loss	**$(7.2)**	$(16.3)	$(7.6)

The operating loss in Engineering and Construction was narrowed by employment reductions and other cost-cutting actions. Sales continued to fall as steel industry capital spending remained at an extremely low level.

Miscellaneous Sales and Operating Income

($ Millions)	1983	1982	1981
Sales	**$31.8**	$ 29.9	$39.5
Operating income (loss)	**$ 7.4**	$(46.8)	$ 7.5

Miscellaneous sales and operating income includes revenues received by Koppers from numerous investments other than the Company's basic operations. These include coal operations, venture capital and other equity investments, short-term cash investments and others.

Revenues and income from Koppers investment in Tennessee coal lands are included under this heading. Koppers leases these lands for production to independent coal operators. Income from coal operations in 1983 increased nearly 20% from depressed 1982 levels despite weak demand from utilities and other industries. During the year, Koppers sold a portion of its shares in Genex Corporation, which resulted in a gain of $12.0 million. Other 1983 amounts included a loss of $7.0 million related to the Company's interest in the North Carolina synthetic fuels project, which was canceled in February, 1984, and a loss resulting from the final portion of the Company's investment in Richmond Tank Car Company. Interest income was substantially higher in 1983.

Most of the 1982 loss in this category resulted from the $39.3 million write-down of the Company's investment in Richmond Tank Car Company. Other amounts included a nonrecurring charge that arose from employee severances and losses incurred by companies in which Koppers has equity investments.

Financial Results

Operating Expenses

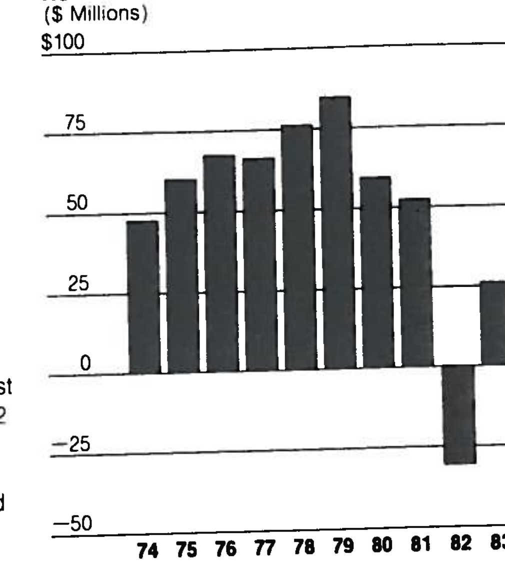
The effects of trends in the various product lines discussed in the preceding section are reflected mainly in Cost of sales, shown in Operating expenses in the Consolidated Statement of Operations (income statement) on page 27. As a percentage of Koppers Sales, Cost of sales has moved within a range of 1% over the past three years. The almost $11 million decline in Cost of sales for 1983 reflects lower sales and management's continuing cost-control efforts. In comparison with 1982, reductions in certain product inventories resulted in only a modest benefit to Cost of sales in 1983. (See Note 2 on page 32.) This is the sole reason for the slight decline in the Company's 1983 Gross operating profit margin. Wages, salaries and pension expense have been reduced $50.4 million over the past two years.

Significant improvement occurred in the Company's Operating profit, reflecting the effect of cost-control measures employed to counteract the depressed levels of business. In spite of the continued decline in sales, Operating profit improved for the first time in four years.

Depreciation, depletion and amortization declined in 1983 for the first time in over a decade. This is the result of a substantial reduction in the level of capital expenditures and the absence of certain operations recently sold or closed.

Taxes, other than income taxes, declined in 1983 and for the first time in the past decade were lower in relation to sales.

Net Income From Continuing Operations
($ Millions)



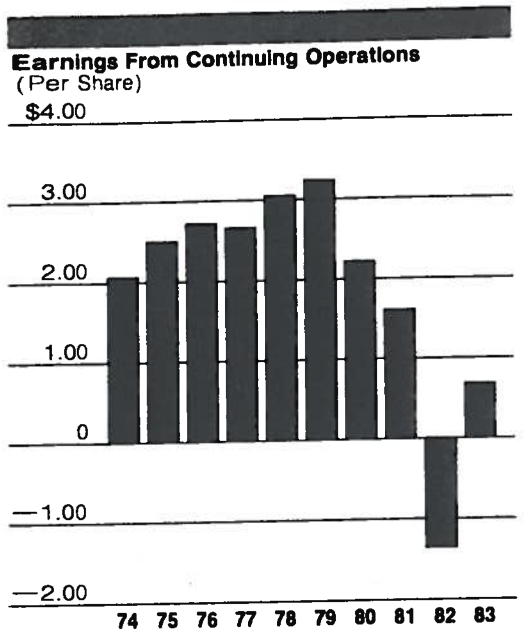
The decline resulted from lower real estate, personal property and Social Security taxes.

Selling, research, general and administrative expenses declined substantially, primarily because of work force reductions. As a percentage of sales, these expenses were 10% in 1983, down from 11% in 1982.

Foreign Operations*

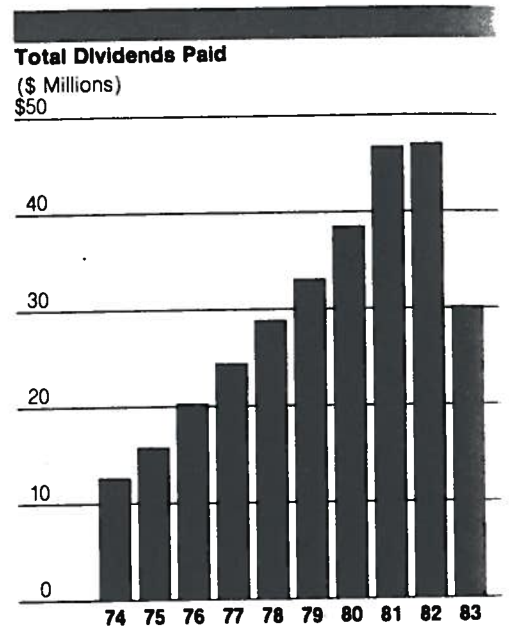
($ Millions) Year ended December 31,	1983	1982	1981
Koppers identifiable assets:			
Foreign operations	**$49.8**	$51.6	$79.1
% of consolidated identifiable assets	**4%**	4%	6%
Canadian identifiable assets included above	**$17.5**	$16.1	$23.5
% of foreign operations identifiable assets	**35%**	31%	30%
Koppers revenues (net sales):			
From foreign operations	**$41.4**	$47.4	$85.3
% of consolidated revenues	**2%**	3%	4%
From Canadian operations included above	**$18.0**	$25.5	$59.8
% of foreign revenues	**43%**	54%	69%
Koppers income (after foreign and applicable U.S. income taxes):			
From foreign operations	**$10.1**	$ 5.6	$ 9.4
% of total net income	**33%**	—	18%
From Canadian operations included above	**$ 3.6**	—	$ 1.3
% of foreign income	**36%**	—	13%

*Koppers export sales are not included in this presentation as they constitute less than 4% of the Company's total sales and are not material



Interest Expense

Interest expense declined by $3.2 million, or 11%, in 1983, as a result of a $34.7 million decline in average debt outstanding from 1982, as both short-term and long-term borrowings were reduced. It was the second consecutive year in which interest expense decreased by more than 10%. Continuing reductions in long-term debt, combined with the repurchase of $30.0 million in debentures in the third quarter of 1983, lowered debt by $42.8 million from year-end 1982. See Note 5 (page 32) for more information on the repurchase of debentures. The Company had no borrowings through its revolving credit line during 1983, nor was the use of any commercial paper required. In the past two years, Koppers has reduced its total short- and long-term debt by $68.0 million. The last debt issue was in 1980, when $100 million in 11¼% promissory notes was placed privately.



Other Income

Other income showed substantial improvement over the loss incurred in 1982 as a result of a number of factors.

- A $12.0 million capital gain was realized on the sale of a portion of the Company's stock in Genex Corporation.
- Profit on operations disposed of or closed and the sale of capital assets totaled $13.0 million in 1983, compared with a loss of $17.3 million in 1982. The 1983 profits resulted from the sale of Canadian timber rights and domestic hardwood operations. Greater losses from equity investments in Peat Methanol Associates and Richmond Tank Car were offset partly by higher interest income. The 1982 loss resulted from provisions made for the closing or disposal of numerous plant operations. Note 8 (page 33) provides more detailed information on the operating losses incurred from operations disposed of or closed.
- The 1982 results included a $40.4 million provision for decline in value of investments, mostly for the Company's write-down of its investment in Richmond Tank Car Company. Additional information on this write-down is in Note 3 (page 32).

The distribution of Koppers Other income by individual business segment for the past three years is shown in Table 6 (page 35).

Income Taxes

Provision for income taxes was $15.4 million in 1983, compared with a $23.8 million benefit in 1982, and resulted in an effective tax rate of 36.9% and (43.3%), respectively. The increase in taxes for 1983 is primarily the result of higher pretax income and lower investment tax credits. The decline in tax credits is attributable to reduced capital spending. The 1982 tax rate reflected a $54.9 million pretax loss from continuing operations, incurred primarily as the result of numerous nonrecurring charges taken near year end.

Koppers Selected Financial Data (from continuing operations)

($ Millions, except per share data)	1983	1982	1981	1980	1979
Operating results:					
Net sales	**$1,565.7**	$1,585.2	$1,909.7	$1,800.2	$1,828.3
Income (loss) from operations	**$ 26.3**	$ (31.1)	$ 52.1	$ 59.7	$ 84.9
Income (loss) from operations —per common share	**$ 0.66***	$ (1.41)	$ 1.60	$ 2.19	$ 3.21
At year end:					
Total assets	**$1,175.4**	$1,192.9	$1,328.2	$1,389.5	$1,140.7
Long-term debt	**$ 232.9**	$ 275.7	$ 288.9	$ 308.7	$ 224.2
Redeemable convertible preference stock	**$ 69.4**	$ 75.0	$ 75.0	$ 75.0	—
Total long-term debt and redeemable preference stock	**$ 302.3**	$ 350.7	$ 363.9	$ 383.7	$ 224.2
Cash dividends declared per common share	**$ 0.80**	$ 1.40	$ 1.40	$ 1.40	$ 1.25

*Per share figure excludes extraordinary gain of $0.21

Financial Condition

One of Koppers major objectives through the most recent period of economic recession has been to maintain and further improve its strong financial position. This discussion will explain what management has done during 1981-1983 to achieve that goal while still providing an adequate level of funds to finance capital expenditures, to provide working capital in support of sales, to repay debt and to compensate shareholders through dividend payments.

The accompanying table summarizes the funds generated by Koppers over the past three years and their use.

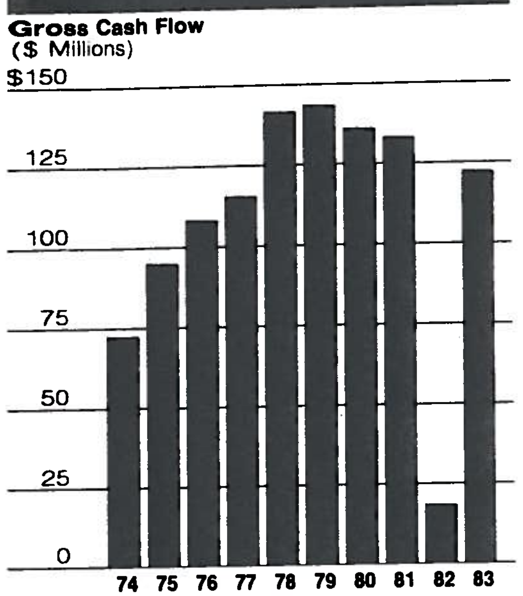
In response to depressed business conditions, capital expenditures were reduced for the third consecutive year. With plenty of modern production capacity available, management concentrated most of its efforts on improving plant efficiencies. During the past year, dividends paid to holders of the Company's common stock were reduced in order to conserve cash. This was the first such decrease since 1958. In addition, the Company initiated a program to buy back a portion of its $10 convertible preference stock, which had the effect of reducing the aftertax charges against earnings.

Over the past three years, as indicated in the table below, funds generated from operations have provided a large portion of the Company's total financial needs. This trend increased substantially in the past year, as the Company was able to supply most of its cash requirements by raising the level of internally generated funds and lowering expenditures.

Funds Generated by Koppers

($ Millions)	1983	1982	1981
Sources of cash:			
Funds from operations			
Net income (loss) from continuing operations before extraordinary gain	$ 26.3	$(31.1)	$ 52.1
Depreciation, depletion and amortization	77.8	82.2	81.6
Deferred taxes and other expenses	21.0	(7.0)	4.9
Provisions for operations disposed of or closed and decline in value of investment	4.3	50.0	7.1
Equity in losses of affiliates, less dividends received	15.2	15.0	4.6
Total from continuing operations before extraordinary gain	**$144.6**	**$109.1**	**$150.3**
Loss from discontinued operations	(1.7)	(7.4)	(0.4)
Depreciation, depletion and amortization	—	2.1	2.0
Deferred taxes and other expenses	2.1	2.4	0.8
Total from discontinued operations	**$ 0.4**	**$ (2.9)**	**$ 2.4**
Funds provided from operations before extraordinary gain	$145.0	$106.2	$152.7
Extraordinary gain	6.0	—	—
Funds provided from operations	$151.0	$106.2	$152.7
Term debt issued	5.2	23.2	1.6
Sale of fixed assets	25.1	11.2	39.3
Common stock issued	12.0	2.2	5.8
Net decrease in working capital, excluding cash	4.9	55.0	16.7
Total	**$198.2**	**$197.8**	**$216.1**
Uses of cash:			
Capital expenditures*	68.6	76.7	182.1
Term debt retired	48.1	33.2	21.3
Dividends paid	30.1	47.1	46.7
Preference stock purchased	5.1	—	—
Receivables due after one year	0.8	8.5	1.7
Other	2.0	4.3	1.9
Total	**$154.7**	**$169.8**	**$253.7**
Increase (decrease) in cash	$ 43.5	$ 28.0	$(37.6)

*1981 includes $3.7 million representing the issuance of common stock



Koppers management follows a number of criteria to ensure that the Company's ability to maintain the required liquidity remains strong. Cash flow from operations is an important indicator. The levels of investment in components of working capital is another, and the Company's debt-equity position and borrowing capacity complete the criteria. Each of these influences the Company's liquidity.

Cash Flow Recovered Sharply

Cash flow is an important indicator of a Company's financial strength in that it measures a Company's ability not only to fund its current level of operations adequately but also to supply funds for its future growth. (Gross cash flow is made up of net income minus preference and preferred stock dividends; plus depreciation, depletion and amortization; plus deferred income taxes.)

($ Millions)	1983	1982	1981
Gross Cash Flow	**$123.2**	$18.6	$132.8

In spite of operating in a period of depressed business activity, Koppers has maintained a consistent level of cash flow due primarily to depreciation remaining at a relatively high level. While depreciation has been the most consistent component of cash flow over the past several years, it has declined reflecting a reduced level of capital spending.

In order to remove the distortion that nonrecurring charges had on cash flow, the line "Provisions for operations disposed of or closed and decline in value of investment" was inserted to show that a major portion of these charges, particularly in 1982, did not result in any outflow of Company funds.

Cash Increased Working Capital

Koppers management has concentrated on controlling its investment in working capital over the past three years. Working capital is the surplus of current assets over current liabilities. It indicates the amount of financial flexibility a company has to meet day-to-day business obligations, withstand adversity and pay dividends.

($ Millions)	1983	1982	1981
Working Capital	**$282.3**	$243.7	$270.7

Working capital rose $38.6 million from last year, primarily because of a $43.5 million increase in the balance of cash held at year end. This was caused by a large increase in deferred taxes, a rise in income from operations, reduced dividend payments and a decline in the level of capital expenditures. By allowing the amount of cash on hand to increase in conjunction with reducing inventory levels and paying close attention to accounts receivable, Koppers has been able to improve its financial flexibility and liquidity. This gives the Company the ability to take advantage quickly of any upturn in business conditions. Koppers ability to meet its short-term obligations remains excellent.

Borrowed Funds Reduced

As shown in the chart on page 17, Koppers did not utilize any short-term borrowing during 1983. This is a result of the Company's ability to strengthen its cash position during the year, thus meeting its working capital requirements with internally generated funds. It compares with an average level of short-term borrowings of $7.2 million, or 2% of total borrowings, in 1982 and $20.6 million, or 6%, in 1981. Over the past two years, the Company has not acquired any additional long-term indebtedness (except through acquisitions) and has reduced total term debt by $68.0 million.

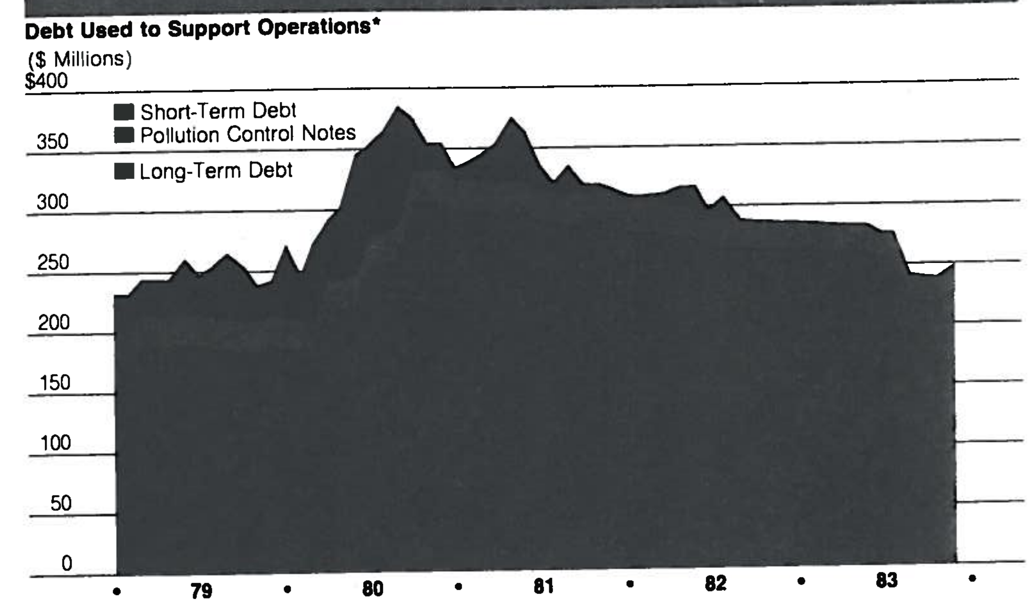
Financial Structure Stronger

As a result of continued reductions in long-term debt and the repurchase of debentures during the 1983 third quarter, Koppers debt portion of total capitalization decreased to 28% from 31% in 1982. This falls well within the Company's self-imposed debt limit of 35%. The Company's debt level averaged 30% over the past 10 years.

Liquidity Improved

During 1983, Koppers improved its liquidity position as cash increased by $43.5 million, or 58%. This enabled the Company to fund expenditures internally without resorting to external sources of financing. Cash and other highly liquid assets accounted for $138.7 million, or 26% of the total current assets, at the close of 1983. This compares with similar types of funds totaling $88.0 million, or 18% of the Company's current assets, in 1982.

Koppers existing bank credit agreements, which provide up to $200 million in revolving credit loans, have not been exercised since the third quarter of 1982. At this time, management does not anticipate the use of this financing option during 1984. However, substantial capacity does exist within the Company's economic structure to finance major expenditures externally if so desired as Koppers continually seeks new investment opportunities.

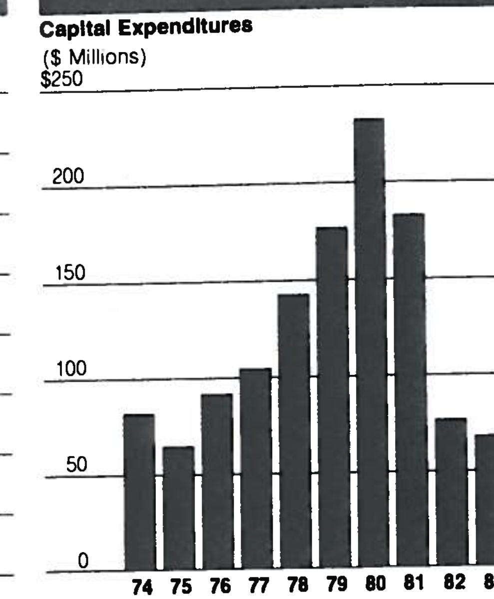


*Does not include obligations under certain leases.

Koppers Total Capitalization

December 31,	1983 $ Millions	1983 % of Total	1982 $ Millions	1982 % of Total	1981 $ Millions	1981 % of Total
Total Debt						
11.25% Promissory notes	**$100.0**	**11.3%**	$100.0	10.9%	$ 100.0	9.7%
8.95% Note	**26.0**	**2.9**	60.0	6.5	60.0	5.8
Industrial development bonds	**36.2**	**4.1**	38.1	4.1	40.0	3.9
6% Notes	**26.0**	**2.9**	29.0	3.2	32.0	3.1
Pollution control loans	**19.3**	**2.2**	25.2	2.7	25.4	2.5
Other	**25.4**	**2.8**	23.4	2.6	31.6	3.0
Debt due within one year	**16.0**	**1.8**	11.3	1.2	22.2	2.2
Total	**$248.9**	**28.0%**	$287.0	31.2%	$ 311.2	30.2%
Equity						
Common	**$554.5**	**62.5**	$544.1	59.1%	$ 629.1	61.1%
Preference*	**69.4**	**7.8**	75.0	8.1	75.0	7.3
Preferred	**15.0**	**1.7**	15.0	1.6	15.0	1.4
Total	**$638.9**	**72.0%**	$634.1	68.8%	$ 719.1	69.8%
Total Capitalization	**$887.8**	**100.0%**	**$921.1**	**100.0%**	**$1,030.3**	**100.0%**

*SEC regulations require that capitalization ratios also be shown with redeemable preference stock included in debt. On this basis, 1983, 1982 and 1981 debt would be 35.9%, 39.3% and 37.5%, respectively, of total capitalization, with equity being 64.1%, 60.7% and 62.5%, respectively.



Capital Expenditures Lower

Koppers 1983 capital expenditures were at their lowest level in eight years. Management has reduced spending in each of the past three years of depressed business conditions to maintain good liquidity and sustain a strong financial position that can provide the flexibility to fund future growth opportunities.

Capital programs were carried out to improve plant efficiencies and permit the use of more readily available raw materials sources and production equipment in certain business lines with rapid growth potential.

Capital expenditures by business segment are in Table 6 (page 35). SEC Schedule V (page 36) shows most expenditures are for increases in Koppers property, plant and equipment to modernize, increase production capacity or improve efficiency at Company facilities. During the three-year period, Koppers expenditures to eliminate pollution or bring it to satisfactory levels ranged from 4.5% to 6.8% of total capital investment. Major expenditures or acquisitions completed in the past three years are summarized below.

1983—Chemical and Allied Products (combining Organic Materials and Forest Products) completed a second plant to produce phenolic foam insulation board. An electrical cogeneration unit was installed at the Erie coke plant to process excess energy into electricity and sell it to the local utility.

Construction Materials and Services formerly Road Materials) acquired compa- ıes in South Carolina and Georgia that sup- ly civil construction services. Other pur- hases included mineral deposits and elated processing equipment in Oklahoma nd New York. Quarry operations were xpanded and modernized in Pennsylvania nd North Carolina, and new crushing and ıaving equipment was added at several ɔcations.

New investments through the Com- ıany's venture capital program were made ı developers of computer-aided design and nanufacturing systems and computer oftware.

982—Organic Materials started production ıt one of two new plants built to produce the Company's new phenolic foam insulation ɔoard.

Forest Products installed additional vood-waste-fired boiler systems at plants to ıchieve energy savings. An electrical ɔogeneration facility was installed at a wood- reating plant, providing energy savings and ncome through sales of excess electricity to he local utility company.

Road Materials increased aggregate eserves in California and added new facili- ies and equipment at several crushing ɔlants.

Engineered Metal Products completed a ıew diesel piston ring manufacturing plant in Georgia during 1982, significantly increasing capacity and improving the overall efficiency ɔf this product line. The Sprout-Waldron oundry was expanded to manufacture castings for the unit's own products in addi- ion to those for customers.

The Company's venture capital program added investments in manufacturers of ndustrial robots and metallurgical materials. Koppers had previously acquired interests in such areas as genetic engineering, fiber optics and advanced ceramics.

1981—Road Materials acquired three compa- nies in Florida, Colorado and Wyoming that produce aggregates and bituminous and ready-mix concrete and that supply civil con- struction services. The group also increased aggregate reserves in Denver and completed several expansion and modernization pro- grams at various crushing plants.

A project was under way in Organic Materials to modernize an important tar proc- essing plant, and construction was started on two facilities to produce the Company's new phenolic foam insulation board. Forest Prod- ucts started up a plant about mid-1981 that improved its raw material position in its wood- treating chemical operations. The group also was active on several projects to use wood wastes as fuel and reduce plant energy costs.

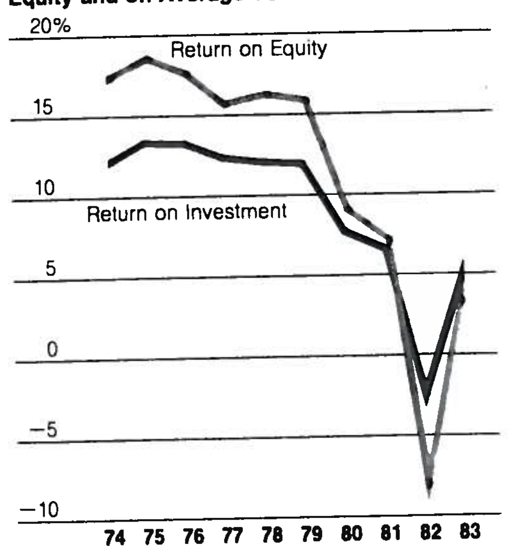
In Engineered Metal Products, two proj- ects modernized and expanded the Com- pany's Baltimore piston ring and shaft seal facilities. In addition, construction was started on a completely new plant in Georgia that will further increase Koppers capacity to produce high-speed diesel piston rings.

A small addition was made to the Com- pany's coal properties, a modest investment in Genex Corporation was completed, and Koppers purchased additional stock in Rich- mond Tank Car Company early in the year, increasing its ownership of that company to 23%.

Effects of Inflation

A discussion of the effects of changing prices and inflation on the Company's business begins in the letter following.

Returns on Average Common Shareholders' Equity and on Average Total Investment



Chief Financial Officer's Letter

To Our Shareholders:

Koppers Company experienced a year of pro- gress in 1983 as favorable business trends in certain areas and significant financial accom- plishments contributed to the continued strengthening of the Company's balance sheet. This was highlighted by a $43.5 million increase in cash and $38.2 million reduction in short- and long-term debt. Efforts to counter the economic impact of the recent recession are having a positive effect on Koppers oper- ations and financial performance, and will position the Company well for the future.

During the year, the Company took a num- ber of measures to improve its financial condi- tion. The most significant included repurchase of $30.0 million principal amount of the Company's 8.95% promissory notes, resulting in a gain of $6.0 million, and the purchase of 56,000 shares of the Company's convertible preference stock. This action was a result of the Board of Directors authorizing the pur- chase of a total of 250,000 shares of converti- ble preference stock. An additional 113,400 shares were purchased in February, 1984. The Company's ratio of current assets to current liabilities improved to 2.15-to-1 from 1.99-to-1 a year ago.

The table on page 15, titled Funds Gener- ated by Koppers, shows that sources of cash from continuing operations totaled $144.6 mil- lion in 1983, a 33% increase over 1982. Increases in net income and deferred taxes contributed to improved cash flow. Close con- trol over working capital (excluding cash) resulted in a $4.9 million decrease following a decrease of $55.0 million in 1982. Closings and disposals of unprofitable operations and related sales of fixed assets contributed $25.1 million to cash.

The use of cash continued to decline pri- marily because of lower capital expenditures and the reduction in common dividends. Divi- dend payments were reduced $17.0 million, or 36%, from 1982.

Based on its solid financial position and high level of cash, the Company is poised for future growth using internally generated funds to finance capital expenditures and working capital requirements.

Effects of Changing Prices

The Financial Accounting Standards Board (FASB) requires supplementary disclosure of selected historical financial data on an adjusted basis to recognize the effect of infla- tion in times of change in the general price level (constant-dollar method) and changes in specific prices (current-cost method). Koppers endorses attempts to present the effects of inflation on a company's reported financial results. However, the present state of the art leaves much to be desired as it

Table A. Consolidated Statement of Income From Continuing Operations Adjusted for Changing Prices

	Dollars of Current Purchasing Power*		
For the Year Ended December 31, 1983 ($ Thousands, except per share figures)	**As Reported in 1983 Financial Statements (Historical Cost)**	Adjusted for General Inflation (Constant Dollars)	Adjusted for Changes in Specific Prices (Current Cost)
Net sales	**$1,565,670**	$1,565,307	$1,565,307
Operating expenses:			
Cost of sales	**1,236,780**	1,244,493	1,249,188
Depreciation, depletion and amortization	**77,815**	151,374	152,231
Taxes, other than income taxes	**42,234**	42,234	42,234
Selling, research, general and administrative expenses	**161,398**	161,398	161,398
	1,518,227	1,599,499	1,605,051
Operating profit (loss)	**47,443**	(34,192)	(39,744)
Other income	**20,697**	20,697	20,697
Interest expense	**26,440**	26,440	26,440
Income (loss) before income taxes	**41,700**	(39,935)	(45,487)
Provision for income taxes	**15,406**	15,406	15,406
Income (loss) from continuing operations	**$ 26,294**	$ (55,341)	$ (60,893)
Dividends on:			
Redeemable convertible preference stock	**7,080**	7,080	7,080
Cumulative preferred stock	**600**	600	600
Net income (loss) applicable to common stock	**$ 18,614**	$ (63,021)	$ (68,573)
Average number of shares of common stock outstanding during year (thousands)	**28,111**	28,111	28,111
Earnings (loss) per share of common stock	**$ 0.66**	$ (2.24)	$ (2.44)
Loss from decline in purchasing power of net amounts owed		$ 1,183	$ 1,183
Decrease in current cost of inventory and property, plant and equipment held during the year**			$ 80,126
Effect of increase in general price level			18,188
Decrease in specific prices net of increase in general price level			$ 61,938

*Current-cost and constant-dollar amounts are expressed in average 1983 dollars. Changes are measured by the Consumer Price Index.

**At December 31, 1983, the current cost of inventories was $246,002, and the current cost of property, plant and equipment, net of accumulated depreciation, was $787,034.

involves the use of assumptions, approximations and estimates. Consequently, the Company believes these indicators may be misleading in determining the effects of inflation.

Koppers, in complying with FASB Statement No. 33, has elected to restate only inventories; sales; cost of sales; property, plant and equipment, net of accumulated depreciation; and depreciation, depletion and amortization. These areas are most affected by inflation. Restatement of other accounts would not materially affect the results. Other data in the five-year summary also are restated for purposes of comparison.

Some Conclusions Concerning the Effect of Inflation on Koppers

The Company's results of operations, as adjusted for general inflation, illustrate some of the more obvious effects of the declining purchasing power of the dollar. Profits have been eroded by inflation, while income taxes as a percentage of pretax earnings have risen considerably. Because the effects of inflation are not deductible for income tax purposes and a larger portion of the Company's earnings is a return of capital, income taxes are, in effect, confiscating capital. Consequently, the maintenance of capital and the potential for growth continue to be adversely affected.

Koppers does not believe, however, that the impact of inflation on the Company's performance and financial condition during the past four years was as severe as the inflation-adjusted income data, taken alone, would indicate.

Mineral Reserves

Information on Koppers mineral reserves is on page 45.

A. William Capone
Senior Vice President and
Chief Financial Officer
February 27, 1984

Additional Comments on Effects of Changing Prices

Methods of Computation

The adjusted information shown in Table A was prepared by converting historical amounts into dollars with purchasing power equivalent to that of average 1983 dollars (the constant-dollar method) or adjusted for changes in specific prices (the current-cost method).

In the past three years, the beneficial effect on historical-cost earnings of liquidating LIFO inventory quantities carried at lower costs prevailing in prior years could not be recognized under either the constant-dollar or current-cost approach. In 1982 and 1981, a write-down was required for the reduction of property, plant and equipment from its current-cost or constant-dollar amount to its lower recoverable amount. Under both accounting methods, assets held for sale should be shown at net realizable value, the amount of cash, or its equivalent, expected to be derived from the anticipated sale of the asset. The above factors had a significant effect upon both the constant-dollar and current-cost financial statements in comparison with historical-cost and prior-year statements.

Table B. Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

($ Thousands, except per share figures)	As Reported in 1983 Financial Statements (Historical Cost)	Years Ended December 31, (In Average 1983 Dollars) 1983	1982	1981	1980	1979
Net Sales	**$1,565,670**	$1,565,307	$1,637,541	$2,097,357	$2,181,502	$2,501,265
Historical-cost information:						
Adjusted for general inflation:						
Net assets at year end	**$ 638,877**	$ 932,933	$ 985,194	$1,106,067	$1,065,021	$ 892,721
Income (loss) from continuing operations	**$ 26,294**	$ (55,341)	$ (133,503)	$ (30,024)	$ 8,395	$ 62,741
Income (loss) from continuing operations per common share	**$ 0.66**	$ (2.24)	$ (5.09)	$ (1.40)	$ 0.28	$ 2.36
Gain (loss) from decline in purchasing power of net amounts owed	**—**	$ (1,183)	$ 3,288	$ 23,404	$ 29,835	$ 22,960
Adjusted for changes in specific prices:						
Net assets at year end	**$ 638,877**	$ 945,553	$ 971,171	$1,130,225	$1,091,456	$ 944,620
Income (loss) from continuing operations	**$ 26,294**	$ (60,893)	$ (134,800)	$ (19,000)	$ 11,543	$ 62,097
Income (loss) from continuing operations per common share	**$ 0.66**	$ (2.44)	$ (5.14)	$ (1.00)	$ 0.40	$ 2.34
Excess (deficit) of increase/decrease in specific prices net of increase in general price level	**—**	$ (61,938)	$ (139,718)	$ 21,173	$ (19,880)	$ 21,398
Other information:						
Cash dividends declared per common share	**$ 0.80**	$ 0.80	$ 1.45	$ 1.54	$ 1.71	$ 1.73
Market price per common share at year end	**$ 21.75**	$ 21.38	$ 16.33	$ 18.02	$ 28.87	$ 35.11
Average Consumer Price Index		298.4	289.1	272.4	246.8	217.4

Constant-Dollar Method

The Consumer Price Index—All Urban Consumers (CPI-U) was used to measure general inflation in arriving at the constant-dollar restatement.

Current-Cost Method

Under the current-cost approach, property, plant and equipment (including mineral resources) current cost was estimated by using various indices published by the federal government, private organizations and internal sources. The indexing approach most closely reflects reproduction cost and does not necessarily take into consideration any technological changes and associated cost efficiencies that may be experienced when modern assets are used to replace existing assets. The restatement of historically reported depreciation, depletion and amortization, to both constant dollar and current cost, was based on the above restatements of property, plant and equipment using the same useful lives and depreciation methods as used in the primary financial statements. Inventory restatement on a current-cost basis involves two types of adjustments: (1) to reflect depreciation allocated to inventories at current cost, and (2) a time-lag adjustment to reflect increases or decreases in other cost components occurring between the time the inventories are acquired or produced and average costs for the year using specific price indices.

Cost of sales on a current-cost basis was determined by combining the cost of LIFO-based inventories with FIFO-based inventories. Cost of sales under the LIFO inventory method was assumed to already approximate the current cost at date of sale and thus was only adjusted into average dollars for the year. FIFO inventories were adjusted to reflect standard costs in effect at the time sales were made and when end-of-year inventory was produced.

Other income and certain other expenses do not require adjustment, as they are considered to have occurred proportionately over the year, thus already reflecting average 1983 dollars.

The actual provision for taxes on income is not adjusted since companies are not permitted to recognize any general inflation effects for tax purposes.

Table of Contents
Form 10-K Report
Koppers Company, Inc./1983

Koppers Board of Directors And Executive Officers

As of February 29, 1984.

Directors

Charles F. Barber 67
Director and Chairman of the Finance Committee and retired Chairman and Chief Executive Officer,
ASARCO Inc.
Nonferrous metals producer

***Evelyn Berezin 58**
President, Greenhouse Management Corporation, venture capital investment, and Potech Corporation, consulting; formerly Director—Long-Range Planning for Office Automation Systems, Burroughs Corporation.

Fletcher L. Byrom 65
Retired Chairman of the Board, Koppers Company, Inc.

†Dr. Richard M. Cyert 62
President,
Carnegie-Mellon University

Edmund B. Fitzgerald 58
Chairman of the Board,
Northern Telecom Inc.
Telecommunications equipment

***Douglas Grymes 70**
Retired Vice Chairman of the Board, Koppers Company, Inc.

***Terrance Hanold 71**
Retired President and Director,
The Arter Company
Capital management and investment

†William H. Knoell 59
President, Chief Executive Officer and Director, Cyclops Corporation
Basic and specialty steels and steel products

†*Andrew W. Mathieson 55
Executive Vice President,
Richard K. Mellon and Sons
Investment management

†Nathan W. Pearson 72
Financial Advisor,
Paul Mellon family interests

†Charles R. Pullin 60
Chairman of the Board,
Koppers Company, Inc.

†Executive Committee
*Audit Committee

Corporate Officers

Charles R. Pullin 60
Chairman of the Board (Chief Executive Officer) since 1982; formerly Vice Chairman of the Board since 1981 and President and Chief Operating Officer—Road Materials Group. Joined Koppers in 1946.

Burnett G. Bartley, Jr. 59
Executive Vice President (Chief Operating Officer)—Construction Materials and Services since 1984; formerly Deputy Chairman. Joined Koppers in 1949.

William B. Jackson 62
Executive Vice President (Chief Operating Officer)—Chemical and Allied Products since 1984; formerly Deputy Chairman. Joined Koppers in 1943.

A. William Capone 64
Senior Vice President since 1978; Chief Financial Officer. Joined Koppers in 1946.

Thomas C. Cochran, Jr. 63
Senior Vice President since 1978; Secretary and General Counsel. Joined Koppers in 1956.

Thomas M. St. Clair 48
Vice President and Assistant to the Chairman since 1983; formerly President—Engineered Metal Products Group. Joined Koppers in 1958.

Richard E. Spatz 58
Corporate Vice President—Sales since 1984; formerly Vice President and Assistant to the Chairman since 1983 and President—Forest Products Group. Joined Koppers in 1951.

Chemical and Allied Products

Paul L. Bost 60
Vice President and General Manager—Industrial Products Division since 1978. Joined Koppers in 1948.

Charles P. Dorsey 56
Vice President and General Manager—Specialty Systems Division since 1978. Joined Koppers in 1966.

John D. Hite, Jr. 46
Vice President and General Manager—Specialty Wood Chemicals Division since 1978. Joined Koppers in 1960.

Dr. Randall L. C. Russell 39
Vice President and General Manager—Chemical Division since 1978. Joined Koppers in 1970.

Glen C. Tenley 56
Vice President and General Manager—Foundry and Industrial Supply Division since 1980; formerly Vice President and Manager—Purchasing Department. Joined Koppers in 1955.

Robert K. Wagner 52
Vice President and General Manager—Treated Wood Products Division since 1978. Joined Koppers in 1953.

Brooks C. Wilson 50
Managing Director—Koppers Australia Pty. Ltd. Joined Koppers in 1965.

Construction Materials and Services

Frederick C. Moore 50
Vice President and General Manager—Eastern Division since 1983 and Chairman of the Board —The General Crushed Stone Company; formerly Vice President and Assistant to the Road Materials Group President. Joined Koppers in 1970.

Alvin L. Walters 55
Vice President and General Manager—Western Division since 1982; formerly President and General Manager—Western Paving Construction Company. Joined Koppers in 1976.

Robert A. Cruise 53
President—Koppers International Canada, Ltd., a wholly owned subsidiary since 1969. Joined Koppers in 1973.

Engineered Metal Products

Lester L. Murray 55
Vice President and General Manager (Chief Operating Officer)—Engineered Metal Products since 1983; formerly Vice President and General Manager—Sprout-Waldron Division. Joined Sprout-Waldron in 1956.

Walter C. Arnold 59
Vice President and General Manager—Container Machinery Division since 1978. Joined Koppers in 1962.

Hugh J. Blecki 53
Vice President and General Manager—Piston Ring and Seal Division since 1978. Joined Koppers in 1956.

William D. Carty 52
Vice President and General Manager—Sprout-Waldron Division since 1983; formerly General Manager—Pulp, Paper and Board Operations. Joined Koppers in 1973.

Samuel W. Koster 64
Vice President and General Manager—Power Transmission Division since 1978. Joined Koppers in 1974.

Engineering and Construction

James A. Harris 49
Vice President and General Manager (Chief Operating Officer)—Engineering and Construction since 1981; formerly Vice President—Executive Department. Joined Koppers in 1965.

Corporate Staff Officers

J. Roger Beidler 48
Vice President—Investor Relations since 1980; formerly Manager. Joined Koppers in 1960.

Jay A. Best 50
Vice President and Manager—Traffic and Transportation Department since 1978. Joined Koppers in 1956.

Fitzhugh L. Brown 51
Comptroller since 1978. Joined Koppers in 1962.

Frank E. Davis, Jr. 59
Vice President and Manager—Communications Department since 1983; formerly Vice President and Manager—Advertising and Public Relations Department. Joined Koppers in 1962.

Dr. Alonzo Wm. Lawrence 46
Vice President—Science and Technology since 1981; formerly Vice President—Environmental Resources and Occupational Health Department. Joined Koppers in 1976.

Robert R. Moran 59
Vice President—Purchasing since 1982; formerly Manager—Raw Materials. Joined Koppers in 1947.

John F. Ramser 51
Vice President and Manager—Human Resources Department since 1980; formerly Assistant Secretary—Law Department. Joined Koppers in 1970.

Raymond R. Wingard 53
Vice President and Manager—Marketing Services and Corporate Growth Planning since 1980; formerly Vice President and Manager—Human Resources Department. Joined Koppers in 1952.

Koppers 10-Year Financial Highlights and Operating Statistics

($ Millions, except per share data)		1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Sales by Business Group	Chemical and Allied Products:										
	Organic Materials	$ 555.0	$ 535.3	$ 678.1	$ 577.2	$ 556.6	$ 482.5	$ 427.8	$ 384.4	$ 323.3	$285.8
	Forest Products	$ 262.5	$ 285.7	$ 358.0	$ 380.9	$ 368.8	$ 313.7	$ 296.3	$ 261.2	$ 244.7	$270.4
	Construction Materials and Services (Road Materials)	$ 518.5	$ 485.9	$ 541.9	$ 531.7	$ 454.1	$ 304.1	$ 174.1	$ 134.7	$ 111.8	$117.4
	Engineered Metal Products	$ 186.8	$ 215.5	$ 233.6	$ 229.1	$ 328.2	$ 285.6	$ 265.4	$ 267.5	$ 240.3	$158.4
	Engineering and Construction	$ 11.1	$ 32.9	$ 58.6	$ 64.6	$ 113.8	$ 192.0	$ 189.8	$ 138.8	$ 153.8	$ 80.5
	Miscellaneous	$ 31.8	$ 29.9	$ 39.5	$ 16.7	$ 6.8	$ 4.0	$ 2.3	$ 2.8	$ 1.6	$ 1.7
	Total sales from continuing operations	$1,565.7	$1,585.2	$1,909.7	$1,800.2	$1,828.3	$1,581.9	$1,355.7	$1,189.2	$1,075.5	$914.2
Corporate Operating Expenses	Wages, salaries and pension expense	$ 366.4	$ 369.8	$ 416.8	$ 390.6	$ 427.0	$ 359.1	$ 304.7	$ 276.0	$ 248.5	$202.2
	Materials, supplies and services	$1,031.9	$1,053.7	$1,265.7	$1,188.0	$1,164.2	$1,020.1	$ 866.2	$ 746.4	$ 675.1	$594.7
	Depreciation, depletion and amortization	$ 77.8	$ 82.2	$ 81.6	$ 76.7	$ 63.6	$ 52.7	$ 42.6	$ 37.8	$ 30.3	$ 27.8
	Taxes, other than income taxes	$ 42.2	$ 44.2	$ 46.3	$ 41.1	$ 40.1	$ 33.0	$ 26.2	$ 22.2	$ 19.7	$ 16.5
	Total corporate operating expenses	$1,518.3	$1,549.9	$1,810.4	$1,696.4	$1,694.9	$1,464.9	$1,239.7	$1,082.4	$ 973.6	$841.2
	Operating profit	$ 47.4	$ 35.3	$ 99.3	$ 103.8	$ 133.4	$ 117.0	$ 116.0	$ 106.8	$ 101.9	$ 73.0
	Other income (expense)	$ 20.7	$ (60.5)	$ 20.9	$ 11.7	$ 14.5	$ 24.9	$ 9.2	$ 15.1	$ 10.8	$ 15.8
Operating Income (Loss) by Business Group (before corporate overhead)	Chemical and Allied Products:										
	Organic Materials	$ 7.2	$ 8.5	$ 29.2	$ 47.2	$ 55.6	$ 43.5	$ 49.8	$ 55.8	$ 49.4	$ 48.8
	Forest Products	$ 28.1	$ 11.1	$ 42.3	$ 21.3	$ 31.9	$ 26.2	$ 25.8	$ 18.6	$ 25.4	$ 17.6
	Construction Materials and Services (Road Materials)	$ 45.5	$ 38.9	$ 57.9	$ 57.2	$ 55.0	$ 36.2	$ 21.0	$ 17.1	$ 12.0	$ 14.0
	Engineered Metal Products	$ 4.4	$ 4.9	$ 13.4	$ 9.5	$ 11.4	$ 13.6	$ 17.5	$ 20.8	$ 20.0	$ 8.4
	Engineering and Construction	$ (7.2)	$ (16.3)	$ (7.6)	$ (0.4)	$ 10.5	$ 18.2	$ 20.1	$ 13.0	$ 7.7	$ 2.8
	Miscellaneous	$ 7.4	$ (46.8)	$ 7.5	$ 4.8	$ 5.7	$ 22.1	$ 3.8	$ 8.5	$ 8.6	$ 13.2
	Total operating income from continuing operations	$ 85.4	$ 0.3	$ 142.7	$ 139.6	$ 170.1	$ 159.8	$ 138.0	$ 133.8	$ 123.1	$104.8
Corporate Income (Loss)	Corporate overhead (included in above expenses)	$ 17.3	$ 25.5	$ 22.5	$ 24.1	$ 22.2	$ 17.9	$ 12.8	$ 11.9	$ 10.4	$ 16.0
	Income (loss) before taxes and interest expense	$ 68.1	$ (25.2)	$ 120.2	$ 115.5	$ 147.9	$ 141.9	$ 125.2	$ 121.9	$ 112.7	$ 88.8
	Interest expense	$ 26.4	$ 29.7	$ 33.7	$ 32.9	$ 20.6	$ 13.2	$ 11.8	$ 12.6	$ 11.8	$ 12.6
	Income taxes (benefit)	$ 15.4	$ (23.8)	$ 34.4	$ 22.9	$ 42.4	$ 52.7	$ 47.0	$ 41.8	$ 40.6	$ 28.4
	Net income (loss) from continuing operations	$ 26.3	$ (31.1)	$ 52.1	$ 59.7	$ 84.9	$ 76.0	$ 66.4	$ 67.5	$ 60.3	$ 47.8
	Preference and preferred dividends	$ 7.7	$ 8.1	$ 7.9	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6
	Income (loss) to common shareholders*	$ 24.6	$ (39.2)	$ 44.2	$ 59.1	$ 84.3	$ 75.4	$ 65.8	$ 66.9	$ 59.7	$ 47.2
Financial Position At December 31,	Current assets	$ 527.3	$ 490.1	$ 542.8	$ 644.9	$ 535.3	$ 530.4	$ 438.9	$ 427.1	$ 369.4	$339.1
	Current liabilities	$ 245.0	$ 246.4	$ 272.1	$ 319.9	$ 270.0	$ 247.7	$ 208.3	$ 167.7	$ 150.6	$144.0
	Working capital	$ 282.3	$ 243.7	$ 270.7	$ 325.0	$ 265.3	$ 282.7	$ 230.7	$ 259.3	$ 218.8	$195.1
	Property, plant and equipment—net	$ 583.2	$ 633.6	$ 679.1	$ 667.0	$ 555.8	$ 457.7	$ 378.1	$ 325.5	$ 255.3	$226.7
	Total assets	$1,175.4	$1,192.9	$1,328.2	$1,389.5	$1,140.7	$1,036.1	$ 870.3	$ 783.6	$ 679.7	$647.9
	Long-term debt and capital lease obligations	$ 232.9	$ 275.7	$ 288.9	$ 308.7	$ 224.2	$ 233.6	$ 152.0	$ 159.7	$ 132.6	$166.6
	Total debt—% of total capitalization	28%	31%	30%	32%	29%	32%	26%	28%	27%	35%
	Common shareholders' equity	$ 554.5	$ 544.1	$ 629.1	$ 619.5	$ 582.2	$ 498.3	$ 454.8	$ 410.2	$ 353.3	$297.1
Data Per Common Share	Earnings (loss) from continuing operations	$ 0.66	$ (1.41)	$ 1.60	$ 2.19	$ 3.21	$ 3.01	$ 2.64	$ 2.70	$ 2.49	$ 2.04
	Common stock dividends	$ 0.80	$ 1.40	$ 1.40	$ 1.40	$ 1.25	$ 1.125	$ 0.95	$ 0.80	$ 0.65	$ 0.535
	Shareholders' equity	$ 19.39	$ 19.49	$ 22.58	$ 22.41	$ 21.81	$ 19.86	$ 18.21	$ 16.50	$ 14.57	$ 12.81
Other Statistics	Capital expenditures	$ 68.6	$ 76.7	$ 182.1	$ 230.9	$ 177.1	$ 144.5	$ 104.5	$ 90.6	$ 62.2	$ 80.3
	Gross cash flow	$ 123.2	$ 18.6	$ 132.8	$ 134.6	$ 141.5	$ 141.7	$ 114.8	$ 107.3	$ 94.3	$ 72.5
	Current ratio	2.15-to-1	1.99-to-1	1.99-to-1	2.02-to-1	1.98-to-1	2.14-to-1	2.11-to-1	2.55-to-1	2.45-to-1	2.35-to-1
	Return on average invested capital	4.9%	(2.4%)	6.7%	7.7%	12.0%	12.1%	12.4%	13.4%	13.5%	12.2%
	Return on average common equity	4.3%	(7.8%)	7.2%	9.0%	15.8%	16.2%	15.6%	17.6%	18.5%	17.1%
	Average common shares outstanding (thousands)	28,111	27,854	27,667	26,989	26,228	25,031	24,886	24,809	24,002	23,141
	Shareholders at year end	20,758	22,489	20,326	18,362	18,115	17,729	17,553	16,729	15,352	15,164
	Average number of employees	14,518	17,334	20,113	21,029	22,087	20,858	18,168	17,880	17,549	15,763

Index to Consolidated Financial Statements

Koppers Company, Inc. Covered by Report of Certified Public Accountants

Schedules I, II, III, IV, VII, IX, XI, XII and XIII are not given, as the subject matter thereof either is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the financial statements or the notes thereto.

Statement of Accounting Policies

Koppers Company, Inc. and Subsidiaries

The major accounting policies of the Company are set forth below. The word "Company" as used in this report includes consolidated entities as well as Koppers Company, Inc.

Principles of Consolidation—The consolidated statements include the accounts of the Company and all of its subsidiaries. All intercompany transactions have been eliminated.

Inventories—Inventories are valued at the lower of cost or market. Cost for approximately 68% and 65% of inventories for 1983 and 1982, respectively, is determined by the LIFO (last-in, first-out) method. Cost for the remainder of the inventories represents average costs or standard costs, which approximate actual on the FIFO (first-in, first-out) basis. Market is replacement cost for raw materials and net realizable value for work in process and finished goods.

Investments—Companies owned between 20% and 50% are accounted for on the equity method.

Fixed Assets—Buildings, machinery and equipment are depreciated on the straight-line method over their useful lives. Timber and mineral properties are depleted on the basis of units produced.

When land, standing timber or property units are sold, the difference between selling price and cost, after recognition of accumulated depreciation and depletion, is reflected as Other income.

Long-Term Contracts—Revenue on long-term construction contracts is accounted for on the percentage-of-completion basis; losses are recognized as soon as they are determined.

Pension Plans—The Company has pension plans covering substantially all employees. The Company provides for amortization of unfunded prior service costs over periods up to 40 years and pays provisions for pension expense into trust funds annually.

Income Taxes—Benefits from investment tax credit are reflected currently in income.

Earnings (Loss) Per Share—Earnings (loss) per share have been computed on the basis of the average number of common shares outstanding. The effect on earnings resulting from the assumed conversion of preference stock is antidilutive.

Report of Certified Public Accountants

Arthur Young & Company
Certified Public Accountants

The Board of Directors and Shareholders
Koppers Company, Inc.:

We have examined the consolidated financial statements of Koppers Company, Inc. and subsidiaries listed in the accompanying Index to Financial Statements. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements listed in the accompanying Index to Financial Statements present fairly the consolidated financial position of Koppers Company, Inc. and subsidiaries at December 31, 1983 and 1982 and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

2400 Koppers Building
Pittsburgh, Pennsylvania 15219
January 26, 1984,
except as to Note 11,
as to which the date is
February 21, 1984

Consolidated Statement of Operations

1983	1982	1981	Koppers Company, Inc. and Subsidiaries	
($ Thousands, except per share figures)				
$1,565,670	$1,585,206	$1,909,744	Net sales	1
			Operating expenses:	2
1,236,780	1,247,719	1,505,488	Cost of sales	3
77,815	82,223	81,570	Depreciation, depletion and amortization	4
42,234	44,242	46,270	Taxes, other than income taxes	
161,398	175,697	177,083	Selling, research, general and administrative expenses	5
1,518,227	1,549,881	1,810,411		
47,443	35,325	99,333	Operating profit	
			Other income (expense):	6
4,107	(21,506)	7,433	Profit (loss) on operations disposed of or closed (Note 8)	7
8,877	4,187	5,164	Profit on sales of capital assets	8
(1,185)	(40,362)	(3,023)	Provision for decline in value of investments (Note 3)	9
12,393	—	—	Profit on sale of investments (Note 3)	
(10,874)	(7,722)	5,369	Equity in earnings (losses) of affiliates (dividends received: 1983—$5,283; 1982—$9,204; 1981—$8,304)	10
8,451	4,372	4,635	Interest income	11
(1,072)	461	1,350	Miscellaneous	
20,697	(60,570)	20,928		
68,140	(25,245)	120,261	Income (loss) before interest expense and provision (benefit) for income taxes	
			Interest expense:	12
24,740	26,907	28,560	Term debt	
1,700	2,769	5,194	Other	
26,440	29,676	33,754		
41,700	(54,921)	86,507	Income (loss) from continuing operations before provision (benefit) for income taxes	
15,406	(23,790)	34,445	Provision (benefit) for income taxes (Note 9)	13
$ 26,294	$ (31,131)	$ 52,062	Income (loss) from continuing operations	14
			Discontinued operations (Note 8):	15
(351)	(3,096)	(420)	Loss from discontinued operations (less applicable income tax benefit: 1983—$299; 1982—$2,633; 1981—$559)	
(1,315)	(4,305)	—	Loss on disposal of discontinued operations (less applicable income tax benefit: 1983—$1,121; 1982—$2,378)	
24,628	(38,532)	51,642	Income (loss) before extraordinary gain	16
5,960	—	—	Extraordinary gain on extinguishment of debt (Note 5)	
$ 30,588	$ (38,532)	$ 51,642	Net income (loss) for the year	
			Dividends on:	
7,080	7,500	7,285	Redeemable convertible preference stock	
600	600	600	Cumulative preferred stock	
$ 22,908	$ (46,632)	$ 43,757	Net income (loss) applicable to common stock	17
28,111	27,854	27,667	Average number of shares of common stock outstanding during year (in thousands)	
			Earnings (loss) per share of common stock:	
$0.66	$(1.41)	$1.60	From continuing operations before extraordinary gain	
$0.21	$ —	$ —	Extraordinary gain	
$0.81	$(1.67)	$1.58	Net earnings (loss)	

(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

1. Total received, or receivable, from customers. Excludes discontinued operations.

2. Directly related to operating levels: wages, salaries, raw materials, energy, transportation, pensions, supplies and services.

3. Related to the Company's investment in fixed assets—this portion of the original cost of machinery, plants, etc. has been allocated against the year's income.

4. Not closely related to operating levels: social security and unemployment taxes, state and local franchise and real estate taxes.

5. Salesmen's compensation, corporate staff and officers' salaries, pensions and other general expenses.

6. Not resulting directly from sale of Company products, although most is included in operating income of business segments, see page 35.

7. Gain or loss realized from sale or write-off of assets of business lines or facilities.

8. Profit on sales of equipment, facilities, etc. no longer needed.

9. Recognition that the realizable value of an investment (Explanation 10, page 28) has fallen below the value carried on the balance sheet.

10. Represents Koppers portion of earnings or losses of companies in which it has 20%-50% ownership.

11. From short-term cash investments.

12. Cost of borrowed funds.

13. Total income taxes and credits: federal, state and foreign.

14. This was earned for all shareholders by businesses that will continue to be operated in future.

15. Aftertax effect of decisions made in 1982 not to remain in certain businesses.

16. After including all operations.

17. This portion of net income (loss) was applicable to common shareholders; in 1983, $22.5 million was paid in dividends.

Consolidated Balance Sheet

Assets

December 31, 1983	1982	Koppers Company, Inc. and Subsidiaries	
($ Thousands)			
		Current assets:	1
$ 118,314	$ 74,858	Cash, including short-term investments of $104,354 in 1983 and $65,739 in 1982	2
223,424	207,529	Accounts receivable, principally trade, less allowance for doubtful accounts of $5,645 in 1983 and $5,015 in 1982	3
20,363	13,102	Refundable federal income taxes (Note 9)	4
		Inventories (Note 2):	5
		At cost—FIFO (first-in, first-out) basis:	
124,017	134,604	Product	
33,217	36,036	Work in process	
78,173	98,271	Raw materials and supplies	
235,407	268,911		
90,577	97,253	Less excess of FIFO cost over LIFO (last-in, first-out)	6
144,830	171,658		7
20,396	22,980	Prepaid expenses	8
527,327	490,127	Total current assets	9
		Investments:	10
25,796	35,756	Affiliated companies, at equity (Note 3)	
10,248	6,889	Others at cost	
36,044	42,645		
		Fixed assets, at cost:	11
132,229	138,023	Buildings	
932,892	945,159	Machinery and equipment	
1,065,121	1,083,182		
605,214	577,470	Less accumulated depreciation and amortization	12
459,907	505,712		
81,209	84,444	Depletable properties, less accumulated depletion of $14,957 in 1983 and $14,584 in 1982	13
42,068	43,446	Land	
583,184	633,602		
28,859	26,550	Other assets, primarily notes receivable	
$1,175,414	$1,192,924		14

(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows what Koppers owned.

1. Likely to be converted into cash within one year.

2. Primarily kept in bank accounts for normal business use or invested in short-term notes.

3. Amounts owed to Company by customers and others.

4. Funds to be received from overpayment of taxes.

5. Goods being stockpiled or used in the process of manufacturing or held for sale. Value of these inventories is based on the FIFO accounting method, which reflects the most recent cost of goods.

6. Company uses LIFO accounting for substantially all domestic inventories to charge current income with most recent costs of goods, thus eliminating illusory inventory profits.

7. LIFO value of inventory results in understatement of Company assets.

8. Amounts paid in advance for items to be rendered in the future, such as insurance premiums, property taxes and rents.

9. See discussion of working capital on page 16.

10. Koppers ownership in other companies.

11. The original amount paid for Company-owned buildings, machinery and equipment.

12. Accumulation of the portion of the original amount paid for fixed assets that has been allocated to operating costs since the assets were purchased.

13. Cost of properties having exhaustible resources, such as timber, coal and stone, reduced for value of resources used in the past.

14. The total net cost assigned to everything Koppers owns.

Consolidated Balance Sheet

Liabilities and Shareholders' Equity

December 31, 1983	1982	Koppers Company, Inc. and Subsidiaries	
($ Thousands, except per share figures)			
		Current liabilities:	1
$ 68,649	$ 58,693	Accounts payable, principally trade	2
		Accrued liabilities:	3
4,314	4,485	Income taxes	
25,102	29,446	Pensions (Note 4)	
27,877	28,021	Insurance	
38,796	40,553	Payroll and other compensation costs	
52,204	54,001	Other accruals	
12,066	19,883	Advance payments received on contracts	4
15,967	11,292	Term debt due within one year (Note 5)	5
244,975	246,374	Total current liabilities	6
232,897	275,723	Term debt due after one year (Note 5)	7
16,288	15,619	Deferred compensation (Note 7)	
42,377	21,153	Deferred income taxes	8
69,400	75,000	Redeemable convertible preference stock, no par value, stated value $100 per share: authorized 1,000,000 shares; issued and outstanding 694,000 shares in 1983 and 750,000 shares in 1982, 10% series (Note 6)	
15,000	15,000	Cumulative preferred stock (not subject to mandatory redemption), $100 par value: authorized 300,000 shares; issued and outstanding 150,000 shares, 4% series	
35,753	34,889	Common stock, $1.25 par value: authorized 60,000,000 shares; issued 28,610,834 and outstanding 28,602,313 shares in 1983; issued and outstanding 27,910,834 shares in 1982	9
145,081	133,501	Capital in excess of par value	9
373,643	375,665	Earnings retained in the business (Notes 1 and 5)	9
$1,175,414	$1,192,924		

(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows everything Koppers owed.

1. These are liabilities payable within one year.

2. Due to suppliers for goods and services provided.

3. Amounts owed but not required to be paid at year end.

4. For services and products paid for by customers, which Koppers will provide in the near future.

5. Repayment of long-term debt and capital lease obligations required during coming year.

6. Company's current assets at year-end 1983 covered these liabilities by a current ratio of 2.15-to-1.

7. Borrowings used to expand Koppers income-producing base. Shareholders can benefit as this added capital generates earnings in excess of interest costs on the debt. This also represents the present value of lease payments that will be made in the future.

8. Differences in accounting rules and tax regulations result in certain income and expenses in financial reports that are not included in tax reports in the same year. This total represents the taxes on the difference that will be paid in future years.

9. The total of these items, $554.5 million, represents the total common shareholders' ownership in Koppers at the close of 1983. Common equity was equal to $19.39 for each share of common stock outstanding at the close of 1983, versus $19.49 at the end of 1982.

Consolidated Statement of Changes in Financial Position

Koppers Company, Inc. and Subsidiaries

1983	1982	1981	Years ended December 31 ($ Thousands)	
			Source of funds:	1
			Operations:	
$ 26,294	$(31,131)	$ 52,062	Income (loss) from continuing operations before extraordinary gain	2
77,815	82,223	81,570	Depreciation, depletion and amortization	3
20,958	(7,015)	4,975	Deferred income taxes and other expenses	4
4,277	50,037	7,114	Provision for operations disposed of or closed and decline in value of investments	5
15,211	14,988	4,615	Equity in losses of affiliated companies, less dividends received	6
144,555	109,102	150,336	Total from continuing operations before extraordinary gain	
(1,666)	(7,401)	(420)	Loss from discontinued operations	7
42	2,059	1,994	Depreciation, depletion and amortization	
2,073	2,439	782	Deferred income taxes and other expenses	
449	(2,903)	2,356	Total from discontinued operations	7
145,004	106,199	152,692	Funds provided from operations before extraordinary gain	
5,960	—	—	Extraordinary gain on extinguishment of debt (Note 5)	
150,964	106,199	152,692	Funds provided from operations	
5,244	23,232	1,602	Term debt issued	8
12,044	2,165	5,821	Common stock issued	9
36,471	20,546	39,313	Book value of fixed assets and other noncurrent assets disposed of or sold	10
204,723	152,142	199,428		11
			Disposition of funds:	12
68,621	76,677	182,106	Capital investments	13
48,070	33,157	21,343	Term debt retired	14
30,145	47,101	46,653	Dividends paid	15
5,045	—	—	Preference stock purchased	
155	1,529	1,233	Treasury stock acquired	
12,222	17,839	1,751	Receivables due after one year and preferred stock	16
1,866	2,760	647	Other	
166,124	179,063	253,733		
$ 38,599	$(26,921)	$(54,305)	Increase (decrease) in working capital	17
			Changes in components of working capital:	18
			Increase (decrease) in current assets:	
$ 43,456	$ 28,034	$(37,553)	Cash and short-term investments	
15,895	(57,345)	(33,496)	Accounts receivable	
7,261	13,102	—	Refundable federal income taxes	
(26,828)	(42,097)	(26,584)	Inventories	
(2,584)	5,683	(4,472)	Prepaid expenses	
37,200	(52,623)	(102,105)		
			Increase (decrease) in current liabilities:	
9,956	(17,006)	(21,018)	Accounts payable	
(8,213)	3,274	46	Accrued liabilities	
(7,817)	4,715	(7,637)	Advance payments received on contracts	
4,675	(16,685)	(19,191)	Term debt due within one year	
(1,399)	(25,702)	(47,800)		
$ 38,599	$(26,921)	$(54,305)	Increase (decrease) in working capital	

(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

1. Where the funds came from.
2. From line 14 on page 27.
3. This operating cost does not require the payment of funds, which are retained for use in the business.
4. Taxes and other expenses not paid currently, available for use in operations until the time when payment becomes due.
5. Plant write-offs and write-downs of investments reduced income but did not result in an outflow of funds. The amount by which income was reduced represents funds retained for use in the business.
6. Includes cash dividends received from certain equity affiliates plus the Company's portion of the losses incurred by affiliated companies that reduced Koppers income but did not result in an outflow of funds.
7. Losses reported on income statement include certain expenses that did not require payment of funds, as explained in 3 and 4 above.
8. Borrowings explained on page 16.
9. Issuance of common shares to retire long-term debentures, plus value of shares contributed to Employee Stock Ownership Plan.
10. Received from disposal of equipment, facilities, etc. no longer needed in operations.
11. Total funds from all sources.
12. Where the funds went.
13. To provide further growth.
14. Repayment of obligations including retirement of long-term debentures.
15. Returns to common, preference and preferred shareholders.
16. Includes notes and preferred stock received on sale of certain investments and assets.
17. Subtracting funds paid out from funds generated results in a change in working capital employed.
18. This section shows how the change in working capital affected the items in current assets and current liabilities.

Consolidated Statement of Shareholders' Equity Other Than Redeemable Convertible Preference Stock

Koppers Company, Inc. and Subsidiaries

(Amounts in thousands, except outstanding shares and per share figures)

	Outstanding Shares: Cumulative Preferred Stock	Outstanding Shares: Common Stock	Cumulative Preferred Stock	Common Stock	Capital in Excess of Par Value	Foreign Currency Translation Adjustment	Earnings Retained in the Business	Total
Balance at December 31, 1980	150,000	27,646,563	$15,000	$34,558	$128,608	$ —	$456,309	$634,475
Net income for the year 1981			—	—	—	—	51,642	51,642
Cash dividends paid:								
On preference stock, $10.00 per share			—	—	—	—	(7,285)	(7,285)
On preferred stock, $4.00 per share			—	—	—	—	(600)	(600)
On common stock, $1.40 per share			—	—	—	—	(38,768)	(38,768)
Purchase of common stock for treasury		(58,443)	—	(73)	(1,160)	—	—	(1,233)
Common stock issued during 1981:								
Acquisitions accounted for as purchases		166,499	—	208	3,532	—	—	3,740
Contributed to Employee Stock Ownership Plan		44,076	—	55	815	—	—	870
Common stock issued from treasury to Employee Savings and Profit Sharing Plan		56,783	—	71	1,140	—	—	1,211
Balance at December 31, 1981	150,000	27,855,478	15,000	34,819	132,935	—	461,298	644,052
Net loss for the year 1982			—	—	—	—	(38,532)	(38,532)
Cash dividends paid:								
On preference stock, $10.00 per share			—	—	—	—	(7,500)	(7,500)
On preferred stock, $4.00 per share			—	—	—	—	(600)	(600)
On common stock, $1.40 per share			—	—	—	—	(39,001)	(39,001)
Purchase of common stock for treasury		(101,804)	—	(127)	(1,402)	—	—	(1,529)
Common stock issued during 1982:								
Contributed to Employee Stock Ownership Plan		53,696	—	67	645	—	—	712
Common stock issued from treasury to Employee Savings and Profit Sharing Plan		103,464	—	130	1,323	—	—	1,453
Balance at December 31, 1982	150,000	27,910,834	15,000	34,889	133,501	—	375,665	559,055
Net income for the year 1983			—	—	—	—	30,588	30,588
Cash dividends paid:								
On preference stock, $10.00 per share			—	—	—	—	(7,080)	(7,080)
On preferred stock, $4.00 per share			—	—	—	—	(600)	(600)
On common stock, $0.80 per share			—	—	—	—	(22,465)	(22,465)
Purchase of common stock for treasury		(8,741)	—	(11)	(144)	—	—	(155)
Common stock issued during 1983:								
Extinguishment of debt (Note 5)		700,000	—	875	11,165	—	—	12,040
Common stock issued from treasury to Employee Savings and Profit Sharing Plan		220	—	—	4	—	—	4
Retirement of 56,000 shares of redeemable convertible preference stock (Note 6)			—	—	555	—	—	555
Foreign currency translation: (Note 1)								
Initial Adjustment (net of $121 in related income tax benefits)			—	—	—	(2,007)	—	(2,007)
Current year (net of $33 in related income tax benefits)			—	—	—	(458)	—	(458)
Balance at December 31, 1983	150,000	28,602,313	$15,000	$35,753	$145,081	$(2,465)	$376,108	$569,477

(See accompanying statement of accounting policies and notes to financial statements.)

lotes to Financial Statements

ecember 31, 1983, 1982 and 1981

. **Foreign Currency Translation**—On January 1, 1983, the Company adopted the forign currency translation standard precribed by FASB Statement No. 52. Earlier doption of this standard would not have laterially affected consolidated earnings for rior years; consequently, no restatement 'as made. Adoption of the standard icreased net earnings in 1983 by $0.5 illion, or $0.02 per common share.

The effect of realized foreign currency ansaction gains and losses included in the etermination of 1983, 1982 and 1981 net arnings was immaterial.

. **Inventories**—During 1983, 1982 and 981, inventory quantities were reduced. This eduction resulted in a liquidation of LIFO iventory quantities carried at lower costs revailing in prior years as compared with ie cost of purchases in current years, the ffect of which increased net earnings in 983, 1982 and 1981 by approximately 3,104,000, or $0.11 per share, $13,297,000, r $0.48 per share, and $3,769,000, or $0.14 er share, respectively.

. **Investments**—During 1983, the Company old 920,750 common shares of Genex Cororation, thereby reducing the Company's quity investment from $11,567,000 4,320,000 shares, or 37.3%) to $7,652,000 3,399,250 shares, or 26.7%), resulting in a retax gain of $11,999,000, or $8,640,000 fter tax ($0.31 per share). The quoted maret value of this investment at December 31, 983 was $44,190,000 ($13.00 per share). 'he Company realized equity losses from its ivestment in Genex of $1,684,000 during 983, compared with losses of $2,257,000 for 982.

On December 30, 1983, the Company old its 1,575,000 shares of Richmond Tank Car Company (RTC) common stock to First Boston Corporation for $394,000. Previously, he Company recognized equity losses in 983 of $6,925,000, as compared with losses of $4,518,000 for 1982, which reduced its nvestment in RTC to zero (including the 2,200,000 subordinated demand note from Richmond Leasing Company (RLC), a ionconsolidated subsidiary of RTC). The company is currently carrying its note eceivable from RLC at zero value.

On January 18, 1984, First Boston sold he RTC stock for $3.00 per share to a third party from which Koppers received an additional $2.49 per share, yielding a 1984 gain of $3,922,000.

In December, 1982, the Company wrote down its investment in RTC by $39,304,000 to an estimated realizable value of $4,725,000. The write-down was in recognition of RTC's severe financial problems and the Company's belief that this situation had impaired the value of the investment. On January 7, 1983, RLC filed for protection under Chapter 11 of the Federal Bankruptcy Code.

In December, 1982, the Company, through a partnership, Peat Methanol Associates (PMA), secured a letter of intent and an agreement on terms with the U.S. Synthetic Fuels Corporation (SFC) to construct and operate a peat-to-methanol facility at a projected cost of $576,000,000. SFC had provided a commitment to guarantee up to $465,000,000 of this cost through loan and price guarantees. On February 16, 1984, SFC indicated that PMA would not receive additional financial assistance from SFC. This action cancels the project. PMA had requested additional assistance as a condition prior to proceeding with the plant.

The Company's accounting policy has been to expense all costs related to its synfuel projects because of uncertainty of ultimate realization. During 1983, 1982 and 1981, the Company recognized $7,669,000 (including $7,041,000 for PMA), $6,689,000 (including $4,582,000 for PMA) and $6,632,000, respectively, of equity losses from its synthetic fuel investments.

4. Retirement Plans

Company Plans—Total pension expense for continuing operations in 1983 was $22,429,000, as compared with $25,342,000 and $24,998,000 in 1982 and 1981, respectively. During 1983, there were substantial reductions in the Company's work force, the net effect of which reduced pension expense in 1983 by $3,693,000 and increased net income by $1,835,000, or $0.07 per share. A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit plans as of December 31, 1983 and 1982 is presented below.

($ Thousands)	1983	1982
Actuarial present value of accumulated plan benefits		
Vested	**$223,387**	$210,499
Nonvested	**26,423**	27,752
	$249,810	$238,251
Net assets available for benefits	**$352,852**	$307,409

The rate used in determining the actuarial present value of accumulated plan benefits was 10%. The actuarial present value of accumulated plan benefits is less than that considered in calculating the funding requirements of the plan partly because of differences in actuarial assumptions relating to future salaries, wages and interest.

The Company has an Employee Stock Ownership Plan (ESOP) for the benefit of employees upon retirement. Contributions to the ESOP are offset by additional investment tax credit.

Multiemployer Plans—In addition to the expense for the Company-sponsored plans, the Company had pension expense for full-time employees of $5,907,000, $4,647,000 and $5,327,000 in 1983, 1982 and 1981, respectively, for contributions to multiemployer plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and plan net assets of multi-employer plans is not determinable by the Company and is not included in the above information.

5. Term Debt—Term debt due after one year is shown in Table 1.

The aggregate term debt maturity in the years 1984 through 1988, respectively, is $15,967,000, $14,210,000, $18,578,000, $17,595,000 and $17,799,000.

Extraordinary Item—In September, 1983, the Company issued 700,000 shares of its common stock valued at $17.20 per share plus $12,000,000 cash to Metropolitan Life Insurance Company in exchange for $30,000,000 principal amount of its long-term 8.95% promissory notes due May 15, 1998. This transaction resulted in an extraordinary gain of $5,960,000, or $0.21 per share.

Additional Debt Information—The Company has a revolving credit bank loan agreement that provides for revolving credit loans of up to $200,000,000 until September 30, 1986. Commitment fees of up to ⅜ of 1% per annum are required on any unborrowed amounts. Any loans outstanding on September 30, 1986 may be converted to term loans payable during the succeeding three years. The agreement calls for interest at one of three options chosen by the Company, those being the prime rate, the certificate of deposit rate or the Eurorate, with factors up to $\frac{7}{10}$ of 1% added to these rates after September 30, 1985. The Company had no borrowings under this agreement in 1983. In 1982, the average daily amount of revolving credit loans outstanding was $1,556,000, with a daily weighted average annual interest rate of 16.2%. The maximum amount of revolving credit loans outstanding during 1982 was $21,000,000, with no borrowings as of December 31, 1982.

The Company's term debt agreements contain various restrictions as to dividend payments and incurrence of additional indebtedness. As of December 31, 1983, under the most restrictive provisions, $92,415,000 of consolidated earnings retained in the business was available for the payment of cash dividends, and the Company could incur additional indebtedness of $177,421,000.

6. Redeemable Convertible Preference Stock—In 1983, the Board of Directors authorized the Company to purchase up to 250,000 shares of convertible preference stock (preference stock) on the open market. Subsequently, the Company purchased 56,000 shares, for $90 per share, with the shares returning to unissued status.

Each share of the Company's preference stock is convertible into 3.48 shares of the Company's common stock. The Company may redeem the preference shares in 1984 at $106 per share, declining by $1 per share each year through 1990. Beginning in 1990, the Company is required to make sinking fund payments at $100 per share sufficient to retire 37,500 shares of preference stock annually except that prior redemptions or conversions may be applied to such requirements at the Company's option.

The Company may not pay cash dividends on common or preference stock if required sinking fund payments are not made. If preference stock dividends are in arrears for an amount equal to more than six quarterly dividends, the holders of preference stock may then elect two directors.

Table 1. Term Debt

($ Thousands)	1983	1982
11.25% promissory notes due $6,500 annually beginning 1986, $9,000 balance due in 2000	**$100,000**	$100,000
8.95% promissory notes due $4,000 annually beginning 1984	**26,000**	60,000
6% notes due $3,000 annually	**26,000**	29,000
Pollution control bonds and notes:		
8.25% bonds due 1984-2002	**35,200**	37,100
5.875% tax-exempt bonds due 1998-2017	**16,350**	16,350
5.9% and 6% notes due 1984-1998	**10,010**	10,460
Other	**19,337**	22,813
	$232,897	$275,723

7. Employee Compensation Plans

Deferred Compensation Plan—The Company has a Deferred Compensation Unit Plan for officers and other key employees. Operating expense has been charged with $1,533,000, $2,300,000 and $2,139,000 to provide for the benefits accrued during 1983, 1982 and 1981, respectively.

Incentive Plan—The Company has an Incentive plan for key employees that is based upon the attainment of a specific return on invested capital using income before interest expense and income taxes. There was no charge to operating expense in 1983, 1982 or 1981, because of the Company's insufficient return on investment.

Performance Share Plan—The Company has a Performance Share Plan for key employees that provides for an award of performance shares (up to an aggregate maximum of 500,000 shares), each equivalent to one share of the Company's common stock and cash. Distribution of the common stock plus cash equal to the fair market value of the common stock will be made at the end of designated periods if specified earnings are attained.

Currently, 132,800 performance shares are outstanding for the award period ending December 31, 1984. On the basis of profit performance, no provision has been made for the years 1983, 1982 and 1981.

Savings and Profit Sharing Plan—The Company has a Savings and Profit Sharing Plan for all eligible employees. Participating employees may elect to contribute up to 6% of their salaries. The Company contributes an amount equal to a specified percentage of the employees' contributions to a limit of $6,000 per employee. The Company's contributions may be made in cash or common stock of the Company. The Company's contributions amounted to $286,000 in 1983, $1,724,000 in 1982 and $1,923,000 in 1981.

8. Closed Operations and Disposals

Discontinued Operations—In 1983, the Company sold two major operations, the Environmental Elements (ENELCO) and Mineral Processing Systems (MPSD) Divisions, for $21,039,000 in cash, notes and preferred stock. Reserve provisions of $4,492,000 after tax ($0.16 per share) were made in December, 1982 for the expected losses on these disposals. These provisions were insufficient for actual 1983 losses incurred, as provisions of $1,315,000 after tax ($0.05 per share) were made in 1983 because of changes in the structure of the sales agreements. Additionally, the 1983 operating losses of MPSD's Process Technologies Operations, $351,000 after tax ($0.01 per share), were not included in the 1982 reserve provisions as a final decision had not yet been made regarding its disposition.

In 1982, the Titus Products Division of ENELCO was sold for $11,124,000, resulting in a small after tax gain.

Other Operations Closed or Disposed of—In 1983, a pretax gain of $3,976,000, or $2,863,000 after tax ($0.10 per share), was realized on the final disposition of Canadian timber rights. This transaction was negotiated in conjunction with the Company's 1981 sale of the Canadian spruce lumber operations.

In 1982, the most significant dispositions occurred in the Organic Materials and Forest Products Groups, resulting in a loss of $8,039,000, or $4,389,000 after tax ($0.16 per share), and a loss of $3,902,000, or $2,261,000 after tax ($0.08 per share), respectively. Provisions for severance costs related to the Company's closed operations resulted in a loss of $5,037,000, or $2,720,000 after tax ($0.10 per share).

In 1981, the significant dispositions included the Canadian spruce lumber operations, which were sold at a gain of $20,196,000, or $6,757,000 after tax ($0.24 per share), and operations closed or disposed of in the Organic Materials Group.

/hich resulted in a loss of $12,371,000, or 6,573,000 after tax ($0.24 per share).

The effect on operations and the related rofit or loss on operations disposed of and osed is shown in Table 2.

. **Income Taxes**—Income (loss) from con-nuing operations before provision for ıcome taxes and the components of income ıx expense (benefit) are shown in Table 3.

The components of deferred tax xpense (benefit) and related tax effect are hown in Table 4.

The differences between the statutory nd effective income tax (benefit) rates pplicable to continuing operations (exclud-ıg extraordinary items) are shown in able 5.

The provisions for income taxes for the ears 1983, 1982 and 1981 have been educed by $2,129,000, $7,222,000 and 6,423,000, respectively, for investment tax redit.

At December 31, 1983, 1982 and 1981, onsolidated earnings retained in the busi-ess included approximately $27,403,000, 27,019,000 and $25,230,000, respectively, on vhich federal income tax has not been pro-ided since the Company has reinvested uch earnings and intends to continue such ıvestment permanently in export activities.

0. Operations by Business Segments—"he Company operates principally in five ›usiness segments. Financial information ıbout each segment is provided in Table 6 ›n the following page. Information relating to he products and services provided by these segments is located on pages 38 through 42 ›f this annual report and 10-K. Intersegment sales are not disclosed because of mmateriality.

11. Litigation—In 1981, Inland Steel Com-›any filed an action against the Company asserting a claim in the amount of $100 mil-ion for damages under a construction con-ract. The Company filed a counterclaim against Inland to recover $17 million repre-senting fees on the contract. A trial began on January 17, 1984, and the jury rendered a verdict on February 21, 1984 for Inland on its claim in the amount of $74 million and for the Company on its counterclaim in the amount of $10 million. While the ultimate outcome of this litigation is not presently determinable, the Company believes that it has meritorious defenses to Inland's claim and it will take all legal action, including appeals, to set aside this verdict or obtain a new trial.

Table 2. Operations Disposed of or Closed

($ Thousands)	1983	1982	1981
Net sales	**$32,239**	$100,602	$191,138
Operating expenses	**31,555**	110,928	192,690
Operating profit (loss)	**684**	(10,326)	(1,552)
Profit (loss) on disposal of net assets	**4,107**	(21,506)	7,433
	$ 4,791	$(31,832)	$ 5,881

Table 3. Components of Income Taxes (Benefit)

($ Thousands)	1983	1982	1981
Income (loss) from continuing operations before provision (benefit) for income taxes:			
Domestic operations	**$ 26,791**	$(64,121)	$71,873
Foreign operations*	**14,909**	9,200	14,634
Total	**$ 41,700**	$(54,921)	$86,507
Income tax expense (benefit):			
Continuing operations	**$ 15,406**	$(23,790)	$34,445
Discontinued operations	**(1,420)**	(5,011)	(559)
Total	**$ 13,986**	$(28,801)	$33,886
Current:			
Federal	**$(13,361)**	$(13,745)	$24,781
Foreign	**1,995**	4,049	2,964
State	**3,051**	1,485	1,901
	(8,315)	(8,211)	29,646
Deferred:			
Federal	**22,006**	(20,424)	4,813
Foreign	**295**	(166)	(573)
	22,301	(20,590)	4,240
Total	**$ 13,986**	$(28,801)	$33,886

*Foreign operations income before the provision for income taxes includes equity income from foreign investments of $6,193, $6,429 and $11,178 for 1983, 1982 and 1981, respectively.

Table 4. Deferred Tax Expense (Benefit)

($ Thousands)	1983	1982	1981
Excess of tax over book depreciation	**$ 8,927**	$ 7,292	$ 6,064
Anticipated expenses provided in advance of deductibility for tax purposes	**(535)**	950	(469)
Difference in book and tax income recognition:			
—Construction contracts	**1,166**	(4,876)	3,399
—Inventory timing difference	**139**	(603)	(1,303)
—Genex basis difference	**986**	—	—
Investment tax credit carry-forward	**(2,572)**	—	—
Provisions for operations discontinued, disposed of or closed	**3,228**	(12,205)	(3,065)
RTC investment provision	**11,025**	(11,025)	—
Other—net	**(63)**	(123)	(386)
	$22,301	$(20,590)	$ 4,240

Table 5. Statutory and Effective Income Tax (Benefit) Rates

	1983	1982	1981
Statutory tax rate:			
Federal	**46.0%**	(46.0%)	46.0%
State, net of federal tax benefit	**4.0%**	1.5%	1.2%
Effect of additional taxes on gain from the sale of a Canadian subsidiary	**—**	—	3.8%
Investment tax credit	**(5.1%)**	(12.9%)	(7.1%)
Nontaxable earnings of Domestic International Sales Corporation	**(0.6%)**	(1.1%)	(1.1%)
Effect of percentage over cost depletion	**(6.9%)**	(5.7%)	(3.6%)
Effect of lower statutory tax rate applicable to capital gains and equity investment transactions	**(8.0%)**	15.9%	(1.6%)
Minimum tax on tax preference items	**4.0%**	2.0%	—
Other—net	**3.5%**	3.0%	2.2%
	36.9%	(43.3%)	39.8%

Table 6. Operations by Business Segments

($ Thousands)	Organic Materials	Road Materials	Forest Products	Engineered Metal Products	Engineering and Construction	Misc.	Consolidated
Year ended December 31, 1983:							
Net sales from continuing operations	$555,022	$518,519	$262,485	$186,769	$ 11,072	$ 31,803	$1,565,670
Operating profit (loss) before general corporate overhead	$ 5,148	$ 40,566	$ 15,938	$ 2,762	$ (4,324)	$ 4,660	$ 64,750
Other income (expense) (Notes 3 and 8)	(74)	1,829	11,050	1,701	(2,285)	19,350	31,571
Equity in earnings (loss) of affiliates	2,156	3,110	1,071	(15)	(628)	(16,568)	(10,874)
Operating income (loss)	$ 7,230	$ 45,505	$ 28,059	$ 4,448	$ (7,237)	$ 7,442	$ 85,447
General corporate overhead							17,307
Interest expense							26,440
Income from continuing operations before provision for income taxes							$ 41,700
Identifiable assets as of December 31, 1983	$316,195	$335,924	$154,770	$135,233	$ 11,642	$ 88,737	$1,042,501
General corporate assets							132,913
Total assets							$1,175,414
Depreciation, depletion and amortization	$ 29,826	$ 27,352	$ 10,410	$ 7,919	$ 235	$ 990	$ 76,732
Depreciation and amortization of general corporate assets							1,083
							$ 77,815
Capital expenditures	$ 6,696	$ 38,640	$ 7,833	$ 3,325	$ 188	$ 11,939	$ 68,621
Year ended December 31, 1982:							
Net sales from continuing operations	$535,323	$485,833	$285,657	$215,541	$ 32,926	$ 29,926	$1,585,206
Operating profit (loss) before general corporate overhead	$ 15,506	$ 33,843	$ 11,662	$ 8,715	$(10,868)	$ 2,039	$ 60,897
Other income (expense) (Notes 3 and 8)	(8,583)	1,075	(1,440)	(3,909)	(4,573)	(35,418)	(52,848)
Equity in earnings (loss) of affiliates	1,529	4,032	852	120	(863)	(13,392)	(7,722)
Operating income (loss)	$ 8,452	$ 38,950	$ 11,074	$ 4,926	$(16,304)	$(46,771)	$ 327
General corporate overhead							25,572
Interest expense							29,676
Loss from continuing operations before provision for income taxes							$ (54,921)
Identifiable assets as of December 31, 1982	$327,124	$328,130	$165,743	$177,264	$ 18,393	$ 86,504	$1,103,158
General corporate assets							89,766
Total assets							$1,192,924
Depreciation, depletion and amortization	$ 32,628	$ 28,271	$ 11,552	$ 7,138	$ 352	$ 975	$ 80,916
Depreciation and amortization of general corporate assets							1,307
							$ 82,223
Capital expenditures	$ 21,159	$ 15,485	$ 11,943	$ 17,164	$ 59	$ 10,867	$ 76,677
Year ended December 31, 1981:							
Net sales from continuing operations	$678,099	$541,920	$357,950	$233,646	$ 58,567	$ 39,562	$1,909,744
Operating profit (loss) before general corporate overhead	$ 42,238	$ 46,647	$ 19,284	$ 13,345	$ (6,601)	$ 6,951	$ 121,864
Other income (expense) (Note 8)	(15,030)	3,334	21,960	111	28	5,156	15,559
Equity in earnings (loss) of affiliates	2,023	7,908	1,048	(50)	(1,000)	(4,560)	5,369
Operating income (loss)	$ 29,231	$ 57,889	$ 42,292	$ 13,406	$(7,573)	$ 7,547	$ 142,792
General corporate overhead							22,531
Interest expense							33,754
Income from continuing operations before provision for income taxes							$ 86,507
Identifiable assets as of December 31, 1981	$377,156	$346,701	$189,432	$195,620	$ 22,596	$138,518	$1,270,023
General corporate assets							58,152
Total assets							$1,328,175
Depreciation, depletion and amortization	$ 29,596	$ 28,997	$ 13,572	$ 6,077	$ 264	$ 1,243	$ 79,749
Depreciation and amortization of general corporate assets							1,821
							$ 81,570
Capital expenditures	$ 37,895	$ 52,770	$ 23,440	$ 18,795	$ 588	$ 48,618	$ 182,106

chedules for Form 10-K
oppers Company, Inc. and Subsidiaries

roperty, Plant and Equipment (SEC Schedule V)

($ Thousands)

lassification	Balance at beginning of year	Additions at cost	Retirements[1] or sales	Transfers and other additions (deductions)[2]	Balance at close of year
ear ended December 31, 1983					
and	$ 43,446	$ 2,596	$ 1,948	$(2,026)	$ 42,068
uildings	138,023	3,637	14,921	5,490	132,229
achinery and equipment	945,159	46,622	51,716	(7,173)	932,892
epletable mineral properties	77,505	2,459	1,079	2,166	81,051
epletable timber properties	21,523	2,069	8,477	—	15,115
	$1,225,656	$ 57,383	$78,141	$(1,543)	$1,203,355
ear ended December 31, 1982[3]					
and	$ 41,558	$ 1,271	$ 825	$ 1,442	$ 43,446
uildings	140,482	10,813	9,397	(3,875)	138,023
achinery and equipment	913,711	51,630	27,420	7,238	945,159
epletable mineral properties	76,565	1,600	—	(660)	77,505
epletable timber properties	25,858	1,776	6,111	—	21,523
	$1,198,174	$ 67,090	$43,753	$ 4,145	$1,225,656
ear ended December 31, 1981[3]					
and	$ 34,420	$ 2,827	$ 1,152	$ 5,463	$ 41,558
uildings	132,653	8,878	7,486	6,437	140,482
achinery and equipment	866,656	85,561	54,719	16,213	913,711
epletable mineral properties	70,173	4,242	566	2,716	76,565
epletable timber properties	31,289	6,917	12,348	—	25,858
	$1,135,191	$108,425	$76,271	$30,829	$1,198,174

1) Includes $27,812 in 1983, $14,058 in 1982 and $44,650 in 1981 from operations disposed of or closed.
2) Property acquired through acquisitions, 1983—$4,683; 1981—$26,899.
3) Reclassified to conform with 1983 classifications.

ccumulated Depreciation, Depletion and Amortization (SEC Schedule VI)

($ Thousands)

escription	Balance at beginning of year	Additions charged to income[1]	Retirements[2]	Other additions[3]	Balance at close of year
ear ended December 31, 1983					
epreciation and amortization	$577,470	$73,877	$46,169	$ 36	$605,214
epletion	14,584	2,863	2,490	—	14,957
	$592,054	$76,740	$48,659	$ 36	$620,171
ear ended December 31, 1982[4]					
epreciation and amortization	$504,271	$76,852	$26,573	$22,920	$577,470
epletion	14,826	3,737	3,979	—	14,584
	$519,097	$80,589	$30,552	$22,920	$592,054
ear ended December 31, 1981[4]					
epreciation and amortization	$448,509	$77,287	$30,885	$ 9,360	$504,271
epletion	19,667	4,869	9,814	104	14,826
	$468,176	$82,156	$40,699	$ 9,464	$519,097

(1) Includes provision relating to both continuing and discontinued operations.
(2) Includes $7,466 in 1983, $5,770 in 1982 and $20,739 in 1981 from operations disposed of or closed
(3) Includes $914 in 1983, $14,492 in 1982 and $4,091 in 1981 of valuation reserves for operations disposed of or closed
(4) Reclassified to conform with 1983 classifications.

Valuation and Qualifying Accounts (SEC Schedule VIII)

($ Thousands)

Description	Balance at beginning of year	Additions charged to income	Deductions[1]	Balance at close of year
Year ended December 31, 1983				
Allowance for doubtful accounts	$ 5,015	$ 1,995	$ 1,365	$ 5,645
Allowance for doubtful notes receivable	135	2,841	135	2,841
Allowance for decline in value of investment	40,362	1,185	39,409	2,138
	$45,512	$ 6,021	$40,909	$10,624
Year ended December 31, 1982				
Allowance for doubtful accounts	$ 4,720	$ 3,589	$ 3,294	$ 5,015
Allowance for doubtful notes receivable	—	135	—	135
Allowance for decline in value of investment	3,023	40,362	3,023	40,362
	$ 7,743	$44,086	$ 6,317	$45,512
Year ended December 31, 1981				
Allowance for doubtful accounts	$ 4,875	$ 2,555	$ 2,710	$ 4,720
Allowance for doubtful notes receivable	3,000	2,929	5,929	—
Allowance for decline in value of investment	—	3,023	—	3,023
	$ 7,875	$ 8,507	$ 8,639	$ 7,743

(1) Accounts written off, less recoveries.

Supplementary Income Statement Information (SEC Schedule X)

Item	($ Thousands) Charged to expenses		
Years ended December 31,	1983	1982	1981
Maintenance and repairs	$94,979	$91,420	$108,908
Taxes, other than payroll and income taxes	$14,546	$16,908	$ 17,516
Rents	$21,517	$19,222	$ 22,701
Research and development	$18,306	$22,031	$ 16,466

Description of Koppers Business

Chemical and Allied Products

Chemical and Allied Products Business

January, 1984, the Organic Materials and Forest Products businesses of Koppers were combined. This consolidation brings together two closely related Koppers businesses:

—materials and technology associated with the manufacture and use of products derived from coal. This present mix is made from coal or such derivative products as coal tar or naphthalene. Other lines serve specialty markets:

—production of chemically treated wood, specialty wood-treating chemicals and laminated wood products, supplying both U.S. and foreign markets.

Six operating divisions, plus affiliated and subsidiary business units at domestic and overseas locations, compose Chemical and Allied Products.

Chemical Products Division is a major supplier of naphthalene (used to produce phthalic anhydride and agricultural chemicals); phthalic anhydride (used in the production of alkyd and polyester resins and of plasticizers for plastics); resorcinol (used primarily to produce adhesives used in rubber tires and laminated wood); antioxidants used in rubber, plastics and other products); and a group of intermediate chemicals.

Foundry and Industrial Supply Division is among the largest merchant producers of foundry coke, one of the principal products used for melting metal in foundries and other industrial operations. Other grades of coke are manufactured for reducing iron ore in steelmaking, for melting in rock wool operations, for nonferrous metal smelting and in sugar beet refining.

Industrial Products Division is a major producer of such coal tar derivatives as coal tar pitches used by the aluminum and commercial carbon industries as binders in the manufacture of electrodes; creosote, a complex mixture of chemicals, used primarily as a wood preservative; and chemical oil, a raw material for Koppers chemicals operations.

Specialty Systems Division supplies high-performance polyester resins (used in glass-reinforced and nonreinforced plastics); bituminous and chemical-based protective coatings; and built-up and single-ply roofing and waterproofing, phenolic foam insulation board, and cold-applied roof maintenance materials.

Subsidiaries manufacture binder systems and refractory coatings for molding metal in foundries; industrial sealants, caulks and adhesives; and polyester button blanks and buttons for clothing.

Specialty Wood Chemicals Division licenses proprietary processes and products using specialty chemicals under such trademarks as Cellon, Dricon, NCX and Wolman to wood-treating companies throughout the U.S. and in foreign countries. This unit also engineers and manufactures glued laminated wood products for industrial, commercial and residential applications, such as structural beams, arches, columns, girders, trusses and lighting standards. A new line of retail products (coatings using brush-on or dip treatment techniques) protects or beautifies wood and other surfaces. Called Wolman Wood Protection Products, they now include Raincoat water repellent and Wolman exterior wood stain. Wolman Green and Wolman Clear wood preservatives are planned for introduction during 1984.

Treated Wood Products Division manufactures chemically pressure-treated railroad crossties; utility, transmission, distribution and lighting poles and accessory equipment; building poles and timbers; foundation and marine piling; and construction lumber and plywood. Wood pressure treatments for these products use creosote, pentachlorophenol and waterborne salt preservatives. Koppers also provides contract wood-treating services for industrial and commercial customers.

Growth in new housing construction and remodeling markets is spurring demand for pressure-treated lumber offering long-term performance and appearance qualities at economical cost.

Raw Materials and Fuel

Primary raw materials for Chemical and Allied Products operations include coal and coal-derived products, hardwood and softwood timber, and preservative raw materials. Most coal tar processed is purchased through contracts with steel producers. Purchasing agreements cover such other raw materials as coal, benzene and orthoxylene. For wood-treating operations, the major requirements are for Eastern and Southern hardwood; and softwood timber, primarily Southern yellow pine and West Coast species. Less than 10% of the Company's timber needs are met from Company-owned properties or by negotiated cutting rights. Preservative raw materials are supplied from both Company and outside sources.

Energy needs are supplied by natural gas, fuel oil, coal, coke oven gas and wood waste. Three plants operate electrical cogeneration systems, with two of these units providing energy for processing and all three selling the excess electric power to local utilities. No major disruption of business in 1984 is expected as a result of shortages of raw materials or energy.

Competitive and Seasonal Conditions

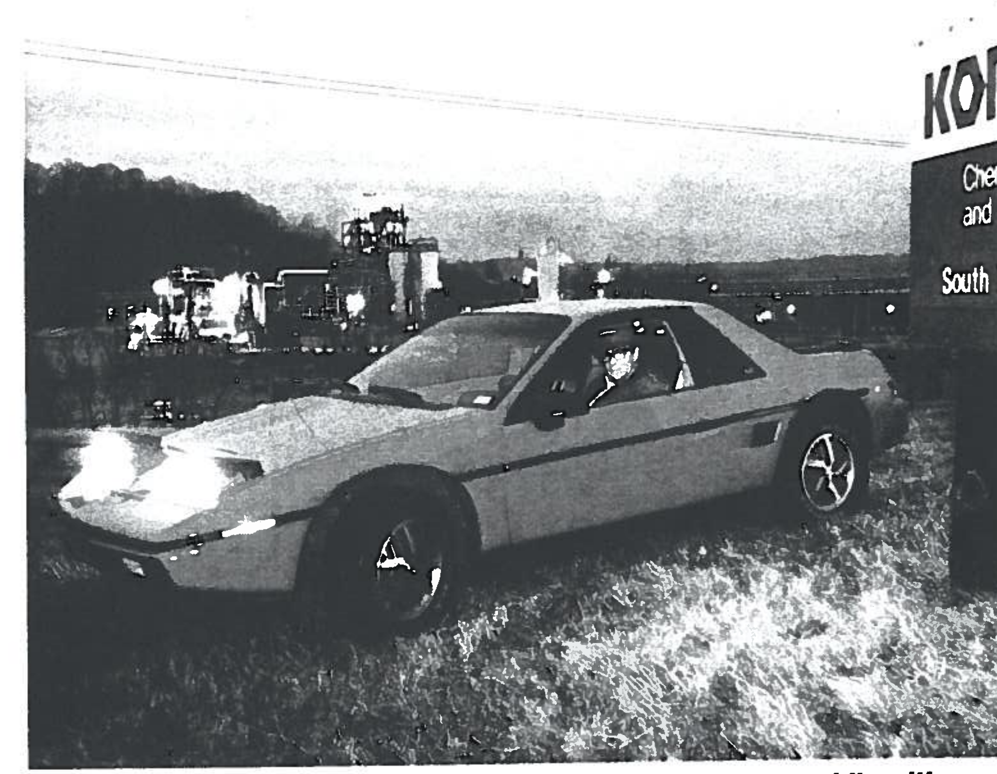
Chemical and Allied Products goods and services are sold in highly competitive markets. Except for certain proprietary items, there are suppliers of identical products in all business areas, as well as competition from alternative materials performing the same function. The principal factors in competition are price, quality and service.

Most businesses are not affected by seasonal variations, but winter does reduce volume in coating, roofing and other construction and building industry product lines.

Products are marketed nationwide generally through the division sales organizations, and certain lines are sold through independent distributors and agents. Substantial inventories are maintained in many product categories to ensure prompt, dependable service.

Backlog

Chemical and Allied Products combined year-end backlog was $149.0 million, versus $161.1 million a year earlier. The backlog normally increases substantially early in each calendar year, and at the close of January, 1984, the backlog was $326.8 million, versus $305.8 million a year earlier. The total backlog is expected to be shipped during 1984, although most unfilled orders are subject to cancellation at the buyer's option.



The new Pontiac Fiero, the world's first mass-produced automobile with an all-plastic body, is among the major applications for the Company's specially formulated polyester resins.

Chemical and Allied Products Combined 1983 Sales by Major Economic Sectors

	($ Millions)	%
Industrial Production	$451.7	55%
Nonbuilding Construction	227.2	28
Architectural Construction	138.6	17
	$817.5	100%

Construction Materials and Services

Construction Materials and Services Business

Formerly the Road Materials, Natural Resources and Canadian operations, this unit consists of 17 operating subsidiaries in regional markets producing crushed stone, sand, gravel, bituminous and ready-mix concrete, and engineering and construction services. Related products include steel culvert pipe, welded wire fabric and specialty products used in highway, bridge and other civil construction. Coal properties are included in this description.

Sales of aggregates and construction services are about evenly divided between publicly funded projects, such as road maintenance and new construction, and privately financed construction projects. Transportation is a major factor in total product cost. The delivered price doubles when crushed stone is transported 20 to 30 miles. To compete effectively, aggregate markets are localized.

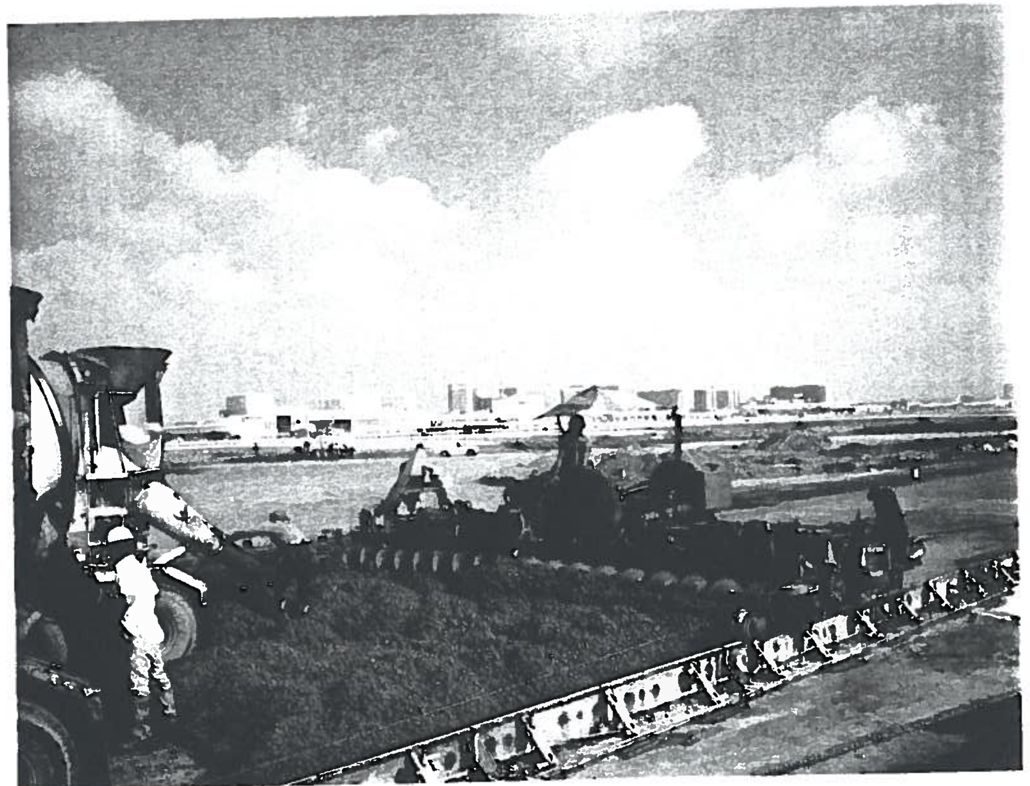
Construction Materials and Services operates more than 150 domestic facilities. These serve markets in 17 states beginning in New York and extending through Pennsylvania and Ohio and into the Southeastern states, portions of the Midwest, and sections of Colorado, Wyoming and California.

Significant expansion occurred during 1983. Paving operations were acquired in South Carolina and Georgia; a new welded wire fabric facility was under construction in Texas; and modernization programs were undertaken at Pennsylvania and North Carolina quarries.

Koppers is an owner of coal lands in Tennessee. The Company leases these properties for production by independent coal operators.

Raw Materials and Fuel

Aggregate raw materials consist of sand and gravel, granite, limestone, trap rock and sandstone, which come from quarries, mines or Great Lakes dredging operations. Most of Koppers quarries are on land either owned by the Company or held under long-term leases. It is estimated that the present reserves of aggregates will be sufficient for more than 25 years at current production rates. Other major raw materials include asphalt, slag, cement and steel rod and sheet, which are purchased from oil companies and cement and steel producers. Adequate supplies of raw materials and fuel are expected to continue. Fuel oil satisfies nearly half of the energy requirements; natural gas and diesel fuel provide about 20% each; and the remainder comes from gasoline, kerosene and propane.



Expansion of Los Angeles International Airport to host the 1984 Summer Olympics calls attention to increased spending for highways, bridges and other components of the nation's infrastructure.

Competitive and Seasonal Conditions

Construction Materials and Services operations are geographically diversified, with limited vertical integration within individual regional markets. Because mineral reserves are limited within regional areas, the Company commonly holds a high share of those regional markets in which it competes.

Principal factors in competition are price and service. Prices for aggregates are determined by local conditions and are not subject to wide fluctuations created by nationwide demand, supply and capacity factors. Increasingly, this business has become service-oriented, calling for on-time delivery from a guaranteed source of supply.

Construction Materials and Services Combined 1983 Sales by Major Economic Sectors

Economic Sectors	($ Millions)	%
Nonbuilding Construction	$434.9	79.5%
Architectural Construction	90.9	16.6
Industrial Production	21.1	3.9
	$546.9	100%

Business is highly seasonal, with more than 70% of sales occurring during the peak construction period from May 1 to November 30.

Product inventories are controlled at volumes that reflect a balance between the most efficient production level and supplying peak demand. Inventories normally grow substantially during spring months in anticipation of high summer demand. It is not customary, however, to carry inventories or provide financing for customers.

Backlog

Combined backlog at the end of 1983 was $179.0 million, versus $98.3 million a year earlier. The normal tendency is for this backlog to increase during the first six months of the year and to decline thereafter. Orders in the backlog are considered firm, and more than 95% of the year-end backlog is expected to result in 1984 sales.

Engineered Metal Products

Engineered Metal Products Business

Koppers is a designer and manufacturer of processing machinery systems and machine components. These business lines are generally characterized by high-value-added, precision-engineered, high-quality products designed to rigid customer specifications.

The Company's Sprout-Waldron line of products includes processing machinery for the formula feed, food, chemical, pulp and paper and other basic industries. Sprout-Waldron also designs and builds complete feed mills, material handling and storage facilities, pulping plants and industrial processing installations. A large captive foundry produces medium- and large-sized gray iron and ductile castings for use in various areas of Engineered Metal Products and Engineering and Construction, as well as selling castings directly to outside customers. A recently acquired license with Kamyr, Inc. of Sweden expands Sprout-Waldron's role in newly developing chemothermomechanical pulping.

Koppers manufactures corrugated container machinery, which converts kraft paper into corrugated board or finished containers for packaging producers. An innovative newspaper printing system for new or retrofit applications was introduced during 1983.

The Company is a major producer of industrial piston rings for diesel engines and shaft seals for use in aircraft engines, pumps and compressors, as well as seal rings for hydraulic cylinders, valves and other industrial and aircraft applications.

Koppers supplies a broad range of power transmission products, including couplings, coupling grease, adjustable-speed drives, torque sensors and forgings. Couplings transmit power from one rotating shaft to another and compensate for misalignment. Applications include high-speed compressors, pumps, conveyors, cranes, blowers, boiler feed pumps, paper mill equipment, and main drives in steel rolling mills.

Raw Materials and Fuel

Principal raw materials, such as metal castings and forgings, are produced within the group's facilities, with some quantities supplied by commercial producers. Steel bars, billets, plates, structural forms and aluminum are purchased from mill and warehouse suppliers. Fuel oil, gas and electricity are the major fuels used, and the natural gas supply is backed up in some locations by propane stored in-plant and in reserve storage.

Anticipated growing demand for piston rings to be used in small- and medium-sized diesel engines is being met by a new high-production Koppers facility in Georgia built with state-of-the-art manufacturing systems.

Competitive and Seasonal Conditions

There is significant competition in each of Engineered Metal Products business lines. Certain of the group's products generally sell at premium prices, and Koppers strong market position is based upon demonstrated excellence in design, performance, technical support and other specific factors.

Principal products and services are distributed mainly through the group's sales force, augmented in some lines by agents and distributors. Most business lines are not affected by seasonal fluctuations.

Working capital amounts include repair parts inventories required for field service activities, as well as inventory parts kept on hand for standard machines to meet competitive delivery schedules. In certain lines, working capital amounts include retainages that are receivable upon satisfactory performance of the installation.

Engineered Metal Products 1983 Sales by Major Economic Sector

Economic Sector	($ Millions)	%
Manufacturers' Capital Equipment	$186.8	100%

Backlog

Engineered Metal Products backlog at the end of 1983 was $97.8 million, compared with $102.9 million a year earlier. Total backlog is believed to be firm, and approximately 90% is expected to be shipped in 1984. No significant seasonal factors influence the backlog.

Engineering and Construction

Engineering and Construction Business

Koppers designs and builds basic steel plants, including coke ovens and related by-product chemical plants, blast furnaces and basic oxygen furnaces for the steelmaking process.

Licensing arrangements permit the marketing of products and services related to steelmaking in the Western Hemisphere, including process control systems and electric arc furnaces.

Kop-Tech, a joint venture company with Trans Tech Corporation of Japan, has access to Japanese financing and use of Japanese technology in North America for the steel industry.

In February, 1984, the North Carolina peat-to-methanol project was canceled by the U.S. Synthetic Fuels Corporation's decision denying additional financial assistance needed to justify Koppers participation as an equity partner.

An affiliate, KBW Gasification Systems, Inc. (Koppers-Babcock and Wilcox), supplies engineering and construction services to the synfuels industry based on the entrained-bed coal gasification process. KBW will postpone further marketing efforts and await development of a more favorable climate for synfuels projects to propose the KBW system.

Current business is directly related to capital expenditures in the primary end of the steel industry. Normally, most of the group's annual sales volume results from work on a relatively small number of large contracts.

Raw Materials and Fuel

Large quantities of structural and fabricated steel, reinforcing bar, refractories, pipe, electrical wire and conduit are used in the group's construction work. These materials are purchased from others or supplied by subcontractors.

Competitive and Seasonal Conditions

Koppers competes against other U.S. construction companies and against foreign design companies currently working in conjunction with U.S. builders on engineering and construction of domestic steel plant projects. Price, performance and ability to aid in financing are major determinants in competition. Engineering and construction services are sold directly by the group's sales organization. Certain portions of any project may be subcontracted on a project-by-project basis.

Engineering and Construction business is seasonal to the extent that most construction activity is subject to disruptions from severe weather.

Working capital employed in Engineering and Construction work is basically a function of billings rendered on contracts but not yet received. This varies with the volume of construction under way and also with a recent tendency of customers to increase the period between billing and reimbursement.

Backlog

The construction backlog was $3.4 million at the close of 1983, compared with $6.8 million a year earlier. The entire backlog is considered firm, and nearly all of the work is expected to be performed in 1984. The backlog is totally dependent upon the capital investment plans of the steel industry, which remain at a depressed level.

Engineering and Construction 1983 Sales by Major Economic Sector	($ Millions)	%
Nonbuilding Construction	$11.1	100%

Description Of Koppers Business

General Development of Koppers Business

Koppers Company, Inc. was incorporated on September 30, 1944. It succeeded by merger to the properties and business of four predecessor companies. Those companies grew logically out of Koppers original business, established in 1907, to design and build chemical-recovery coke plants for the American steel industry.

Prior to 1965, Koppers was highly dependent upon its original steel plant construction business for earnings growth. This accounted for as much as 40% of the Company's annual earnings. It was a cyclical business that had a disconcerting roller-coaster effect on the Company's prospects for growth.

In 1965, the Company began to build a manufacturing organization that would produce consistent earnings growth and thereby reduce Koppers dependence upon the steel industry capital investment cycle. Koppers today is a diversified manufacturing corporation offering specialized engineering and construction capabilities.

Pursuit of the Company's objective to expand its manufacturing businesses to achieve consistent earnings growth has been characterized by capital investment in new plants and equipment.

This expansion program has increased the total investment in Koppers operations from $190 million in 1964 to $888 million at the close of 1983.

Employment

The average number of persons employed by the Company was 14,518 in 1983, down from 17,334 in 1982. Most of the employment drop in 1983 resulted from the sale or closing of facilities and layoffs related to weak business conditions.

Approximately 7,000 of the Company's employees are covered by 150 different collective bargaining agreements. Successful labor contract negotiations were completed at 44 locations in 1983.

Financial Information by Industry Segment

Selected financial information for each of Koppers operating units for a 10-year period appears on page 24. Additional financial information on the operating groups appears in the table "Operations by Business Segments" on page 35.

Patents and Licensing

Koppers owns more than 750 existing United States patents and a large number of foreign patents covering many products and processes. Some of the Company's patents and technology are licensed to other companies. The Company makes few of its products under licenses from other companies with respect to patents they own or technology they have supplied. No single patent or license is considered material in relation to the Company's overall performance.

Properties

The Company has 252 operating locations in 35 states in the U.S., Canada, Great Britain and Australia. They include Chemical and Allied Products, 80; Construction Materials and Services, 163; and Engineered Metal Products, 9. Engineering, drafting, estimating, procurement and scheduling personnel for the Engineering and Construction unit are located in Pittsburgh, Pa. Principal operating plants are located at Dolomite, Ala.; Oroville, Calif.; Conley, Ga.; Cicero, Ill.; Baltimore, Md.; Newark, N.J.; Muncy, Petrolia and South Fayette, Pa.; and Follansbee, W.Va.

In the opinion of management, the production capacities in Koppers various business segments are adequate to operate at a significantly higher volume than in 1983.

Research and Development

The Company conducts its research activities at two locations in suburban Pittsburgh, Pa., as well as through special projects at a number of universities and at Genex Corporation, a major biotechnology firm. Koppers research laboratories explore advanced technologies, develop new products and improve manufacturing processes. Special services, such as pollution control and analytical and engineering support, are provided to all operations of the Company. Development laboratories at several locations support each of the Company's business segments. The amount spent on research and development activities was approximately $18.3 million in 1983, $22.0 million in 1982 and $16.5 million in 1981.

Description Of Koppers Business

Legal Proceedings

On March 30, 1983, Republic Steel Corporation sued Koppers in the United States District Court for the Northern District of Ohio for $61 million for damages to a coke oven battery at its Cleveland, Ohio plant resulting from Republic's coking operations. Republic alleged that the coke oven battery, constructed by Koppers in 1977, was improperly designed or constructed. Koppers had previously been joined as a third-party defendant by Republic's insurance carriers in an action filed by Republic to recover under its contracts of insurance for the coke oven damages. The case was settled on October 26, 1983 for $14 million, of which Koppers contributed $750,000.

On August 7, 1981, Inland Steel Corporation filed an action against Koppers in the Lake Superior Court, East Chicago, Indiana, alleging that negligence, fraud and breach of contract in construction of a coke oven battery and blast furnace by Koppers at Inland's Indiana Harbor Works had caused Inland damages in the amount of $100 million. Koppers counterclaimed to recover $17 million still unpaid by Inland on the contract for construction of the coke oven battery and blast furnace. Venue in this action was moved to the La Porte Circuit Court, La Porte, Indiana. The negligence count was dropped by Inland and the court dismissed the fraud count. Trial began on January 17, 1984 and a verdict was rendered on February 21, 1984 for Inland on its claims in the amount of $74 million and for Koppers on its counterclaim in the amount of $10 million, for a net verdict in favor of Inland in the amount of $64 million. Koppers management believes it has meritorious defenses to Inland's claim and will take all legal actions, including appeals, to set aside the verdict or obtain a new trial.

On July 6, 1983, 97 individual plaintiffs brought suit against 12 named defendants, including Koppers, North American Phillips Corporation, Drake Chemical Company and American Color & Chemical Company, formerly a jointly owned subsidiary of Koppers and Phillips, in the Clinton County, Pennsylvania Court of Common Pleas alleging generally that defendants produced, stored, purchased and sold toxic chemicals in the City of Lock Haven, Pennsylvania that contaminated air, soil and groundwater in the vicinity of plants operated by American Color and Drake Chemical. Plaintiffs have requested $120 million compensatory damages, $200 million punitive damages and an order directing defendants to clean up and dispose of all hazardous waste attributable to them in the area. Koppers sold its 48% interest in American Color to Phillips in 1982 when the Lock Haven plant closed. The action is in its preliminary stages, but Koppers management believes that it has sound defenses to this claim and that this litigation will not result in any material liability to Koppers.

A Grand Jury convened in the United States District Court for the District of Colorado is investigating alleged irregularities in highway paving bidding in violation of Section 1 of the Sherman Antitrust Act. On July 18, 1983, Koppers received a letter from the United States Department of Justice naming Koppers subsidiary, Sterling Paving Company, as a target of this investigation. Sterling Paving Company was acquired by Koppers in November, 1981. Koppers has been informed that the activities that motivated Sterling's designation as a target of the investigation occurred prior to Koppers acquisition of Sterling.

Koppers is involved in environmental proceedings at a small percentage of its plants. These in the aggregate are not material to the business or financial condition of Koppers, nor will their total cost to Koppers exceed 10% of the current assets of Koppers and its subsidiaries on a consolidated basis. Koppers management has no reason to believe that any governmental authority will impose sanctions in any such proceedings in excess of $100,000.

Environmental, Occupational Health and Safety Regulations

The Company is subject to federal, state and local regulations on the environmental impacts of solid waste disposal; air and water quality impacts of its manufacturing operations; toxic substance control; and occupational health and safety of its employees. About $3.0 million, or 6.8%, of Koppers capital investments for plant and equipment in 1983 went to eliminate pollution or to bring it within satisfactory levels. Environmental improvements are expected to account for a comparable proportion of the total funds invested in new facilities in 1984. No estimates are available for subsequent years. Operating expenses attributable to pollution control equipment are increasing at a rate roughly equivalent to the increases in the cumulative capital base of the Company. Although environmental regulations have not yet had a material adverse effect on operations, governmental action has required and may continue to require the Company to modify, supplement, replace or abandon equipment and facilities and may delay or impede construction and operation of new facilities. These potential costs cannot be forecast with precision.

Koppers, in common with many other enterprises, is subject to regulations under the federal Occupational Safety and Health Act. Health and safety regulations have not materially affected the Company's operations in the past. If the standards applicable to chemical processors are made more stringent, these regulations could affect certain of Koppers businesses more significantly in the future.

Some aspects of the Company's business will be affected by U.S. Environmental Protection Agency (EPA) regulations requiring premarket disclosure of the potential health and environmental impact of new chemicals and environmental and health testing of some existing chemicals. The promulgation of stringent federal regulations on chemical solid waste disposal under the Resource Conservation and Recovery Act has added to operating costs in a number of Koppers chemically related businesses and has required some remedial environmental cleanup at existing Company waste disposal sites. In related matters, groundwater quality investigations are continuing at a number of current manufacturing sites as well as inactive plant sites and are expected to result in some additional remedial actions.

Koppers has received 11 citations under the "Superfund," or Comprehensive Environmental Response Compensation and Liability Act, and is being considered for three additional citations. This action requires the Company to conduct hydrogeological studies at each location to determine the nature of the problems and the best available solutions. The Company expects to negotiate settlements with EPA in all cases. Preliminary estimates indicate that total costs will not result in any material liability to the Company.

Comprehensive review of EPA's "Rebuttable Presumption Against Re-Registration" notices issued in 1978 against three Koppers wood preservatives—creosote, pentachlorophenol and arsenicals—is due to be completed in the spring of 1984. While the EPA has tentatively concluded that these wood preservatives should be re-registered, the conditions and use restrictions of the re-registration have not yet been settled. The final conditions of re-registration will include new requirements for applicator training and certification. Compliance with these new regulations should not have a substantial impact on the sales or earnings of affected divisions.

Mineral Assets Price and Quantity Information

The table below provides information relating to Koppers mineral reserves. Estimates for proven and probable mineral reserves were obtained at the times of acquisition of the reserves, which range from 1967 to the present and were monitored thereafter.

(Volumes are in thousands of tons; $ are per ton values.)	Years Ended December 31, 1983	1982	1981	1980	1979
Proven and probable reserves at beginning of year					
Coal	**142,599**	144,402	145,009	71,048	72,619
Stone	**1,883,639**	1,860,017	1,834,450	1,480,014	1,286,701
Sand and gravel	**441,527**	447,175	438,982	388,211	400,433
Additions resulting from purchases of in-place mineral reserves					
Coal	**200**	80	2,009	76,000	—
Stone	**25,072**	44,127	49,454	387,081	223,875
Sand and gravel	**13,350**	2,424	21,872	70,295	9,580
Reductions resulting from production					
Coal	**1,465**	1,883	2,616	2,039	1,571
Stone	**19,338**	20,505	23,887	32,645	30,562
Sand and gravel	**12,102**	8,072	13,679	19,524	21,802
Reductions resulting from sale of reserves					
Coal	**45**	—	—	—	—
Stone	**122,266**	—	—	—	—
Sand and gravel	**101,042**	—	—	—	—
Proven and probable reserves at end of year					
Coal	**141,289**	142,599	144,402	145,009	71,048
Stone	**1,767,107**	1,883,639	1,860,017	1,834,450	1,480,014
Sand and gravel	**341,733**	441,527	447,175	438,982	388,211
Average market price					
Coal*	**$33.36**	$33.45	$33.20	$30.49	$25.99
Stone	**$ 4.18**	$ 4.01	$ 3.69	$ 3.68	$ 3.23
Sand and gravel	**$ 3.76**	$ 3.64	$ 3.48	$ 3.22	$ 2.68
Average royalty rate					
Coal*	**$ 2.67**	$ 2.77	$ 2.72	$ 2.52	$ 1.94

*Koppers primarily acts as a lessor to coal mining companies and receives a royalty fee on each ton sold.

Exhibits for Form 10-K

The following exhibits are included as a part of the 1983 Form 10-K Report as required by Item 601 of Regulation S-K. Shareholders may obtain copies of the exhibits not presented here upon written request to: Secretary, Koppers Company, Inc., Koppers Building, Pittsburgh, Pa. 15219.

Exhibit A—3.1 Koppers Certificate of Incorporation, as amended, and the Certificate of Resolution, dated December 16, 1980, setting forth certain terms of Koppers $10 convertible preference stock, filed as exhibits 4.1 and 4.2 to Koppers Registration Statement No. 2-70174 and incorporated herein by this reference.

Exhibit B—3.2 Koppers By-Laws as amended to January 30, 1984.

Exhibit C—10.1 Koppers Deferred Compensation Unit Plan, filed as Exhibit 10.2 to Koppers Annual Report and Form 10-K for the year ended December 31,1981 and incorporated herein by this reference.

Exhibit D—10.2 Koppers Deferred Compensation Plan for Directors.

Exhibit E—10.3 Agreement dated April 26, 1982 between Koppers and Fletcher L. Byrom for consulting services, filed as exhibit 10.1 to Koppers Form 10-Q for the quarter ended June 30, 1982 and incorporated herein by this reference.

Exhibit F—10.4 Koppers 1979 Performance Share Plan.

Exhibit G—10.5 Koppers 1984 Incentive Plan. An Incentive Plan for 1984 has been authorized by the Board of Directors for 93 key employees, of whom 13 are executive officers and another is an executive officer and director of Koppers, with the following method of determining incentive payments: The Incentive Fund shall accrue at the rate of 4.3% of the difference between a compensation base and Koppers total income before any provision for incentive under the Plan, interest, income taxes and extraordinary items until it reaches $1.6 million, after which it shall accrue at the rate of 1.5% of such difference provided that the total Incentive Fund shall not exceed 100% of the maximum amount participants could earn. The compensation base shall be equal to 12% of invested capital, which is defined as the sum of earned surplus at the beginning of the year plus the average for the year of the stated value of the common, preference and preferred stock, capital surplus and total debt (including commercial paper). The amount credited to the Incentive Fund shall not reduce the net income to common stock below an amount equivalent to 125% of the amount needed to cover the regular common stock cash dividends. The calculation of the Incentive Fund will be reported on by Koppers certified public accountants. The Chairman of the Board and other participants designated by Koppers management shall be eligible to participate in the 1984 Executive Incentive Plan. The distribution of the Incentive Fund shall be made to participants by determination of the Chairman, and to the Chairman by determination of the Compensation Committee of the Board. The distribution to any participant shall not exceed 60% of his or her salary as of January 1, 1984 unless specific approval shall be given by the Compensation Committee to recognize outstanding individual performance by payment of an additional incentive not to exceed 15% of the January 1, 1984 salary of such participant.

Exhibit H—22.1 Koppers has the subsidiaries listed below whose accounts are included in its consolidated financial statements. The Company has also 43 other subsidiaries, which are not named here because all of them, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Subsidiary and Jurisdiction of Incorporation

Broderick and Gibbons, Inc.—Colo.
Cherokee Crushed Stone, Inc.—Del.
Eastern Rock Products, Inc.—N.Y.
Echols Brothers, Inc.—Del.
Erie Sand and Gravel Co.—Pa.
  Erie Sand Steamship Co.—Del.
  Ontario-Lake Erie Sand Ltd.—Canada
Fairfield Bridge Company, Inc.—Del.
The General Crushed Stone Co.—Del.
  Chester Carriers, Inc.—Del.
  Easton Mack Truck Sales, Inc.—Penna.
  The Stone Man, Inc.—Del.
Sim J. Harris Co.—Del.
Honolulu Wood Treating Co., Ltd.—Hawaii
Ivy Corporation—Delaware
  Davidson Mineral Properties, Inc.—Del.
  Meadow Steel Products, Inc.—Del.
Kaiser Sand and Gravel Co.—Del.
The Kentucky Stone Co.—Ky.
Koppers Engineered Products Ltd.—Ontario, Canada
Koppers International Canada Ltd.—Canada
Lycoming Silica Sand Co.—Pa.
The McMichael Company—Del.
  McMichael Asphalt Sales Co.—Okla.
  McMichael Concrete Co.—Okla.
  Tulsa Concrete Co.—Okla.
  Tulsa Paving Co.—Okla.
  Tulsa Rock Co.—Okla.
Parr, Inc.—Del.
Reeves Construction Co.—Ga.
Sloan Construction Co., Inc.—S.C.
Sterling Paving Co.—Colo.
Sterling Sand & Gravel Co.—Colo.
Sterling Sand & Gravel Co. of Wyoming—Wyo.
Sully-Miller Contracting Co.—Calif.
  P&K Materials, Inc.—Calif.
  South Coast Asphalt Products Co.—Calif.
  Southern Pacific Milling Co.—Calif.
Nello L. Teer Co.—Del.
  Central Engineering and Contracting Corporation—N.C.
  Romeo Guest Associates, Inc.—N.C.
  Nello L. Teer International, Inc.—Del.
  Webster County Coal Co.—N.C.
Thiem Corporation—Del.
U.S. Plastic and Chemical Corp.—Del.
Western Paving Construction Co.—Colo.
  Mid-Kansas Construction Co., Inc.—Kans.

Exhibit I—24.1 Consent of Arthur Young & Company, Certified Public Accountants, to the incorporation by reference in the Registration Statements (Form S-8 #2-65753 and #2-89784) and the related Prospectus pertaining to Koppers Employee Savings Plan of their report included in Koppers Annual Report and Form 10-K for the year ended December 31, 1983.

Signatures Required for Form 10-K

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Koppers has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on February 27, 1984.

Koppers Company, Inc.

By ______
A. William Capone
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of Koppers in the capacities and on the dates indicated.

Charles R. Pullin
Chairman of the Board of Directors
(Chief Executive Officer)
February 27, 1984

Douglas Grymes, Director
February 27, 1984

Fitzhugh L. Brown, Comptroller
February 27, 1984

Terrance Hanold, Director
February 27, 1984

Charles F. Barber, Director
February 27, 1984

William H. Knoell, Director
February 27, 1984

Evelyn Berezin, Director
February 27, 1984

Andrew W. Mathieson, Director
February 27, 1984

Fletcher L. Byrom, Director
February 27, 1984

Nathan W. Pearson, Director
February 27, 1984

Richard M. Cyert, Director
February 27, 1984

Koppers Company, Inc.
Koppers Building
Pittsburgh, PA 15219
Area Code 412/227-2000

Common Stock
Symbol: KOP

Exchange Listings:
New York Stock Exchange
Midwest Stock Exchange
Pacific Stock Exchange

Transfer Agents:
Mellon Bank N.A.
Mellon Square
Pittsburgh, PA 15230

Bradford Trust Company
67 Broad Street
New York, NY 10005

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, IL 60690

Bank of America National Trust and Savings Association
55 Hawthorne Street
San Francisco, CA 94105

Stock Registrars:
Pittsburgh National Bank
P. O. Box 340746P
Pittsburgh, PA 15230

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, NY 10015

Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street
Chicago, IL 60601

Manufacturers Hanover Trust Company of California
50 California Street
San Francisco, CA 94111

Dividend Disbursing Agent:
Mellon Bank N.A.
Mellon Square
Pittsburgh, PA 15230

General Subject Index

To aid the annual report reader who is interested in general subject areas, the following index is an alphabetical guide with specific page references. It is based upon a judgment as to those items most often referred to and should not be considered a complete listing.

Information on Koppers Operations:

Koppers Company, Inc., Science and Technology
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2000

KOPPERS

CERTIFIED MAIL

March 29, 1985

Colonel Charlie L. Blalock
Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, MS 39209

RE: RCRA Financial Requirements

Dear Colonel Blalock:

Enclosed is a letter from Koppers Company, Inc., Chief Financial Officer concerning RCRA Financial Requirements for 1984. Also enclosed is our certified public accountant's report on examination of Koppers' Financial Statement for the latest completed fiscal year. The enclosed 1984 Annual Report contains the SEC Form 10-K for the fiscal year ending December 31, 1984.

Be advised also that our insurance carrier, Travelers, has informed us that our Hazardous Waste Facility Liability Insurance was issued as a continuous policy with no expiration date. It therefore continues in force for 1985.

If you have any questions concerning this submission, please contact me at the above telephone number and address.

Sincerely yours,

Charles P. Brush

Charles P. Brush, P.E.
Program Manager
Hazardous Waste Affairs

CPB/mas

Enclosure

DIVISION OF SOLID WASTE
REVIEWED BY RAL
DATE 5/1/85
COMMENTS costs are not current
Cl. Cost

FT- OK
CPA - Report - OK
CPA - Special Report - OK
CFO Letter - OK

Koppers

Basis for Noncompliance

Project Officer Bob Lu

Telephone Number 961-5171

Violations are designated below by (X):

( ) Mechanism improperly addressed.

( ) Invalid signature.

( ) Wording of instrument not identical to Section 264.151.

( ) Unreasonable Closure Cost Estimate.

( ) Mississippi facility not included in mechanism.

( ) Originally signed duplicate not submitted.

( ) Schedule A not included.

( ) Schedule B not included.

( ) Mechanism not in effect.

( ) Financial institution is not qualified.

( ) Financial mechanism does not cover closure cost estimate.

For Financial Test, Corporate Guarantee Option:

( ) No letter from chief financial officer.

( ) No independent CPA's opinion.

( ) The CPA's opinion has been qualified; further information is required.

( ) No written corporate guarantee demonstrating sufficient stock ownership has been submitted.

( ) The designated CPA(s) is(are) not approved by the State Board of Accountancy.

( ) The facility has failed to meet the required criteria in Alternative I or II.

For Liability Coverage (sudden occurrences)

( ) Amount of coverage is not at least $1 million per occurrence, $2 million annual aggregate.

( ) Amount of coverage does not specifically exclude legal cost.

( ) Certificate of Insurance has not been submitted.

( ) Hazardous Waste Facility Liability Endorsement has not been submitted.

( ) The facility has failed to meet the criteria in Alternative I or II.

For Liability coverage (nonsudden occurrences)

( ) Amount of coverage is not at least $3 million per occurrence, $6 million annual aggregate.

( ) Certificate of Insurance has not been submitted.

( ) Hazardous Waste Facility Liability Endorsement has not been submitted.

( ) The facility has failed to meet the criteria in Alternative I or II.

Other comments (or explanation of apparent violations).

Current closure plan & cost estimate don't appear to be adequate. Post closure is not included.

Koppers Company, Inc., Finance Department
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2185

KOPPERS

Thomas M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

March 29, 1985

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for closure and/or post-closure care and liability coverage as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
MSD 007027543 Grenada Plant Koppers Company, Inc. P.O. Box 160 Grenada, MS 38960	$36,709	$ 0	$36,709

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A and B	$6,701,442	$377,449	$7,078,891

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1984.

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)	$ 7,115,600	
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 6,000,000	
3.	Sum of lines 1 and 2	$ 13,115,600	
*4.	Total liabilities	$ 553,171,000	
*5.	Tangible net worth	$ 608,003,000	
*6.	Net worth	$ 613,335,000	
*7.	Current assets	$ 487,962,000	
*8.	Current liabilities	$ 267,004,000	
9.	Net working capital	$ 220,958,000	
*10.	The sum of net income plus depreciation, depletion and amortization	$ 109,073,000	
*11.	Total assets in U.S.	Not Applicable	
		Yes	**No**
12.	Is line 5 at least $10 million?	x	
13.	Is line 5 at least 6 times line 3?	x	
14.	Is line 9 at least 6 times line 3?	x	
*15.	Are at least 90% of assets located in the US? If not complete line 16	x	
16.	Is line 11 at least 6 times line 3?	Not Applicable	
17.	Is line 4 divided by line 6 less than 2.0?	x	
18.	Is line 10 divided by line 4 greater than 0.1?	x	
19.	Is line 7 divided by line 8 greater than 1.5?	x	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

Yours very truly,

T. M. St. Clair
T. M. St. Clair
Vice President, Treasurer and
Chief Financial Officer
March 29, 1985

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

ARTHUR YOUNG

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone: (412) 288-4400
Telex: WU 86-6133

March 29, 1985

Executive Director
Mississippi Department of
Natural Resources
P.O. Box 10385
Jackson, MS 39209

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1984 and the related consolidated statements of operations, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended, and have issued our report thereon dated January 24, 1985. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pursuant to the provisions of Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265, the chief financial officer, T. M. St. Clair, has prepared a letter dated March 29, 1985 demonstrating both liability coverage and assurance of closure or post-closure care. Certain data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1984 Form 10-K.

In connection with the procedure referred to above, nothing came to our attention which caused us to believe that the financial data contained in the above-mentioned letter should be adjusted.

Very truly yours,

Arthur Young & Company

ATTACHMENTS A & B

KOPPERS COMPANY, INC.

ATTACHMENT A
1984 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvnia 15219

December 31, 1984

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1984. Facilities are listed according to states.

Facility Location	Cost Estimates 1984 Closure	1984 Post Closure
Woodward Coke P.O.Box Dolomite, Alabama, 35061 ALD 000771949	$15,422 Total Cost =	$0.00 $15,422
Woodward Tar P.O.Box Dolomite, Alabama, 35061 ALD 085765808	$30,737 Total Cost =	$0.00 $30,737
Montgomery Plant P.O. Box 510 Montgomery, Alabama, 36101 ALD 004009403	$11,663 Total Cost =	$0.00 $11,663
Little Rock Plant P.O. Box 3231 North Little Rock, Arkansas, 72117 ARD 006344824	$216,314 Total Cost =	$0.00 $216,314
Commerce Plant P.O. Box 22066 Los Angeles, California, 90022 CAD 004937793	$16,727 Total Cost =	$0.00 $16,727
Oxnard Plant P.O.Box Oxnard, California, 93033 CAD 087163267	$21,947 Total Cost =	$0.00 $21,947
Cal-Richmond Plant P.O.Box Richmond, California, 94806 CAD 043242718	$8,526 Total Cost =	$0.00 $8,526
Feather River Plant P.O.Box 351 Oroville, California, 95965 CAD 009112087	$2,303,595 Total Cost =	$0.00 $2,303,595

ATTACHMENT A - 1984 COSTS

Ontario Plant P.O. Box 1112 Guasti, California, 91743 CAD 000617324	$18,039 Total Cost =	$0.00 $18,039
Fontana Plant P.O.Box Fontana, California, 92335 CAD 073568677	$59,640 Total Cost =	$0.00 $59,640
Denver Plant P.O. Box Denver, Colorado, 80216 COD 007077175	$183,333 Total Cost =	$0.00 $183,333
Gainesville Plant P.O. Box 1067 Gainesville, Florida, 32602 FLD 004057535	$9,717 Total Cost =	$0.00 $9,717
Conley Plant P.O.Box Conley, Georgia, 30027 GAD 004009403	$14,135 Total Cost =	$0.00 $14,135
Galesburg Plant P.O. Box 1191 Galesburg, Illinois, 61401 ILD 990817991	$6,137 Total Cost =	$0.00 $6,137
Chicago Plant P.O.Box Chicago, Illinois, 60650 ILD 005164611	$51,131 Total Cost =	$0.00 $51,131
Carbondale Plant P.O. Box 270 Carbondale, ILLinois, 62901 ILD 000819946	$1,892,104 Total Cost =	$100,500 $1,992,604
Valparaiso Plant P.O.Box 104 Valparaiso, Indiana, 46383 IND 000781609	$9,836 Total Cost =	$0.00 $9,836
Guthrie Plant P.O. Box 8 Guthrie, Kentucky, 42234 KYD 006383392	$100,857 Total Cost =	$0.00 $100,857

ATTACHMENT A - 1984 COSTS

Salisbury Plant P.O. Box 2217 Salisbury, Maryland, 21801 MDD 05650680	$16,897 Total Cost =	$0.00 $16,897
Grenada Plant P.O. Box 8 Grenada, Mississippi, 38960 MSD 007027543	$36,709 Total Cost =	$0.00 $36,709
Kansas City Plant P.O. Box 8057 Kansas City, Missouri, 64129 MOD 007146517	$7,061 Total Cost =	$0.00 $7,061
St. Louis Plant P.O.Box St. Louis, Missouri, 63110 MOD 056963036	$5,775 Total Cost =	$0.00 $5,775
Nashua P.O.Box 488 Nashua, NH, 03061 NHD 001084979	$3,450 Total Cost =	$0.00 $3,450
Orrville Product Devleopment P.O. Box 905 Orrville, Ohio, 44667 OHD 068911494	$36,877 Total Cost =	$0.00 $36,877
Youngstown Plant P.O.Box Youngstown, Ohio, 44501 OHD 004198784	$49,905 Total Cost =	$0.00 $49,905
Parr - Syracuse P.O.Box Cleveland, Ohio, 44110 OHD 004179180	$15,488 Total Cost =	$0.00 $15,488
Parr - Denison P.O.Box Cleveland, Ohio, 44102 OHD 060431947	$5,390 Total Cost =	$0.00 $5,390
Florence Plant P.O. Box 1725 Florence, South Carolina, 29503 SCD 003353026	$76,437 Total Cost =	$0.00 $76,437

ATTACHMENT A - 1984 COSTS

Irving Plant P.O.Box Irving, Texas, 75060 TXD 053126785	$37,747 Total Cost =	$0.00 $37,747
Houston Tar Plant P.O.Box Houston, Texas, 77015 TXD 008089021	$17,111 Total Cost =	$0.00 $17,111
Richmond Plant P.O.Box Richmond, Virginia, 23231 VAD 003121977	$211,437 Total Cost =	$212,240 $423,677
Roanoke Plant P.O. Box 792 Salem, Virginia, 24153 VAD 003125770	$267,402 Total Cost =	$0.00 $267,402
Follansbee Plant P.O.Box Follansbee, West Virginia, 26037 WVD 004336749	$3,000 Total Cost =	$0.00 $3,000
Follansbee Landfill P.O.Box Follansbee, West Virginia, 26037 WVD 550010144	$90,700 Total Cost =	$64,709 $155,409
Green Spring Plant P.O. Box 98 Green Spring, West Virginia, 26722 WVD 003080959	$443,068 Total Cost =	$0.00 $443,068

ATTACHMENT B
1984 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvnia 15219

December 31, 1984

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1984. Facilities are listed according to states.

Facility Location	**Cost Estimates** 1984 Closure	1984 Post Closure
Oil City Plant P.O. Box 98 Oil City, Pennsylvania, 16301 PAD 004336756	$177,518 Total Cost =	$0.00 $177,518
Petrolia Plant P.O.Box Petrolia, Pennsylvania, 16050 PAD 004336731	$2,788 Total Cost =	$0.00 $2,788
Verona Research P.O.Box Verona, Pennsylvania, 15147 PAD 000647339	$8,137 Total Cost =	$0.00 $8,137
Morgan Plant P.O. Box 431 Morgan, Pennsylvania, 15064 PAD 000800862	$2,788 Total Cost =	$0.00 $2,788
Erie Plant P.O.Box Erie, Pennsylvania, 16512 PAD 07747864	$4,206 Total Cost =	$0.00 $4,206
Bridgeville Plant P.O. Box 219 Bridgeville, Pennsylvania, 15017 PAD 063764898	$65,985 Total Cost =	$0.00 $65,985
Susquehanna Plant P.O.Box 189 Montgomery, Pennsylvania, 17752 PAD 056723265	$145,123 Total Cost =	$0.00 $145,123
Science & Technology Center P.O.Box Monroeville, Pennsylvania, 15146 PAD 082245754	$5,540 Total Cost =	$0.00 $5,540

ATTACHMENT B - 1984 COSTS

Swedeland Plant	$4,916	$0.00
River Road		
Swedeland, Pennsylvania, 19405	Total Cost = $4,916	
PAD 084766369		
Campbell Plant	$17,971	$0.00
P.O.Box		
Ewa Beach, Hawaii, 96708	Total Cost = $17,971	
HID 009198797		
Maui Plant	$8,865	$0.00
P.O. Box 1650		
Maui, Hawaii, 96732	Total Cost = $8,865	
HID 059475210		

RECORD OF TELEPHONE CONVERSATION

Name of firm or party

Address

Contact

Phone

Financial requirements --

264.142(b) - adjust cost estimate 30 days after anniversary date of original cost estimate. David Lee said cost adjustments for most facilities are due May 19 or when Part B is submitted.

Sudden + non-sudden insurance - Company initially submits certificate, we review the wording. There is no "annual submittal" requirement. The insurance co. is suppose to notify us before ~~dropping~~ dropping a policy.

For companies using financial test, test is due 90 days after the fiscal year end.

Koppers financial test for FY 84 is due by March 31.

Signature

Date

MISSISS 'I DEPARTMENT OF NATURAL RES 'RCES
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209
(601) 961-5171

M E M O R A N D U M

TO: Hazardous Waste TSD Facilities

FROM: Robert A. Lee

SUBJECT: Annual Closure Cost Estimate Update

DATE: April 3, 1985

1. The closure cost estimate must be updated by May 19, 1985. This estimate must be submitted to this office by May 28, 1985.

2. Financial assurance mechanism must be updated as follows:

   A. Facilities that use the Financial Test must resubmit financial information incorporating the closure cost estimate update within 90 days after the end of their fiscal year;

   B. Facilities that use the Trust Fund must update Schedule A of the Trust Fund by July 18, 1985. Annual payments into the Trust Fund must be made by December 1, 1985;

   C. Facilities that use the Surety Bond must increase the amount of the bond and submit evidence of such increase to our office or obtain alternate financial assurance by July 18, 1985;

   D. Facilities that use the Letter of Credit must cause the amount of the credit to be increased so that it at least equals the current closure cost estimate and submit evidence of such increase to our office or obtain other financial assurance by July 18, 1985; and

   E. Facilities that use Closure Insurance must either cause the face amount of the insurance to be increased to the current closure cost estimate and submit evidence to our office or obtain other financial assurance by July 18, 1985.

To update your closure cost estimate, you must multiply the current closure cost estimate (1984 estimate) times 1.038. The new figures will become the updated closure cost estimate for which you must demonstrate financial assurance.

Example:

Original closure cost estimate - $10,000 (1981)
1982 update $10,000 x 1.09 = $10,900
1983 update $10,900 x 1.07 = $11,663
1984 update $11,663 x 1.04 = $12,130
1985 update $12,130 x 1.038= $12,594

Should you have any questions, please contact me at (601) 961-5171.

RAL:hdb

Koppers Company, Inc., Science and Technology
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2000

DNR-PC
13

KOPPERS

May 20, 1985

CERTIFIED MAIL

Colonel Charlie L. Blalock
Executive Director
Mississippi Department of Natural
Resources
P. O. Box 10385
Jackson, MS 39209

RE: RCRA Financial Assurance Submission
of March 29, 1985

Dear Colonel Blalock:

Enclosed is a revised letter from Koppers Company, Inc., Chief Financial Officer concerning RCRA Requirements for 1984. The surface impoundment costs at the Grenada Facility have been amended from the original submission made on March 29, 1985. The container storage costs remain unchanged.

If you have any questions concerning this revised submission, please contact me at the above telephone number and address.

Sincerely yours,

Charles P. Brush

Charles P. Brush, P.E.
Program Manager
Hazardous Waste Affairs

CPB/mas

Enclosure

Koppers Company, Inc., Finance Department
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2185

KOPPERS

Thomas M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

March 29, 1985

Revised May 20, 1985

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for closure and/or post-closure care and liability coverage as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
MSD 007027543 Grenada Plant Koppers Company, Inc. P.O. Box 160 Grenada, MS 38960	$74,065	$ 0	$74,065

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A and B	$6,701,442	$377,449	$7,078,891

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

Plant and ID No.	Current Estimates: Closure Cost	Current Estimates: Post-Closure Cost	Current Estimates: Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1984.

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)	**$ 7,152,956**	
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 6,000,000	
3.	Sum of lines 1 and 2	**$ 13,152,956**	
*4.	Total liabilities	$ 553,171,000	
*5.	Tangible net worth	$ 608,003,000	
*6.	Net worth	$ 613,335,000	
*7.	Current assets	$ 487,962,000	
*8.	Current liabilities	$ 267,004,000	
9.	Net working capital	$ 220,958,000	
*10.	The sum of net income plus depreciation, depletion and amortization	$ 109,073,000	
*11.	Total assets in U.S.	Not Applicable	
		Yes	No
12.	Is line 5 at least $10 million?	x	
13.	Is line 5 at least 6 times line 3?	x	
14.	Is line 9 at least 6 times line 3?	x	
*15.	Are at least 90% of assets located in the US? If not complete line 16	x	
16.	Is line 11 at least 6 times line 3?	Not Applicable	
17.	Is line 4 divided by line 6 less than 2.0?	x	
18.	Is line 10 divided by line 4 greater than 0.1?	x	
19.	Is line 7 divided by line 8 greater than 1.5?	x	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.**(*)**

Yours very truly,

T. M. St. Clair

T. M. St. Clair
Vice President, Treasurer and
Chief Financial Officer
March 29, 1985

Revised May 20, 1985

(*) The above letter has been amended to reflect a change in the surface impoundment costs at the Grenada Facility. The container storage costs remain unchanged.

ATTACHMENTS A & B

KOPPERS COMPANY, INC.

ATTACHMENT A
1984 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvnia 15219

December 31, 1984

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1984. Facilities are listed according to states.

Facility Location	**Cost Estimates** 1984 Closure	1984 Post Closure
Woodward Coke P.O.Box Dolomite, Alabama, 35061 ALD 000771949	$15,422 Total Cost =	$0.00 $15,422
Woodward Tar P.O.Box Dolomite, Alabama, 35061 ALD 085765808	$30,737 Total Cost =	$0.00 $30,737
Montgomery Plant P.O. Box 510 Montgomery, Alabama, 36101 ALD 004009403	$11,663 Total Cost =	$0.00 $11,663
Little Rock Plant P.O. Box 3231 North Little Rock, Arkansas, 72117 ARD 006344824	$216,314 Total Cost =	$0.00 $216,314
Commerce Plant P.O. Box 22066 Los Angeles, California, 90022 CAD 004937793	$16,727 Total Cost =	$0.00 $16,727
Oxnard Plant P.O.Box Oxnard, California, 93033 CAD 087163267	$21,947 Total Cost =	$0.00 $21,947
Cal-Richmond Plant P.O.Box Richmond, California, 94806 CAD 043242718	$8,526 Total Cost =	$0.00 $8,526
Feather River Plant P.O.Box 351 Oroville, California, 95965 CAD 009112087	$2,303,595 Total Cost =	$0.00 $2,303,595

ATTACHMENT A - 1984 COSTS

Ontario Plant P.O. Box 1112 Guasti, California, 91743 CAD 000617324	$18,039 Total Cost =	$0.00 $18,039
Fontana Plant P.O.Box Fontana, California, 92335 CAD 073568677	$59,640 Total Cost =	$0.00 $59,640
Denver Plant P.O. Box Denver, Colorado, 80216 COD 007077175	$183,333 Total Cost =	$0.00 $183,333
Gainesville Plant P.O. Box 1067 Gainesville, Florida, 32602 FLD 004057535	$9,717 Total Cost =	$0.00 $9,717
Conley Plant P.O.Box Conley, Georgia, 30027 GAD 004009403	$14,135 Total Cost =	$0.00 $14,135
Galesburg Plant P.O. Box 1191 Galesburg, Illinois, 61401 ILD 990817991	$6,137 Total Cost =	$0.00 $6,137
Chicago Plant P.O.Box Chicago, Illinois, 60650 ILD 005164611	$51,131 Total Cost =	$0.00 $51,131
Carbondale Plant P.O. Box 270 Carbondale, ILLinois, 62901 ILD 000819946	$1,892,104 Total Cost =	$100,500 $1,992,604
Valparaiso Plant P.O.Box 104 Valparaiso, Indiana, 46383 IND 000781609	$9,836 Total Cost =	$0.00 $9,836
Guthrie Plant P.O. Box 8 Guthrie, Kentucky, 42234 KYD 006383392	$100,857 Total Cost =	$0.00 $100,857

ATTACHMENT A - 1984 COSTS

Salisbury Plant P.O. Box 2217 Salisbury, Maryland, 21801 MDD 05650680	$16,897 Total Cost =	$0.00 $16,897
*Grenada Plant P.O. Box 8 Grenada, Mississippi, 38960 MSD 007027543	$74,065 Total Cost =	$0.00 $74,065
Kansas City Plant P.O. Box 8057 Kansas City, Missouri, 64129 MOD 007146517	$7,061 Total Cost =	$0.00 $7,061
St. Louis Plant P.O.Box St. Louis, Missouri, 63110 MOD 056963036	$5,775 Total Cost =	$0.00 $5,775
Nashua P.O.Box 488 Nashua, NH, 03061 NHD 001084979	$3,450 Total Cost =	$0.00 $3,450
Orrville Product Devleopment P.O. Box 905 Orrville, Ohio, 44667 OHD 068911494	$36,877 Total Cost =	$0.00 $36,877
Youngstown Plant P.O.Box Youngstown, Ohio, 44501 OHD 004198784	$49,905 Total Cost =	$0.00 $49,905
Parr - Syracuse P.O.Box Cleveland, Ohio, 44110 OHD 004179180	$15,488 Total Cost =	$0.00 $15,488
Parr - Denison P.O.Box Cleveland, Ohio, 44102 OHD 060431947	$5,390 Total Cost =	$0.00 $5,390
Florence Plant P.O. Box 1725 Florence, South Carolina, 29503 SCD 003353026	$76,437 Total Cost =	$0.00 $76,437

*Revised May 20, 1985.

ATTACHMENT A - 1984 COSTS

Irving Plant P.O.Box Irving, Texas, 75060 TXD 053126785	$37,747 Total Cost =	$0.00 $37,747
Houston Tar Plant P.O.Box Houston, Texas, 77015 TXD 008089021	$17,111 Total Cost =	$0.00 $17,111
Richmond Plant P.O.Box Richmond, Virginia, 23231 VAD 003121977	$211,437 Total Cost =	$212,240 $423,677
Roanoke Plant P.O. Box 792 Salem, Virginia, 24153 VAD 003125770	$267,402 Total Cost =	$0.00 $267,402
Follansbee Plant P.O.Box Follansbee, West Virginia, 26037 WVD 004336749	$3,000 Total Cost =	$0.00 $3,000
Follansbee Landfill P.O.Box Follansbee, West Virginia, 26037 WVD 550010144	$90,700 Total Cost =	$64,709 $155,409
Green Spring Plant P.O. Box 98 Green Spring, West Virginia, 26722 WVD 003080959	$443,068 Total Cost =	$0.00 $443,068

ATTACHMENT B
1984 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvnia 15219

December 31, 1984

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1984. Facilities are listed according to states.

Facility Location	**Cost Estimates** 1984 Closure	1984 Post Closure
Oil City Plant	$177,518	$0.00
P.O. Box 98		
Oil City, Pennsylvania, 16301	Total Cost =	$177,518
PAD 004336756		
Petrolia Plant	$2,788	$0.00
P.O.Box		
Petrolia, Pennsylvania, 16050	Total Cost =	$2,788
PAD 004336731		
Verona Research	$8,137	$0.00
P.O.Box		
Verona, Pennsylvania, 15147	Total Cost =	$8,137
PAD 000647339		
Morgan Plant	$2,788	$0.00
P.O. Box 431		
Morgan, Pennsylvania, 15064	Total Cost =	$2,788
PAD 000800862		
Erie Plant	$4,206	$0.00
P.O.Box		
Erie, Pennsylvania, 16512	Total Cost =	$4,206
PAD 07747864		
Bridgeville Plant	$65,985	$0.00
P.O. Box 219		
Bridgeville, Pennsylvania, 15017	Total Cost =	$65,985
PAD 063764898		
Susquehanna Plant	$145,123	$0.00
P.O.Box 189		
Montgomery, Pennsylvania, 17752	Total Cost =	$145,123
PAD 056723265		
Science & Technology Center	$5,540	$0.00
P.O.Box		
Monroeville, Pennsylvania, 15146	Total Cost =	$5,540
PAD 082245754		

ATTACHMENT B - 1984 COSTS

Swedeland Plant	$4,916	$0.00
River Road		
Swedeland, Pennsylvania, 19405	Total Cost = $4,916	
PAD 084766369		
Campbell Plant	$17,971	$0.00
P.O.Box		
Ewa Beach, Hawaii, 96708	Total Cost = $17,971	
HID 009198797		
Maui Plant	$8,865	$0.00
P.O. Box 1650		
Maui, Hawaii, 96732	Total Cost = $8,865	
HID 059475210		

HAZARDOUS WASTE FACILITY CERTIFICATE
of
LIABILITY INSURANCE

MISSISSIPPI

X Travelers Indemnity Company
__ Travelers Indemnity Company of America
__ The Phoenix Insurance Company

__ Travelers Indemnity Company of Rhode Island
__ Travelers Indemnity Company of Illinois
__ Charter Oak Fire Insurance Company

One Tower Square
Hartford, Connecticut 06115

hereby certifies that it has issued liability insurance covering bodily injury and property damage to

Name KOPPERS CO INC
FOREST PRODUCTS GROUP

Mailing Address KOPPERS BUILDING
PITTSBURGH PA 15219

in connection with the insured's obligation to demonstrate financial responsibility under 40 CFR 264.147 or 265.147. The coverage applies at

E.P.A. I.D. NUMBER	NAME	ADDRESS
1. MSD 007027543	GRENADA	P O BOX 160 GRENADA MS 38960
2.		

for:

X sudden accidental occurrences
__ non-sudden accidental occurrences
__ sudden and non-sudden accidental occurrences

The limits of liability are $ 1,000,000 each occurrence
$ 2,000,000 annual aggregate

exclusive of legal defense costs. The coverage is provided under

Policy Number TR-SLG-180T452-3-82

Issued on 12-30-81

The effective date of said policy is 01-01-82

(CONTINUED ON REVERSE)

RECEIVED
SEP 20 REC'D
DEPT OF NATURAL RESOURCE
BUREAU OF POLLUTION CONTROL

PITT-170
09-17-82

Orig. 8-15-82 (Mississippi)

Financial File was reveiwed as per EPA Survey on 10/7/85. Deficiencies found were as follows.

1) No post Closure Cost estimate was included

- This estimate must be included in part B Application to be Submitted on or before November 8, 1985 as per Comission order #91385 dated September 18, 1985.

DIVISION OF SOLID WASTE

REVIEWED BY JC.

DATE 10/7/85

COMMENTS deficiencies were as noted above.

NOTICE OF CANCELLATION

Hazardous Waste Liability Certificate
of
Liability Insurance

RECEIVED
OCT 10 1985
DEPT. OF NATURAL RESOURCES
BUREAU OF POLLUTION CONTROL

filed with

Name MISSISSIPPI DEPARTMENT OF NATURAL RESOURCES

Address BUREAU OF POLLUTION CONTROL
DIVISION OF SOLID WASTE
P.O. BOX 10385
JACKSON, MISS. 39209
ATTN: DAVID LEE

This is to advise that policy # TR-SLG-180T452-3-83

(Named Insured) KOPPERS COMPANY INC

(Mailing Address) KOPPERS BUILDING
PITTSBURGH PA 15219

(Facility Name) TIE PLANT

(Facility Address) P O BOX 160
TIE PLANT MS 38960

EPA I.D.# MSD 007027543

by TRAVELERS INDEMNITY COMPANY

(Name of Company)

One Tower Square
Hartford, Connecticut 06115

said policy no longer covers the Liability Insurance requirements for a Hazardous Waste Facility Certificate effective as of the 1ST **day of** JANUARY **, 19**86 **12:01 a.m. standard time at the address of the named insured as stated in said policy, provided said date is not less than** THIRTY(30) **days after the receipt of this notice by the Regional Administrator.**

John R. Kenney - Secretary (om)
John R. Kenney
Secretary, Authorized
Representative of The Travelers
Insurance Companies
One Tower Square
Hartford, Connecticut 06115

PITT-170
10-08-85

NOTICE OF CANCELLATION

Hazardous Waste Liability Certificate
of
Liability Insurance

filed with

Name MISSISSIPPI DEPARTMENT OF NATURAL RESOURCES

Address BUREAU OF POLLUTION CONTROL
DIVISION OF SOLID WASTE
P.O. BOX 10385
JACKSON, MISS. 39209
ATTN: DAVID LEE

This is to advise that policy # TR-SLG-180T452-3-82

(Named Insured) KOPPERS CO INC
FOREST PRODUCTS GROUP

(Mailing Address) KOPPERS BUILDING
PITTSBURGH PA 15219

(Facility Name) GRENADA

(Facility Address) P O BOX 160
GRENADA MS 38960

EPA I.D.# MSD 007027543

by TRAVELERS INDEMNITY COMPANY

(Name of Company)

One Tower Square
Hartford, Connecticut 06115

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PITT-170
10-08-85

John R. Kenney - Secretary (Om)
John R. Kenney
Secretary, Authorized
Representative of The Travelers
Insurance Companies
One Tower Square
Hartford, Connecticut 06115

NOTICE OF CANCELLATION

**Hazardous Waste Liability Certificate
of
Liability Insurance**

filed with

Name MISSISSIPPI DEPARTMENT OF NATURAL RESOURCES

Address BUREAU OF POLLUTION CONTROL

DIVISION OF SOLID WASTE

P.O. BOX 10385

JACKSON, MISS. 39209
ATTN: DAVID LEE

This is to advise that policy # TR-SLG-180T452-3-82

(Named Insured) KOPPERS CO INC

(Mailing Address) FOREST PRODUCTS GROUP
KOPPERS BUILDING

PITTSBURGH PA 15219

(Facility Name) GRENADA

(Facility Address) P O BOX 160

GRENADA MS 38960

EPA I.D.# MSD 007027543

by TRAVELERS INDEMNITY COMPANY

(Name of Company)

**One Tower Square
Hartford, Connecticut 06115**

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PITT-170
10-08-85

John R. Kenney Secretary (Dm)

**John R. Kenney
Secretary, Authorized
Representative of The Travelers
Insurance Companies
One Tower Square
Hartford, Connecticut 06115**

NOTICE OF CANCELLAT

Hazardous Waste Liability Certificate
of
Liability Insurance

filed with

Name MISSISSIPPI DEPARTMENT OF NATURAL RESOURCES

Address BUREAU OF POLLUTION CONTROL

DIVISION OF SOLID WASTE

P.O. BOX 10385

JACKSON, MISS. 39209

ATTN: DAVID LEE

This is to advise that policy # TR-SLG-180T452-3-83

(Named Insured) KOPPERS COMPANY INC

(Mailing Address) KOPPERS BUILDING

PITTSBURGH PA 15219

(Facility Name) TIE PLANT

(Facility Address) P O BOX 160

TIE PLANT MS 38960

EPA I.D.# MSD 007027543

by TRAVELERS INDEMNITY COMPANY

(Name of Company)

One Tower Square
Hartford, Connecticut 06115

said policy no longer covers the Liability Insurance requirements for a Hazardous Waste Facility Certificate effective as of the 1ST day of JANUARY, 19 86 12:01 a.m. standard time at the address of the named Insured as stated in said policy, provided said date is not loss than THIRTY(30) days after the receipt of this notice by the Regional Administrator.

PITT-170
10-08-85

John R. Kenney - Secretary (Om)

John R. Kenney
Secretary, Authorized
Representative of The Travelers
Insurance Companies
One Tower Square
Hartford, Connecticut 06115

RECEIVED
OCT 1 1985
BUREAU OF POLLUTION CONTROL

Firestone(?)

Financial Assurance
Letter of Credit = 324,375.00
Closure / post Closure = 324,375.00
Financial assurance is Covered

Insurance
Sudden insurance in effect - 5 00,000/100,000, 5,000,000 (3,000,000)
Non Sudden. in effect - 10,000,000 each & aggregate.
exp: date 1/1/86
Contact: IDDO L Enochs
PH # (601) 684-2011

Amerada Hess
Closure Cost: $258,150 } 325,110
Post Closure: $66960
Renewal date: 12/31/85
Contact: John Steinhauer
PH # (601) 794-8021
Financial Test For Closure & both Sudden & non Sudden
insurance. Satisfactory (self insured)

Koppers Co.
Financial Assurance
Financial Test - Adequate
Contact: Raymond Bartlow
PH # (601) 226-4584

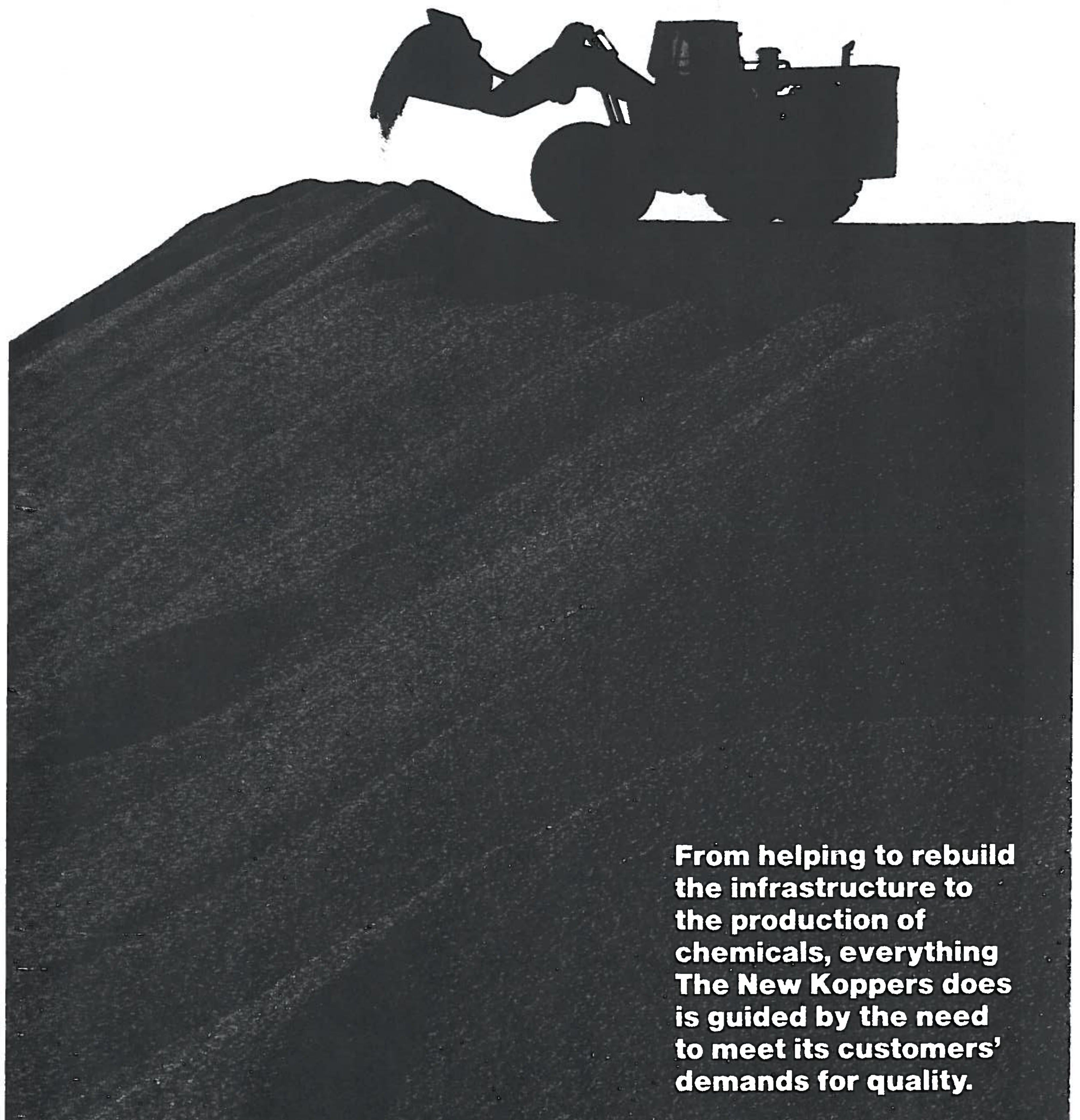
Insurance
Non Sudden - demonstrated by Financial Test
Sudden - 1,000,000, 2,000,000
Expiration: 1/1/86
Fiscal Year ends March, 31st, 1985
Part B application To be Submitted ~~[illegible]~~ by Nov 8 1985

Thermos
Financial Assurance
Corporate Guarantee - Financial Test
47,503 - Closure Costs, Adequately Covered.
Year End = Dec. 30
Insurance
Sudden - 1,000,000/2,000,000 - Liberty Mutual, Renewal: 1/1/85
Non Sudden
No Non Sudden in effect
Contact: Joseph Hellmueller
PH #: (309) 833-2161

Wood Treating
Financial assurance
Letter OF Credit - 123,665.83
Closure Cost = 123,665.84, Post Closure = No seperate post Closure included
Insurance
Sudden - 2,000,000, 2,000,000 - Renewal = June 10
Non sudden - None in effect:
Contact: Mr Wyrdell Moody
PH # 798-8152
Contact:
PH #

Koppers 1984 Annual Report and Form 10-K

KOPPERS



About This Report:

We dedicate this annual report to our customers. In doing so, we celebrate The New Koppers—spearheaded by a strong employee group devoted to those customers and to the markets we serve. We have prepared illustrated essays like the one under this flap to let Koppers people tell, in their own words, how we excel at meshing our capabilities with the needs of the organizations to which we sell. The essays—nine out of a far larger potential—reveal the ways in which we carry out an indispensable mission: the provision of quality products and services at fair prices for a growing economy. The end result will be continuing rewards for our shareholders.

About the Cover:

A front-end loader sits high upon a pile of crushed stone at a Florida construction site. It is one of many such tools employed by our Construction Materials and Services group, which is heavily involved in the building, repair and maintenance of highways, bridges and all the other elements that make up the American infrastructure.

Koppers Company, Inc./1984 at a Glance

($ Millions, except per share figures)	1984	1983
Total sales from continuing operations	$1,816.6	$1,554.7
Income from continuing operations	$ 33.9	$ 29.5
Earnings per share of common stock:		
From continuing operations	$ 0.97	$ 0.78
Net to common stock	$ 0.79	$ 0.81
Dividends per share of common stock	$ 0.80	$ 0.80
Return on average common equity	4.1%	4.3%
Capital expenditures	$ 121.1	$ 68.6
Backlog at year end	$ 585.5	$ 580.7

About The New Koppers:

Koppers provides products and services for its customers in

- nonbuilding construction—highways, streets, railroads, bridges and pipelines.
- building construction—commercial, industrial and residential.
- the capital goods market—pulp and paper, feed and grain, machinery.
- the industrial market—aluminum, automotive, rubber, transportation, steel and other vital industries.

We have, in the past year, created a streamlined organization highly attuned to the needs of Koppers customers and the industries in which they operate.

In doing so, we have kept foremost in our minds the interests of our shareholders and employees. The priorities we have established to further those interests are threefold:

1. **To increase income and reach an 18% return on common shareholders' equity.**
2. **To sustain our strong financial condition as a base for growth.**
3. **To become involved in businesses and newer technologies that will, over time, counter the cyclical nature of our historic mix of operations and ensure more consistent earnings growth.**

Inside This 1984 Annual Report

Annual Meeting

The annual meeting of the shareholders of the Company will be held at 11 a.m. on Monday, April 29, 1985 in the Pittsburgh Room of The Westin-William Penn Hotel, Pittsburgh, Pennsylvania.

To Our Shareholders:

This was a mixed year. On the whole, I am encouraged by what 1984 brought us. We still have a good distance to go before any of us can be proud of our performance, but we did move in the right direction.

Some of our most nagging problems were resolved. The others are being managed. That is to say, we have a clear view of what they are, why they are, and how we should go about eliminating them when we can or minimizing them when we can't.

As we had anticipated, the infrastructure market came alive. Despite delays in federal funding, the gain in our construction materials and service business was impressive.

Other sectors of the construction industry also were active, which helped our sales of treated wood, specialized building products and other materials.

We enjoyed strong sales in the automotive industry, an important market for our coke, polyester resins, sealants and chemical products.

New orders—the stuff that feeds our future—increased.

The figures in the financial tables tell only part of the story.

The real operating gains appear only after looking past the fairly heavy one-time charges we took at the close of 1984. We chose to take those in order to put behind us the financial effect of several operating problems. Excluding the effect of these unusual items, which penalized 1984 results (contrasted with a meaningful benefit in 1983), as shown in the accompanying table, income from basic operations rose to $1.46 per common share after taxes, more than three times as high as 1983's level. Without these one-time charges, our 1984 return on common equity would have risen to 6.7%, which I view as the true base from which to measure our 1985 performance.

The problems we encountered in 1984 and the remedies we pursued are summarized in the following columns.

After-Tax Income From Continuing Operations

	1984		1983	
	$ Millions	Per Share	$ Millions	Per Share
Income From Operations	$47.9	$1.46	$19.5	$0.42
Unusual Items—Net	(13.9)	(0.49)	10.0	0.36
Income From Continuing Operations Including Unusual Items	34.0	0.97	29.5	0.78

Problems	Remedies
A strong U.S. dollar encouraged imports. It strained our competitive strength in domestic markets for certain equipment, chemicals and other processed materials. Price competition was intense in numerous product lines. Our ability to export products was seriously limited.	**To hone our competitive positions, we have looked for ways to manage our businesses better than our competitors manage theirs. We streamlined costs, invested in modern equipment, reorganized operations and introduced new or upgraded products.**
Expenses for roofing repair claims, growing out of problem installations, were among the substantial contributors to our unusual charges. So was the need to keep our current plants free of environmental hazard and to clean up our old sites.	**We discontinued the problem-plagued roofing product line in early 1984. To put the financial effect at year end from this and certain environmental obligations behind us, we charged nearly $14 million against our after-tax income.**
We began 1984 tied to the cyclical steel industry, where lack of modernization and renewal had led to continuing losses in our engineering and construction business.	**We sold the engineering and construction business, our founding unit, the one most people once thought of when Koppers was mentioned.**
Demand for phthalic anhydride rose, but prices plummeted because of falling petroleum prices and industry overcapacity. A substantial loss was incurred in this line.	**We are modifying our large Chicago phthalic anhydride plant to operate on dual feedstocks. This will give us increased flexibility and reduced operating costs.**
Despite greater unit sales, we suffered a loss also in piston ring operations. That was our fault. We failed to manage properly the requirement for a greater volume of efficient, high-quality production.	**Ways to improve productivity have been identified and are being implemented. Efforts are under way to restore profitability.**
We received an unexpected, unfavorable jury verdict in Inland Steel Company's suit against Koppers. (See page 41.) The matter is still being appealed.	**Through the appeal process, we will pursue every possibility of relief afforded to us by law in the Inland case.**


Dialogue with the chairman, second from left, is critical to the future of The New Koppers.

Strengths

None of what I've been talking about would serve any purpose if it didn't make the Company stronger, better able to survive and prosper through whatever the times may bring.

In 1984, we directed more than half of our expanded level of capital expenditures into our businesses serving infrastructure markets. These are regional operations where our positions are solid. They produced a return on total investment of more than 21% before taxes. In 1965, we had practically no involvement in this business. Now it has become our primary source of income.

The New Koppers is well on its way to becoming a company largely engaged in provision of construction materials and services, and specialized building products. Two forces now in motion in our society convince me this is a highly dynamic direction.

One is recognition at the highest government levels that extraordinary steps must be taken to reverse the deterioration of our nation's infrastructure. Second is the irreversible demographic trend now under way that, over the coming decade, will greatly expand the number of people in the 25-to-44 age category as a proportion of our population. This is leading to an increasing demand for housing, which in turn generates the need for other facilities.

To underscore our commitment to this marketplace, we have gathered our various units serving the building products field into one operating organization so that a unified growth strategy can be implemented. This group is now in place and is aggressively expanding our presence in the building products field.

Our container machinery operation has developed a flexographic printing system that can be used to retrofit offset presses used by newspapers and commercial printers. This strategic move opens up entire new markets as we develop profitable use for our human skills and modern plant facilities in the capital goods market. Our flexographic system was successfully demonstrated in 1984 and is now being marketed energetically. Such creative, cost-cutting innovations are called for in our capital equipment lines to combat the effects of the strong U.S. dollar in world markets.

The turnaround in profits in our coke operations illustrates the success that can be achieved by good management of mature "smokestack" industries. We are dedicated in each of our core—coal- and wood-based—businesses to produce similar recoveries in years to come.

Streamlined chemical operations overcame the pressures of foreign and domestic competition to provide acceptable 1984 returns. We expanded certain of these lines into new markets and will continue to explore ways to translate the Company's broad expertise in organic chemistry into profitable business opportunities.

A high-ranking AT&T executive commented recently:

"We have to give the customer what he wants, how he wants it and when he wants it. From now on, it's the customer who's going to call the shots."

We can't state it better. It sums up the purpose of all our organizational shifts, all our capital investments, all our planning and strategy.

Outlook

We are entering a year in which many business fundamentals appear highly encouraging. Inflation is low. Backlog is high. Economic indicators are generally positive. Funding for infrastructure work is moving up. Interest rates have moderated, but the direction is uncertain. So is the unprecedented strength of the U.S. dollar against foreign currencies. The outlook for housing and autos is certainly not discouraging.

While the array of economic information is complex, I do expect Koppers to continue its good progress in the coming year.

Charles R. Pullin
Chairman of the Board
February 25, 1985

Faithful to the Challenge

What the future offers
How we rush to meet it

We enter the latter half of the 1980s prepared for whatever may confront us over the rest of the decade. Our view goes well beyond that span—it has to—but our focus is on the period immediately ahead, a time to build solid foundations for further growth to come.

Here are some of the strengths we take with us on our expedition into the future:

• We have put most of our major problems behind us. Others may arise. If they do, we will attack them with the lessons we have learned from the old ones. And our people will be armed with a company philosophy that tells us not just to be ready for potential brush fires, but to go scouting for them—and to stamp them out before they have a chance to spread.

• We have installed a new, streamlined organizational structure fleshed out by highly competent management personnel. This was possible because Koppers has always tried to provide opportunities for personal advancement to the very best of its people from the very start of their careers. As a result, we have assembled a corps of managers who combine diversified experience with the energies of relative youth.

• Even when our business was buffeted by heavy seas, we were able to complete installation of a modernized physical plant. The efficiencies we have thus achieved make us—or give us the potential to become—a low-cost producer in most of the markets we reach for.

• We have spotlighted the customer at the forefront of all our plans and expectations. Everything we do from now on will be guided by the knowledge that what the buyer demands is more important than what the seller would like to offer.

• Our financial condition remains sound. We are strong enough and flexible enough to activate plans that will propel us toward our goal of 18% return on equity.

• Guided by feedback from the marketplace, we are using the leverage of venture capital and sponsored research, along with increased in-house research, to assemble the capabilities to penetrate new areas of technology.

Evolving Markets

If the events of the past five years have taught us anything, it is that we live in a time that is more complex than our past. Wisdom based on the relationships of the past, if it is not obsolete, is to be constantly questioned. And the sensing mechanism that tells us what the customer and the marketplace are thinking and doing must constantly have our undivided attention.

As uncertain as the future can be, there are forces now under way that will have strong influence in shaping our markets. We work hard to observe and understand these influences in order to reduce the uncertainty of the future.

Fortunately, many of the signs here favor Koppers prospects. This is particularly true in two areas that have captured increasing attention of late: the need to rebuild the nation's infrastructure, and the demands of a changing population.

The Infrastructure

We have been talking for nearly a decade about the deterioration of America's infrastructure and the huge effort that will be required to put things right. Recognizing the vital task that lies ahead, early in 1984 the Joint Economic Committee (JEC) of the U.S. Congress estimated that the job would cost $1.2 trillion through the year 2000.

Here are some of the areas that have special significance for Koppers:

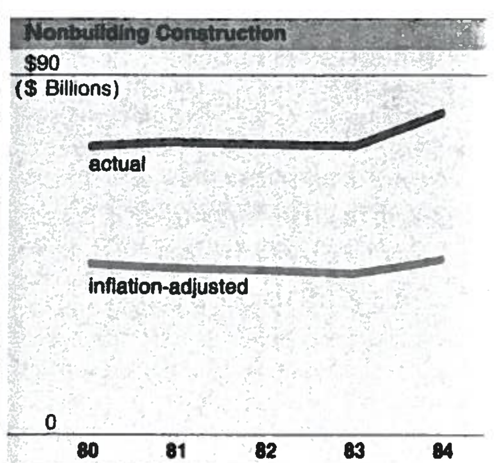
Highways and Bridges—Federal, state and local spending for highway construction, repair and maintenance hit a record $30 billion in 1984. The figure sounds good, but it really reflects a decline in actual work of 45% since 1968 when we take inflation into account. On the other hand, expenditures for the repair and maintenance segment have climbed at a *real* rate of 8% annually since 1980.

We expect this rapid growth to continue. The original plan for the national network of interstate highways is essentially complete. Now attention is turning to the condition of that system, which was begun in the mid-1950s. The hazardous state of many existing highways and bridges has aroused increasing concern. This has placed emphasis on "4R" work—resurfacing, reconstruction, rehabilitation and replacement—of the kind for which we have won an outstanding reputation.

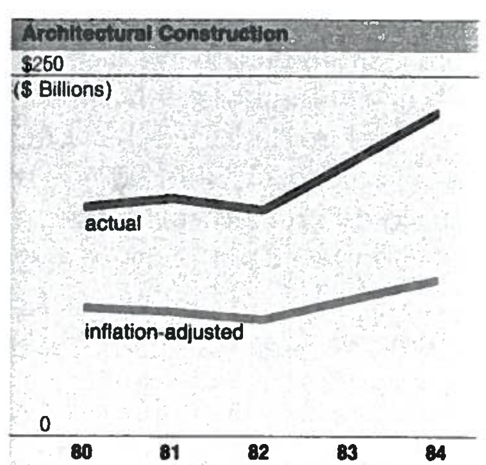
In preparation for what is to come, we have established ourselves as a leading —perhaps *the* leading—producer of materials for this market. The more than 53 million tons of stone aggregates we sold during 1984 places Koppers as one of the two largest suppliers in the U.S. The same is true for bituminous concrete, the primary material used for resurfacing. Our tonnage sales of that material have quadrupled over the past decade, reaching nearly nine million tons in 1984. Because the costs of transportation make this very much a local business, we have expanded our operations into many of the nation's

These four economic segments have the greatest impact on Koppers operations.

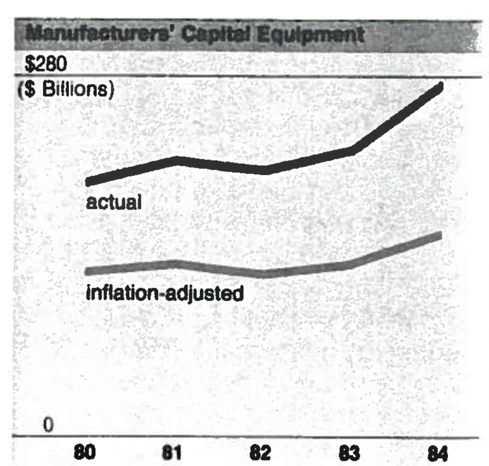
Nonbuilding Construction (48% of sales) —Housing starts, higher state revenues and the 5¢-per-gallon gasoline tax boosted construction and repair of highways, streets, bridges, sewers, utility lines and other infrastructure projects.



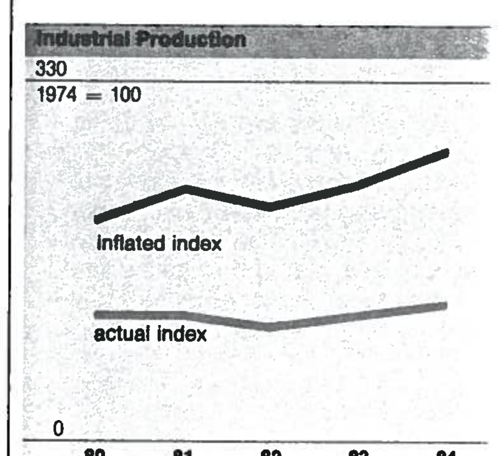
Architectural Construction (13% of sales) —The brisk rate of economic growth produced gains in housing starts and construction of stores, shopping centers, offices and industrial buildings. Lower interest rates continue to help.



Manufacturers' Capital Equipment (12% of sales)—Capital spending for industrial machinery and components turned up encouragingly during 1984. This development could benefit Company operations during the coming year.



Industrial Production (27% of sales)—Continued gains in autos, tires and consumer durables were positive factors. Expected slower economic expansion and growing overseas competition could limit industrial output during 1985.



Runway 25L, Los Angeles International Airport. Mal Packer, center, chief—Engineering Bureau, Department of Airports, City of Los Angeles; R. Kenneth MacGregor, president, and John A. Berton, vice president, Sully-Miller Contracting Company, subsidiary of Koppers.

We try to meet or beat the timetable on any job we do, and this one had to be completed well before the 1984 Summer Olympics began. Also, L.A. International—LAX—is the world's third busiest terminal. They can't shut down for even a minute. Our job was to take one of the airport's oldest runways, 25L, and make it the only one on the field that would meet the FAA's highest rating, Category III. Which we did. Let me point out that the job had to be completed not only quickly, but with the greatest attention to quality. We couldn't have done it—and I doubt that anyone else could have—without the help and concern of our Quality Control Department, whose people are the finest in the business. They were on the site every day, from start to finish. We built better than a mile and a half of runway, absolutely flat because one little bump at modern speeds could jar your shoelaces loose. We installed flush centerline lights as well as edge lighting, for zero landings and takeoffs, if they're ever allowed, because you know what L.A. fog is like. We used 35,000 miniature glass bottles to create an air space between the runway and an old tunnel. And you wondered what happened to the empties from those drinks the airlines serve in flight.

John Berton

fastest-growing areas. We will vigorously continue to pursue this geographic growth.

Bituminous concrete is used also for bridge paving and repaving, which require, as well, the use of treated wood, coatings and other Koppers products. In some locations, we offer complete bridge-building capability.

Not content to limit ourselves to supplying materials, we have aggressively moved forward into the marketplace as a provider of paving and other construction services that utilize our materials. That service business has grown by 50% since 1980 and now accounts for nearly 45% of the total sales for Construction Materials and Services. Here is what a distinguished financial publication has to say:

"The company's growth as an integrated paving contractor is sparking its comeback. . . . Koppers is shaping up as the U.S.'s first national paving company, the McDonald's of the blacktop business. . . . Happily for Koppers and others in the paving trade, a good part of the nation's highway grid will always need resurfacing, because of normal attrition and some perhaps not so normal."

Work needed in other infrastructure areas adds to our optimism.

Other Transportation Systems—The JEC study has identified public surface transportation as a segment that needs major upgrading. Commuter rail rehabilitation is slated for a major portion of this work, which, when combined with the activity already under way by private railroads to upgrade and maintain their rail lines, spells out an active market for our crossties, wood-treating chemicals and other products.

Other parts of the transportation system—airports; rivers, lakes and canals; and military and defense installations—present potentially large end uses for our construction materials, building products, and coatings.

Waste Water Collection and Treatment Systems—Some 42% of the country's 19,000 waste water collection systems at the start of the decade were judged in need of enlargement, upgrading or replacement. An especially nagging concern has to do with the integrity of roughly 460,000 miles of sewer main pipe now in place. Polyester resins are among the Koppers products that are being used in creative solutions to these problems.

Water Supply, Distribution and Water Treatment Systems—Here, again, the JEC study found great worry as to the structural integrity of the main pipe, more than 600,000 miles of it in place to serve an estimated 15,000 supply systems.

In short, there is hardly any segment of the infrastructure that does not represent a market for Koppers products and services.

Badly needed remedies can be deferred, but deferral exacts a toll of its own, in reduced efficiency, lost time, increased hazard and even human tragedy.

Demographics

The other area in which we see great opportunity for Koppers has to do with the demands of a changing population. Demography is the science of a population's vital and social statistics. It tells us a great deal about our people and allows us to draw conclusions about business opportunities.

For example, in the early 1970s, the population in place told us very specific things that would occur from 1985 to 1995. It told us that there would be many more people aged 30 to 50. Since this is the age during which family households are formed, it painted a rosy picture of the need for housing. Housing construction is the driving force not only for demand for many of Koppers building products, but also for streets, roads, shopping centers, utility lines and many other uses for our construction materials and services.

It was also very obvious in the early 1970s that the unprecedented mobility of Americans was leading them westward and southward. Since then, we have moved our construction materials business from virtually a total orientation toward the Northeast to the point where more than 80% of Construction Materials and Services 1984 sales were in the West and South.

Because families of all ages find much new housing beyond their financial reach, maintenance of older housing takes on great importance. Koppers building products emphasize high quality and permanence in the way they are used and are especially suited to this marketplace.

We expect these trends to continue. If they do, they will generate expanding markets for Koppers products and services, not only in housing but in all the auxiliary activity that accompanies home construction: the purchase of cars, appliances, furniture and other products. These in turn will benefit those products used in industrial production—chemicals, plastics, metals, paper and other items important to Koppers.

Looking for New Directions

None of this will do us much good unless we arrive at the future ready to grasp whatever it has to offer. The process of preparation is already far advanced. We realized some time ago that we could considerably enlarge our potential by taking advantage of what was offered by the great world outside our corporate walls. Three paths have carried us well along in that direction.

Acquisition—We will continue to seek out two kinds of enterprises, and only two: those whose strengths mesh well with our own, and those whose geographical locations take us into new areas of opportunity. We continue to actively pursue opportunities that meet these criteria.

Sponsored Research—Our five-year-old program of involvement with the academic community has grown to cover contracts at 11 universities for research into such areas as ion implantation, hydrogen storage and separation technology.

The program is not static. We are looking for new possibilities, and we have tightened the requirements to make for greater application to Koppers needs.

Venture Investments—The objectives here are twofold: first, as with any good investment, to make money for the Company's shareholders; second, to accelerate our entrance into new technologies and to shorten the time span between the emergence of ideas and their commercialization.

Kopvenco, the instrumentality by which we find and decide upon appropriate possibilities, is a wholly owned Koppers subsidiary that now has direct investments in 14 high-technology companies in the broad fields of microbiology, advanced materials and productivity improvement. (See page 40.) It also holds a share in others through participation in a separate venture capital fund.

Opportunities

The charts on pages 4-5 depict recently rising trends in the four segments of the economy that are Koppers major markets. A number of factors, including the condition of the infrastructure and the country's evolving population patterns, offer tremendous hope for the continued upward course of those lines, so indispensable to the fulfillment of Koppers aspirations.

To take advantage of the opportunities before us requires an unremitting application of all our internal resources. We have been—we will remain—faithful to the challenge.

College Park, Georgia. Mell Tolleson, vice president, Tolleson Lumber Company (licensee of Koppers); Al Lucksted, senior buyer, Wickes Lumber; Stephen D. Snyder, assistant sales manager, Specialty Wood Chemicals Division of Koppers.

We're all on the team—Koppers, Tolleson and Wickes. Tolleson Lumber Company is one of Koppers major licensees, which makes them one of the largest producers of Wolmanized pressure-treated lumber. The Tolleson organization has grown with that treated lumber from a single plant location to its present four owned and operating treating facilities located across the South. Tolleson is the major supplier to Wickes, which has 180 outlets in 21 states. In part, Tolleson's success can be attributed to the aggressive use of the marketing techniques Koppers provides to all of its licensees. In 1982, we hit the treating industry by surprise with guarantees on pressure-treated lumber. In a manner of speaking, we "packaged" Wolmanized pressure-treated lumber with a warranty label on the end of every board. This, in a very visible way, differentiated Wolmanized pressure-treated lumber from all the other treated lumber. Our warranty program gave credibility to the product and assurance to buyers that they were getting the "right stuff." It almost goes without saying that the strong marketing stance taken by Tolleson and the Wolmanized pressure-treated lumber warranty are two key ingredients that Wickes finds most attractive when it comes to buying and selling treated lumber.

Steve Snyder

Koppers Results by Business Segments (from continuing operations)

($ Millions)	Year	Sales	Operating Income (Loss)	During 1984	Near-Term Outlook
Chemical and Allied Products	**84**	**$ 884.8**	**$ 16.2**	Demand improved in automotive, steel, consumer durables, industrial production markets, with some tapering off at year end. Operating results were penalized by unusual, nonrecurring charges totaling $36.0 million. Sales, income gains were achieved in coke, polyester resins, crossties, certain chemicals. In wood-treating chemicals, unit volumes increased for home remodeling, new construction, but income declined because of competitive pricing.	**Moderate rate of economic expansion would maintain activity in automotive, railroad, consumer durables, other major end markets, but may not relieve competitive pricing conditions. Reduced production levels in aluminum, steel industries entering 1985 will affect carbon pitch, coke shipments. Lower interest rate levels should lead to gains in housing, remodeling, other building markets. Do-it-yourself wood treatments are being added to growing line of Koppers retail products.**
	83	$ 817.5	$ 35.3		
	82	$ 821.0	$ 19.5		
Construction Materials and Services	**84**	**$ 707.7**	**$ 66.8**	Earnings rose on strong demand in new construction, repair of highways, bridges, streets. Effect of 5¢-per-gallon federal gasoline tax, increased state taxes boosted activity. Results in most regions benefited from unusually good weather. Materials, construction services activity were especially strong in Western markets. Volumes rose in bituminous concrete for paving, steel reinforcing for concrete. Aggregate shipments were nearly 20% higher. Homebuilding activity increased. Coal operations income dropped because of weak demand, lower prices.	**Increases in federal highway funding, higher state fuel taxes for highway construction, repair should benefit aggregates, construction services. Increased capital spending for acquisitions, new equipment, quarries positions Koppers to take full advantage of regional market growth. Lower interest rates should generate rising demand for housing, resulting in new streets, sewers, stores, offices, other construction.**
	83	$ 546.9	$ 50.5		
	82	$ 512.2	$ 42.0		
Engineered Metal Products	**84**	**$ 220.4**	**$ 1.7**	Orders showed improvement in piston ring and seal, power transmission product lines from trucking, railroad, steel, petrochemical, pulp and paper, government contracts. Sales, income were behind last year's totals in Sprout-Waldron processing equipment lines. Lower costs helped container machinery reduce loss. Successful testing of flexographic printing process at major metropolitan daily newspaper, commercial printers is leading to full market introduction.	**Capital equipment spending is up. Competition for contracts is keen. Foreign suppliers occupy greater U.S. market share as result of strong dollar. Recovery is needed in pulp and paper, food and grain processing to fully benefit Sprout-Waldron lines. Commercial introduction of flexographic newsprint system could result in contract bids in late 1985 or 1986. Demand is improving for piston rings and seals, couplings; plenty of production capacity is available for added growth.**
	83	$ 186.8	$ 4.4		
	82	$ 215.5	$ 4.9		
Miscellaneous	**84**	**$ 3.7**	**$ 6.1**	Gains on sales of Richmond Tank Car, Genex stock offset lower interest income, equity investment losses.	
	83	$ 3.5	$ 1.9		
	82	$ 4.1	$(50.7)		
Totals	**84**	**$1,816.6**	**$ 90.8**		
	83	$1,554.7	$ 92.1		
	82	$1,552.8	$ 15.7		
	84		**$ 23.4**	**General Corporate Overhead**	
	83		$ 17.3		
	82		$ 25.5		
	84		**$ 67.4**	**Income (Loss) Before Interest Expense and Income Taxes**	
	83		$ 74.8		
	82		$ (9.8)		

Koppers Sales to Major Economic Sectors

As the following table shows, Koppers sales go to four broad segments of the U.S. economy. The products and specific end markets within each segment that are most important to Koppers are listed in parentheses.

($ Millions)	Year	Sales	% Total	During 1984	Near-Term Outlook
Nonbuilding Construction (Materials, construction services used in highways, roads, bridges, streets, such other infrastructure facilities as railroads, utilities, pipelines; iron and steel)	**84**	**$ 865.5**	**47.7**	Rising revenues from fuel taxes spurred strong advances in new construction, maintenance spending for highways, streets, bridges. Activity in sewer, water projects rose 25% or more as financial position of states, localities improved. Conservation projects, such as dams, harbors, waterways, contracted slightly. With more freight traffic leading to higher revenues and operating profits, railroads increased rail line improvement. Investment in transmission, distribution facilities by utilities increased moderately.	**New construction, maintenance spending for highways, streets, bridges is expected to continue moving higher as federal, state and local funding grows, backlog of needs expands. Other public sector expenditures, except for military projects, may be under budget restraints, but small gains should be recorded. Private sector capital spending for nonbuilding projects will be limited to moderate gains as business expansion slows from the 1984 pace.**
	83	$ 662.2	42.6		
	82	$ 679.1	43.7		
Architectural Construction (Building products for commercial, industrial, residential structures)	**84**	**$ 242.0**	**13.3**	Housing starts reached 1.75 million units, 4% gain over 1983. Spending for residential additions, alterations rose by nearly 15%. Construction of stores, shopping centers surged, stimulated by strong economy. Industrial construction experienced moderate recovery after four weak years. Office building construction overcame rising vacancy rates to record solid gain.	**Lower interest rates are expected to help residential activity regain upward momentum, with new houses built at annual rate of 1.7 million or more. High spending levels should continue for additions, alterations. Construction of retail stores, factories is likely to register moderate increase, but falloff could occur in office buildings, other types of structures.**
	83	$ 229.5	14.8		
	82	$ 217.2	14.0		
Manufacturers' Capital Equipment (Components, machinery used in paper and packaging, transportation, agriculture, food and grain processing, steel, pipelines)	**84**	**$ 220.4**	**12.1**	Business investment in machinery, equipment increased by more than 20% last year, helped by sharp increase in corporate cash flow, rising capacity utilization rates, industry's need to become more competitive. Emphasis continued on high-technology equipment. Strong dollar eroded position of U.S. firms, with import share of capital goods nearly 26%, double late 1970s level.	**Upward trend in capital spending should continue through first half of 1985. Cash flow is expected to rise moderately, while capacity utilitization rates are stabilizing at about 82% level. Investment in capital equipment should increase moderately for such industries as paper and packaging, chemicals, petroleum, food and feeds, metals, machinery, aircraft. Further gains are expected for heavy truck components.**
	83	$ 186.8	12.0		
	82	$ 215.5	13.9		
Industrial Production (Products used by producers of chemicals, plastics, rubber, lumber and wood, ferrous and nonferrous metals, mineral ores)	**84**	**$ 488.7**	**26.9**	Industrial output scored broad-based advance for second consecutive year, rising nearly 11%. Foreign competition and the strength of the dollar, however, reduced export sales and subjected prices to severe downward pressure. Auto production climbed by more than one million units, stimulating demand for tires, foundry products, plastics, resins, coatings. Aluminum production moved up by more than 20%. Gains in output of pulp and paper, paperboard exceeded 5%.	**Output gains may reach only half or less of last year's because of slower pace of economic expansion, further erosion in merchandise trade balance resulting from strong dollar. Above-average growth is expected for such industrial sectors as chemicals, plastics, business equipment. Steel production will rise considerably if imports are held down through negotiated agreements. Industries unlikely to match average gains are autos, tires, lumber, paper, appliances.**
	83	$ 476.2	30.6		
	82	$ 441.0	28.4		
Total Sales	**84**	**$1,816.6**	**100%**		
	83	$1,554.7	100%		
	82	$1,552.8	100%		

This section covers, for the period 1982-1984, the performance of Koppers business segments, other factors in the Consolidated Statement of Operations (page 27) that materially influenced the financial results, changes in liquidity and use of capital resources that affected Koppers financial condition at the close of 1984.

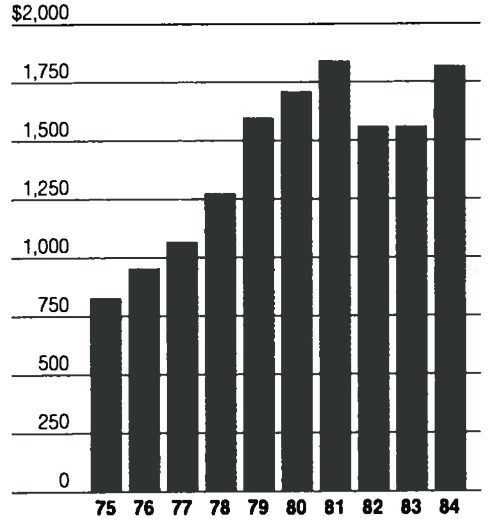
Results of Continuing Operations

Net Sales and Income

Sales rose 17% in 1984 as increases were recorded in all operating segments as a result of higher demand levels. Prices improved in certain product lines, but the strength of the U.S. dollar produced overall competitive pricing pressure from overseas suppliers.

Traditionally, Koppers sales are lowest in the first quarter and reach their peak during

Koppers Sales From Continuing Operations
($ Millions)



the second and third quarters, then begin to decline in the fourth quarter because of seasonal demand influences. Normally, the Company's income also follows this pattern, which is shown in the Quarterly Financial Data below. The Company posted a loss in the 1984 fourth quarter after recognizing the unfavorable net effect of certain unusual and nonrecurring charges. It recorded a profit in the same 1983 period.

Chemical and Allied Products

($ Millions)	1984	1983	1982
Sales	**$884.8**	$817.5	$821.0
Operating income	**$ 16.2**	$ 35.3	$ 19.5

Sales increased 8% during 1984, but income fell 54% from last year, primarily because of the net effect of several unusual and nonrecurring charges that resulted from asset write-offs, environmental expenses related to previously operated properties, and reserves for product warranty claims. The net effect of these types of charges totaled $36.0 million in 1984 as compared with a net benefit of $1.4 million in 1983 and net charges of $17.2 million in 1982. Higher unit volumes and income were recorded in business lines serving automotive, consumer durables and railroad markets. Weak performances in other product lines offset this improvement.

Building Products Sector—Despite a slight sales increase, this unit experienced a large loss for the year. Building materials results were penalized by poor operating margins and the negative effect of most nonrecurring charges mentioned above. Demand increases are needed in the nonresidential building market to raise Koppers prospects in this business. Wood-treating chemicals

n continuing operations)

ter	2nd Quarter		3rd Quarter		4th Quarter		Total	
1983*	**1984**	1983*	**1984**	1983*	**1984**	1983*	**1984**	1983*
284.7	**$464.1**	$377.0	**$525.8**	$449.0	**$479.8**	$444.0	**$1,816.6**	$1,554.7
30.8	**72.0**	56.2	**79.7**	71.6	**52.4**	62.0	**238.3**	220.6
(10.9)	**14.7**	11.0	**25.2**	21.0	**(2.4)**	8.4	**34.0**	29.5
(0.46)	**$ 0.46**	$ 0.33	**$ 0.83**	$ 0.68***	**$(0.13)**	$ 0.23	**$ 0.97**	$ 0.78***

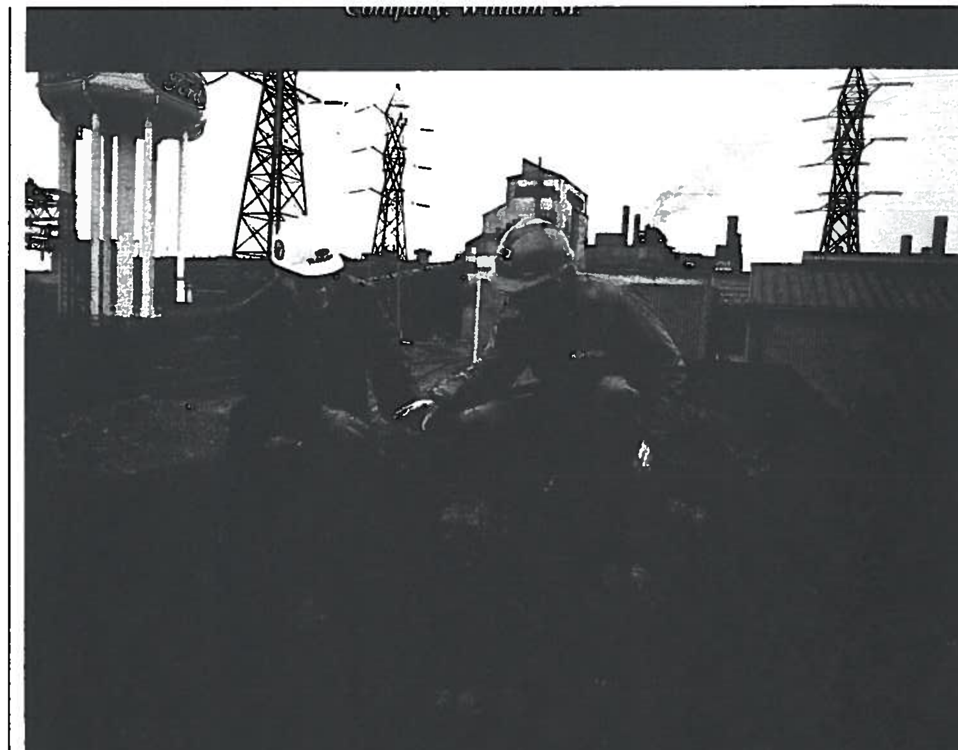
s (Note 7).
able portion of Depreciation, depletion and amortization and Taxes, other than income taxes).
of $0.21.

income declined 13% on higher sales owing to competitive pricing among domestic and overseas suppliers. Laminated wood products income rose 20% from 1983 on increased activity in markets for low-rise commercial buildings and religious structures.

Chemical Systems Sector—Sales increased 13% during 1984 on higher unit volumes; however, severe pricing competition in most product lines prevented any income gain compared with last year's results. Polyester resins sales and income increased from the prior year on strong demand from automotive, marine, residential and consumer durables markets. Improved performances in resorcinol resins and adhesives were offset by lower results in other chemicals. Lower sales and income were recorded in the specialty coatings, sealant and adhesive lines. Acquisition of a production facility for high-quality sodium sulfite opens new pulp and paper markets for that product line.

Coal- and Wood-Based Products Sector—Income grew 25% from the previous year. Coke operations posted improved results in 1984 following a return to profitability in 1983. Increased demand from the steel and automotive industries boosted sales by 30%. Treated wood products results increased nearly 30% on higher demand and improved productivity. Railroad crosstie sales jumped 26%, reversing sales declines in the previous two years. New orders for track maintenance began to turn around in the second half of 1983 and continued throughout 1984. Utility pole and piling sales increased slightly in 1984.

Results for industrial products experienced a significant decline as total sales decreased 11% during 1984. Competitive pricing affected income in most product lines. Higher carbon pitch sales were more than offset by declines in creosote and phthalic anhydride. The Chicago phthalic plant is being converted to operate on dual raw materials. This will enable the facility to consume naphthalene generated from the Company's tar-processing operations.



I'll tell you right out: Koppers makes the finest foundry coke in the world. Period. Ford certainly believes they make the best-built cars in the world. So we're a pretty good team, because we're the Cleveland plant's major supplier of coke and we emulate them by saying, they're the biggest customer we have here at Erie, and "At Koppers, Quality is Job 1." Now they've motivated us to become the first coke producer to reach Q-1 status. We're well on the way. To show how stringent the requirements are, Q-1 ideally means that Ford could accept shipment of our product without having to inspect it. I'm sure inspecting coke is a big part of their expense and I'd be thrilled if I thought we could save them that expense. How? Well, we have a lot of flexibility in purchasing our raw materials and then blending them to produce the characteristics we're after. We can "fingerprint" each type of coal to tell us what it will yield. To attain this level of sophistication, we have added the most modern equipment and entirely replaced all of our instrumentation in the past five years. We have to improve on quality because the one thing we can't do at this point is to speed up production. To make foundry coke from coal takes about 27 hours. You can't hurry it without losing quality any more than you can hurry the nine months it takes to produce a full-term baby.

Bill Litzenberg

Management's Discussion and Analysis

Construction Materials and Services

($ Millions)	1984	1983	1982
Sales	**$707.7**	$546.9	$512.2
Operating income	**$ 66.8**	$ 50.5	$ 42.0

Sales and income rose strongly in 1984 because of a surge in spending for U.S. highways, streets, bridges, pipelines and other infrastructure projects. Sales increased nearly 30% during the year, following a 7% rise in 1983.

The 5¢-per-gallon addition to the fuel tax for highway spending had a substantial effect on the 1984 results, with the sales volume of aggregates moving nearly 20% higher than in the previous year. The benefit from this tax should remain until at least 1987, when the current program expires. Increased funds, available in most states, contributed to the strong demand for roadbuilding materials and services.

Higher sales in the first half of the year were due to dry spring weather, and sales in the East benefited from abnormally warm fall weather. In addition, activity in the California area was boosted by overall expansion in the West and projects in preparation for the 1984 Summer Olympics. Sales related to homebuilding increased slightly during the year. New orders and backlog totals were higher at year end compared with last year. Koppers total shipments of aggregates increased to 53 million tons in 1984. Cost-control efforts in 1984 included the addition of new processes to convert surplus sizes of aggregates into more salable sizes, and disposals of marginal operations.

Capital expenditures in 1984 covered the acquisition of paving and mechanical contractors in two states and purchases of mineral reserves and new equipment at numerous locations. In 1983, two civil construction companies were added.

Revenues from Koppers investment in Tennessee coal lands are included in this business segment. Koppers leases these lands for production to independent coal operators. Income from coal operations in 1984 dropped by 10% from the previous year owing to weak demand and lower prices.

Engineered Metal Products

($ Millions)	1984	1983	1982
Sales	**$220.4**	$186.8	$215.5
Operating income	**$ 1.7**	$ 4.4	$ 4.9

Despite an 18% increase in sales, operating income dropped for the third consecutive year. Spending for industrial capital equipment began to increase during 1984 and the year-end backlog rose 11% from the low levels of the previous two years. The 1982 results were reduced by $5.3 million in charges from disposals and cutbacks in certain businesses and inventory write-downs.

Sales and income were lower for the second consecutive year in the Sprout-Waldron processing equipment lines, primarily because of weak demand and an unfavorable product mix. New orders showed a slight increase from renewed capital spending for feed and grain mills. Container machinery operated at a slight loss for the year as compared with a significant operating loss last year. This improvement was due to increased corrugated machinery sales and lower operating costs. Industry spending for new equipment remains at extremely low levels.

Machinery component markets for diesel piston rings and shaft seals were mixed during 1984. Sales rose 39% after a 14% decline in 1983. Unit volumes in piston rings rose strongly, but results were affected by competitive pricing pressures and lower production yields. Most of the volume increase occurred in rings used in diesel truck engines. Shaft seal sales and income increased for the second consecutive year.

Power transmission couplings sales and income rose from the previous year on increased demand from steel, petrochemical, pulp and paper, and government markets. The year-end backlog was 68% higher, marking the first increase in three years.

Miscellaneous

($ Millions)	1984	1983	1982
Sales	**$3.7**	$3.5	$ 4.1
Operating income (loss)	**$6.1**	$1.9	$(50.7)

Miscellaneous sales and operating income include revenues received by Koppers from numerous investments other than the Company's basic operations. Sources include venture capital and other equity investments, short-term cash investments and others.

In 1984, Miscellaneous income included $5.9 million in gains from the sale of Richmond Tank Car Company stock, collection of a note receivable from that company's affiliate, and the sale of a portion of shares in Genex Corporation. Interest income was lower in 1984 than in 1983 because of reduced cash balances and lower interest rates. General corporate overhead costs increased in 1984 largely owing to higher research expenses and certain benefits and depreciation charges.

In 1983, Koppers sold a portion of its shares in Genex Corporation, which resulted in a gain of $12.0 million. Other 1983 amounts included $7.0 million in losses related to the canceled North Carolina synthetic fuels project and the investment in Richmond Tank Car Company.

Most of the 1982 loss resulted from the $39.3 million write-down of the investment in Richmond Tank Car Company.

Financial Results

Operating Expenses Rise

Trends in sales and profitability over the past three years were discussed in the preceding section. Their effect on Koppers profit performance is reflected generally in the relationship between Sales and Cost of sales, shown as part of the Operating expenses in the Consolidated Statement of Operations on page 27.

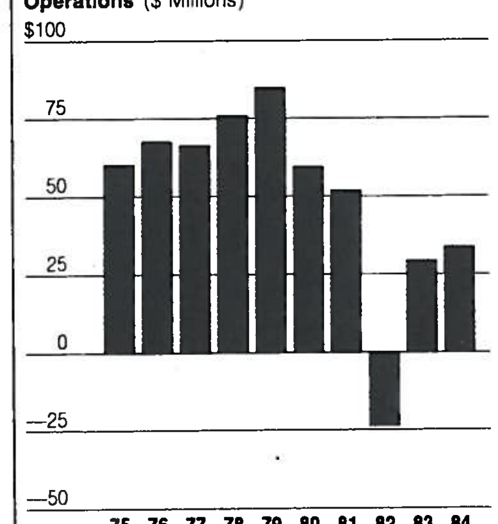
Cost of sales increased during the year in response to higher production levels. Wages and salaries rose because of increased hourly employment. Maintenance and repairs also increased because of production requirements. Included as part of Cost of sales in 1984 were unusual and nonrecurring expenses of $25.2 million related to product warranty claims. Excluding the effect of these charges, Cost of sales as a percentage of Koppers Sales has moved within a range of approximately 1% over the past three years, indicating that management is continuing efforts to monitor and control operating costs.

Operating profit improved for the second consecutive year, which is indicative of higher sales and containment of costs.

Depreciation, depletion and amortization was slightly higher than last year owing to increased capital spending. Also, Taxes, other than income taxes rose because of the higher social security tax rate and increased employment.

Selling, research, general and administrative expenses rose from last year, but

Income (Loss) From Continuing Operations ($ Millions)



Lancaster, Pennsylvania. Bruce W. Callaway, center, plant production manager, Ralston Purina Company; James R. Boose, feed industries marketing manager, and Roy W. Stiger, contract and systems manager, Sprout-Waldron Division of Koppers.

Ralston Purina is the world's leading producer of commercial animal feeds, so naturally we jumped at the opportunity when they asked us to build a mill for them in Lancaster, Pennsylvania. Bruce Callaway has three things to say about the job Sprout-Waldron did. One, it was a takeover with minimum start-up problems; they could supply their customers from day one. Two, the feed mill has always done what it was designed to do. Three, the mill is very easy to keep clean and it gives them quality products *on a constant basis.* Bruce says, "Those are the three things that come to mind real quick, and I mean them all." I feel I have a duty to quote a fine, honest fellow like Mr. Callaway. I asked whether everyone at Ralston Purina felt the same as Bruce. The answer I got was that they have asked us to build a similar facility in Florida. Now we've extended our reach overseas. For the feed mill we're building in Nanjing—formerly Nanking—the Chinese sent six of their people over here. We set up an eight-week training program for them, went over the design, led them through each piece of equipment, arranged further training at Kansas State U. They're good students, very keen. They write down everything. You better remember what you tell them, because if you don't they will.

Roy Stiger

Interest Expense Cut

For the third consecutive year, Interest expense declined by more than 10%. The 1984 drop of $3.3 million was due to a $35.5 million decline in average debt outstanding. This compares with a reduction of $3.2 million in interest expense in 1983 and $3.6 million in 1982. Total term debt declined $15.7 million from year-end 1983. Over the past three years, total term debt was reduced by $83.7 million and included the purchase of $30.0 million in debentures in 1983. See Note 4 (page 32) for details on the purchase of debentures.

Income Taxes Decline

Provision for income taxes was $10.3 million in 1984, down from 1983 expense of $18.8 million. The decline in income taxes was due to lower pretax income and higher investment tax credit. The effective rate for 1984 was 23.3% versus 38.9% for 1983. The most significant factors causing a lower tax rate were increased benefits from investment tax credit and the effect of percentage depletion over cost depletion. See Note 8 (page 34).

Foreign Operations*

($ Millions) Year ended December 31,	1984	1983**	1982**
Koppers identifiable assets:			
Foreign operations	**$48.3**	$49.8	$51.6
% of consolidated identifiable assets	**4%**	4%	4%
Canadian identifiable assets included above	**$10.5**	$17.5	$16.1
% of foreign operations identifiable assets	**15%**	35%	31%
Koppers revenues (net sales):			
From foreign operations	**$45.1**	$41.4	$47.4
% of consolidated revenues	**2%**	3%	3%
From Canadian operations included above	**$21.0**	$18.0	$25.5
% of foreign revenues	**46%**	43%	54%
Koppers income (after foreign and applicable U.S. income taxes):			
From foreign operations	**$ 2.4**	$10.1	$ 5.6
% of total net income	**7%**	34%	—
From Canadian operations included above	**$ 1.6**	$ 3.6	—
% of foreign income	**65%**	36%	—

*Koppers export sales are not included in this presentation as they constitute less than 5% of the Company's total sales and are not material.

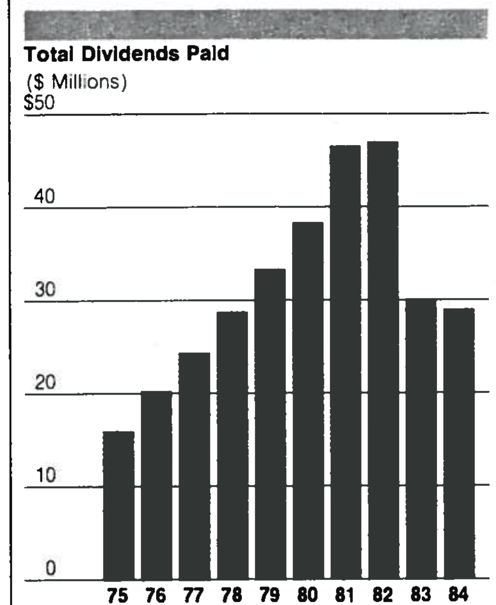
**Restated to conform with 1984 classifications (Note 7).

Koppers Selected Financial Data (from continuing operations)

($ Millions, except per share data)	1984	1983*	1982*	1981	1980
Operating results:*					
Net sales	**$1,816.6**	$1,554.7	$1,552.8	$1,851.1	$1,735.6
Income (loss) from operations	**$ 33.9**	$ 29.5	$ (23.5)	$ 52.1	$ 59.7
Income (loss) from operations —per common share	**$ 0.97**	$ 0.78**	$ (1.13)	$ 1.60	$ 2.19
At year end:					
Total assets	**$1,166.5**	$1,175.4	$1,192.9	$1,328.2	$1,389.5
Long-term debt	**$ 219.8**	$ 232.9	$ 275.7	$ 288.9	$ 308.7
Redeemable convertible preference stock	**$ 46.5**	$ 69.4	$ 75.0	$ 75.0	$ 75.0
Total long-term debt and redeemable preference stock	**$ 266.3**	$ 302.3	$ 350.7	$ 363.9	$ 383.7
Cash dividends declared per common share	**$ 0.80**	$ 0.80	$ 1.40	$ 1.40	$ 1.40

*Operating results restated to conform with 1984 classifications (Note 7).

**Per share figure excludes extraordinary gain of $0.21.



Financial Condition Strong

Koppers continues to maintain a strong financial condition to provide an excellent base to fund additional growth and participate in the economic expansion.

Management has used the Company's high cash balance to provide for future growth and improve earnings. Capital expenditures in 1984 were increased significantly to expand and upgrade production facilities within growth areas serving less cyclical markets. The rise in expenditures reverses a three-year trend in which capital spending experienced a decline in reaction to depressed business conditions. Management reduced debt and purchased a portion of the Company's $10 convertible preference stock. These actions reduced pretax and after-tax charges. They are the major reasons for the substantial decline in cash compared with the two previous years, when efforts were directed toward conserving cash in response to economic conditions. These measures should improve future earnings and cash flow. The table on page 16 summarizes the funds generated by Koppers over the past three years.

Funds provided from operations continue to supply a large portion of the Company's financial needs. The high level of 1984 capital spending was satisfied entirely through funds generated by operations. However, there was a significant decline in cash generated from all sources during 1984. This was due primarily to reduced funds from operations, the absence of the extraordinary gain and common stock issued as a result of the purchase of debentures, and the decline in the sales of fixed assets.

Enterprises Ltd.: S. J.

Ordinarily, a building like this, 125,000 square feet, would take a year and a half to complete. Some people shook their heads when we told them we could do the job in eight months. But IBM said they had to move into the building in six months and we guaranteed the deadline, offering a thousand dollars a day penalty if we didn't make it. We finished on time. Some people think the job of a contractor hasn't changed all that much in the past, say, 30 years or so. I can tell you it is as up-to-date as a lot of industrial procedures. For example, we ran a fast-track operation and used the Critical Path Method for project scheduling. Training, materials and modern construction techniques are all integral parts. A large amount of our business lately has been in the Raleigh-Durham-Research Triangle Park, North Carolina area, which according to a recent survey is rated as the third most desirable place to live and work in the U.S.; and I might add that Pittsburgh is first. Relationships, commitment to quality and service, honesty and integrity are our keys to success and those have worked for more than 90 years.

Si Walker

Management's Discussion and Analysis

Koppers management follows a number of criteria to ensure the ability to maintain the required strong liquidity. Cash from operations is an important indicator. The levels of investment in components of working capital are another. Finally, the Company's debt-equity position and borrowing capacity complete the criteria. Each of these factors influences liquidity.

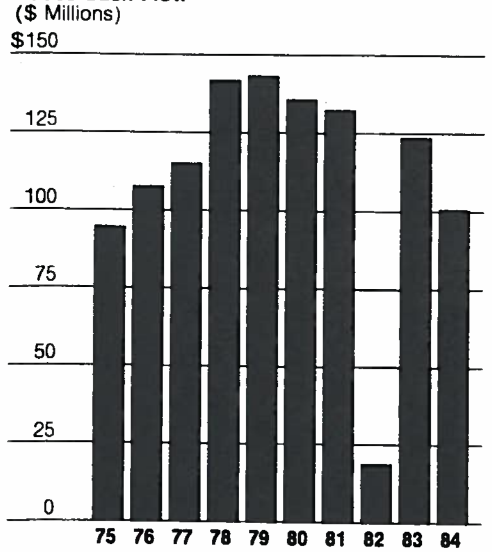
Gross Cash Flow Lower

While gross cash flow was reduced in 1984 to $100.4 million from $123.2 million in 1983, it continued to fund Company operations adequately. This provided the financial flexibility needed to respond quickly to changes in business conditions, as well as the ability to supply funds for future growth. (Gross cash flow is made up of net income minus preference and preferred dividends; plus depreciation, depletion and amortization; plus deferred income taxes.)

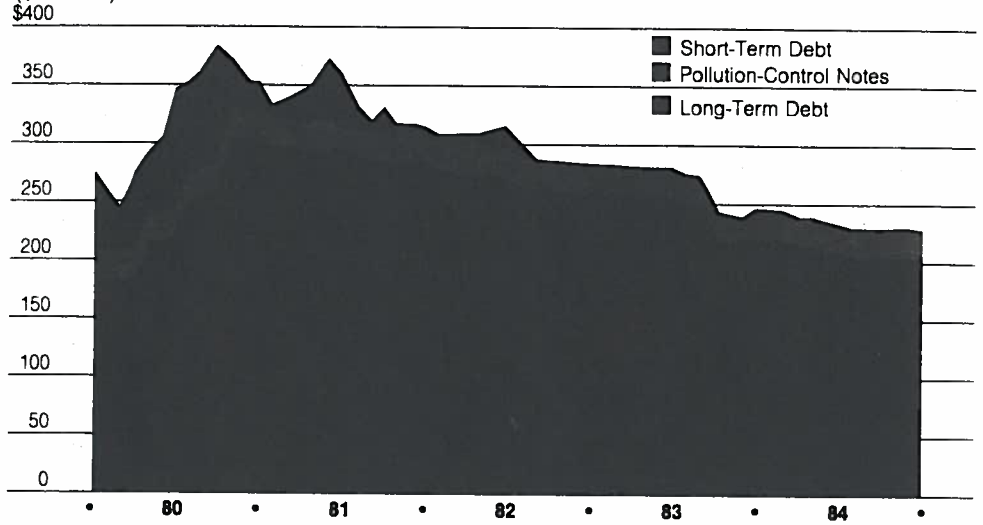
Cash flow would have been at about the same level as last year except for a significant swing in deferred tax expense. The change in deferred tax expense resulted from the 1983 reversal of the deferred tax benefits related to Richmond Tank Car Company, and the reduction of deferred tax expense in 1984 related to product warranty and other reserve provisions. Depreciation continued as the most consistent component of cash flow and experienced a slight increase in 1984 due to the rise in capital spending.

($ Millions)	1984	1983	1982
Gross Cash Flow	**$100.4**	$123.2	$18.6

Gross Cash Flow
($ Millions)



Debt Used to Support Operations
($ Millions)



Funds Generated by Koppers

($ Millions)	1984	1983*	1982*
Sources of cash:			
Funds from operations			
Income (loss) from continuing operations before extraordinary gain	$ 33.9	$ 29.5	$(23.5)
Depreciation, depletion and amortization	80.0	77.6	81.9
Deferred taxes and other expenses	8.8	21.0	(7.0)
Provisions for operations disposed of or closed and decline in value of investment	3.5	4.3	50.0
Equity in (earnings) losses of affiliates, less dividends received	1.3	15.2	15.0
Total from continuing operations before extraordinary gain	**$127.5**	**$147.6**	**$116.4**
Loss from discontinued operations	(5.2)	(4.9)	(15.0)
Depreciation, depletion and amortization	0.3	0.2	2.4
Deferred taxes and other expenses	—	2.1	2.4
Total from discontinued operations	**$ (4.9)**	**$ (2.6)**	**$(10.2)**
Funds provided from operations before extraordinary gain	$122.6	$145.0	$106.2
Extraordinary gain	—	6.0	—
Funds provided from operations	$122.6	$151.0	$106.2
Term debt issued	1.7	5.2	23.2
Sale of fixed assets	10.9	25.1	11.2
Common stock issued	0.1	12.0	2.2
Net decrease in working capital, excluding cash	10.0	4.9	55.0
Total	**$145.3**	**$198.2**	**$197.8**
Uses of cash:			
Capital expenditures	$121.1	$ 68.6	$ 76.7
Term debt retired	14.8	48.1	33.2
Dividends paid	29.0	30.1	47.1
Preference stock purchased	22.8	5.1	—
Receivables due after one year	6.5	0.8	8.5
Other	2.4	2.0	4.3
Total	**$196.6**	**$154.7**	**$169.8**
Increase (decrease) in cash	$(51.3)	$ 43.5	$ 28.0

*Restated to conform with 1984 classifications (Note 7).

Working Capital Reduced

Over the past three years, management has maintained close control of working capital. (Working capital is the surplus of current assets over current liabilities, and indicates the financial flexibility to meet day-to-day obligations, withstand adversity and pay dividends.)

Working capital declined $61.3 million from last year, primarily because of a $51.3 million decrease in the balance of cash held at year-end 1984. This was caused by a significant increase in capital expenditures, purchases of additional shares of preference stock and continued debt reduction. These uses of cash are intended to enhance Koppers growth and improve profitability. Increased product warranty reserves also reduced working capital as current liabilities rose $22.0 million.

($ Millions)	1984	1983	1982
Working Capital	**$221.0**	$282.3	$243.7

Debt Reduction Continues

Koppers used a small amount of short-term borrowing during 1984. The high cash balance together with the relatively strong level of internally generated funds supported working capital requirements. This is the second consecutive year in which the Company has not had to make extensive use of external financing and compares with an average level of short-term borrowings of $7.2 million, or 2% of total borrowings, in 1982. Over the past three years, Koppers has not acquired any additional long-term debt, except through acquisitions, and has reduced total term debt by $83.7 million.

Existing bank credit agreements, which provide up to $200 million in revolving credit loans, have not been exercised since the third quarter of 1982. Substantial capacity exists within the Company's economic structure to finance major expenditures externally.

During the past year, Koppers maintained the debt portion of its total capitalization at a low level. At 1984's close, total debt remained at 28% of total capitalization. The Company's debt level has averaged slightly below 30% over the past 10 years.

Baltimore Maryland. Merle W. Klink, manager-transportation sales and planning, Eastern region, Koppers; John Basso, assistant vice president of purchasing and materials, Chessie System Railroads.

We used to just run the Green Spring, West Virginia plant on a contract basis for Chessie System, and bought it in 1973. What they told us amounted to "You fellows know how to operate a treating plant. We know how to run a railroad. So why doesn't each of us concentrate on what he knows best?" The Green Spring plant supplies approximately one-half of all the creosote-treated cross and switch ties used by the Chessie each year. We buy the material from many small sawmills in the timber areas and the Chessie hauls the material on their tracks into the plant. We unload it, they grade it and we stack it for air seasoning and pressure-treat it about nine to twelve months later—a co-operative effort that has to work if the material is going to be available for the Chessie when they need it. Pressure treatment with creosote means the ties are going to last year after year, resisting attack by weather, insects and the impact of millions of tons of freight rolling over them in the course of a very long lifetime. Essentially, that's what we promise the Chessie about creosote-treated material: a long life for a product that's essential to the track structure of their railroad.

Merle Klink

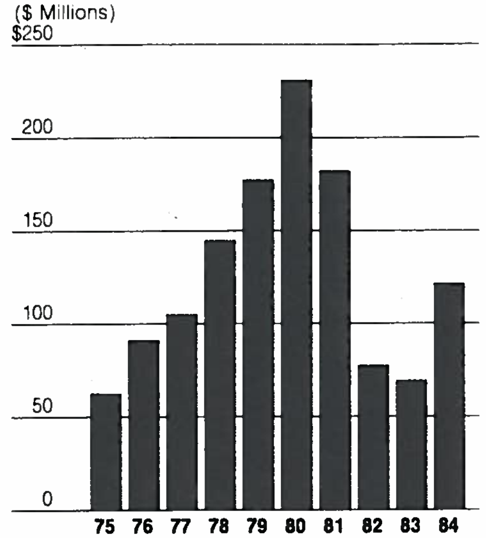
Capital Expenditures Higher

Koppers 1984 capital expenditures increased significantly, reversing a three-year decline. This high level of capital spending was funded entirely through internally generated sources, demonstrating the Company's financial flexibility in meeting current needs while maintaining a strong financial base to fund growth opportunities.

More than half of 1984's capital investment was concentrated on upgrading and expanding production facilities as well as acquiring companies in business lines serving less cyclical markets. The remaining expenditures were directed toward improving plant efficiencies and competitive positions in the Company's other core businesses.

Capital expenditures by business segment are shown in Table 6 (page 35). SEC Schedule V (page 36) shows most expenditures are for increases in Koppers property, plant and equipment to modernize, increase production capacity or improve efficiency at Company facilities. Major expenditures or acquisitions completed in the past three years are summarized as follows.

Capital Expenditures
($ Millions)



1984—Chemical and Allied Products started construction on an arsenic acid plant to supply a major raw material used in specialty wood chemicals. Work began on modernizing and converting the Chicago phthalic anhydride plant to be able to utilize an internally produced raw material. A production facility for high-purity sodium sulfite was purchased to expand Koppers participation in markets for that product. Work began on an electrical cogeneration facility (the Company's third such installation) at a large coke plant in Alabama to process excess energy for sale to the local utility.

Construction Materials and Services acquired two companies in New York and North Carolina that supply paving and road construction and specialized mechanical contracting services. Sizable amounts of operating equipment were purchased for various highway and civil construction projects in the U.S. and overseas. Expansion of quarry operations was completed in Pennsylvania and North Carolina. New production facilities as well as paving and construction equipment were added at numerous operating locations. Aggregate reserves were increased in North Carolina and at several other locations. A new wire mesh plant to produce concrete reinforcement materials was added in Texas.

New investments continue to be made through the Company's venture capital program in such areas as high-purity ceramic powders, pharmaceutical services and biological pesticides.

1983—Chemical and Allied Products completed a second plant to produce phenolic foam insulation board. An electrical cogeneration unit was installed at the Erie coke plant to process excess energy into electricity for sale to the local utility.

Construction Materials and Services acquired companies in South Carolina and Georgia that supply civil construction services. Other purchases included mineral deposits and related processing equipment in Oklahoma and New York. Quarry operations were expanded and modernized in Pennsylvania and North Carolina, and new crushing and paving equipment was added at several locations.

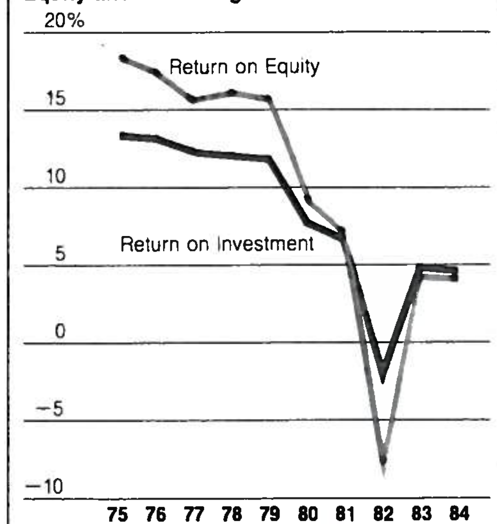
New investments through the venture capital program were made in developers of computer-aided design and manufacturing systems and computer software.

Koppers Total Capitalization

December 31,	1984 $ Millions	1984 % of Total	1983 $ Millions	1983 % of Total	1982 $ Millions	1982 % of Total
Total Debt						
11.25% Promissory notes	**$100.0**	**11.8%**	$100.0	11.3%	$100.0	10.9%
8.95% Note	**22.0**	**2.6**	26.0	2.9	60.0	6.5
Industrial development bonds	**34.3**	**4.0**	36.2	4.1	38.1	4.1
6% Notes	**23.0**	**2.7**	26.0	2.9	29.0	3.2
Pollution-control loans	**19.2**	**2.3**	19.3	2.2	25.2	2.7
Other	**21.3**	**2.5**	25.4	2.8	23.4	2.6
Debt due within one year	**13.4**	**1.6**	16.0	1.8	11.3	1.2
Total	**$233.2**	**27.5%**	$248.9	28.0%	$287.0	31.2%
Equity						
Common	**$551.8**	**65.2%**	$554.5	62.5	$544.1	59.1%
Preference*	**46.5**	**5.5**	69.4	7.8	75.0	8.1
Preferred	**15.0**	**1.8**	15.0	1.7	15.0	1.6
Total	**$613.3**	**72.5%**	$638.9	72.0%	$634.1	68.8%
Total Capitalization	**$846.5**	**100.0%**	**$887.8**	**100.0%**	**$921.1**	**100.0%**

*Debt ratios shown with redeemable preference stock included in debt for 1984, 1983 and 1982 would be 33.0%, 35.9% and 39.3%, respectively, of total capitalization, with equity being 67.0%, 64.1% and 60.7%, respectively.

Returns on Average Common Shareholders' Equity and on Average Total Investment



1982—Chemical and Allied Products completed one of two new plants built to produce the Company's new phenolic foam insulation board. Additional wood-waste-fired boiler systems were installed at plants to achieve energy savings. An electrical cogeneration facility was installed at a wood-treating plant, providing energy savings and income through sales of excess electricity to the local utility.

Construction Materials and Services increased aggregate reserves in California and added new facilities and equipment at several crushing plants.

Engineered Metal Products completed a new diesel piston ring manufacturing plant in Georgia during 1982, significantly increasing capacity and improving the overall efficiency of this product line. The Sprout-Waldron foundry was expanded to manufacture castings for the unit's own products in addition to those for customers.

The Company's venture capital program added investments in manufacturers of industrial robots and metallurgical materials. Koppers had previously acquired interests in such areas as genetic engineering, fiber optics and advanced ceramics.

Hagerstown, Maryland. George Kropkowski, sales engineer—Piston Ring and Seal Division, Koppers; Kenneth D. Goshorn, Supervisor—test engineers, Mack Trucks, Inc.

Mack Trucks makes one of the toughest engines in the world. This inspires us to make the most durable ring sets in the world. Right now, Mack has a standardized, published 300,000-mile truck warranty. We're working with them to develop plasma-coated piston rings that will run at higher pressures and temperatures, last longer and use less fuel. It helps that we have a lab at Koppers that is able to investigate and test new materials. And it helps that Mack loans us engines so we can make our valuations on a real-life basis. Mack and Koppers together are slugging it out against problems caused by high sulfur fuels and environmental regulations. Engines run hotter, so we have to utilize exotic materials and sophisticated designs to overcome this problem. Mack's success in coping with these and other headaches can be seen in the hundreds of thousands of trucks with the bulldog symbol on American roads, and even more in the Middle East, where service facilities can be almost as scarce as snowflakes in the desert. Our success can be seen in the fact that we started out supplying 10% of Mack's ring needs, and now are their major supplier.

George Kropkowski

Shareholder Information

Market for Koppers Common Stock and Related Security Holder Information
Koppers common stock, $1.25 par value, is traded principally on the New York Stock Exchange and is listed also on the Midwest and Pacific stock exchanges. The tables below present its high and low market prices, and dividend information. Cash dividends have been paid on these shares every year since 1944, the year the Company was incorporated.

Long-term debt agreements and the terms of Koppers cumulative preferred stock, $100 par value, 4% Series, and Koppers $10 convertible preference stock, no par value, include certain restrictive covenants. These, among other things, prohibit certain aggregate amounts of the Company's dividends and distributions on its stock from exceeding specified levels. The most restrictive provision, contained in a long-term debt agreement that matures in the year 1986, permitted $92,435,000 of consolidated earnings retained in the business to be available for cash dividends at December 31, 1984.

Continuing Growth of Participation in Dividend Reinvestment Plans
A total of 15% of Koppers shareowners participated in the Company's cost-free Dividend Reinvestment/Cash Payment Plan in 1984. The number of participants declined by 8% during the year, to 2,833. Participating shareholders invested $536,000 to purchase almost 27,900 additional shares during 1984. These plans enable shareholders, on a cost-free basis, to:

- Elect to invest common, preferred and/or preference dividends in shares of Koppers common stock; and/or
- Purchase additional Koppers common stock by making voluntary cash payments of $25 to $1,000 in any month.

Shareholders may obtain further information on these plans by writing to Mellon Bank N.A., Stock Transfer Section, P.O. Box 444, Pittsburgh, Pennsylvania 15230.

Cumulative Preferred Stock
The outstanding shares of cumulative preferred stock, $100 par value, 4% Series, may be redeemed at the option of the Company, as a whole or in part, at any time upon not less than 30 nor more than 60 days' notice, at $107.75 per share, together with accrued and unpaid dividends to the date fixed for redemption. Although the Company also has the right, with the approval of the Board of Directors, to repurchase cumulative preferred shares in the open market, it has no current plans to redeem or repurchase shares.

$10 Convertible Preference Stock
The outstanding shares of $10 convertible preference stock, no par value, may be converted into shares of common stock of the Company at any time, unless previously redeemed, at the conversion price of $28.75 per share, subject to adjustment in certain events. The preference stock is redeemable on not less than 30 days' notice at the option of the Company at a price of $105.00 per share in 1985 and declining by $1 per share each year through 1990. Koppers Board of Directors has authorized the Company to purchase up to 500,000 shares of convertible preference stock in the open market. A total of 229,000 shares were purchased in 1984 and 56,000 shares in 1983.

Equity Security Holders

Title of Class	Number of Shareholders of Record on March 7, 1985
Common Stock, $1.25 Par Value	17,354
Cumulative Preferred Stock, $100 Par Value	1,114
Convertible Preference Stock	480

Koppers Common Stock Statistics

	1984	1983	1982	1981	1980
Common stock price ranges on NYSE/Composite:					
High	**$23⅝**	$21⅞	$18¼	$27⅞	$35¼
Low	**17⅛**	15¾	11¼	16⅛	19
Close	**18**	21¾	16	17	25
Volume traded (in thousands)	**16,415**	12,890	11,445	8,781	7,780
% of shares outstanding	**57%**	46%	41%	32%	29%

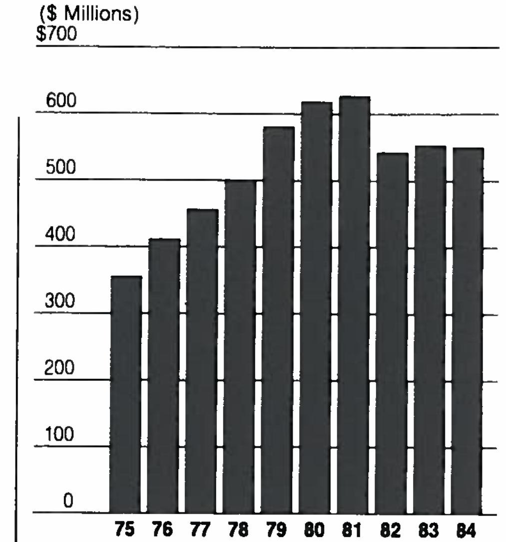
Quarterly Common Stock Price Ranges and Dividends

	1984			1983		
Quarter	**High**	**Low**	**Dividend**	High	Low	Dividend
1st	**$23⅝**	**$17½**	**$0.20**	$19	$15¾	$0.20
2nd	**23¼**	**18⅜**	**0.20**	21	16⅜	0.20
3rd	**22⅝**	**17⅞**	**0.20**	20½	17	0.20
4th	**22⅛**	**17⅛**	**0.20**	21⅞	16⅝	0.20

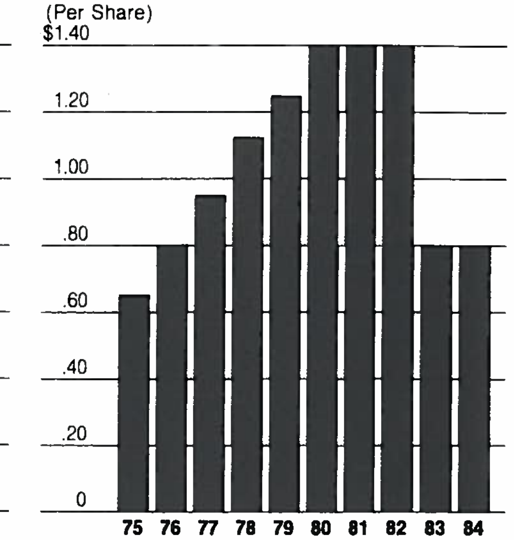
The Shareholders' Scorecard

This series of charts illustrates how owners of Koppers common stock have fared over the past 10 years. Value of the Company's common equity has remained virtually unchanged over the past three years. The dividend was lowered during 1983 as part of the efforts to maintain Koppers strong financial position until business conditions improve. Price of the common stock declined during 1984. The total return (stock appreciation plus dividends reinvested) has kept Koppers shareholders ahead of inflation. The chart on the bottom left shows that every $100 invested in Koppers common stock at the start of 1975 would have grown to $317.80 in total return—reinvested dividends plus price appreciation—by the end of 1984.

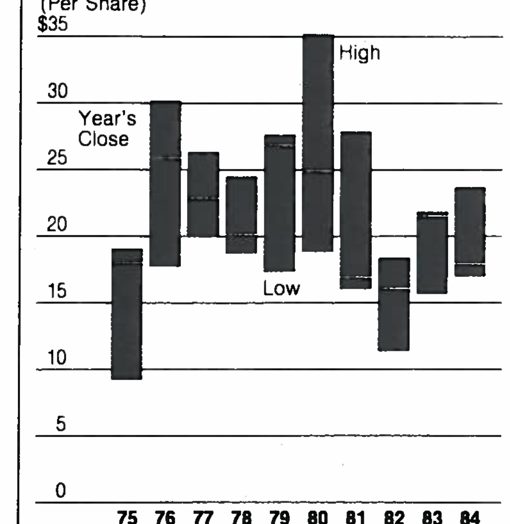
Common Shareholders' Equity
($ Millions)



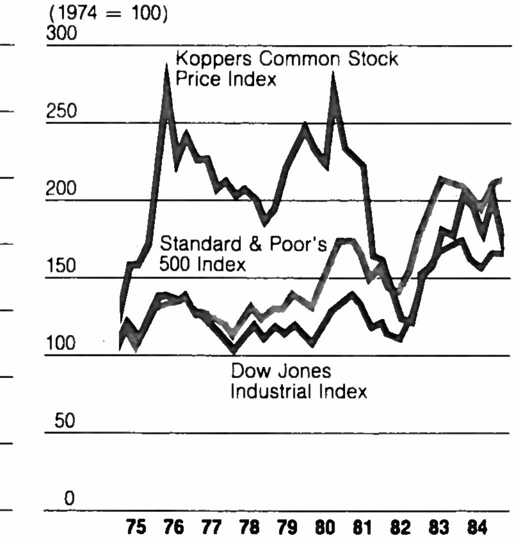
Annual Common Dividend
(Per Share)



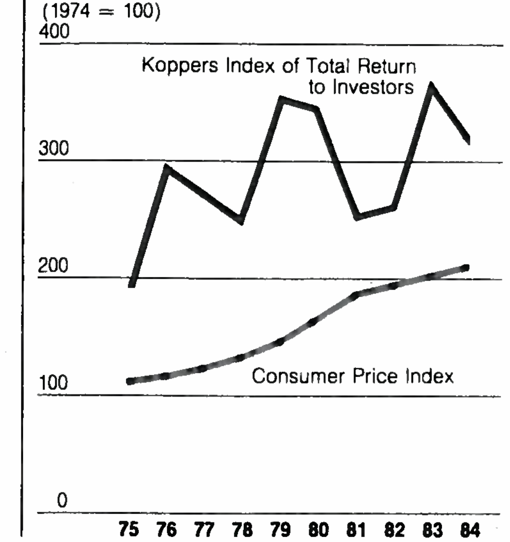
Common Stock Price Trend
(Per Share)



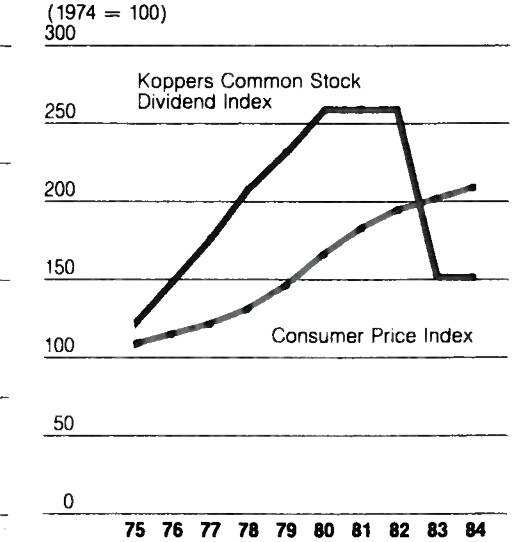
Common Stock vs. Market Indices
(1974 = 100)



Annual Total Returns to Shareholders
(1974 = 100)



Dividends Versus Inflation
(1974 = 100)



Vice President and General Manager—Chemical Systems Sector since 1984; formerly Vice President—Science and Technology since 1981 and Vice President—Environmental Resources and Occupational Health Department.

Glen C. Tenley 57 (1955)
Vice President and General Manager—Coal- and Wood-Based Products Sector since 1984; formerly Vice President and General Manager—Foundry and Industrial Supply Division since 1980 and Vice President and Manager—Purchasing Department.

John R. Brown, III 42 (1967)
Vice President and General Manager—Polyester Resin Division since 1984; formerly Vice President—Specialty Systems Division and Manager.

Key R. Caldwell 63 (1948)
Vice President and General Manager—Industrial Products Division since 1984; formerly Production Manager.

Patrick J. Denison 41 (1967)
Vice President and General Manager—Foundry and Industrial Supply Division since 1984; formerly Marketing Manager since 1983, Production Manager since 1980 and Plant Manager.

Robert K. Wagner 53 (1953)
Vice President and General Manager—Treated Wood Products Division since 1978.

Brooks C. Wilson 51 (1965)
Managing Director—Koppers Australia Pty. Ltd.

Other Officers

Jay A. Best 51 (1956)
Vice President and Manager—Traffic and Transportation Department since 1978.

Frank E. Davis, Jr. 60 (1962)
Vice President and Manager—Communications Department since 1983; formerly Vice President and Manager—Advertising and Public Relations.

Robert R. Moran 60 (1947)
Vice President—Purchasing since 1982; formerly Manager—Raw Materials.

John F. Ramser 52 (1970)
Vice President and Manager—Human Resources Department since 1980; formerly Assistant Secretary—Law Department.

Alvin L. Walters 56 (1976)
Vice President and General Manager—West Region since 1982; formerly President and General Manager—Western Paving Construction Company.

R. Kenneth MacGregor 62 (1978)
Vice President and Manager—West Coast Operations since 1982, and President and General Manager—Sully-Miller Contracting Company.

Robert A. Cruise 54 (1973)
President—Koppers International Canada Ltd., a wholly owned subsidiary since 1969.

Engineered Metal Products

Lester L. Murray 56 (1956)
Vice President and General Manager—Engineered Metal Products since 1983; formerly Vice President and General Manager—Sprout-Waldron Division.

Walter C. Arnold 60 (1962)
Vice President and General Manager—Container Machinery Division since 1978.

Hugh J. Blecki 54 (1956)
Vice President and General Manager—Piston Ring and Seal Division since 1978.

William D. Carty 53 (1973)
Vice President and General Manager—Sprout-Waldron Division since 1983; formerly General Manager—Pulp, Paper and Board Operations

Samuel W. Koster 65 (1974)
Vice President and General Manager—Power Transmission Division since 1978.

Sequentia is among the country's largest users of polyester resins, which we supply to them and which they reinforce with fiberglass. One thing we did was to help them consolidate. They were buying three or four different types of flame-retardant resins, and that gave them a huge inventory headache. They had drums all over the plant. They knew bulk was considerably cheaper than drums. So did we, of course, so we came along with a patented system that gave them the best price per pound with superior processability and ultraviolet resistance in end use. One trouble had been that if the flame-retardant panels ran through the 90-foot oven faster than the resin cured, you would get blistering or under-cured panels. We solved that one by increasing the cure speed of the resin system through a major change in the catalyst formulation. They were able to boost the line speed and eliminate on-line yellowing, which used to result in rejected panels. By the time we were finished, we had made it possible for Sequentia to run its line speed 20 to 25% faster, with practically no rejects or yellowing. We helped them. We helped ourselves. A customer is generally likely to appreciate that sort of thing.

Terry McQuarrie

Koppers 10-Year Financial Highlights and Operating Statistics

($ Millions, except per share data)		1984	1983*	1982*	1981	1980	1979	1978	1977	1976	1975
Sales by Business Group	Chemical and Allied Products	$ 884.8	$ 817.5	$ 821.0	$1,036.0	$ 935.3	$ 904.2	$ 777.1	$ 704.7	$ 625.6	$ 544.4
	Construction Materials and Services	$ 707.7	$ 546.9	$ 512.2	$ 578.6	$ 569.6	$ 480.6	$ 324.8	$ 194.4	$ 155.3	$ 135.6
	Engineered Metal Products	$ 220.4	$ 186.8	$ 215.5	$ 233.6	$ 229.1	$ 217.7	$ 180.6	$ 167.3	$ 171.3	$ 150.9
	Miscellaneous	$ 3.7	$ 3.5	$ 4.1	$ 2.9	$ 1.6	$ 1.5	$ 2.4	$ 1.4	$ 2.0	$ 1.4
	Total from continuing operations	$1,816.6	$1,554.7	$1,552.8	$1,851.1	$1,735.6	$1,604.0	$1,284.9	$1,067.8	$ 954.2	$ 832.3
	Discontinued operations	$ —	$ —	$ —	$ 58.6	$ 64.6	$ 224.3	$ 297.0	$ 287.9	$ 235.0	$ 243.2
	Total corporate sales*	$1,816.6	$1,554.7	$1,552.8	$1,909.7	$1,800.2	$1,828.3	$1,581.9	$1,355.7	$1,189.2	$1,075.5
Corporate Operating Expenses	Wages, salaries and pension expense	$ 403.6	$ 397.9	$ 350.1	$ 416.8	$ 390.6	$ 427.0	$ 359.1	$ 304.7	$ 276.0	$ 248.5
	Materials, supplies and services	$1,227.6	$ 986.5	$1,031.5	$1,265.7	$1,188.0	$1,164.2	$1,020.1	$ 866.2	$ 746.4	$ 675.1
	Depreciation, depletion and amortization	$ 80.0	$ 77.6	$ 81.9	$ 81.6	$ 76.7	$ 63.6	$ 52.7	$ 42.6	$ 37.8	$ 30.3
	Taxes, other than income taxes	$ 51.0	$ 41.5	$ 43.2	$ 46.3	$ 41.1	$ 40.1	$ 33.0	$ 26.2	$ 22.2	$ 19.7
	Total corporate operating expenses	$1,762.2	$1,503.5	$1,506.7	$1,810.4	$1,696.4	$1,694.9	$1,464.9	$1,239.7	$1,082.4	$ 973.6
	Operating profit	$ 54.4	$ 51.2	$ 46.1	$ 99.3	$ 103.8	$ 133.4	$ 117.0	$ 116.0	$ 106.8	$ 101.9
	Other income (expense)	$ 13.0	$ 23.6	$ (55.9)	$ 20.9	$ 11.7	$ 14.5	$ 24.9	$ 9.2	$ 15.1	$ 10.8
Operating Income (Loss) by Business Group (before corporate overhead)	Chemical and Allied Products	$ 16.2	$ 35.3	$ 19.5	$ 71.4	$ 66.8	$ 85.3	$ 68.9	$ 74.8	$ 72.0	$ 70.2
	Construction Materials and Services	$ 66.8	$ 50.5	$ 42.0	$ 66.4	$ 63.9	$ 60.5	$ 37.7	$ 22.2	$ 19.8	$ 16.6
	Engineered Metal Products	$ 1.7	$ 4.4	$ 4.9	$ 13.4	$ 9.5	$ 17.6	$ 15.4	$ 11.3	$ 16.3	$ 13.1
	Miscellaneous	$ 6.1	$ 1.9	$ (50.7)	$ (0.9)	$ (0.2)	$ 2.4	$ 21.4	$ 3.4	$ 8.2	$ 8.6
	Total from continuing operations	$ 90.8	$ 92.1	$ 15.7	$ 150.3	$ 140.0	$ 165.8	$ 143.4	$ 111.7	$ 116.3	$ 108.5
	Discontinued operations	$ —	$ —	$ —	$ (7.6)	$ (0.4)	$ 4.3	$ 16.4	$ 26.3	$ 17.5	$ 14.6
	Total operating income*	$ 90.8	$ 92.1	$ 15.7	$ 142.7	$ 139.6	$ 170.1	$ 159.8	$ 138.0	$ 133.8	$ 123.1
Corporate Income (Loss)	Corporate overhead (included in above expenses)	$ 23.4	$ 17.3	$ 25.5	$ 22.5	$ 24.1	$ 22.2	$ 17.9	$ 12.8	$ 11.9	$ 10.4
	Income (loss) before taxes and interest expense	$ 67.4	$ 74.8	$ (9.8)	$ 120.2	$ 115.5	$ 147.9	$ 141.9	$ 125.2	$ 121.9	$ 112.7
	Interest expense	$ 23.2	$ 26.5	$ 29.7	$ 33.7	$ 32.9	$ 20.6	$ 13.2	$ 11.8	$ 12.6	$ 11.8
	Income taxes (benefit)	$ 10.3	$ 18.8	$ (16.0)	$ 34.4	$ 22.9	$ 42.4	$ 52.7	$ 47.0	$ 41.8	$ 40.6
	Income (loss) from continuing operations	$ 33.9	$ 29.5	$ (23.5)	$ 52.1	$ 59.7	$ 84.9	$ 76.0	$ 66.4	$ 67.5	$ 60.3
	Preference and preferred dividends	$ 6.1	$ 7.7	$ 8.1	$ 7.9	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6
To Common Shareholders	Income (loss) from continuing operations***	$ 27.8	$ 21.8**	$ (31.6)	$ 44.2	$ 59.1	$ 84.3	$ 75.4	$ 65.8	$ 66.9	$ 59.7
	Net income (loss)	$ 22.6	$ 22.9	$ (46.6)	$ 43.8	$ 53.4	$ 84.3	$ 75.4	$ 65.8	$ 66.9	$ 59.7
Financial Position At December 31,	Current assets	$ 488.0	$ 527.3	$ 490.1	$ 542.8	$ 644.9	$ 535.3	$ 530.4	$ 438.9	$ 427.1	$ 369.4
	Current liabilities	$ 267.0	$ 245.0	$ 246.4	$ 272.1	$ 319.9	$ 270.0	$ 247.7	$ 208.3	$ 167.7	$ 150.6
	Working capital	$ 221.0	$ 282.3	$ 243.7	$ 270.7	$ 325.0	$ 265.3	$ 282.7	$ 230.7	$ 259.3	$ 218.8
	Property, plant and equipment—net	$ 607.3	$ 583.2	$ 633.6	$ 679.1	$ 667.0	$ 555.8	$ 457.7	$ 378.1	$ 325.5	$ 255.3
	Total assets	$1,166.5	$1,175.4	$1,192.9	$1,328.2	$1,389.5	$1,140.7	$1,036.1	$ 870.3	$ 783.6	$ 679.7
	Term debt due after one year	$ 219.8	$ 232.9	$ 275.7	$ 288.9	$ 308.7	$ 224.2	$ 233.6	$ 152.0	$ 159.7	$ 132.6
	Total debt—% of total capitalization	28%	28%	31%	30%	32%	29%	32%	26%	28%	27%
	Common shareholders' equity	$ 551.8	$ 564.5	$ 644.1	$ 629.1	$ 619.5	$ 582.2	$ 498.3	$ 454.8	$ 410.2	$ 353.3
Data Per Common Share	Earnings (loss) from continuing operations***	$ 0.97	$ 0.78**	$ (1.13)	$ 1.60	$ 2.19	$ 3.21	$ 3.01	$ 2.64	$ 2.70	$ 2.49
	Net earnings (loss)	$ 0.79	$ 0.81	$ (1.67)	$ 1.58	$ 1.98	$ 3.21	$ 3.01	$ 2.64	$ 2.70	$ 2.49
	Common stock dividends	$ 0.80	$ 0.80	$ 1.40	$ 1.40	$ 1.40	$ 1.25	$ 1.125	$ 0.95	$ 0.80	$ 0.65
	Shareholders' equity	$ 19.31	$ 19.39	$ 19.49	$ 22.58	$ 22.41	$ 21.81	$ 19.86	$ 18.21	$ 16.50	$ 14.57
Other Statistics	Capital expenditures	$ 121.1	$ 68.6	$ 76.7	$ 182.1	$ 230.9	$ 177.1	$ 144.5	$ 104.5	$ 90.6	$ 62.2
	Gross cash flow	$ 100.4	$ 123.2	$ 18.6	$ 132.8	$ 134.6	$ 141.5	$ 141.7	$ 114.8	$ 107.3	$ 94.3
	Current ratio	1.83-to-1	2.15-to-1	1.99-to-1	1.99-to-1	2.02-to-1	1.98-to-1	2.14-to-1	2.11-to-1	2.55-to-1	2.45-to-1
	Return on average invested capital	4.7%	4.9%	(2.4%)	6.7%	7.7%	12.0%	12.1%	12.4%	13.4%	13.5%
	Return on average common equity	4.1%	4.3%	(7.8%)	7.2%	9.0%	15.8%	16.2%	15.6%	17.6%	18.5%
	Average common shares outstanding (thousands)	28,599	28,111	27,854	27,667	26,989	26,228	25,031	24,886	24,809	24,002
	Shareholders at year end	19,190	20,758	22,489	20,326	18,362	18,115	17,729	17,553	16,729	15,352
	Average number of employees	15,612	14,518	17,334	20,113	21,029	22,087	20,858	18,168	17,880	17,549

*Years 1983, 1982 restated to conform with 1984 classifications (Note 7). **1983 excludes extraordinary gain of $6.0 million, or $0.21 per share. ***Years prior to 1982 include the after-tax results of discontinued operations.

Report of Certified Public Accountants

Arthur Young & Company
Certified Public Accountants

The Board of Directors and Shareholders
Koppers Company, Inc.:

We have examined the consolidated financial statements of Koppers Company, Inc. and subsidiaries listed in the accompanying Index to Consolidated Financial Statements. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements listed in the accompanying Index to Consolidated Financial Statements present fairly the consolidated financial position of Koppers Company, Inc. and subsidiaries at December 31, 1984 and 1983 and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

2400 Koppers Building
Pittsburgh, Pennsylvania 15219
January 24, 1985

Index to Consolidated Financial Statements

Koppers Company, Inc. Covered by Report of Certified Public Accountants

Schedules I, II, III, IV, VII, IX, XI, XII and XIII are not given, as the subject matter thereof either is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the financial statements or the notes thereto.

Statement of Accounting Policies

Koppers Company, Inc. and Subsidiaries

The major accounting policies of the Company are set forth below. The word "Company" as used in this report includes consolidated entities as well as Koppers Company, Inc.

Principles of Consolidation—The consolidated statements include the accounts of the Company and all of its subsidiaries. All intercompany transactions have been eliminated.

Inventories—Inventories are valued at the lower of cost or market. Cost for approximately 73% and 68% of inventories for 1984 and 1983, respectively, is determined by the LIFO (last-in, first-out) method. Cost for the remainder of the inventories represents average costs or standard costs, which approximate actual on the FIFO (first-in, first-out) basis. Market is replacement cost for raw materials and net realizable value for work in process and finished goods.

Fixed Assets—Buildings, machinery and equipment are depreciated on the straight-line method over their useful lives. Timber and mineral properties are depleted on the basis of units produced.

When land, standing timber or property units are sold, the difference between selling price and cost, after recognition of accumulated depreciation and depletion, is reflected as Other income.

Long-Term Contracts—Revenue on long-term construction contracts is accounted for on the percentage-of-completion basis; losses are recognized as soon as they are determined.

Pension Plans—The Company has pension plans covering substantially all employees. The Company provides for amortization of unfunded prior service costs over periods up to 40 years and pays provisions for pension expense into trust funds in accordance with ERISA requirements.

Income Taxes—Investment tax credits are accounted for under the "flow-through" method, which recognizes the benefit in the year in which the credit is utilized.

Earnings (Loss) Per Share—Earnings (loss) per share have been computed on the basis of the average number of common shares outstanding and do not include the assumed conversion of preference stock, which is antidilutive.

Consolidated Statement of Operations

Years ended December 31, 1984	*1983	*1982	Koppers Company, Inc. and Subsidiaries	
($ Thousands, except per share figures)				
$1,816,646	$1,554,707	$1,552,842	Net sales	1
			Operating expenses:	
1,463,772	1,229,127	1,216,399	Cost of sales	2
80,003	77,590	81,879	Depreciation, depletion and amortization	3
50,952	41,536	43,180	Taxes, other than income taxes	4
167,501	155,283	165,241	Selling, research, general and administrative expenses	5
1,762,228	1,503,536	1,506,699	Total operating expenses	
54,418	51,171	46,143	Operating profit	
			Other income (expense):	6
(3,072)	4,107	(16,869)	Profit (loss) on operations disposed of or closed (Note 7)	7
2,970	8,899	4,154	Profit on sales of capital assets	8
—	(1,185)	(40,362)	Provision for decline in value of investments (Note 2)	9
5,855	12,393	—	Profit on sale of investments (Note 2)	
854	(10,874)	(7,722)	Equity in earnings (losses) of affiliates (dividends received: 1984—$2,115; 1983—$5,283; 1982—$9,204)	10
6,404	8,448	4,372	Interest income	11
(25)	1,824	461	Miscellaneous	
12,986	23,612	(55,966)	Total other income (expense)	
67,404	74,783	(9,823)	Income (loss) before interest expense and provision (benefit) for income taxes	
23,162	26,440	29,670	Interest expense	12
44,242	48,343	(39,493)	Income (loss) from continuing operations before provision (benefit) for income taxes	
10,315	18,805	(15,995)	Provision (benefit) for income taxes (Note 8)	13
$ 33,927	$ 29,538	$ (23,498)	Income (loss) from continuing operations	14
			Discontinued operations (Note 7):	15
(1,675)	(3,595)	(10,729)	Loss from discontinued operations (less applicable income tax benefit: 1984—$1,427; 1983—$3,698; 1982—$10,428)	
(3,486)	(1,315)	(4,305)	Loss on disposal of discontinued operations (less applicable income tax benefit: 1984—$2,637; 1983—$1,121; 1982—$2,378)	
28,766	24,628	(38,532)	Income (loss) before extraordinary gain	16
—	5,960	—	Extraordinary gain on extinguishment of debt (Note 4)	
$ 28,766	$ 30,588	$ (38,532)	Net income (loss) for the year	
			Dividends on:	
5,533	7,080	7,500	Redeemable convertible preference stock	
600	600	600	Cumulative preferred stock	
$ 22,633	$ 22,908	$ (46,632)	Net income (loss) applicable to common stock	17
28,599	28,111	27,854	Average number of shares of common stock outstanding during year (in thousands)	
			Earnings (loss) per share of common stock:	
$ 0.97	$ 0.78	$(1.13)	From continuing operations before extraordinary gain	
$(0.18)	$(0.18)	$(0.54)	From discontinued operations	
$ —	$ 0.21	$ —	Extraordinary gain	
$ 0.79	$ 0.81	$(1.67)	Net earnings (loss)	

*Restated to conform with 1984 classifications (Note 7).
(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

1. Total received, or receivable from customers. Excludes discontinued operations.

2. Directly related to operating levels: wages, salaries, raw materials, energy, transportation, pensions, supplies and services.

3. Related to the Company's investment in fixed assets—this portion of the original cost of machinery, plants, etc. has been allocated against the year's income.

4. Not closely related to operating levels: social security and unemployment taxes, state and local franchise and real estate taxes.

5. Salesmen's compensation, corporate staff and officers' salaries, pensions, and other general expenses.

6. Not resulting directly from sale of products or services, although most is included in operating income of business segments; see page 35.

7. Gain or loss realized from sale or write-off of assets of business lines or facilities.

8. Profit on sales of equipment, facilities, etc. no longer needed.

9. Recognition that the realizable value of an investment (Explanation 10, page 28) has fallen below the value carried on the balance sheet.

10. Represents Koppers portion of earnings or losses of companies in which it has 20%-50% ownership.

11. From short-term cash investments.

12. Cost of borrowed funds.

13. Total income taxes and credits: federal, state and foreign.

14. This was earned for all shareholders by businesses that will continue to be operated in future.

15. After-tax effect of decisions made in 1984 and 1982 not to remain in certain businesses.

16. After including all operations.

17. This portion of net income (loss) was applicable to common shareholders; in 1984, $22.9 million was paid in dividends.

Consolidated Balance Sheet

Assets

December 31, 1984	1983	Koppers Company, Inc. and Subsidiaries	
($ Thousands)			
		Current assets:	1
$ 67,005	$ 118,314	Cash, including short-term investments of $52,617 in 1984 and $104,354 in 1983	2
218,185	223,424	Accounts receivable, principally trade, less allowance for doubtful accounts of $5,453 in 1984 and $5,645 in 1983	3
10,347	20,363	Refundable federal income taxes	4
		Inventories (Note 1):	5
		At cost—FIFO (first-in, first-out) basis:	
125,985	124,017	Product	
36,209	33,217	Work in process	
91,498	78,173	Raw materials and supplies	
253,692	235,407	Total FIFO inventories	
92,028	90,577	Less LIFO (last-in, first-out) reserve	6
161,664	144,830	Total LIFO inventories	7
30,761	20,396	Prepaid expenses, including deferred tax benefits of $26,370 in 1984 and $15,406 in 1983	8
487,962	527,327	Total current assets	9
		Investments:	10
27,842	25,796	Affiliated companies, at equity	
13,125	10,248	Others at cost	
40,967	36,044	Total investments	
		Fixed assets, at cost:	11
136,039	132,229	Buildings	
1,005,451	932,892	Machinery and equipment	
1,141,490	1,065,121	Gross buildings, machinery and equipment	
666,128	605,214	Less accumulated depreciation and amortization	12
475,362	459,907	Net buildings, machinery and equipment	
80,583	81,209	Depletable properties, less accumulated depletion of $16,565 in 1984 and $14,957 in 1983	13
51,307	42,068	Land	
607,252	583,184	Net fixed assets	
30,325	28,859	Other assets, primarily notes receivable	
$1,166,506	$1,175,414	Total assets	14

(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows what Koppers owned.

1. Likely to be converted into cash within one year.

2. Primarily kept in bank accounts for normal business use or invested in short-term notes.

3. Amounts owed to Company by customers and others.

4. Income tax refunds.

5. Goods being stockpiled or used in the process of manufacturing or held for sale. Value of these inventories is based on the FIFO accounting method, which reflects the most recent cost of goods.

6. Company uses LIFO accounting for substantially all domestic inventories to charge current income with most recent costs of goods, thus eliminating illusory inventory profits.

7. LIFO value of inventory results in a reduction of asset values in comparison to FIFO or current values.

8. Amounts paid in advance for items to be rendered in the future, such as property taxes and rents.

9. See discussion of working capital on page 17.

10. Koppers ownership in other companies.

11. The original amount paid for Company-owned buildings, machinery and equipment.

12. Accumulation of the portion of the original amount paid for fixed assets that has been allocated to operating costs since the assets were purchased.

13. Cost of properties having exhaustible resources, such as timber, coal and stone, reduced for value of resources used in the past.

14. The total net cost assigned to everything Koppers owns.

Consolidated Balance Sheet

Liabilities and Shareholders' Equity

December 31, 1984	1983	Koppers Company, Inc. and Subsidiaries	
($ Thousands, except per share figures)			
		Current liabilities:	1
$ 69,422	$ 68,649	Accounts payable, principally trade	2
		Accrued liabilities:	3
4,745	4,314	Income taxes	
22,493	25,102	Pensions (Note 3)	
30,571	27,877	Insurance	
40,063	38,796	Payroll and other compensation costs	
29,742	10,367	Warranty reserves	
46,624	41,837	Other accruals	
9,993	12,066	Advance payments received on contracts	4
13,351	15,967	Term debt due within one year (Note 4)	5
267,004	244,975	Total current liabilities	6
219,809	232,897	Term debt due after one year (Note 4)	7
16,814	16,288	Deferred compensation (Note 6)	
49,544	42,377	Deferred income taxes	8
46,500	69,400	Redeemable convertible preference stock, no par value, stated value $100 per share: authorized 1,000,000 shares; issued and outstanding 465,000 shares in 1984 and 694,000 shares in 1983, 10% series (Note 5)	
15,000	15,000	Cumulative preferred stock (not subject to mandatory redemption), $100 par value: authorized 300,000 shares; issued and outstanding 150,000 shares, 4% series	
35,714	35,753	Common stock, $1.25 par value: authorized 60,000,000 shares; issued 28,610,834 and outstanding 28,571,217 shares in 1984; issued 28,610,834 and outstanding 28,602,313 shares in 1983	9
144,454	145,081	Capital in excess of par value	9
371,667	373,643	Earnings retained in the business (Note 4)	9
$1,166,506	$1,175,414	Total liabilities and shareholders' equity	

(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows everything Koppers owed.

1. These are liabilities payable within one year.

2. Due to suppliers for goods and services provided.

3. Amounts owed but not paid as of year end.

4. For services and products paid for by customers, which Koppers will provide in the near future.

5. Repayment of long-term debt and capital lease obligations required during coming year.

6. Company's current assets at year-end 1984 covered these liabilities by a current ratio of 1.83-to-1.

7. Borrowings used to expand Koppers income-producing base. This includes the present value of lease payments that will be made in the future.

8. Differences in accounting rules and tax regulations result in certain income and expenses in financial reports that are not included in tax reports in the same year. This total represents the taxes on the difference that will be paid in future years.

9. The total of these items, $551.8 million, represents the total common shareholders' ownership in Koppers at the close of 1984. Common equity was equal to $19.31 for each share of common stock outstanding at the close of 1984, versus $19.39 at the end of 1983.

Consolidated Statement of Changes in Financial Position

1984	1983*	1982*	Koppers Company, Inc. and Subsidiaries	
Years ended December 31, ($ Thousands)				
			Source of funds:	1
			Operations:	
$ 33,927	$ 29,538	$(23,498)	Income (loss) from continuing operations before extraordinary gain	2
80,003	77,590	81,879	Depreciation, depletion and amortization	3
8,741	20,958	(7,015)	Deferred income taxes and other expenses	4
3,502	4,277	50,037	Provision for operations disposed of or closed and decline in value of investments	5
1,291	15,211	14,988	Equity in (earnings) losses of affiliated companies, less dividends received	6
127,464	147,574	116,391	Total from continuing operations before extraordinary gain	
(5,161)	(4,910)	(15,034)	Loss from discontinued operations	7
304	267	2,403	Depreciation, depletion and amortization	
—	2,073	2,439	Deferred income taxes and other expenses	
(4,857)	(2,570)	(10,192)	Total from discontinued operations	7
122,607	145,004	106,199	Funds provided from operations before extraordinary gain	
—	5,960	—	Extraordinary gain on extinguishment of debt (Note 4)	
122,607	150,964	106,199	Funds provided from operations	
1,698	5,244	23,232	Term debt issued	8
62	12,044	2,165	Common stock issued	9
10,869	36,471	20,546	Book value of fixed assets and other noncurrent assets disposed of or sold	10
135,236	204,723	152,142	Total source of funds	11
			Disposition of funds:	12
121,060	68,621	76,677	Capital investments	13
14,786	48,070	33,157	Term debt retired	14
29,008	30,145	47,101	Dividends paid	15
22,808	5,045	—	Preference stock purchased	
820	155	1,529	Treasury stock acquired	
6,484	12,222	17,839	Issuance of receivables due after one year	16
1,664	1,866	2,760	Other	
196,630	166,124	179,063	Total disposition of funds	
$(61,394)	$ 38,599	$(26,921)	Increase (decrease) in working capital	17
			Changes in components of working capital:	18
			Increase (decrease) in current assets:	
$(51,309)	$ 43,456	$ 28,034	Cash and short-term investments	
(5,239)	15,895	(57,345)	Accounts receivable	
(10,016)	7,261	13,102	Refundable federal income taxes	
16,834	(26,828)	(42,097)	Inventories	
10,365	(2,584)	5,683	Prepaid expenses	
(39,365)	37,200	(52,623)	Total increase (decrease) in current assets	
			Increase (decrease) in current liabilities:	
773	9,956	(17,006)	Accounts payable	
25,945	(8,213)	3,274	Accrued liabilities	
(2,073)	(7,817)	4,715	Advance payments received on contracts	
(2,616)	4,675	(16,685)	Term debt due within one year	
22,029	(1,399)	(25,702)	Total increase (decrease) in current liabilities	
$(61,394)	$ 38,599	$(26,921)	Increase (decrease) in working capital	

Explanations

1. Where the funds came from:

2. From line 14 on page 27.

3. This operating cost does not require the payment of funds, which are retained for use in the business.

4. Taxes and other expenses not paid currently, available for use in operations until the time when payment becomes due.

5. Plant write-offs and write-downs of investments reduced income but did not result in an outflow of funds. The amount by which income was reduced represents funds retained for use in the business.

6. Includes cash dividends received from certain equity affiliates plus the Company's portion of the earnings and losses incurred by affiliated companies that affected Koppers income, but did not affect the flow of funds.

7. Losses reported on income statement include certain expenses that did not require payment of funds, as explained in 3 and 4 above.

8. Borrowings explained on page 17.

9. Issuance of common shares to retire long-term debentures, plus value of shares contributed to Employee Savings Plan.

10. Received from disposal of equipment, facilities, etc. no longer needed in operations.

11. Total funds from all sources.

12. Where the funds went:

13. To provide further growth.

14. Repayment of obligations, including retirement of long-term debentures.

15. Returns to common, preference and preferred shareholders.

16. Includes notes received on sale of certain investments and assets.

17. Subtracting funds paid out from funds generated results in a change in working capital employed.

18. This section shows how the change in current assets and current liabilities affected the change in working capital.

*Restated to conform with 1984 classifications (Note 7). (See accompanying statement of accounting policies and notes to financial statements.)

Consolidated Statement of Shareholders' Equity Other Than Redeemable Convertible Preference Stock

Koppers Company, Inc. and Subsidiaries (Amounts in thousands, except outstanding shares and per share figures)

	Outstanding Shares: Cumulative Preferred Stock	Outstanding Shares: Common Stock	Cumulative Preferred Stock	Common Stock	Capital in Excess of Par Value	Foreign Currency Translation Adjustment	Earnings Retained in the Business	Total
Balance at December 31, 1981	150,000	27,855,478	$15,000	$34,819	$132,935	$ —	$461,298	$644,052
Net loss for the year 1982			—	—	—	—	(38,532)	(38,532)
Cash dividends paid:								
On preference stock, $10.00 per share			—	—	—	—	(7,500)	(7,500)
On preferred stock, $4.00 per share			—	—	—	—	(600)	(600)
On common stock, $1.40 per share			—	—	—	—	(39,001)	(39,001)
Purchase of common stock for treasury		(101,804)	—	(127)	(1,402)	—	—	(1,529)
Common stock issued during 1982:								
Contributed to Employee Stock Ownership Plan		53,696	—	67	645	—	—	712
Common stock issued from treasury to Employee Savings Plan		103,464	—	130	1,323	—	—	1,453
Balance at December 31, 1982	150,000	27,910,834	15,000	34,889	133,501	—	375,665	559,055
Net income for the year 1983			—	—	—	—	30,588	30,588
Cash dividends paid:								
On preference stock, $10.00 per share			—	—	—	—	(7,080)	(7,080)
On preferred stock, $4.00 per share			—	—	—	—	(600)	(600)
On common stock, $0.80 per share			—	—	—	—	(22,465)	(22,465)
Purchase of common stock for treasury		(8,741)	—	(11)	(144)	—	—	(155)
Common stock issued during 1983:								
Extinguishment of debt (Note 4)		700,000	—	875	11,165	—	—	12,040
Common stock issued from treasury to Employee Savings Plan		220	—	—	4	—	—	4
Retirement of 56,000 shares of redeemable convertible preference stock (Note 5)			—	—	555	—	—	555
Foreign currency translation:								
Initial adjustment (net of $121 in related income tax benefits)			—	—	—	(2,007)	—	(2,007)
Current year (net of $33 in related income tax benefits)			—	—	—	(458)	—	(458)
Balance at December 31, 1983	150,000	28,602,313	15,000	35,753	145,081	(2,465)	376,108	569,477
Net income for the year 1984			—	—	—	—	28,766	28,766
Cash dividends paid:								
On preference stock, $10.00 per share			—	—	—	—	(5,533)	(5,533)
On preferred stock, $4.00 per share			—	—	—	—	(600)	(600)
On common stock, $0.80 per share			—	—	—	—	(22,875)	(22,875)
Recovery of common stock via escrow claim		(34,156)		(43)	(777)			(820)
Common stock issued from treasury to Employee Savings Plan		3,060	—	4	58	—	—	62
Retirement of 229,000 shares of redeemable convertible preference stock (Note 5)			—	—	92	—	—	92
Foreign currency translation:								
Current year (net of $113 in related income tax benefits)			—	—	—	(1,734)	—	(1,734)
Balance at December 31, 1984	150,000	28,571,217	$15,000	$35,714	$144,454	$(4,199)	$375,866	$566,835

(See accompanying statement of accounting policies and notes to financial statements.)

Notes to Financial Statements

December 31, 1984, 1983 and 1982

1. Inventories—During 1983 and 1982, inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of purchases in current years, the effect of which increased net earnings in 1983 and 1982 by approximately $3,104,000, or $0.11 per share, and $13,297,000, or $0.48 per share, respectively. There was no LIFO liquidation during 1984.

2. Investments

Genex Corporation—The Company has reduced its investment in Genex to 26.0% ($6,578,000) at December 31, 1984 from 37.3% ($11,567,000) at December 31, 1982 through the sale of Genex shares. This resulted in a pretax gain of $915,000, or $659,000 after tax ($0.02 per share), and a pretax gain of $11,999,000, or $8,640,000 after tax ($0.31 per share), during the years ended December 31, 1984 and 1983, respectively. Equity losses during the years ended December 31, 1984, 1983 and 1982 were $900,000, $1,684,000 and $2,257,000, respectively. The quoted market value of the Company's investment in Genex at December 31, 1984 was $5.375 per share, or $17,846,000.

Richmond Tank Car Company (RTC)—Through the recognition of equity losses of $6,925,000 and $4,518,000 during 1983 and 1982 and a write-down of $39,304,000 in 1982, respectively, the Company reduced its investment in RTC to zero prior to December 30, 1983. On December 30, 1983, the Company sold the investment in RTC to First Boston Corporation for $394,000. In early 1984, under terms of the agreement with First Boston, the Company realized a pretax gain of $3,922,000, or $2,824,000 after tax ($0.10 per share), upon the subsequent sale of the stock by First Boston. Also in 1984, the Company realized a pretax gain of $1,018,000, or $550,000 after tax ($0.02 per share), on the sale of a note receivable from an RTC subsidiary.

Synfuels—In February, 1984, the Company's project to construct a synthetic fuel facility (peat-to-methanol plant) through a partnership, Peat Methanol Associates, was canceled upon the Synthetic Fuels Corporation's decision not to provide additional financial assistance. During 1984, 1983 and 1982, the Company recognized $1,553,000, $7,669,000 and $6,689,000, respectively, of equity losses from its synthetic fuel investments.

3. Retirement Plans

Company Plans—Total pension expense for continuing operations in 1984 was $20,500,000, as compared with $21,825,000 and $23,813,000 in 1983 and 1982, respectively. The pension expense decrease in 1984 was due primarily to a decrease in the salary scale assumptions and the accrual of interest for excess plan assets. During 1983, there were substantial reductions in the Company's work force, the net effect of which reduced pension expense in 1983 by $3,693,000 and increased net income by $1,835,000, or $0.07 per share. A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit plans as of December 31, 1984 and 1983 is presented below.

($ Thousands)	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	**$264,604**	$223,387
Nonvested	**28,521**	26,423
	$293,125	$249,810
Net assets available for benefits	**$376,309**	$352,852

The rate used in determining the actuarial present value of accumulated plan benefits was 10%. The actuarial present value of accumulated plan benefits is less than that considered in calculating the funding requirements of the plan partly because of differences in actuarial assumptions relating to future salaries, wages and interest.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health and life insurance benefits for retired employees. Those benefits are provided through insurance contracts whose premiums are based on the benefits paid during the year. The Company recognizes the cost of providing these benefits by expensing the annual insurance premiums, which were $2,782,000 for 1984, as compared with $2,083,000 and $1,777,000 in 1983 and 1982, respectively.

Multiemployer Plans—In addition to the expense for the Company-sponsored plans, the Company had pension expense for full-time employees of $6,282,000, $5,907,000 and $4,647,000 in 1984, 1983 and 1982, respectively, for contributions to multiemployer plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and plan net assets of multiemployer plans is not determinable by the Company and is not included in the above information.

4. Term Debt—Term debt due after one year is shown in Table 1.

The aggregate term debt maturity in the years 1985 through 1989, respectively, is $13,351,000, $18,286,000, $17,348,000, $17,555,000 and $17,081,000.

Extraordinary Item—In September, 1983, the Company issued 700,000 shares of its common stock valued at $17.20 per share plus $12,000,000 cash to Metropolitan Life Insurance Company in exchange for $30,000,000 principal amount of its long-term 8.95% promissory notes due May 15, 1998. This transaction resulted in an extraordinary tax-free gain of $5,960,000, or $0.21 per share.

Additional Debt Information—The Company has a revolving credit bank loan agreement that provides for revolving credit loans of up to $200,000,000 until September 30, 1986. Commitment fees of up to ⅜ of 1% per annum are required on any unborrowed amounts. Any loans outstanding on September 30, 1986 may be converted to term loans payable during the succeeding three years. The agreement calls for interest at one of three options chosen by the Company, those being the prime rate, the certificate of deposit rate or the Eurorate, with factors up to $\frac{7}{10}$ of 1% added to these rates after September 30, 1985. The Company had no borrowings under this agreement in 1983 or 1984.

The Company's term debt agreements contain various restrictions as to dividend payments and incurrence of additional indebtedness. As of December 31, 1984, under the most restrictive provisions, $92,435,000 of consolidated earnings retained in the business was available for the payment of cash dividends, and the Company could incur additional indebtedness of approximately $176,874,000.

Table 1. Term Debt

($ Thousands)	1984	1983
11.25% promissory notes due $6,500 annually beginning 1986, $9,000 balance due in 2000	**$100,000**	$100,000
8.95% promissory notes due $4,000 annually	**22,000**	26,000
6% notes due $3,000 annually	**23,000**	26,000
Pollution-control bonds and notes:		
8.25% bonds due 1985-2002	**33,300**	35,200
5.875% tax-exempt bonds due 1998-2017	**16,350**	16,350
5.9% and 6% notes due 1985-1998	**9,650**	10,010
Other	**15,509**	19,337
	$219,809	$232,897

5. Redeemable Convertible Preference Stock—In 1984, the Company's Board of Directors authorized the purchase of an additional 250,000 or a maximum of 500,000 shares of convertible preference stock (preference stock) on the open market. Since the original authorization in 1983 (250,000 shares), the Company has purchased 229,000 and 56,000 shares in 1984 and 1983, respectively, with the shares returning to unissued status.

Each share of the Company's preference stock is convertible into 3.48 shares of the Company's common stock. The Company may redeem the preference shares in 1985 at $105 per share, declining by $1 per share each year through 1990. Beginning in 1990, the Company is required to make sinking fund payments at $100 per share sufficient to retire 37,500 shares of preference stock annually except that prior redemptions or conversions may be applied to such requirements at the Company's option.

The Company may not pay cash dividends on common or preference stock if required sinking fund payments are not made. If preference stock dividends are in arrears for an amount equal to more than six quarterly dividends, the holders of preference stock may then elect two directors.

6. Employee Compensation Plans

Deferred Compensation Plan—The Company has a Deferred Compensation Unit Plan for officers and other key employees. Operating expense has been charged with $1,424,000, $1,533,000 and $2,300,000 to provide for the benefits accrued during 1984, 1983 and 1982, respectively.

Incentive Plan—The Company has an Incentive plan for key employees that is based upon the attainment of a specific return on invested capital using income before interest expense and income taxes. Because of the Company's insufficient return on investment, there was no charge to operating expense in 1984, 1983 or 1982.

Performance Share Plan—The Company has a Performance Share Plan for key employees that provides for an award of performance shares (up to an aggregate maximum of 500,000 shares), each equivalent to one share of the Company's common stock and cash. Distribution of the common stock plus cash equal to the fair market value of the common stock will be made at the end of designated periods if specified earnings are attained.

At present, there are no performance shares outstanding. On the basis of profit performance, no provisions have been made for the years 1984, 1983 and 1982.

Employee Savings Plan—The Company has an Employee Savings Plan for all eligible employees that was amended May 1, 1984 to conform to Section 401(K) of the Internal Revenue Code. Prior to this amendment, participating employees could elect to contribute up to 6% of their salaries, while the Company contributed an amount equal to a specified percentage of the employees' contributions to a limit of $6,000 per employee. Under the amended plan, participating employees can elect to contribute up to 16% of their salaries, with a regular Company matching contribution in Koppers common stock equivalent to 25% of the first 2% of the taxsaver contributions for each month of the plan year. The Company may also make annual supplemental contributions. The Company's contributions amounted to $399,000 in 1984, $286,000 in 1983 and $1,724,000 in 1982.

7. Closed Operations and Disposals

Discontinued Operations—In 1984, an after-tax loss of $3,486,000 ($0.12 per share) was realized on the sale of the Company's engineering and construction business to Raymond Kaiser Engineers, Inc. (RKE). Future contingent payments to Koppers for the sale are based upon the after-tax profit or loss of the RKE Pittsburgh office over a period of time from the closing through December 31, 1988.

In 1983, the Company sold two operations, the Environmental Elements (ENELCO) and Mineral Processing Systems (MPSD) Divisions, for $21,039,000 in cash, notes and preferred stock. Reserve provisions of $4,492,000 after tax ($0.16 per share) made in December, 1982 for the expected losses on these disposals were insufficient for actual 1983 losses incurred because of changes in the structure of the sales agreement, thereby requiring an additional provision of $1,315,000 after tax ($0.05 per share) in 1983.

In 1982, the Titus Products Division of ENELCO was sold for $11,124,000, resulting in a small after-tax gain.

Amounts in the Consolidated Statement of Operations for the years 1983 and 1982 have been restated to conform with 1984 disclosure for discontinued operations.

Other Operations Closed or Disposed of—In 1984, dispositions in Chemical and Allied Products resulted in a loss of $3,692,000, or $2,137,000 after tax ($0.07 per share).

In 1983, a gain of $3,976,000, or $2,863,000 after tax ($0.10 per share), was realized on the disposition of Canadian timber rights. This transaction was negotiated in conjunction with the Company's 1981 sale of the Canadian spruce lumber operations.

In 1982, dispositions in Chemical and Allied Products resulted in a loss of $11,941,000, or $6,650,000 after tax ($0.24 per share).

The effect on operations and the related profit or loss on operations disposed of or closed is shown in Table 2.

Table 2. Operations Disposed of or Closed

($ Thousands)	1984	1983	1982
Net sales	**$12,961**	$47,176	$116,815
Operating expenses	**14,446**	47,425	128,976
Operating loss	**(1,485)**	(249)	(12,161)
Profit (loss) on disposal of net assets	**(3,072)**	4,107	(16,869)
	$(4,557)	$ 3,858	$(29,030)

8. Income Taxes—Income (loss) from continuing operations before provision (benefit) for income taxes and the components of income taxes are in Table 3. The components of deferred tax expense (benefits) and related tax effect are in Table 4. The differences between the statutory and effective income tax (benefit) rates applicable to continuing operations (excluding extraordinary items) are in Table 5. The provisions for income taxes for the years 1984, 1983 and 1982 have been reduced by $5,486,000, $2,129,000 and $7,222,000, respectively, for investment tax credit.

At December 31, 1984, 1983 and 1982, consolidated earnings retained in the business included approximately $28,274,000, $27,403,000 and $27,019,000, respectively, on which federal income tax has not been provided. The Company has reinvested such earnings in export activities, thereby sheltering them from taxation. A change in the federal income tax law effective January 1, 1985 has rendered these earnings permanently free of federal income taxes. Effective January, 1985, a Foreign Sales Corporation (FSC) was established to provide prospective tax savings.

9. Operations by Business Segments—The company operates principally in three business segments. Financial information about each segment is provided in Table 6 on the following page. Information relating to the products and services provided by these segments is located on pages 38 through 40 of this annual report and 10-K. Because of immateriality, intersegment sales are not disclosed.

10. Litigation—In 1981, Inland Steel Company filed an action against the Company asserting a claim in the amount of $100 million for damages under a construction contract. The Company filed a counterclaim against Inland to recover $17 million representing fees on the contract. A jury verdict was rendered on February 21, 1984 for Inland on its claim in the amount of $74 million and for the Company on its counterclaim in the amount of $10 million. This verdict is on appeal to the Court of Appeals of Indiana. While the ultimate outcome of this litigation is not currently determinable, the Company believes that it has meritorious defenses to Inland's claim and it will take all legal action to set aside this verdict or obtain a new trial.

Table 3. Components of Income Taxes (Benefit)

($ Thousands)	1984	1983*	1982*
Income (loss) from continuing operations before provision (benefit) for income taxes:			
Domestic operations	**$40,892**	$33,434	$(48,693)
Foreign operations**	**3,350**	14,909	9,200
Total	**$44,242**	$48,343	$(39,493)
Income tax expense (benefit):			
Continuing operations	**$10,315**	$18,805	$(15,995)
Discontinued operations	**(4,064)**	(4,819)	(12,806)
Total	**$ 6,251**	$13,986	$(28,801)
Current:			
Federal	**$ 3,601**	$(13,361)	$(13,745)
Foreign	**2,568**	1,995	4,049
State	**2,638**	3,051	1,485
	8,807	(8,315)	(8,211)
Deferred:			
Federal	**(1,859)**	22,006	(20,424)
Foreign	**(697)**	295	(166)
	(2,556)	22,301	(20,590)
Total	**$ 6,251**	$ 13,986	$(28,801)

*Restated to conform with 1984 classifications (Note 7).
**Foreign operations income before the provision for income taxes includes equity income from foreign investments of $3,799, $6,193 and $6,429 for 1984, 1983 and 1982, respectively.

Table 4. Deferred Tax Expense (Benefit)

($ Thousands)	1984	1983	1982
Excess of tax over book depreciation	**$ 8,842**	$ 8,927	$ 7,292
Anticipated expenses provided in advance of deductibility for tax purposes:			
—Warranty expenses	**(8,876)**	(2,276)	(988)
—Synthetic fuels expenses	**4,260**	(3,239)	443
Difference in book and tax income recognition:			
—Construction contracts	**83**	1,166	(4,876)
—Inventory timing difference	**(592)**	139	(603)
—Genex basis difference	**90**	986	—
—Installment sales	**(1,659)**	1,568	—
Investment tax credit carry-forward	**(3,575)**	(2,572)	—
Provisions for operations discontinued, disposed of or closed	**621**	3,228	(12,205)
RTC investment provision	**—**	11,025	(11,025)
Other—net	**(1,750)**	3,349	1,372
	$(2,556)	$22,301	$(20,590)

Table 5. Statutory and Effective Income Tax (Benefit) Rates

	1984	1983*	1982*
Statutory tax rate:			
Federal	**46.0%**	46.0%	(46.0%)
State, net of federal tax benefit	**3.2%**	3.4%	2.0%
Investment tax credit	**(12.4%)**	(4.4%)	(17.9%)
Nontaxable earnings of Domestic International Sales Corporation	**(0.7%)**	(0.5%)	(1.5%)
Effect of percentage over cost depletion	**(8.4%)**	(6.0%)	(8.0%)
Effect of lower statutory tax rate applicable to capital gains and equity investment transactions	**(5.5%)**	(6.9%)	22.1%
Minimum tax on tax preference items	**4.3%**	3.5%	2.8%
Other—net	**(3.2%)**	3.8%	6.0%
	23.3%	38.9%	(40.5%)

*Restated to conform with 1984 classifications (Note 7).

Table 6. Operations by Business Segments

($ Thousands)	Chemical and Allied Products	Construction Materials and Services	Engineered Metal Products	Misc.	Consolidated
Year ended December 31, 1984:					
Net sales from continuing operations	$884,810	$707,680	$220,456	$ 3,700	$1,816,646
Operating profit (loss) before general corporate overhead	$ 17,846	$ 60,758	$ (347)	$ (421)	$ 77,836
Other income (expense) (Notes 2 and 7)	(4,890)	5,071	2,045	9,906	12,132
Equity in earnings (loss) of affiliates	3,251	965	—	(3,362)	854
Operating income	$ 16,207	$ 66,794	$ 1,698	$ 6,123	$ 90,822
General corporate overhead					23,418
Interest expense					23,162
Income from continuing operations before provision for income taxes					$ 44,242
Identifiable assets as of December 31, 1984	$467,970	$444,955	$141,680	$ 27,152	$1,081,757
General corporate assets					84,749
Total assets					$1,166,506
Depreciation, depletion and amortization	$ 38,600	$ 31,654	$ 8,093	$ 3	$ 78,350
Depreciation and amortization of general corporate assets					1,653
					$ 80,003
Capital expenditures	$ 30,654	$ 65,689	$ 7,163	$ 17,554	$ 121,060
Year ended December 31, 1983 (restated):					
Net sales from continuing operations	$817,507	$546,873	$186,769	$ 3,558	$1,554,707
Operating profit (loss) before general corporate overhead	$ 21,086	$ 45,383	$ 2,762	$ (753)	$ 68,478
Other income (Notes 2 and 7)	10,976	1,972	1,701	19,837	34,486
Equity in earnings (loss) of affiliates	3,227	3,110	(15)	(17,196)	(10,874)
Operating income	$ 35,289	$ 50,465	$ 4,448	$ 1,888	$ 92,090
General corporate overhead					17,307
Interest expense					26,440
Income from continuing operations before provision for income taxes					$ 48,343
Identifiable assets as of December 31, 1983	$470,622	$396,692	$135,233	$ 39,954	$1,042,501
General corporate assets					132,913
Total assets					$1,175,414
Depreciation, depletion and amortization	$ 40,236	$ 28,342	$ 7,919	$ 10	$ 76,507
Depreciation and amortization of general corporate assets					1,083
					$ 77,590
Capital expenditures	$ 14,529	$ 39,718	$ 3,325	$ 11,049	$ 68,621
Year ended December 31, 1982 (restated):					
Net sales from continuing operations	$820,980	$512,206	$215,541	$ 4,115	$1,552,842
Operating profit (loss) before general corporate overhead	$ 27,168	$ 36,579	$ 8,715	$ (747)	$ 71,715
Other income (expense) (Notes 2 and 7)	(10,023)	1,381	(3,909)	(35,693)	(48,244)
Equity in earnings (loss) of affiliates	2,381	4,032	120	(14,255)	(7,722)
Operating income (loss)	$ 19,526	$ 41,992	$ 4,926	$(50,695)	$ 15,749
General corporate overhead					25,572
Interest expense					29,670
Loss from continuing operations before provision for income taxes					$ (39,493)
Identifiable assets as of December 31, 1982	$492,867	$390,272	$177,264	$ 42,755	$1,103,158
General corporate assets					89,766
Total assets					$1,192,924
Depreciation, depletion and amortization	$ 44,180	$ 29,246	$ 7,138	$ 8	$ 80,572
Depreciation and amortization of general corporate assets					1,307
					$ 81,879
Capital expenditures	$ 33,102	$ 15,822	$ 17,164	$ 10,589	$ 76,677

Schedules for Form 10-K
Koppers Company, Inc. and Subsidiaries

Property, Plant and Equipment (SEC Schedule V)

($ Thousands)

Classification	Balance at beginning of year	Additions at cost[1]	Retirements or sales[2]	Transfers and other additions (deductions)	Balance at close of year
Year ended December 31, 1984					
Land	$ 42,068	$ 9,328	$ 386	$ 297	$ 51,307
Buildings	132,229	7,442	3,429	(203)	136,039
Machinery and equipment	932,892	93,797	20,988	(250)	1,005,451
Depletable mineral properties	81,051	1,517	308	(110)	82,150
Depletable timber properties	15,115	1,610	1,727	—	14,998
	$1,203,355	$113,694	$26,838	$ (266)	$1,289,945
Year ended December 31, 1983					
Land	$ 43,446	$ 2,596	$ 1,948	$(2,026)	$ 42,068
Buildings	138,023	3,637	14,921	5,490	132,229
Machinery and equipment	945,159	46,622	51,716	(7,173)	932,892
Depletable mineral properties	77,505	2,459	1,079	2,166	81,051
Depletable timber properties	21,523	2,069	8,477	—	15,115
	$1,225,656	$ 57,383	$78,141	$(1,543)	$1,203,355
Year ended December 31, 1982					
Land	$ 41,558	$ 1,271	$ 825	$ 1,442	$ 43,446
Buildings	140,482	10,813	9,397	(3,875)	138,023
Machinery and equipment	913,711	51,630	27,420	7,238	945,159
Depletable mineral properties	76,565	1,600	—	(660)	77,505
Depletable timber properties	25,858	1,776	6,111	—	21,523
	$1,198,174	$ 67,090	$43,753	$ 4,145	$1,225,656

(1) Property acquired through acquisitions, 1984—$4,729; 1983—$4,683.
(2) Includes $12,806 in 1984, $27,812 in 1983 and $14,058 in 1982 from operations disposed of or closed.

Accumulated Depreciation, Depletion and Amortization (SEC Schedule VI)

($ Thousands)

Description	Balance at beginning of year	Additions charged to income[1]	Retirements[2]	Other additions[3]	Balance at close of year
Year ended December 31, 1984					
Depreciation and amortization	$605,214	$76,401	$18,128	$ 2,641	$666,128
Depletion	14,957	2,714	1,106	—	16,565
	$620,171	$79,115	$19,234	$ 2,641	$682,693
Year ended December 31, 1983					
Depreciation and amortization	$577,470	$73,877	$46,169	$ 36	$605,214
Depletion	14,584	2,863	2,490	—	14,957
	$592,054	$76,740	$48,659	$ 36	$620,171
Year ended December 31, 1982					
Depreciation and amortization	$504,271	$76,852	$26,573	$22,920	$577,470
Depletion	14,826	3,737	3,979	—	14,584
	$519,097	$80,589	$30,552	$22,920	$592,054

(1) Includes provision relating to both continuing and discontinued operations.
(2) Includes $8,582 in 1984, $7,466 in 1983 and $5,770 in 1982 from operations disposed of or closed.
(3) Includes $2,198 in 1984, $914 in 1983 and $14,492 in 1982 of valuation reserves for operations disposed of or closed.

Valuation and Qualifying Accounts (SEC Schedule VIII)

($ Thousands)

Description	Balance at beginning of year	Additions charged to income	Deductions[1]	Balance at close of year
Year ended December 31, 1984				
Allowance for doubtful accounts	$ 5,645	$ 2,218	$ 2,410	$ 5,453
Allowance for doubtful notes receivable	2,841	1,031	—	3,872
Allowance for decline in value of investment	2,138	—	89	2,049
	$10,624	$ 3,249	$ 2,499	$11,374
Year ended December 31, 1983				
Allowance for doubtful accounts	$ 5,015	$ 1,995	$ 1,365	$ 5,645
Allowance for doubtful notes receivable	135	2,841	135	2,841
Allowance for decline in value of investment	40,362	1,185	39,409	2,138
	$45,512	$ 6,021	$40,909	$10,624
Year ended December 31, 1982				
Allowance for doubtful accounts	$ 4,720	$ 3,589	$ 3,294	$ 5,015
Allowance for doubtful notes receivable	—	135	—	135
Allowance for decline in value of investment	3,023	40,362	3,023	40,362
	$ 7,743	$44,086	$ 6,317	$45,512

(1) Accounts written off, less recoveries.

Supplementary Income Statement Information (SEC Schedule X)

($ Thousands) Charged to expenses

Item	1984	1983*	1982*
Years ended December 31,			
Maintenance and repairs	$111,230	$94,857	$91,206
Taxes, other than payroll and income taxes	$ 17,687	$14,521	$16,873
Rents	$ 26,348	$21,217	$19,257
Research and development	$ 19,199	$15,526	$17,495

*Restated to conform with 1984 classifications (Note 7).

Description of Koppers Business

Chemical and Allied Products

Chemical and Allied Products Business

During 1984, the Organic Materials and Forest Products businesses of Koppers were combined to form the Chemical and Allied Products unit. This consolidation brings together two closely related Koppers businesses:

—materials and technology associated with the manufacture and use of products derived from coal. The present mix is made from coal or such derivative products as coal tar or naphthalene. Other lines serve specialty markets;

—production of chemically treated wood, specialty wood-treating chemicals and laminated wood products, to supply both U.S. and foreign markets.

Three operating sectors, plus affiliated and subsidiary business units at domestic and overseas locations, compose Chemical and Allied Products.

Building Products Sector produces coal tar bitumen built-up roofing systems, phenolic foam roof insulation board and cold-applied maintenance materials. Phenolic foam residential insulating sheathing will be introduced in 1985.

This unit licenses proprietary processes and products using specialty chemicals under such trademarks as Dricon, NCX and Wolman to wood-treating companies throughout the U.S. and in foreign countries. A new retail line called Wolman Wood Protection Products was introduced in 1984 and includes exterior wood stains and water repellents. Brush-on wood preservatives, caulking compounds and adhesives will be added in 1985. Other building materials include pre-engineered glue-laminated wood products for industrial, commercial and residential applications, such as structural beams, arches, columns, girders, trusses and lighting standards.

Chemical Systems Sector is a major supplier of resorcinol, used primarily to produce adhesives used in rubber tires and laminated wood; antioxidants, used in rubber, plastics and other products; polyester resins for general purpose and high-performance applications; binder systems and refractory coatings for foundries; industrial sealants, caulks and adhesives; and a group of intermediate chemicals. A new product line, vinyl ester resins, will be introduced in 1985 for reinforced plastics applications requiring corrosion resistance and fire-retardant qualities.

Coal- and Wood-Based Products Sector includes several product categories:

—Koppers is among the largest merchant producers of foundry coke, one of the principal products used for melting metal in foundries and other industrial operations. Other grades of coke are manufactured for reducing iron ore in steelmaking, for melting in rock wool operations, for nonferrous metal smelting and for sugar beet refining.

—The Company produces coal tar derivatives such as pitches used by the aluminum and commercial carbon industries as binders in the manufacture of electrodes; creosote, a complex mixture of chemicals, used primarily as a wood preservative; naphthalene, used to produce phthalic anhydride and other chemical intermediates; phthalic anhydride, used in production of alkyd and polyester resins and plasticizers for plastics.

—Kopper sells treated wood products, which include chemically pressure-treated railroad crossties; utility, transmission, distribution and lighting poles and accessory equipment; building poles and timbers; foundation and marine piling; and construction lumber and plywood. Wood pressure treatments for these products use creosote, pentachlorophenol and waterborne salt preservatives. Koppers also provides contract wood-treating services for industrial and commercial customers.

Raw Materials and Fuel

Primary raw materials for Chemical and Allied Products operations include coal and coal-derived products, hardwood and softwood timber, and preservative raw materials. Most coal tar processed is purchased through contracts with steel producers. Purchasing agreements cover such other raw materials as coal and benzene. For wood-treating operations, the major requirements are for Eastern and Southern hardwood; and softwood timber, primarily Southern yellow pine and West Coast species. Less than 10% of the Company's timber needs are met from Company-owned properties or by negotiated cutting rights. Preservative raw materials are supplied from both Company and outside sources.

Energy needs are supplied by natural gas, fuel oil, coal, coke oven gas and wood waste. Three plants operate electrical cogeneration systems, with two of these units providing energy for processing and all three selling the excess electric power to local utilities. No major disruption of business in 1985 is expected as a result of shortages of raw materials or energy.

Competitive and Seasonal Conditions

Chemical and Allied Products goods and services are sold in highly competitive markets. Except for certain proprietary items, there are suppliers of identical products in all business areas, as well as competition from alternative materials performing the same function. The principal factors in competition are price, quality and service.

Most businesses are affected to varying degrees by seasonal variations. For example, winter weather reduces volumes in roofing and other construction industry product lines.

Products are marketed nationwide, generally through the group sales organizations, and certain lines are sold through independent distributors and agents. Substantial inventories are maintained in many product categories to ensure prompt, dependable service.

Backlog

Chemical and Allied Products year-end backlog was $263.0 million, versus $303.9 million a year earlier. The total backlog is expected to be shipped during 1985, although most unfilled orders are subject to cancellation at the buyer's option.

Chemical and Allied Products Combined 1984 Sales by Major Economic Sectors

Economic Sectors	($ Millions)	%
Industrial Production	$481.2	54%
Nonbuilding Construction	263.5	30
Architectural Construction	140.1	16
	$884.8	100%

Construction Materials and Services

Construction Materials and Services Business

This unit consists of operating subsidiaries in regional markets producing crushed stone, sand, gravel and bituminous and ready-mix concrete, and providing engineering and construction services. Related products include steel culvert pipe, welded wire fabric and specialty products used in highway, bridge and other civil construction. Coal properties are included in this unit.

Sales of aggregates and construction services are about evenly divided between publicly funded projects, such as road maintenance and new construction, and privately financed construction projects. Transportation is a major factor in total product cost. The delivered price doubles when crushed stone is transported 20 to 30 miles. To compete effectively, aggregate markets are localized.

Construction Materials and Services operates more than 160 domestic facilities. These serve markets in 17 states extending from New York through Pennsylvania and Ohio and into the Southeast, portions of the Midwest, and sections of Colorado, Wyoming and California. About 50% of sales are in the West, 31% in the Southeast, and 19% in the Northeast.

Significant expansion occurred during 1984. Acquisitions included paving operations in New York and a mechanical contractor in North Carolina. A new welded wire fabric facility was added in Texas, and modernization programs were completed at Pennsylvania and North Carolina quarries. Several bituminous concrete plants are being converted from natural gas to coal to afford energy savings.

Koppers owns coal properties in Tennessee, which are leased to independent coal operators.

Raw Materials and Fuel

Aggregate raw materials consist of sand and gravel, granite, limestone, trap rock and sandstone, which come from quarries and mines. Most of Koppers quarries are on land either owned by the Company or held under long-term leases. It is estimated that the present reserves of aggregates will be sufficient for more than 25 years at current production rates. Other major raw materials include asphalt, cement, and steel rod and sheet, which are purchased from oil companies and cement and steel producers. Adequate supplies of raw materials and fuel are expected to continue. Fuel oil satisfies nearly half of the energy requirements; natural gas and diesel fuel provide about 20% each; the remainder comes from gasoline, kerosene and propane.

Competitive and Seasonal Conditions

Construction Materials and Services operations are geographically diversified, with vertical integration within certain regional markets. Because mineral reserves are limited within regional areas, the Company commonly holds a high share of those regional markets in which it competes.

Principal factors in competition are location, price and service. Prices for aggregates are determined by local conditions and are not subject to fluctuations created by nationwide demand, supply and capacity factors. Increasingly, this business has become service-oriented, calling for on-time delivery from a guaranteed source of supply.

Business is seasonal, with more than 70% of sales occurring during the peak construction period from May 1 to November 30.

Product inventories are controlled at volumes that reflect a balance between the most efficient production level and supplying peak demand. Inventories normally grow substantially during spring months in anticipation of high summer demand. It is not customary, however, to carry inventories or provide financing for customers.

Backlog

Combined backlog at the end of 1984 was $213.5 million, versus $179.0 million a year earlier. The normal tendency is for this backlog to increase during the first six months of the year and to decline thereafter. Orders in the backlog are considered firm, and more than 95% of the year-end backlog is expected to result in 1985 sales.

Construction Materials and Services Combined 1984 Sales by Major Economic Sectors

Economic Sectors	($ Millions)	%
Nonbuilding Construction	$602.0	85%
Architectural Construction	101.9	14
Industrial Production	3.8	1
	$707.7	100%

Engineered Metal Products

Engineered Metal Products Business
Koppers is a designer and manufacturer of machinery systems and machine components. These business lines are generally characterized by high-value-added, precision-engineered, high-quality products designed to rigid customer specifications.

The Company's Sprout-Waldron line of products includes processing machinery for the formula feed, food, chemical, pulp and paper and other basic industries. Sprout-Waldron also designs and builds complete feed mills, material handling and storage facilities, pulping plants and industrial processing installations. Two large foundries produce medium- and large-sized gray iron and ductile castings for use in various areas of Engineered Metal Products, as well as selling castings directly to outside customers. An engineering and marketing agreement with Kamyr, Inc. of Sweden expands Sprout-Waldron's role in newly developing chemothermomechanical pulping.

Koppers manufactures, installs and services corrugated box machinery used to convert kraft paper into corrugated board and finished containers for packaging producers.

The flexographic newspaper printing system introduced last year now has three major installations, which are proving the viability of this technique for new and retrofit printing applications.

The Company is a major producer of industrial piston rings for diesel engines and shaft seals for use in aircraft engines, pumps and compressors, as well as seal rings for hydraulic cylinders, valves and other industrial and aircraft applications.

Koppers supplies a broad range of power transmission products, including standard and specially designed couplings, forgings and coupling greases. Couplings transmit power from one rotating shaft to another and compensate for misalignment. Applications include high-speed compressors, pumps, conveyors, cranes, blowers, boiler feed pumps, paper mill equipment and main drives in steel rolling mills.

Raw Materials and Fuel
Principal raw materials, such as metal castings and forgings, are produced within the group's facilities, with some quantities supplied by commercial producers. Steel bars, billets, plates, structural forms and aluminum are purchased from mill and warehouse suppliers. Fuel oil, natural gas and electricity are the major fuels used.

Competitive and Seasonal Conditions
There is significant competition in each of Engineered Metal Products business lines. Certain of the group's products generally sell at premium prices, and Koppers strong market position is based upon demonstrated excellence in design, performance, technical support and other specific factors.

Principal products and services are sold mainly through the group's sales force, augmented in some lines by agents and distributors. Most business lines are not affected by seasonal fluctuations.

Working capital amounts include repair parts inventories required for field service activities, as well as inventory parts kept on hand for standard machines to meet competitive delivery schedules. In certain lines, working capital amounts include retainages that are receivable upon satisfactory performance of the installation.

Backlog
Engineered Metal Products backlog at the end of 1984 was $109.0 million, compared with $97.8 million a year earlier. Total backlog is believed to be firm and is expected to be shipped in 1985. No significant seasonal factors influence the backlog.

Engineered Metal Products 1984 Sales by Major Economic Sector	($ Millions)	%
Manufacturers' Capital Equipment	$220.4	100%

Venture Capital

The Company has a wholly owned venture capital subsidiary, Kopvenco, formed in 1980, that now has investments in 14 organizations. All of the investments represent higher-technology, start-up companies. Four general areas of technology are represented.

Life Sciences—related to Koppers extensive experience in chemistry and chemical processing. The investments in this area are primarily advanced developments in biotechnology. Potential applications include specialty chemicals, pesticides and agricultural products. Genex Corporation and DNA Plant Technology Corporation are two of these investments that are now publicly traded on Over the Counter exchanges.

Advanced Materials and Composites—related to Koppers chemicals and metal-working capabilities and experience with new material combinations. These investments involve high-technology ceramics, advanced metallurgy and fiber optics.

Productivity Improvement—related to Koppers broad range of manufacturing operations. The areas covered here are robotics and computer software, including electric-drive precision robots (produced by American Robot Corporation) now used in American industry and in Japan. The software includes computer-assisted design and manufacturing (CAD-CAM) systems and an integrated database management system applicable to many business applications.

Transportation/Energy—related to Koppers general business interests. A single investment in MotorTech, Inc. gives access to a high-performance, high-fuel-efficiency automotive engine developer.

The mission of Kopvenco is to seek out and participate in companies with the latest in new technologies. Two goals are clearly established; first, to gain access to new technology that relates to Koppers future business; and second, to realize an appreciation on funds invested in the businesses. Venture capital investments involve partnerships with other like-minded companies leading to a constant high level of technology evaluation.

General Development of Koppers Business
Koppers Company, Inc. was incorporated on September 30, 1944. It succeeded by merger to the properties and business of four predecessor companies. Those companies grew logically out of Koppers original business, established in 1907, to design and build chemical-recovery coke plants for the American steel industry.

Prior to 1965, Koppers was highly dependent upon its original steel plant construction business for earnings growth. It was a cyclical business that had a disconcerting roller-coaster effect on the Company's prospects for growth.

In 1965, the Company began to build a manufacturing organization that would produce consistent earnings growth and thereby reduce Koppers dependence upon the steel industry capital investment cycle. Koppers today is a diversified manufacturing corporation offering construction materials and services, chemicals and engineered metal products. The Company's steel plant construction business was sold at the start of 1984.

Pursuit of the Company's objective to expand its manufacturing businesses to achieve consistent earnings growth has been characterized by capital investment in new plants and equipment. This expansion program has increased the total investment in Koppers operations from $190 million in 1964 to $847 million at the close of 1984.

Employment
The average number of persons employed by the Company was 15,612 in 1984, compared with 14,518 in 1983. Addition of hourly production and operating employees as well as those added by acquisitions accounted for the higher 1984 employment level. The average number of salaried employees declined during the year.

Approximately 6,500 of the Company's employees are covered by 150 different collective bargaining agreements. Successful labor contract negotiations were completed at 45 locations in 1984.

Financial Information by Industry Segment
Selected financial information for each of Koppers operating units for a 10-year period appears on page 24. Additional financial information on the operating groups appears in the table "Operations by Business Segments" on page 35.

Patents and Licensing
Koppers owns nearly 450 existing United States patents and a large number of foreign patents covering many products and processes. Some of the patents and technology are licensed to other companies. The Company makes few of its products under licenses from other companies with respect to patents they own or technology they have supplied. No single patent or license is considered material in relation to the Company's overall performance.

Properties
The Company has 252 operating locations in 31 states in the U.S., Canada, Great Britain and Australia. They include Chemical and Allied Products, 76; Construction Materials and Services, 167; and Engineered Metal Products, 9. Principal operating plants are located at Dolomite, Ala.; Oroville, Calif.; Conley, Ga.; Cicero, Ill.; Baltimore, Md.; Newark, N.J.; Muncy, Petrolia and South Fayette, Pa.; and Follansbee, W.Va.

In the opinion of management, the production capacities in Koppers various business segments are adequate to operate at a significantly higher volume than in 1984.

Research and Development
The Company conducts research activities and supporting pilot plant operations at two locations in suburban Pittsburgh, as well as special research projects at 11 universities and sponsored external research by high-technology research and development companies in which Koppers has an equity interest.

Koppers research laboratories explore advanced technologies, develop new products, improve manufacturing processes and serve as the monitoring influence on new areas of technology.

Special services such as occupational health and product safety, environmental management and analytical and engineering support are provided to all operations.

Development laboratories at several locations support each of the Company's business segments with applied research, including customer and technical service.

The amount spent on research and development activities was approximately $19.2 million in 1984, $15.5 million in 1983 and $17.5 million in 1982.

Legal Proceedings
On August 7, 1981, Inland Steel Corporation filed an action against Koppers in the Lake Superior Court, East Chicago, Indiana, alleging that negligence, fraud and breach of contract in construction of a coke oven battery and blast furnace by Koppers at Inland's Indiana Harbor Works had caused Inland damages in the amount of $100 million. Koppers counterclaimed to recover $17 million still unpaid by Inland on the contract for construction of the coke oven battery and blast furnace. Venue in this action was moved to the La Porte Circuit Court, La Porte, Indiana. The negligence count was dropped by Inland and the court dismissed the fraud count. Trial began on January 17, 1984 and a verdict was rendered on February 21, 1984 for Inland on its claims in the amount of $74 million and for Koppers on its counterclaim in the amount of $10 million, for a net verdict in favor of Inland in the amount of $64 million. Post-trial motions were denied. The case is on appeal to the Court of Appeals of Indiana. Koppers management believes it has meritorious defenses for this appeal and will take all legal actions to set aside the verdict or obtain a new trial.

On July 6, 1983, 97 individual plaintiffs brought suit against 12 named defendants, including Koppers, North American Phillips Corporation (Phillips), Drake Chemical Company and American Color & Chemical Company, formerly a jointly owned subsidiary of Koppers and Phillips, in the Clinton County, Pennsylvania Court of Common Pleas alleging generally that defendants produced, stored, purchased and sold toxic chemicals in the City of Lock Haven, Pennsylvania that contaminated air, soil and groundwater in the vicinity of plants operated by American Color and Drake Chemical. Plaintiffs have requested $120 million compensatory damages, $200 million punitive damages and an order directing defendants to clean up and dispose of all hazardous waste attributable to them in the area. Koppers sold its 48% interest in American Color to Phillips in 1982 when the Lock Haven plant closed. The action is in its preliminary stages, but Koppers management believes that it has sound defenses to this claim and that this litigation will not result in any material liability to Koppers.

Sterling Paving Company, a wholly owned subsidiary, was indicted by a Grand Jury convened in the United States District Court for the District of Colorado for alleged irregularities in highway paving bidding in violation of Section 1 of the Sherman Antitrust Act. Sterling Paving Company was acquired by Koppers in November, 1981. The activities upon which the indictment is based occurred prior to Koppers acquisition of Sterling. Conviction of Sterling could result in fines of up to $1 million and business disruption due to possible debarment or suspension from bidding on public projects, as well as a civil action by the State of Colorado. Koppers management believes it has meritorious defenses to the indictment and is taking all legal actions to obtain dismissal of the indictment or acquittal.

Koppers is involved in environmental administrative proceedings and litigation with respect to certain of its operating plants, former plants and waste disposal sites (including 28 Superfund sites concerning which the Company has received notices of probable involvement). At this time, potential cost of these proceedings cannot be forecast with any degree of precision.

Environmental, Occupational Health and Safety Regulations
Koppers, in common with many other enterprises, is subject to new federal, state and local laws and regulations governing environmental as well as health and safety matters. The amended and reauthorized Resource Conservation and Recovery Act will require additional cleanup of existing plants and the installation of a substantial amount of new and replacement equipment. The new right-to-know regulations under the Occupational Safety and Health Act coupled with the rapid growth of state right-to-know laws will require extensive new recordkeeping, labeling and safety procedures. Continuing efforts by the U.S. Environmental Protection Agency to locate and clean up old toxic waste disposal sites under the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund") may lead to involvement of the Company in additional Superfund sites in the future. Environmental health and safety laws and regulations have not curtailed plant operations significantly; however, compliance with such laws and regulations is affecting the Company's financial performance. The effect of the new laws and regulations and their potential costs cannot be evaluated at this time.

Comprehensive review of EPA's "Rebuttable Presumption Against Re-registration Notices" in 1978 against three Koppers wood preservatives—creosote, pentachlorophenol and arsenicals—was completed in 1984. Re-registration was permitted under certain conditions. Compliance with these conditions should not have a substantial impact on the overall sales or earnings of the Company in the affected wood-treating markets.

Environmental Management
Koppers, along with its competitors, faces increasingly stringent regulations concerning the handling of many chemicals it uses, purchases or sells. The reauthorized and amended Resource Conservation and Recovery Act passed by Congress in 1984, as well as other new laws and regulations administered by numerous state and federal agencies, now more than ever makes strict compliance with environmental laws a prerequisite for continued participation in chemical markets.

Over the past 15 years, Koppers has developed the technology and technical expertise necessary for the resolution of any likely environmental and health issues that may arise in its operations in the next decade. The Company has initiated an extensive program of environmental review of its facilities aimed at developing an aggressive, cost-effective plan for resolution of future environmental problems. It is likely to entail only a small fraction of the potential cost that could be faced if compliance is not achieved before government agencies intervene. Koppers management believes this environmental program enhances the Company's competitive position.

Effects of Inflation
The Financial Accounting Standards Board (FASB) requires supplementary disclosure of selected historical financial data on an adjusted basis to recognize the effect of inflation in times of change in specific prices (current-cost method). Under the current-cost approach, property, plant and equipment's (including mineral resources) current cost was estimated by using indices published by the federal government, private organizations and internal sources.

Koppers, in complying with FASB Statement No. 33, has elected to restate only inventories; sales; cost of sales; property, plant and equipment, net of accumulated depreciation; and depreciation, depletion and amortization. These areas are most affected by inflation. Restatement of other accounts would not materially affect the results. The adjusted information shown in Table A was prepared by converting historical amounts into dollars adjusted for changes in specific prices. Other data in the five-year summary shown in Table B also are restated for purposes of comparison. Information on Koppers mineral reserves is on page 44.

Koppers endorses attempts to present the effects of inflation on reported financial results. The Company's results of operations (Table A) illustrate some of the obvious effects of the declining purchasing power of the dollar. However, the present state of the art leaves much to be desired as it involves the use of assumptions, approximations and estimates. Therefore, Koppers does not believe that the impact of inflation on the Company's performance and financial condition during the past four years was as severe as the inflation-adjusted income data, taken alone, would indicate.

Table A. Consolidated Statement of Income From Continuing Operations Adjusted for Changing Prices

For the Year Ended December 31, 1984 ($ Thousands, except per share figures)	Dollars of Current Purchasing Power*: As Reported in 1984 Financial Statements (Historical Cost)	Adjusted for Changes in Specific Prices (Current Cost)
Net Sales	**$1,816,646**	$1,820,134
Operating expenses:		
Cost of sales	**1,463,772**	1,465,418
Depreciation, depletion and amortization	**80,003**	154,429
Taxes, other than income taxes	**50,952**	50,952
Selling, research, general and administrative expenses	**167,501**	167,501
	1,762,228	1,838,300
Operating profit (loss)	**54,418**	(18,166)
Other income	**12,986**	12,986
Interest expense	**23,162**	23,162
Income (loss) before income taxes	**44,242**	(28,342)
Provision for income taxes	**10,315**	10,315
Income (loss) from continuing operations	**$ 33,927**	$ (38,657)
Dividends on:		
Redeemable convertible preference stock	**5,533**	5,533
Cumulative preferred stock	**600**	600
Net income (loss) applicable to common stock	**$ 27,794**	$ (44,790)
Average number of shares of common stock outstanding during year (thousands)	**28,599**	28,599
Earnings (loss) per share of common stock	**$ 0.97**	$ (1.57)
Gain from increase in purchasing power of net amounts owed		$ 173
Decrease in current cost of inventory and property, plant and equipment held during the year**		$ 95,305
Effect of increase in general price level		43,966
Decrease in specific prices net of increase in general price level		$ 51,339

*Current-cost amounts are expressed in average 1984 dollars. Changes are measured by the Consumer Price Index.
**At December 31, 1984, the current cost of inventories was $263,067 and the current cost of property, plant and equipment, net of accumulated depreciation was $809,180.

Table B. Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

($ Thousands, except per share figures)	As Reported in 1984 Financial Statements (Historical Cost)	Years Ended December 31, (In Average 1984 Dollars): 1984	1983*	1982*	1981	1980
Net Sales	**$1,816,646**	$1,820,134	$1,620,468	$1,672,253	$2,186,621	$2,274,347
Income (loss) from continuing operations	**$ 33,927**	$ (38,657)	$ (55,654)	$ (106,084)	$ (19,809)	$ 12,035
Net assets at year end	**$ 613,335**	$ 918,440	$ 958,617	$ 981,852	$1,147,741	$1,107,729
Gain (loss) from decline in purchasing power of net amounts owed	—	$ 173	$ (1,233)	$ 3,428	$ 24,400	$ 31,105
Excess (deficit) of increase/decrease in specific prices net of increase in general price level	—	$ (51,339)	$ (64,574)	$ (145,664)	$ 22,074	$ (20,726)
Per share information:						
Income (loss) from continuing operations	**$ 0.97**	$ (1.57)	$ (2.26)	$ (4.12)	$ (1.04)	$ 0.42
Cash dividends declared	**$ 0.80**	$ 0.80	$ 0.84	$ 1.51	$ 1.61	$ 1.78
Market price at year end	**$ 18.00**	$ 17.75	$ 21.92	$ 17.34	$ 19.91	$ 34.76
Average Consumer Price index		311.1	298.4	289.1	272.4	246.8

*Restated to conform with 1984 classifications (Note 7).

Exhibits for Form 10-K

Mineral Assets Price and Quantity Information
The table below provides information relating to Koppers mineral reserves. Estimates for proven and probable mineral reserves were obtained at the times of acquisition of the reserves, which range from 1967 to the present and were monitored thereafter.

(Volumes are in thousands of tons; $ are per ton values.) Years Ended December 31,	1984	1983	1982	1981	1980
Proven and probable reserves at beginning of year					
Coal	**141,155**	142,599	144,402	145,009	71,048
Stone	**1,706,701**	1,821,758	1,796,551	1,769,803	1,480,014
Sand and gravel	**311,595**	407,967	414,267	405,484	388,211
Additions resulting from purchases of in-place mineral reserves					
Coal	**—**	66	80	2,009	76,000
Stone	**96,689**	25,072	44,127	49,454	322,434
Sand and gravel	**2,438**	13,350	2,424	21,872	36,797
Reductions resulting from production					
Coal	**1,566**	1,465	1,883	2,616	2,039
Stone	**22,138**	17,863	18,920	22,706	32,645
Sand and gravel	**6,869**	8,680	8,724	13,089	19,524
Reductions resulting from sale of reserves					
Coal	**—**	45	—	—	—
Stone	**725**	122,266	—	—	—
Sand and gravel	**—**	101,042	—	—	—
Proven and probable reserves at end of year					
Coal	**139,589**	141,155	142,599	144,402	145,009
Stone	**1,780,527**	1,706,701	1,821,758	1,796,551	1,769,803
Sand and gravel	**307,164**	311,595	407,967	414,267	405,484
Average market price					
Coal*	**$30.86**	$33.36	$33.45	$33.20	$30.49
Stone	**$ 4.39**	$ 4.18	$ 4.01	$ 3.69	$ 3.68
Sand and gravel	**$ 3.92**	$ 3.76	$ 3.64	$ 3.48	$ 3.22
Average royalty rate					
Coal*	**$ 2.29**	$ 2.67	$ 2.77	$ 2.72	$ 2.52

*Koppers primarily acts as a lessor to coal mining companies and receives a royalty fee on each ton sold.

The following exhibits are included as a part of the 1984 Form 10-K Report as required by Item 601 of Regulation S-K. Shareholders may obtain copies of the exhibits not presented here upon written request to: Secretary, Koppers Company, Inc., Koppers Building, Pittsburgh, Pa. 15219.

Exhibit A—3.1 Koppers Certificate of Incorporation, as amended, and the Certificate of Resolution, dated December 16, 1980, setting forth certain terms of Koppers $10 convertible preference stock, filed as exhibits 4.1 and 4.2 to Koppers Registration Statement No. 2-70174 and incorporated herein by this reference.

Exhibit B—3.2 Certificate of Amendment to Koppers Certificate of Incorporation, dated May 1, 1984.

Exhibit C—3.3 Koppers By-Laws as amended to June 25, 1984.

Exhibit D—10.1 Koppers Deferred Compensation Unit Plan, filed as Exhibit 10.2 to Koppers Annual Report and Form 10-K for the year ended December 31,1981 and incorporated herein by this reference.

Exhibit E—10.2 Koppers Restated Deferred Compensation Unit Plan.

Exhibit F—10.3 Koppers Deferred Compensation Plan for Directors.

Exhibit G—10.4 Agreement dated April 26, 1982 between Koppers and Fletcher L. Byrom for consulting services, filed as exhibit 10.1 to Koppers Form 10-Q for the quarter ended June 30, 1982 and incorporated herein by this reference.

Exhibit H—10.5 Koppers 1979 Performance Share Plan.

Exhibit I—10.6 Koppers 1985 Incentive Plan. An Incentive Plan for 1985 has been authorized by the Board of Directors for 103 key employees, of whom 12 are executive officers and another is an executive officer and director of Koppers, with the following method of determining incentive payments: The Incentive Fund shall accrue at the rate of 4.3% of the difference between a compensation base and Koppers total income before any provision for incentive under the Plan, interest, income taxes and extraordinary items until it reaches $1.6 million, after which it shall accrue at the rate of 1.5% of such difference provided that the total Incentive Fund shall not exceed 100% of the maximum amount participants could earn. The compensation base shall be equal to 12% of invested capital, which is defined as the sum of earned surplus at the beginning of the year plus the average for the year of the stated value of the common, preference and preferred stock, capital surplus and total debt (including commercial paper). The amount credited to the Incentive Fund shall not reduce the net income to common stock below an amount equivalent to 125% of the amount needed to cover the regular common stock cash dividends. The calculation of the Incentive Fund will be reported on by Koppers certified public accountants. The Chairman of the Board and other participants designated by Koppers management shall be eligible to participate in the 1985 Executive Incentive Plan. The distribution of the Incentive Fund shall be made to participants by determination of the Chairman, and to the Chairman by determination of the Compensation Committee of the Board. The distribution to any participant shall not exceed 60% of his or her salary as of January 1, 1985 unless specific approval shall be given by the Compensation Committee to recognize outstanding individual performance by payment of an additional incentive not to exceed 15% of the January 1, 1985 salary of such participant.

Exhibit J—22.1 Koppers has the subsidiaries listed below whose accounts are included in its consolidated financial statements. The Company has 37 other subsidiaries, which are not named here because all of them, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Subsidiary and Jurisdiction of Incorporation

Broderick and Gibbons, Inc.—Colo.
Cherokee Crushed Stone, Inc.—Del.
Eastern Rock Products, Inc.—N.Y.
Echols Brothers, Inc.—Del.
Erie Sand and Gravel Co.—Pa.
  Erie Sand Steamship Co.—Del.
Fairfield Bridge Company, Inc.—Del.
The General Crushed Stone Co.—Del.
  Chester Carriers, Inc.—Del.
  Easton Mack Truck Sales, Inc.—Pa.
  Reed Paving, Inc.—N.Y.
  The Stone Man, Inc.—Del.
Sim J. Harris Co.—Del.
Ivy Steel & Wire Company, Inc.—Del.
  Davidson Mineral Properties, Inc.—Del.
    Reeves Construction Co.—Ga.
  Meadow Steel Products, Inc.—Del.
Kaiser Sand and Gravel Co.—Del.
The Kentucky Stone Co.—Ky.
Koppers Engineered Products Ltd.—Ontario, Canada
Koppers International Canada Ltd.—Canada
Lycoming Silica Sand Co.—Pa.
The McMichael Company—Del.
  McMichael Asphalt Sales Co.—Okla.
  McMichael Concrete Co.—Okla.
  Tulsa Concrete Co.—Okla.
  Tulsa Paving Co.—Okla.
  Tulsa Rock Co.—Okla.
Parr, Inc.—Del.
Sloan Construction Co., Inc.—S.C.
Sterling Paving Co.—Colo.
Sterling Sand & Gravel Co.—Colo.
Sterling Sand & Gravel Co. of Wyoming—Wyo.
Sully-Miller Contracting Co.—Calif.
  P&K Materials, Inc.—Calif.
  South Coast Asphalt Products Co.—Calif.
  Southern Pacific Milling Co.—Calif.
Nello L. Teer Co.—Del.
  Central Engineering and Contracting Corporation—N.C.
  Comfort Engineers, Inc.—N.C.
  Guest Associates, Inc.—N.C.
  Nello L. Teer International, Inc.—Del.
  Webster County Coal Co.—N.C.
Thiem Corporation—Del.
Western Paving Construction Co.—Colo.
  Mid-Kansas Construction Co., Inc.—Kans.

Exhibit K—24.1 Consent of Arthur Young & Company, Certified Public Accountants, to the incorporation by reference in the Registration Statements (Form S-8 #2-89784) and the related Prospectus pertaining to Koppers Employee Savings Plan of their report included in Koppers Annual Report and Form 10-K for the year ended December 31, 1984.

Signatures Required for Form 10-K

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Koppers has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on February 25, 1985.

Koppers Company, Inc.

By T. M. St. Clair
Thomas M. St. Clair
Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of Koppers in the capacities and on the dates indicated.

Charles R. Pullin
Chairman of the Board of Directors
(Chief Executive Officer)
February 25, 1985

Richard M. Cyert, Director
February 25, 1985

Fitzhugh L. Brown, Comptroller
February 25, 1985

Daniel M. Galbreath, Director
February 25, 1985

Charles F. Barber, Director
February 25, 1985

Douglas Grymes, Director
February 25, 1985

Evelyn Berezin, Director
February 25, 1985

Terrance Hanold, Director
February 25, 1985

Anthony J. A. Bryan, Director
February 25, 1985

William H. Knoell, Director
February 25, 1985

Fletcher L. Byrom, Director
February 25, 1985

Andrew W. Mathieson, Director
February 25, 1985

General Subject Index

To aid the annual report reader who is interested in general subject areas, the following index is an alphabetical guide with specific page references. It is based upon a judgment as to those items most often referred to and should not be considered a complete listing.

Information on Koppers Operations:

New 800 Number for Koppers Product Information

To better serve a growing customer base, Koppers has instituted a Product and Service Information Center with a toll-free number: **1-800-556-7737.**

Customers and potential customers will receive fast, reliable information about how and where to buy Company products and services.

Koppers Company, Inc.
Koppers Building
Pittsburgh, PA 15219
Area Code 412/227-2000

Common Stock
Symbol: KOP

Exchange Listings:
New York Stock Exchange
Midwest Stock Exchange
Pacific Stock Exchange

Transfer Agents:
Mellon Bank N.A.
Mellon Square
Pittsburgh, PA 15230

Bradford Trust Company
67 Broad Street
New York, NY 10005

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, IL 60690

Bank of America National Trust and Savings Association
55 Hawthorne Street
San Francisco, CA 94105

Stock Registrars:
Pittsburgh National Bank
P. O. Box 340746P
Pittsburgh, PA 15230

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, NY 10015

Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street
Chicago, IL 60601

Manufacturers Hanover Trust Company of California
50 California Street
San Francisco, CA 94111

Dividend Disbursing Agent:
Mellon Bank N.A.
Mellon Square
Pittsburgh, PA 15230

Table of Contents Form 10-K Report/1984 Koppers Company, Inc.

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, 1984
Commission File Number 1-3224

Koppers Company, Inc.

A Delaware Corporation
IRS Employer Identification No. 25-0904665

Koppers Building, Pittsburgh, Pennsylvania 15219 (412) 227-2000

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

	Registered:
Common Stock $1.25 Par Value	New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange
Cumulative Preferred Stock 4% Series, $100 Par Value	New York Stock Exchange
$10 Convertible Preference Stock No Par Value	New York Stock Exchange

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS REPORT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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, and (2) has been subject to such filing requirements for the past 90 days.
Yes X No __

As of March 7, 1985, 28,571,380 shares of common stock were outstanding, and the aggregate market value of the shares of Koppers common stock (based upon the closing price of these shares on the New York Stock Exchange/composite tape) held by nonaffiliates was approximately $512.6 million. For this computation, Koppers has excluded the market value of all common stock beneficially owned by officers and directors of Koppers and their associates as a group, and all common stock held by Mellon Bank N.A. Such exclusion is not to signify in any way that any of such persons are "affiliates" of Koppers.

Documents Incorporated by Reference	Part
Koppers 1984 annual report to shareholders and Form 10-K are combined in this document.	
Koppers proxy statement dated March 15, 1985 for the 1985 annual meeting.	III

Annual Report and Form 10-K
This 1984 annual report to shareholders incorporates all material required in Koppers 1984 Form 10-K filed with the Securities and Exchange Commission. **The table of contents for Koppers 1984 Form 10-K is on page 48.** Koppers 1984 Annual Report and Form 10-K are combined in this document to provide all Koppers shareholders, as well as others interested in Koppers, timely access to this comprehensive material. (Portions of the 1984 annual report to shareholders, such as the "Chairman's Letter to Koppers Shareholders," are not required by the Form 10-K and are not "filed" with the Securities and Exchange Commission. Only those sections of the annual report referenced in the 10-K table of contents on page 48 and in the index on page 26 are part of the Form 10-K and filed with the Securities and Exchange Commission.)

General Subject Index is on page 47.

Koppers Company, Inc., Finance Department
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2185

KOPPERS

Thomas M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

March 29, 1985

Revised May 20, 1985

Revised January 28, 1986**

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for closure and/or post-closure care and liability coverage as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
MSD 007027543 Grenada Plant Koppers Company, Inc. P.O. Box 160 Grenada, MS 38960	**$208,258**	**$136,000**	**$344,258**

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A and B	**$7,808,088**	**$978,289**	**$8,786,377**

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1984.

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)	**$ 8,786,377**	
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 8,000,000	
3.	Sum of lines 1 and 2	**$ 16,786,377**	
*4.	Total liabilities	$ 553,171,000	
*5.	Tangible net worth	$ 608,003,000	
*6.	Net worth	$ 613,335,000	
*7.	Current assets	$ 487,962,000	
*8.	Current liabilities	$ 267,004,000	
9.	Net working capital	$ 220,958,000	
*10.	The sum of net income plus depreciation, depletion and amortization	$ 109,073,000	
*11.	Total assets in U.S.	Not Applicable	
		Yes	No
12.	Is line 5 at least $10 million?	x	
13.	Is line 5 at least 6 times line 3?	x	
14.	Is line 9 at least 6 times line 3?	x	
*15.	Are at least 90% of assets located in the US? If not complete line 16	x	
16.	Is line 11 at least 6 times line 3?	Not Applicable	
17.	Is line 4 divided by line 6 less than 2.0?	x	
18.	Is line 10 divided by line 4 greater than 0.1?	x	
19.	Is line 7 divided by line 8 greater than 1.5?	x	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.(#) **

Yours very truly,

T M St Clair

T. M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

(#) The above letter has been amended to reflect a change in the surface impoundment costs at the Grenada Facility. The container storage costs remain unchanged.

**** This submission was revised January 28, 1986 to include closure costs calculated as of November 8, 1985 and to demonstrate $8 million of annual aggregate liability.**

ok gH

OK gH

Koppers Company, Inc., Science and Technology
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2000

KOPPERS

RECEIVED
FEB 14 1986
DEPT. OF NATURAL RESOURCE
BUREAU OF POLLUTION CONTR

February 10, 1986

Mr. James Hardage
Mississippi Department of
Natural Resources
P. O. Box 10385
Jackson, MS 39209

RE: Financial Assurances
EPA I.D. #MSD007027543

Dear Mr. Hardage:

Enclosed is the original, signed document which up-dates our Financial Assurances to include $8,000,000 in annual aggregate liability to be demonstrated and late 1985 closure and post closure costs for hazardous waste management facilities at our Grenada Plant.

An additional copy is enclosed for insertion into our Part B Application.

A letter for 1985 will be provided within 90 days of the close of 1985 books to up-date changes in all closure costs, the independent audit, and the financial statement upon which Alternative I is based. That data and audit are not yet available at this time.

Sincerely yours,

Charles P. Brush

Charles P. Brush, P.E.
Program Manager
Hazardous Waste Affairs

CPB/mas

Enclosures

cc: Plant Manager
D. King
1985 FAD File

DIVISION OF SOLID WASTE
REVIEWED BY JH
DATE
COMMENTS Financial test update includes closure + post closure costs and liability coverage for sudden and non-sudden occurrences.

MISSISSIPPI DEPARTMENT OF NATURAL RESOURCES
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209
(601) 961-5171

M E M O R A N D U M

TO: Hazardous Waste TSD Facilities

FROM: John M. Lister

SUBJECT: Annual Closure Cost Estimate Update

DATE: March 24, 1986

1. The closure cost estimate must be updated by May 19, 1986. This estimate must be submitted to this office by May 28, 1986.

2. Financial assurance mechanism must be updated as follows:

   A. Facilities that use the Financial Test must resubmit financial information incorporating the closure cost estimate update within 90 days after the end of their fiscal year;

   B. Facilities that use the Trust Fund must update Schedule A of the Trust Fund by July 18, 1986. Annual payments into the Trust Fund must be made by December 1, 1986.

   C. Facilities that use the Surety Bond must increase the amount of the bond and submit evidence of such increase to our office or obtain alternate financial assurance by July 18, 1986.

   D. Facilities that use the Letter of Credit must cause the amount of the credit to be increased so that it at least equals the current closure cost estimate and submit evidence of such increase to our office or obtain other financial assurance by July 18, 1986; and

   E. Facilities that use Closure Insurance must either cause the face amount of the insurance to be increased to the current closure cost estimate and submit evidence to our office or obtain other financial assurance by July 18, 1986.

To update your closure cost estimate, you must multiply the current closure cost estimate (1985 estimate) times 1.033. The new figures will become the updated closure cost estimate for which you must demonstrate financial assurance.

Example:

Original closure cost estimate - $10,000 (1981)
1982 update $10,000 x 1.09 = $10,900
1983 update $10,900 x 1.07 = $11,663
1984 update $11,663 x 1.04 = $12,130
1985 update $12,130 x 1.038= $12,594
1986 update $12,594 x 1.033= $13,009

Should you have any questions, please contact me at (601) 961-5171.

JML:hdb

Koppers Company, Inc., Science and Technology
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2000

DNR. PG
B

KOPPERS

RECEIVED
MAR 31 1986
Department of Natural Resources

CERTIFIED MAIL

March 27, 1986

Colonel Charlie L. Blalock
Executive Director
Mississippi Department of Natural
Resources
P. O. Box 10385
Jackson, MS 39209

RE: RCRA Financial Requirements

Dear Colonel Blalock:

Enclosed is a letter from Koppers Company, Inc., Chief Financial Officer concerning RCRA Financial Requirements for 1985. Also enclosed is our certified public accountant's report on examination of Koppers' Financial Statement for the latest completed fiscal year. The enclosed 1985 Annual Report contains the SEC Form 10-K for the fiscal year ending December 31, 1985.

If you have any questions concerning this submission, please contact me at the above telephone number and address.

CLOSURE COST ESTIMATE 208,631
POST CLOSURE COST ESTIMATE 136,374

Sincerely yours,

Charles P. Brush

Charles P. Brush, P.E.
Program Manager
Hazardous Waste Affairs

CPB/mas

Enclosure

DIVISION OF SOLID WASTE
REVIEWED BY J.M.L.
DATE May 27, 1986
COMMENTS Everything that is needed in order to pass the financial test is included in this submittal.

DIVISION OF SOLID WASTE
REVIEWED BY JH
DATE 5-27-86
COMMENTS Post closure costs are included. Closure + post closure costs look reasonable. Koppers uses financial test for closure and post closure cost coverage. Also, for sudden and non-sudden liability coverage.

Koppers Company, Inc., Finance Department
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2185

KOPPERS

Thomas M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

March 27, 1986

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for closure and/or post-closure care and liability coverage as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

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MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
MSD 007027543 Grenada Plant Koppers Company, Inc. P.O. Box 160 Grenada, MS 38960	$208,831	$136,374	$345,205

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A and B	$9,138,698	$1,334,493	$10,473,191

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

Plant and ID No.	Current Estimates: Closure Cost	Current Estimates: Post-Closure Cost	Current Estimates: Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1985.

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of <u>all</u> cost estimates listed above)	$ 10,483,229	
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 8,000,000	
3.	Sum of lines 1 and 2	$ 18,483,229	
*4.	Total liabilities	$587,107,000	
*5.	Tangible net worth	$476,232,000	
*6.	Net worth	$478,946,000	
*7.	Current assets	$552,963,000	
*8.	Current liabilities	$249,076,000	
9.	Net working capital	$303,887,000	
*10.	The sum of net income plus depreciation, depletion and amortization	$(18,509,000)	
*11.	Total assets in U.S.	Not Applicable	
		Yes	**No**
12.	Is line 5 at least $10 million	x	
13.	Is line 5 at least 6 times line 3?	x	
14.	Is line 9 at least 6 times line 3?	x	
*15.	Are at least 90% of assets located in the US? If not, complete line 16	x	
16.	Is line 11 at least 6 times line 3?	Not Applicable	
17.	Is line 4 divided by line 6 less than 2.0?	x	
18.	Is line 10 divided by line 4 greater than 0.1?		x
19.	Is line 7 divided by line 8 greater than 1.5?	x	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

Yours very truly,

T M St Clair

T. M. St. Clair
Vice President, Treasurer and
Chief Financial Officer
March 27, 1986

ATTACHMENTS A & B

KOPPERS COMPANY, INC.

SUMMARY OF TSD FACILITY

INFORMATION FOR KOPPERS COMPANY, INC.

TO ACCOMPANY FINANCIAL ASSURANCE SUBMISSION

OF MARCH 27, 1986

Prepared by:
Environmental Resources Department
Koppers Company, Inc.
March 27, 1986

ATTACHMENT A
1985 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvania 15219

December 31, 1985

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1985. Facilities are listed according to states.

Facility Location	**Cost Estimates** 1985 Closure	1985 Post Closure
Woodward Coke P.O.Box 100 Dolomite, Alabama, 35061 ALD 000771949	$ 42,150 Total Cost = $ 45,950	$ 3,800
Woodward Tar P.O.Box 100 Dolomite, Alabama, 35061 ALD 085765808	$ 39,212 Total Cost = $ 42,761	$ 3,549
Montgomery Plant P.O. Box 510 Montgomery, Alabama, 36101 ALD 004009403	$ 12,048 Total Cost = $ 12,048	$ 0.00
Little Rock Plant P.O. Box 3231 North Little Rock, Arkansas, 72117 ARD 006344824	$ 195,953 Total Cost = $ 419,633	$ 223,680
Commerce Plant P.O. Box 22066 Los Angeles, California, 90022 CAD 004937793	$ 17,279 Total Cost = $ 17,279	$ 0.00
Oxnard Plant 5980 Arcturus Avenue Oxnard, California, 93033 CAD 087163267	$ 22,671 Total Cost = $ 22,671	$ 0.00
Cal-Richmond Plant 3501 Collins Avenue Richmond, California, 94806 CAD 043242718	$ 8,807 Total Cost = $ 8,807	$ 0.00
Feather River Plant P.O.Box 351 Oroville, California, 95965 CAD 009112087	$2,328,562 Total Cost = $2,330,573	$ 2,011

ATTACHMENT A - 1985 COSTS

Facility Location	Cost Estimates 1985 Closure	Cost Estimates 1985 Post Closure
Ontario Plant P.O. Box 1112 Guasti, California, 91743 CAD 000617324	$ 18,634 Total Cost = $ 18,634	$ 0.00
Fontana Plant P.O.Box 489 Fontana, California, 92335 CAD 073568677	$ 61,608 Total Cost = $ 61,608	$ 0.00
Denver Plant 465 West 56th Avenue Denver, Colorado, 80216 COD 007077175	$ 189,383 Total Cost = $ 189,383	$ 0.00
Gainesville Plant P.O. Box 1067 Gainesville, Florida, 32602 FLD 004057535	$ 10,038 Total Cost = $ 10,038	$ 0.00
Conley Plant 1579 Koppers Road Conley, Georgia, 30027 GAD 004009403	$ 27,861 Total Cost = $ 27,861	$ 0.00
Campbell Plant Honolulu Wood Treating Ltd. 91-291 Hanua Street Ewa Beach, Hawaii, 96707 HID 009198797	$ 18,564 Total Cost = $ 18,564	$ 0.00
Maui Plant P.O. Box 1650 Maui, Hawaii, 96732 HID 059475210	$ 9,158 Total Cost = $ 9,158	$ 0.00
Galesburg Plant P.O. Box 1191 Galesburg, Illinois, 61401 ILD 990817991	$ 6,340 Total Cost = $ 6,340	$ 0.00
Chicago Plant 3900 S. Laramie Avenue Cicero Station Chicago, Illinois, 60650 ILD 005164611	$ 44,627 Total Cost = $ 44,627	$ 0.00
Carbondale Plant P.O. Box 270 Carbondale, ILLinois, 62901 ILD 000819946	$1,913,351 Total Cost = $2,021,147	$ 107,796

ATTACHMENT A - 1985 COSTS

Facility Location	Cost Estimates: 1985 Closure	Cost Estimates: 1985 Post Closure
Valparaiso Plant P.O.Box 104 Valparaiso, Indiana, 46383 IND 000781609	$ 10,161 Total Cost = $ 10,161	$ 0.00
Guthrie Plant P.O. Box 8 Guthrie, Kentucky, 42234 KYD 006383392	$ 104,185 Total Cost = $ 104,185	$ 0.00
Salisbury Plant P.O. Box 2217 Salisbury, Maryland, 21801 MDD 05650680	$ 21,500 Total Cost = $ 21,500	$ 0.00
Grenada Plant P.O. Box 160 Grenada, Mississippi, 38960 MSD 007027543	$ 208,831 Total Cost = $ 345,205	$ 136,374
Kansas City Plant P.O. Box 8057 Kansas City, Missouri, 64129 MOD 007146517	$ 7,294 Total Cost = $ 7,294	$ 0.00
St. Louis Plant 5137 Southwest Avenue St. Louis, Missouri, 63110 MOD 056963036	$ 5,966 Total Cost = $ 5,966	$ 0.00
Nashua P.O.Box 488 Nashua, NH, 03061 NHD 001084979	$ 3,564 Total Cost = $ 3,564	$ 0.00
Orrville Product Devleopment P.O. Box 905 Orrville, Ohio, 44667 OHD 068911494	$ 7,848 Total Cost = $ 7,848	$ 0.00
Youngstown Plant P.O.Box 1137 Youngstown, Ohio, 44501 OHD 004198784	$ 16,571 Total Cost = $ 16,571	$ 0.00
Parr - East 18400 Syracuse Avenue Cleveland, Ohio, 44110 OHD 004179180	$ 15,999 Total Cost = $ 15,999	$ 0.00

ATTACHMENT A - 1985 COSTS

Facility Location	Cost Estimates: 1985 Closure	Cost Estimates: 1985 Post Closure
Parr - West 5151 Denison Avenue Cleveland, Ohio, 44102 OHD 060431947	$ 5,568 Total Cost = $ 5,568	$ 0.00
Florence Plant P.O. Box 1725 Florence, South Carolina, 29503 SCD 003353026	$ 933,000 Total Cost = $1,463,455	$ 530,455
Irving Plant 801 E. Lee Street Irving, Texas, 75060 TXD 053126785	$ 38,993 Total Cost = $ 38,993	$ 0.00
Houston Tar Plant P.O.Box 96150 Houston, Texas, 77015 TXD 008089021	$ 17,676 Total Cost = $ 17,676	$ 0.00
Richmond Plant 4005 Charles City Road Richmond, Virginia, 23231 VAD 003121977	$ 218,414 Total Cost = $ 437,658	$ 219,244
Roanoke Plant P.O. Box 792 Salem, Virginia, 24153 VAD 003125770	$ 292,839 Total Cost = $ 344,091	$ 51,252
Follansbee Plant P.O.Box M Follansbee, West Virginia, 26037 WVD 004336749	$ 69,250 Total Cost = $ 69,250	$ 0.00
Follansbee Landfill P.O.Box M Follansbee, West Virginia, 26037 WVD 550010144	$1,765,518 Total Cost = $1,818,239	$ 52,721
Green Spring Plant P.O. Box 98 Green Spring, West Virginia, 26722 WVD 003080959	$ 439,313 Total Cost = $ 442,924	$ 3,611

Total Closure Cost Attachment A = $ 9,148,736

Total Post Closure Cost Attachment A = $ 1,334,493

Total Costs = **$10,483,229**

ATTACHMENT B
HAZARDOUS WASTE FACILITIES ASSURED BY BONDS
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvnia 15219

December 31, 1985

This Attachment identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management that have **bonds** as the form of financial assurance in 1985. Facilities are listed according to states. These facilities are excluded from Financial Assurance Tests given to states and USEPA Regional Offices.

ATTACHMENT A - 1985 COSTS

Facility Location	Cost Estimates: 1985 Closure	Cost Estimates: 1985 Post Closure
Garwood Plant P.O. Box 729 Westfield, New Jersey, 07091 NJD 002164705	$ 47,936 Total Cost = $ 47,936	$ 0.00
Newark Plant 480 Frelinghuysen Avenue Newark, New Jersey, 07114 NJD 002149789	$ 39,461 Total Cost = $ 39,461	$ 0.00
Port Newark Plant Maritime & Tyler Streets Port Newark, New Jersey, 07114 NJD 000542282	$ 23,005 Total Cost = $ 23,005	$ 0.00
Oak Creek Plant P.O.Box 6 Oak Creek, Wisconsin, 53154 WID 057163941	$ 171,348 Total Cost = $171,348	$ 0.00
West Allis Plant 9800 W. Rogers Street Milwaukee, Wisconsin, 53227 WID 006082127	$ 8,407 Total Cost = $ 8,407	$ 0.00
Superior Plant P.O. Box 397 Superior, Wisconsin, 54880 WID 006179493	$ 175,610 Total Cost = $175,610	$ 0.00
Oil City Plant P.O. Box 98 Oil City, Pennsylvania, 16301 PAD 004336756	$ 183,376 Total Cost = $183,376	$ 0.00

ATTACHMENT B

Facility Location	Cost Estimates 1985 Closure	Cost Estimates 1985 Post Closure
Petrolia Plant Petrolia, Pennsylvania, 16050 PAD 004336731	$ 2,880 Total Cost = $ 2,880	$ 0.00
Verona Research 15 Plum Street Verona, Pennsylvania, 15147 PAD 000647339	$ 8,406 Total Cost = $ 8,406	$ 0.00
Morgan Plant P.O. Box 431 Morgan, Pennsylvania, 15064 PAD 000800862	$ 2,880 Total Cost = $ 2,880	$ 0.00
Erie Plant P.O.Box 739 Erie, Pennsylvania, 16512 PAD 07747864	$ 4,345 Total Cost = $ 4,345	$ 0.00
Bridgeville Plant P.O. Box 219 Bridgeville, Pennsylvania, 15017 PAD 063764898	$ 68,163 Total Cost = $ 68,163	$ 0.00
Susquehanna Plant P.O.Box 189 Montgomery, Pennsylvania, 17752 PAD 056723265	$ 149,912 Total Cost = $149,912	$ 0.00
Science & Technology Center 440 College Park Drive Monroeville, Pennsylvania, 15146 PAD 082245754	$ 5,723 Total Cost = $ 5,723	$ 0.00

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone: (412) 288-4400
Telex: WU 86-6133

March 27, 1986

Executive Director
Mississippi Department of Natural Resources
P.O. Box 10385
Jackson, MS 39209

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1985 and the related consolidated statements of operations, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended, and have issued our report thereon dated January 23, 1986. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pursuant to the provisions of Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265, the chief financial officer, T. M. St. Clair, has prepared a letter dated March 27, 1986 demonstrating both liability coverage and assurance of closure and post-closure care. Certain data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1985 Form 10-K.

In connection with the procedure referred to above, nothing came to our attention which caused us to believe that the financial data contained in the above-mentioned letter should be adjusted.

Very truly yours,

Arthur Young & Company

FILE COPY

April 15, 1986

Mr. Raymond Bartlow
Koppers Company, Inc.
P. O. Box 160
Tie Plant, Mississippi 38960

Dear Mr. Bartlow:

It has come to our attention that the pollution liability insurance has been rapidly declining and many insurance companies are writing pollution liability exclusion clauses into their issued policies.

In order to ascertain the liability coverage status of the TSD facilities located in the State of Mississippi, we are requesting, under Mississippi Hazardous Waste Regulations (MHWM) 265.147, that a duplicate copy of the signed original of the liability policies be forwarded to our office within 15 days of the receipt of this letter. Please include both sudden and non-sudden policies where applicable.

Thank you for your cooperation in this matter.

Sincerely,

Jack McMillan, Director
Division of Solid Waste Management

JM:CD:hdb

Koppers Company, Inc., Science and Technology
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2000

KOPPERS

CERTIFIED MAIL

April 25, 1986

RECEIVED
MAY - 1 1986
DEPT. OF NATURAL RESOURCE
BUREAU OF POLLUTION CONTROL

Mississippi DNR
Bureau of Pollution Control
P. O. Box 10385
Jackson, MS 39209

RE: Mr. McMillan's Letter of
April 15, 1986
Liability Insurance

Dear Mr. McMillan:

Beginning in 1986, Koppers has adopted the Financial Assurance Test to demonstrate liability coverage for sudden and non-sudden protection. The financial assurance test submitted to you on March 27, 1986 by Koppers' Chief Financial Officer demonstrates our ability to provide such coverage. I trust that this reply is adequate to address the concerns expressed in your letter.

Please telephone me if additional information is required (412-227-2877).

Sincerely yours,

Charles P. Brush

Charles P. Brush, P.E.
Program Manager
Hazardous Waste Affairs

CPB/mas

cc: D. King
J. Clayton

DIVISION OF SOLID WASTE
REVIEWED BY JH
DATE 5/27/86
COMMENTS OK

MISSISSIPPI DEPARTMENT OF NATURAL RESOURCES
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209
(601) 961-5171

April 15, 1986

RECEIVED

APR 24 1986

Environmental Resources

Mr. Raymond Bartlow
Koppers Company, Inc.
P. O. Box 160
Tie Plant, Mississippi 38960

Dear Mr. Bartlow:

It has come to our attention that the pollution liability insurance has been rapidly declining and many insurance companies are writing pollution liability exclusion clauses into their issued policies.

In order to ascertain the liability coverage status of the TSD facilities located in the State of Mississippi, we are requesting, under Mississippi Hazardous Waste Regulations (MHWM) 265.147, that a duplicate copy of the signed original of the liability policies be forwarded to our office within 15 days of the receipt of this letter. Please include both sudden and non-sudden policies where applicable.

Thank you for your cooperation in this matter.

Sincerely,

Jack McMillan

Jack McMillan, Director
Division of Solid Waste Management

JM:CD:hdb

FAX
TO: DAVE KING
N. LITTLE Rock, ARK

CHARLES BRUSH
K-1940

Koppers Company, Inc., Forest Products Group
P.O. Box 160, Tie Plant, MS 38960
Telephone 601-226-4584

KOPPERS

Architectural and
Construction Materials

RECEIVED
MAY - 1 1986
DEPT. OF NATURAL RESOURCE
BUREAU OF POLLUTION CONTROL

April 29, 1986

Mr. Jack McMillan
Ms. Dept. of Natural Resources
P. O. Box 10385
Jackson, Ms. 39209

Dear Mr. McMillan:

Enclosed you will find copies of financial responsibility. Hope this will answer your letter dated April 15, 1986 satisfactorily.

If I can be of further assistance, please do not hesitate to call.

Sincerely,

J. D. Clayton

J. D. Clayton
Plant Manager

JDC/djm

cc: File

Enclosures

DIVISION OF SOLID WASTE
REVIEWED BY GH
DATE 5/27/86
COMMENTS OK

436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2000

KOPPERS

CERTIFIED MAIL

March 27, 1986

Colonel Charlie L. Blalock
Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, MS 39209

RE: RCRA Financial Requirements

Dear Colonel Blalock:

Enclosed is a letter from Koppers Company, Inc., Chief Financial Officer concerning RCRA Financial Requirements for 1985. Also enclosed is our certified public accountant's report on examination of Koppers' Financial Statement for the latest completed fiscal year. The enclosed 1985 Annual Report contains the SEC Form 10-K for the fiscal year ending December 31, 1985.

If you have any questions concerning this submission, please contact me at the above telephone number and address.

Sincerely yours,

Charles P. Brush

Charles P. Brush, P.E.
Program Manager
Hazardous Waste Affairs

CPB/mas

Enclosure

Koppers Company, Inc., Finance Department
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2185

KOPPERS

Thomas M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

March 27, 1986

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for closure and/or post-closure care and liability coverage as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
MSD 007027543 Grenada Plant Koppers Company, Inc. P.O. Box 160 Grenada, MS 38960	$208,831	$136,374	$345,205

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
See Attachment A and B	$9,138,698	$1,334,493	$10,473,191

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1985.

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of <u>all</u> cost estimates listed above)	$ 10,483,229
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 8,000,000
3.	Sum of lines 1 and 2	$ 18,483,229
*4.	Total liabilities	$587,107,000
*5.	Tangible net worth	$476,232,000
*6.	Net worth	$478,946,000
*7.	Current assets	$552,963,000
*8.	Current liabilities	$249,076,000
9.	Net working capital	$303,887,000
*10.	The sum of net income plus depreciation, depletion and amortization	$(18,509,000)
*11.	Total assets in U.S.	Not Applicable

		Yes	No
12.	Is line 5 at least $10 million	x	
13.	Is line 5 at least 6 times line 3?	x	
14.	Is line 9 at least 6 times line 3?	x	
*15.	Are at least 90% of assets located in the US? If not, complete line 16	x	
16.	Is line 11 at least 6 times line 3?	Not Applicable	
17.	Is line 4 divided by line 6 less than 2.0? 1.206	x	
18.	Is line 10 divided by line 4 greater than 0.1? .032		x
19.	Is line 7 divided by line 8 greater than 1.5? 2.220	x	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

Yours very truly,

T M St Clair

T. M. St. Clair
Vice President, Treasurer and
Chief Financial Officer
March 27, 1986

ATTACHMENTS A & B

KOPPERS COMPANY, INC.

SUMMARY OF TSD FACILITY
INFORMATION FOR KOPPERS COMPANY, INC.
TO ACCOMPANY FINANCIAL ASSURANCE SUBMISSION
OF MARCH 27, 1986

Prepared by:
Environmental Resources Department
Koppers Company, Inc.
March 27, 1986

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Cal-Richmond Plant 3501 Collins Avenue Richmond, California, 94806 CAD 043242718	$ 8,807 Total Cost = $ 8,807	$ 0.00
Feather River Plant P.O.Box 351 Oroville, California, 95965 CAD 009112087	$2,328,562 Total Cost = $2,330,573	$ 2,011

ATTACHMENT A - 1985 COSTS

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Fontana Plant P.O.Box 489 Fontana, California, 92335 CAD 073568677	$ 61,608 Total Cost = $ 61,608	$ 0.00
Denver Plant 465 West 56th Avenue Denver, Colorado, 80216 COD 007077175	$ 189,383 Total Cost = $ 189,383	$ 0.00
Gainesville Plant P.O. Box 1067 Gainesville, Florida, 32602 FLD 004057535	$ 10,038 Total Cost = $ 10,038	$ 0.00
Conley Plant 1579 Koppers Road Conley, Georgia, 30027 GAD 004009403	$ 27,861 Total Cost = $ 27,861	$ 0.00
Campbell Plant Honolulu Wood Treating Ltd. 91-291 Hanua Street Ewa Beach, Hawaii, 96707 HID 009198797	$ 18,564 Total Cost = $ 18,564	$ 0.00
Maui Plant P.O. Box 1650 Maui, Hawaii, 96732 HID 059475210	$ 9,158 Total Cost = $ 9,158	$ 0.00
Galesburg Plant P.O. Box 1191 Galesburg, Illinois, 61401 ILD 990817991	$ 6,340 Total Cost = $ 6,340	$ 0.00
Chicago Plant 3900 S. Laramie Avenue Cicero Station Chicago, Illinois, 60650 ILD 005164611	$ 44,627 Total Cost = $ 44,627	$ 0.00
Carbondale Plant P.O. Box 270 Carbondale, ILLinois, 62901 ILD 000819946	$1,913,351 Total Cost = $2,021,147	$ 107,796

ATTACHMENT A - 1985 COSTS

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Guthrie Plant P.O. Box 8 Guthrie, Kentucky, 42234 KYD 006383392	\$ 104,185 Total Cost = \$ 104,185	\$ 0.00
Salisbury Plant P.O. Box 2217 Salisbury, Maryland, 21801 MDD 05650680	\$ 21,500 Total Cost = \$ 21,500	\$ 0.00
Grenada Plant P.O. Box 160 Grenada, Mississippi, 38960 MSD 007027543	\$ 208,831 Total Cost = \$ 345,205	\$ 136,374
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St. Louis Plant 5137 Southwest Avenue St. Louis, Missouri, 63110 MOD 056963036	\$ 5,966 Total Cost = \$ 5,966	\$ 0.00
Nashua P.O.Box 488 Nashua, NH, 03061 NHD 001084979	\$ 3,564 Total Cost = \$ 3,564	\$ 0.00
Orrville Product Devleopment P.O. Box 905 Orrville, Ohio, 44667 OHD 068911494	\$ 7,848 Total Cost = \$ 7,848	\$ 0.00
Youngstown Plant P.O.Box 1137 Youngstown, Ohio, 44501 OHD 004198784	\$ 16,571 Total Cost = \$ 16,571	\$ 0.00
Parr - East 18400 Syracuse Avenue Cleveland, Ohio, 44110 OHD 004179180	\$ 15,999 Total Cost = \$ 15,999	\$ 0.00

ATTACHMENT A - 1985 COSTS

Facility Location	Cost Estimates: 1985 Closure	Cost Estimates: 1985 Post Closure
Parr - West 5151 Denison Avenue Cleveland, Ohio, 44102 OHD 060431947	$ 5,568 Total Cost = $ 5,568	$ 0.00
Florence Plant P.O. Box 1725 Florence, South Carolina, 29503 SCD 003353026	$ 933,000 Total Cost = $1,463,455	$ 530,455
Irving Plant 801 E. Lee Street Irving, Texas, 75060 TXD 053126785	$ 38,993 Total Cost = $ 38,993	$ 0.00
Houston Tar Plant P.O.Box 96150 Houston, Texas, 77015 TXD 008089021	$ 17,676 Total Cost = $ 17,676	$ 0.00
Richmond Plant 4005 Charles City Road Richmond, Virginia, 23231 VAD 003121977	$ 218,414 Total Cost = $ 437,658	$ 219,244
Roanoke Plant P.O. Box 792 Salem, Virginia, 24153 VAD 003125770	$ 292,839 Total Cost = $ 344,091	$ 51,252
Follansbee Plant P.O.Box M Follansbee, West Virginia, 26037 WVD 004336749	$ 69,250 Total Cost = $ 69,250	$ 0.00
Follansbee Landfill P.O.Box M Follansbee, West Virginia, 26037 WVD 550010144	$1,765,518 Total Cost = $1,818,239	$ 52,721
Green Spring Plant P.O. Box 98 Green Spring, West Virginia, 26722 WVD 003080959	$ 439,313 Total Cost = $ 442,924	$ 3,611

Total Closure Cost Attachment A = $ 9,148,736

Total Post Closure Cost Attachment A = $ 1,334,493

Total Costs = **$10,483,229**

ATTACHMENT B
HAZARDOUS WASTE FACILITIES ASSURED BY BONDS
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvnia 15219

December 31, 1985

This Attachment identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management that have bonds as the form of financial assurance in 1985. Facilities are listed according to states. These facilities are excluded from Financial Assurance Tests given to states and USEPA Regional Offices.

ATTACHMENT A - 1985 COSTS

Facility Location	Cost Estimates: 1985 Closure	Cost Estimates: 1985 Post Closure
Garwood Plant P.O. Box 729 Westfield, New Jersey, 07091 NJD 002164705	$ 47,936 Total Cost = $ 47,936	$ 0.00
Newark Plant 480 Frelinghuysen Avenue Newark, New Jersey, 07114 NJD 002149789	$ 39,461 Total Cost = $ 39,461	$ 0.00
Port Newark Plant Maritime & Tyler Streets Port Newark, New Jersey, 07114 NJD 000542282	$ 23,005 Total Cost = $ 23,005	$ 0.00
Oak Creek Plant P.O.Box 6 Oak Creek, Wisconsin, 53154 WID 057163941	$ 171,348 Total Cost = $171,348	$ 0.00
West Allis Plant 9800 W. Rogers Street Milwaukee, Wisconsin, 53227 WID 006082127	$ 8,407 Total Cost = $ 8,407	$ 0.00
Superior Plant P.O. Box 397 Superior, Wisconsin, 54880 WID 006179493	$ 175,610 Total Cost = $175,610	$ 0.00
Oil City Plant P.O. Box 98 Oil City, Pennsylvania, 16301 PAD 004336756	$ 183,376 Total Cost = $183,376	$ 0.00

ATTACHMENT B

Facility Location	Cost Estimates 1985 Closure	1985 Post Closure
Petrolia Plant Petrolia, Pennsylvania, 16050 PAD 004336731	$ 2,880 Total Cost = $ 2,880	$ 0.00
Verona Research 15 Plum Street Verona, Pennsylvania, 15147 PAD 000647339	$ 8,406 Total Cost = $ 8,406	$ 0.00
Morgan Plant P.O. Box 431 Morgan, Pennsylvania, 15064 PAD 000800862	$ 2,880 Total Cost = $ 2,880	$ 0.00
Erie Plant P.O.Box 739 Erie, Pennsylvania, 16512 PAD 07747864	$ 4,345 Total Cost = $ 4,345	$ 0.00
Bridgeville Plant P.O. Box 219 Bridgeville, Pennsylvania, 15017 PAD 063764898	$ 68,163 Total Cost = $ 68,163	$ 0.00
Susquehanna Plant P.O.Box 189 Montgomery, Pennsylvania, 17752 PAD 056723265	$ 149,912 Total Cost = $149,912	$ 0.00
Science & Technology Center 440 College Park Drive Monroeville, Pennsylvania, 15146 PAD 082245754	$ 5,723 Total Cost = $ 5,723	$ 0.00

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone: (412) 288-4400
Telex: WU 86 6133

March 27, 1986

Executive Director
Mississippi Department of Natural Resources
P.O. Box 10385
Jackson, MS 39209

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1985 and the related consolidated statements of operations, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended, and have issued our report thereon dated January 23, 1986. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pursuant to the provisions of Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265, the chief financial officer, T. M. St. Clair, has prepared a letter dated March 27, 1986 demonstrating both liability coverage and assurance of closure and post-closure care. Certain data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1985 Form 10-K.

In connection with the procedure referred to above, nothing came to our attention which caused us to believe that the financial data contained in the above-mentioned letter should be adjusted.

Very truly yours,

Arthur Young & Company

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone: (412) 288-4400
Telex: WU 86-6133

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Very truly yours,

Arthur Young & Company

5/27/86

Caleb,

Submittal dated 2/10/86 updated Koppers financial test to include (1) costs associated with post-closure maintenance and monitoring and (2) liability insurance coverage (Policy was not renewed.).

Submittal dated 2/27/86 is the annual update and replaces the 2/10/86 submittal. Koppers passed the financial test and submitted the necessary supporting documents.

Submittal dated 4/25/86 is Koppers response to our letter asking for a copy of their insurance policy. Koppers uses the financial test rather than insurance to cover liability.

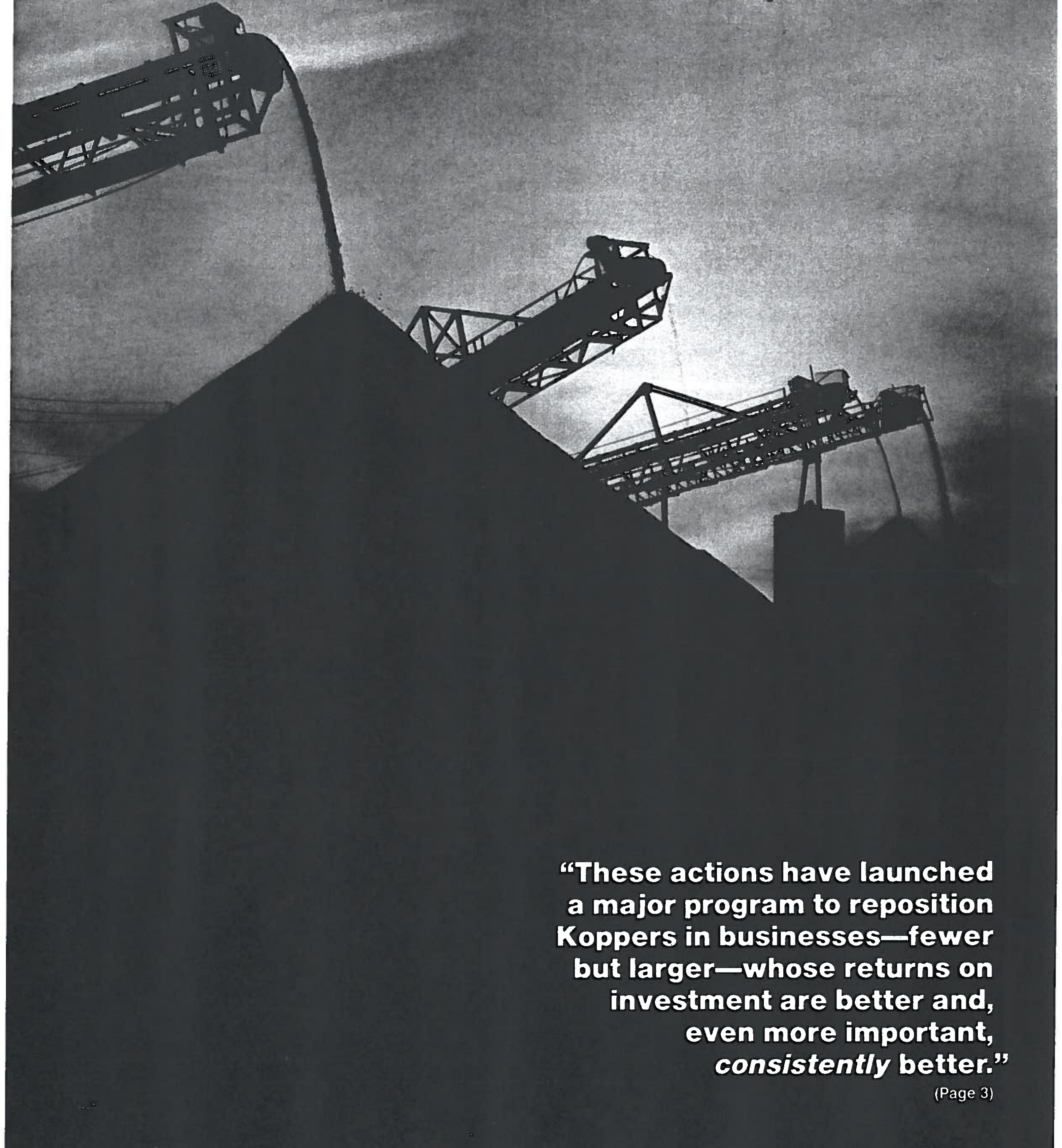
I will do a more detailed analysis of their closure + post closure cost estimates as I review their recodified Part B application

Jim

OK CHR 5/28/86

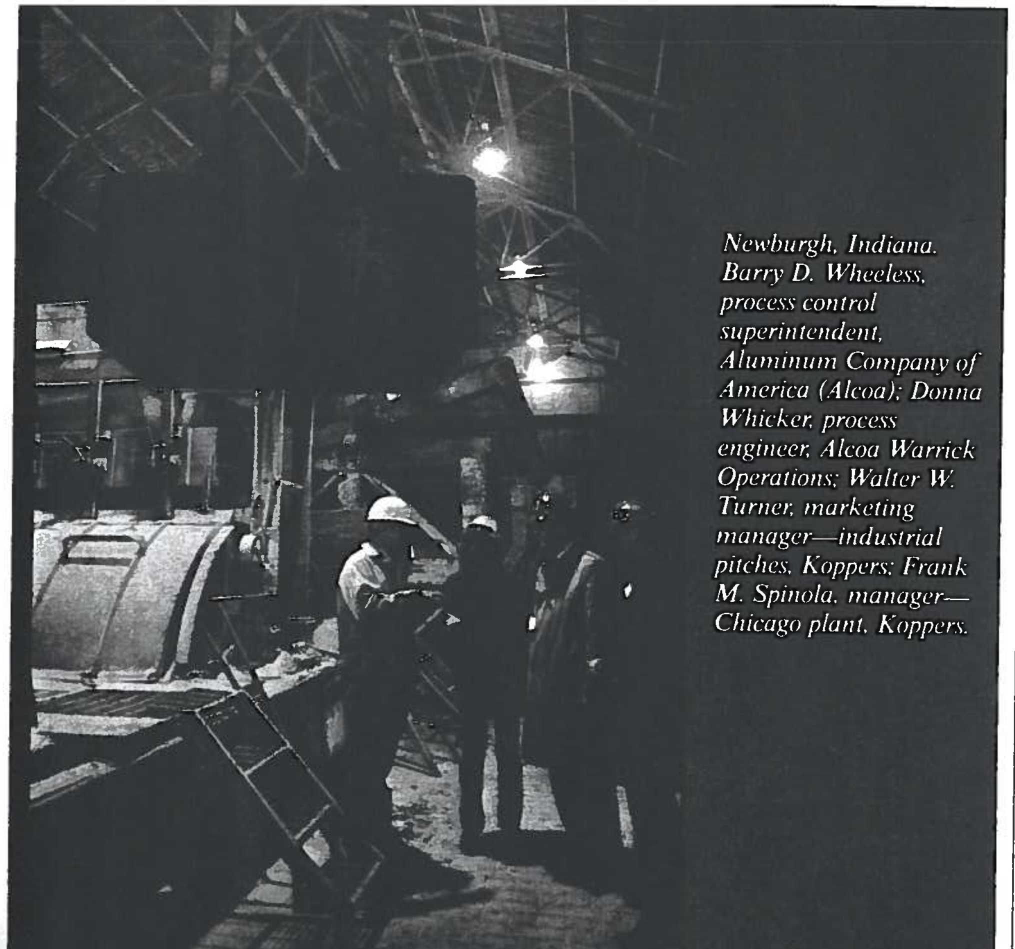
KOPPERS

1985 Annual Report and Form 10-K



"These actions have launched a major program to reposition Koppers in businesses—fewer but larger—whose returns on investment are better and, even more important, *consistently* better."

(Page 3)



Newburgh, Indiana. Barry D. Wheeless, process control superintendent, Aluminum Company of America (Alcoa); Donna Whicker, process engineer, Alcoa Warrick Operations; Walter W. Turner, marketing manager—industrial pitches, Koppers; Frank M. Spinola, manager—Chicago plant, Koppers.

We went to Alcoa's Warrick Operations partly to witness the replacement of an old anode with a new one. These were huge blocks weighing more than 800 pounds each. They were made with Koppers carbon pitch, which is a coal tar derivative and serves as a kind of glue to hold the anode together. About one pound of our pitch goes into production of eight pounds of aluminum. We are a trusted, dependable supplier to most of the aluminum smelter industry. The Warrick plant is devoted to can stock, sold to beverage can manufacturers, a market in which Alcoa has been extremely innovative and spectacularly successful. We supply them from our Chicago plant, which Frank Spinola manages. But the main reason he and I were there was to discuss something Alcoa calls SPC—Statistical Process Control. SPC is an opportunity for us to work closely with customers to assure quality products. It's a new program that goes hand-in-glove with our own new initiatives. We started it when they told us they were urging all their major suppliers to follow their lead. It involves consistent quality. Emphasize "consistent."

Walter W. Turner

Walter W. Turner

Koppers Company, Inc./1985 at a Glance

Inside This 1985 Annual Report

The Front Cover:
The picture was taken at the Gainesville, Georgia quarry of our Davidson Mineral Properties subsidiary. Everything about it appealed to us, from the pile of construction aggregate in the foreground to the colorful sky in the background. Particularly attractive, in our eyes, was the opportunity to talk about a new dawn for Koppers.

And then we learned that what we were looking at was not the starting day, but early evening.

"Maybe we could talk about the sunset of the old, marginal businesses we're getting rid of," someone suggested. Another insisted, "We could call it dawn and nobody would know the difference."

That alternative we immediately rejected in consideration of this company's longstanding reputation for honest and thorough accounting—a precious asset to which we gave the highest priority as we prepared this annual report for our shareholders and employees.

($ Millions, except per share figures)	1985	1984
Total sales from continuing operations	**$1,400.2**	$1,388.7
Income (loss) from continuing operations	**$ (30.0)**	$ 24.0
Earnings (loss) per share of common stock:		
From continuing operations	**$ (1.23)**	$ 0.62
Net to common stock	**$ (3.72)**	$ 0.79
Dividends per share of common stock	**$ 0.80**	$ 0.80
Return on average common equity	**(20.5)%**	4.1%
Capital expenditures	**$ 110.6**	$ 121.1
Backlog at year end	**$ 345.1**	$ 424.5

Where appropriate, figures are restated to reflect only continuing operations

Koppers Today: two potent forces serving three broad economic segments to reach three ambitious goals.

In the long history of American business, there have been few periods in which an enterprise so large and so diverse has been so fundamentally reshaped in so short a time.

Today's Koppers, thanks to the decisive measures undertaken in 1985, can be defined by reference to its two sole operating segments, potent forces in the drive for better and better performance:

- Construction Materials and Services
- Chemical and Allied Products

These two serve three broad and indispensable sectors of the economy:

- Nonbuilding construction, where we match our growing capabilities to the tremendous needs of the nation's infrastructure.
- Building construction, where we address the persistent call for commercial, industrial and residential expansion.
- Industrial production, where we help to keep the supply pipelines full and flowing for the aluminum, automotive, rubber, transportation and other basic industries.

This annual report tells what we did in 1985 to further the attainment of three goals important to our shareholders and employees:

- To increase income and to reach an 18% return on common equity.
- To improve our already strong financial condition as a tool for further growth.
- To take Koppers into businesses that will, over time, ensure greater consistency in our earnings performance.

Some of our actions contributed heavily to 1985's net loss. That was acceptable because it freed our managers from concerns that had engaged too much of their energies with too little return and because it created more potential for Koppers than we had known for many, many years.

To Our Shareholders:

I'd like to ask you to read the words below before you turn to my letter to shareholders on the opposite page. They give you a quick picture of the things we faced in 1985 and of the things we did--and continue to do--about those things. The words add up to a synopsis of the great adventure on which Koppers is now embarked.

Thanks, CRP

The Great Adventure:

We Took a Hard-Headed Look At Our Problems And Tackled Them With Hard-Nosed Determination

Koppers return on investment had to be raised to deserve the loyalty of shareholders, present and potential.

We are concentrating on our two sole operating segments, which offer the greatest potential for high returns on investment: Construction Materials and Services, and Chemical and Allied Products.

Today's business climate requires a sharper corporate focus. We had too many products in too many businesses. The Company's basic capabilities were strained.

We are selling 10 businesses that in 1985 collectively accounted for 23% of our sales, 32% of our investment—and virtually none of our return on that investment. We expect $160 million in proceeds, which we will plow back to generate greater rewards for our shareholders.

Profitability in our basic coal tar chemical business was severely reduced by trends that have shrunk the industrial sector of the economy.

Strategies to lower raw material costs significantly have already proved successful. We have modified certain plants to greatly reduce processing costs; others have been closed to choke off excess capacity. Withdrawal of competition has provided increased market share opportunities. These developments add up to an expected 1986 turnaround.

Overhead costs were too great in proportion to a downsized Koppers.

Management is committed to a spartan overhead structure. It has combined and streamlined support services and has curtailed activities not essential to commercial success.

Environmental expenses and liabilities have introduced what seems to be an unquantifiable burden on the Company's performance potential.

Koppers has assembled a force of scientists who can provide adequate, safe and cost-effective management of environmental expenses. During 1985, we added more than $40 million to our reserves to handle problems created by past operations. We are making progress toward having environmental management recognized as a legitimate business cost.

Chairman's Letter

To Our Shareholders:

I feel sure 1985 will be recorded as the year when Koppers truly bit the bullet. It was in 1981 that we first buckled down to getting rid of our marginal and losing businesses. In 1985, we initiated the most sweeping changes in the Company's history, all for the purpose of achieving greater value for our shareholders.

Those changes are summarized on the preceding page. Proud as I am of them, I wish, frankly, that we had pushed the accelerator that hard earlier in the 1980s.

Let me urge you to look beyond the financial accounting in this report for the encouraging signs that have already emerged. *What may seem at first to be less than good news turns out, in the long run, to be the best of news for our shareholders.*

Follansbee, West Virginia: Dialogue with Chairman Pullin fosters a sense of common purpose as he continues his visits to plants and other operations.

Charges Lead to Greater Resources

Koppers charged a total of $138 million against its pretax income. After taxes, this resulted in a total charge of $4.20 per share against earnings, creating a loss out of a potential profit.

In an accounting sense, that is correct—but consider how it improves our resources available for profitable redeployment:

- More than $64 million of the pretax charge was from losses and write-offs of businesses targeted to be sold. Their sale will give us some $160 million to redeploy into more profitable investments, exerting a healthy influence on the returns the Company can earn for shareholders.
- We charged more than $89 million against continuing operations to establish environmental reserves and to write down assets or close marginal or unprofitable operations. This will relieve pressure on the Company's earnings in 1986 and beyond.
- More than half of the charges do not result in any cash outflow from Koppers. In fact, they will help us to increase our cash resources in future years, a benefit explained in the Chief Financial Officer's comments on page 10.
- Further increasing the resources available to us for investment in higher-return businesses, we realized a gain of more than $15 million in 1985 on the sale of timberlands we no longer needed.

These actions have launched a major program to reposition Koppers in businesses—fewer but larger—whose returns on investment are better and, even more important, *consistently* better. Excessive diversity makes no sense for Koppers in today's economic climate. Accordingly, we have stripped down to the powerful resources of our two major segments.

Today's Koppers

Construction Materials and Services (CMS) accounts for 53% of the invested capital in our continuing operations. We expect that proportion to rise in future years as we review a number of attractive investment opportunities to extend our regional aggregate-producing and construction services operations.

In 1985, CMS chalked up another year of record sales and income, yielding a pretax return of almost 22% on capital invested in it. An increase in public funding for maintenance and repair of highways and streets makes the outlook even brighter.

Chemical and Allied Products (CAP) accounts for the other 47% of our invested capital. Operating results in some of its chemical lines gave us returns as high as those of CMS, but these were more than offset by losses or depressed income in such areas as coal tar processing and certain building materials. Substantial streamlining and cost reduction in those areas should pay off in 1986.

Over all, we foresee CAP's performance making a much greater contribution to return on shareholders' equity.

Further supporting that turnaround will be the environmental reserves we established in 1985. These will lift some of the burden from plants that were built as long ago as the 1920s and that must now comply with the standards of the 1980s. Our policy is to take remedial measures in strict compliance with emerging regulatory actions. A staff of highly competent environmental scientists enables us to lower the cost of conformity through foresighted action rather than mandated response.

I wish I could say with greater certainty that we have most of our environmental expense behind us. No one can do that when faced with endless change in corrective technology, government regulation and public sentiment. The best I can do is to tell you we have the technical expertise to solve current problems and a good lead on whatever else may arise.

We are making substantial cuts in overhead costs. Among 1985 actions that will benefit our performance were staff reorganization and reduction, employee severance and early retirement. The 1985 cost of these actions accounted for nearly all of the $5.3 million rise in general corporate overhead. We are taking actions to trim that expense as quickly as possible. In addition, we are considering ways to make meaningful reductions in total selling, research and administrative costs. I expect to keep you informed on our progress throughout the year.

Proceeds Will Go to Higher-Return Investments

We expect to wrap up in 1986 the sale of just about all of the 10 businesses that we marked late in 1985 for divestiture. These are the four businesses of the former Engineered Metal Products group; four units of CAP—coke operations, engineered wood products, an asphalt business and a small sealant and caulking manufacturer; and the coal properties and small oil- and gas-producing businesses under CMS. Each of these is a stand-alone business that has no relationship with the Company's continuing product lines. Their transfers to enterprises with complementary lines will benefit them, their employees and their new owners.

We are looking at several possibilities for reinvestment of the approximately $160 million we expect. All will lead to improved returns for our shareholders' investment. For us to buy back the Company's $10 convertible preference shares would eliminate that dividend and thus increase earnings per share.

There could be acquisitions in businesses where we have demonstrated we can earn high returns, notably those in CMS and certain chemical lines; we are currently having discussions with a number of candidates, a practice we intend to continue. Under the right conditions, repurchase of the Company's common stock would be another attractive option.

The Outlook Is Bright

In summary, here is what we hope to report to you one year from now:

- A continuation of impressive growth in Construction Materials and Services;
- A conspicuous turnaround in Chemical and Allied Products.

Throughout this report, you will find details of the forces, external and internal, that contribute to our optimism.

Among the external influences, one that bears continual monitoring is the pattern of oil prices. Their fall will influence all of our operations, almost entirely for the good. If they hold even or decline further over a period of several years, we should see general improvement in the numbers for economic growth, inflation and interest. Chemical raw materials and fuel will certainly cost less. The question then becomes one of whether these costs will fall in proportion to prices for our products.

Lower gasoline prices should increase government revenues from fuel taxes, which would help to stimulate sales of construction materials.

Any further weakening of the U.S. dollar will benefit Koppers directly through its chemical operations and indirectly through the salutary effect upon Koppers customers now depressed by import competition and loss of foreign markets.

As for internal influences, I would be remiss if I did not single out the high dedication of our employees at every level. Their commitment to high quality and lower cost in the products they make and the services they offer is an asset beyond measurement.

I know we will not let up as we push hard for improvement in every corner of this organization. Just as surely, I feel the stirrings of an economic climate turning more and more favorable to our prospects. Given that combination, I believe we can generate a major upswing for Koppers in 1986.

Charles R. Pullin
Chairman of the Board

February 24, 1986

A Strong Foundation for Long-Term Growth

Today's Koppers retains its long-recognized capacity for quick and effective response to opportunity. Added to that is a technology-based ability to predict emerging opportunities and a sound financial base for the creation of new opportunities.

Just as important, we have learned to push clear of temptation that might lead us back into the pitfall of cyclical demand.

Our two-part program of divestiture and redeployment was designed to build a sturdy foundation for consistent long-term growth. We are near the point where we can say we have pretty much accomplished the former and stand ready to concentrate all our attention upon the latter.

Meshing With the Nation's Needs

In America, the word "infrastructure" refers to highway, bridge, rail, water, telephone and other essential systems. Those systems now cry out for major reconstruction, repair and maintenance. One study calls for $1.2 trillion to be spent for this purpose through the year 2000.

Here are some specific dimensions of the gigantic task that confronts us:

- One-third of the interstate highway system needs resurfacing or rebuilding.
- Two-thirds of the country's secondary roads require immediate attention.
- Independent researchers estimate this work alone will cost $27.5 billion per year.
- Bridges will take another $5 billion per year.
- Repair of public works facilities will cost $60 billion per year.

We have equipped ourselves to take on an important role in this inevitable reconstruction of our country's infrastructure.

Koppers Capabilities

We are a leading producer of materials for the construction, reconstruction and repair of highways and bridges. We are one of the country's largest suppliers of construction aggregates. Our sales of bituminous concrete—the primary substance used to resurface roads—have more than quadrupled in the past 10 years.

Because the cost of transportation limits the distances over which such materials are shipped, the business is highly localized. That is why we have made so many relatively small acquisitions as we have spread our operations into a number of the nation's fastest-growing areas. Our all-out pursuit of further geographic expansion will broaden our base and should produce about 70% of the growth we have projected for Construction Materials and Services.

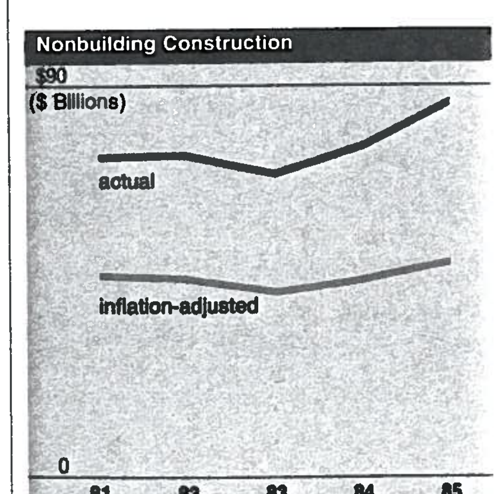
Koppers success in these markets has been characterized by sales of services as well as materials, with many

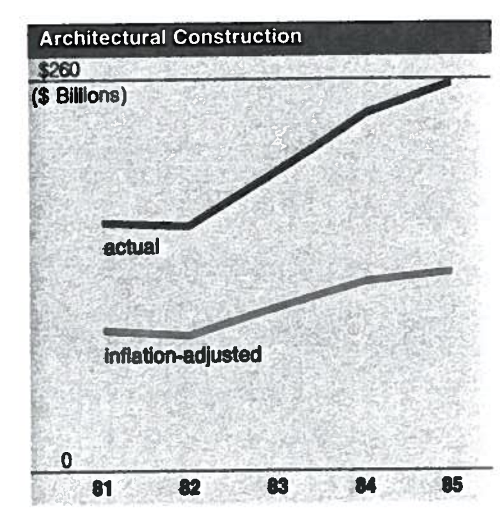
These three economic sectors have the greatest impact on Koppers operations.

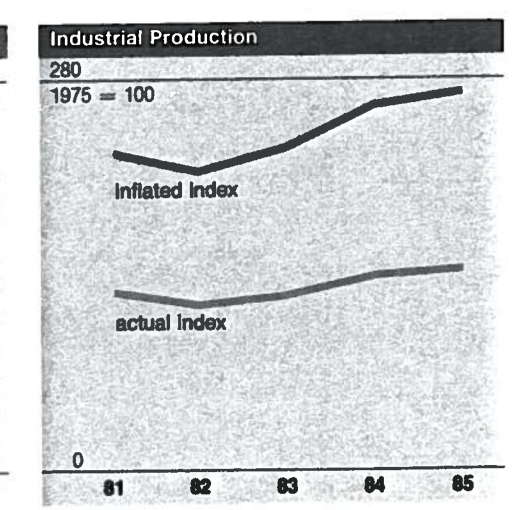
Nonbuilding Construction (62% of sales)—Increased funding available from fuel taxes boosted spending for highways, streets and bridges. Other infrastructure activity also rose.

Architectural Construction (16% of sales)—Residential additions and alterations climbed; housing starts were about even. Strong gains were posted in commercial building construction.

Industrial Production (22% of sales)—Expansion slowed sharply in most industries in this sector. However, chemicals, plastics and most construction materials experienced some gains.







of our subsidiaries qualified to act as paving contractors. In 1985, such services accounted for 40% of our Construction Materials and Services revenue.

Other Elements of the Infrastructure

Although the highway market presents exciting prospects, it accounts for only about 20% of America's non-building construction market. We operate across the entire range of that market and enjoy a mounting participation in architectural construction.

Among the projects we will be bidding on are those involving bridges, sewers, airports, water ports, office buildings and water supply systems, all vital parts of the infrastructure.

We expect solid growth from our welded steel wire fabric, used to reinforce concrete. Prospects are good for enlarging our 40% market share in the Southwest and for spreading this product to other parts of the country.

Returns to Koppers

Over the past decade, our Construction Materials and Services operations have achieved annual averages for income growth of 19% and almost 22% return on investment. Our timetable calls for an even better showing ahead, comparable to the one that developed from 1976 to 1985, when we boosted sales from this business by 450%, to $777.4 million.
[See pages 24 and 25.]

Where Will the Money Come From?

The accompanying charts display upward trends in public funding, which pays for one-half of our Construction Materials and Services sales. We know how suddenly the winds of government can shift, but we detect a public so eager for infrastructure improvements that those who govern cannot ignore its demands. People understand both the urgent need and the concomitant costs. Perhaps no other taxes are so readily accepted as those that support highway work. It is highly unlikely, therefore, that we will see a drop in fuel taxes or in user fees. The fact is that revenues from these sources have already been earmarked to finance 85% of the Department of Transportation budget.

At the state level, there have been 115 motor fuel tax increases since 1980. The average rise per gallon has been almost 40%, to 12 cents. Taxes levied upon users have been widely acclaimed for their fairness, and one-half of the states are considering increases in these taxes in 1986.

Shoring Up the Foundation For Chemicals

We were not immune from the difficulties American chemical producers encountered in 1985. Painful readjustments have been made throughout the industry. All of us adopted unusual measures to adjust to a slowdown in market growth, product maturation, the cost of government regulation, and foreign competition. The result has been a shaking out that only the strongest could endure.

To guarantee our survival and growth, we have shored up the foundation of our Chemical and Allied Products business with action on three fronts in which we hold strong positions:

- Derivatives from coal tar;
- Specialty chemicals and systems, such as resorcinol, polyester resins, vinyl ester resins and other intermediate chemicals; and
- Building-related materials, such as wood preservatives and phenolic foam insulation.

In most of these businesses, we emerged at the top of the heap. We are, for example, the country's largest coal tar distiller and its largest wood treater.

Major factors in our improved market position have been better customer service, upgraded operations and successful negotiation of lower costs for raw materials.

A key to the direction in which we are headed has to do with our phthalic anhydride business. A vast oversupply had forced some competitors to withdraw from the field. We, on the other hand, downsized our operations and consolidated them in our Chicago plant, revamping our production line there to make it more efficient, more flexible and less costly. This left us ready to compete more effectively than ever before.

Our Follansbee, West Virginia coal tar plant represents a different element in the Company's foundation. Through the effort and commitment of our employees, we have dramatically improved the work environment there. Follansbee's people are more informed, more involved and more dedicated. The result has been better customer service and higher efficiency.

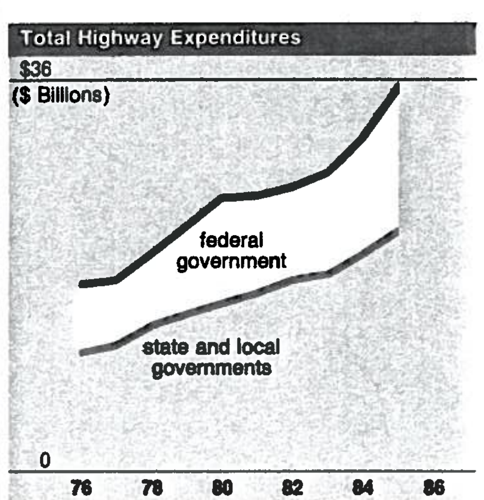
An additional benefit is the withdrawal of a major competitor from the market for coal tar pitch, a development that has again left us in the happy role of survivor.

We Have Built Well On Our New Foundation

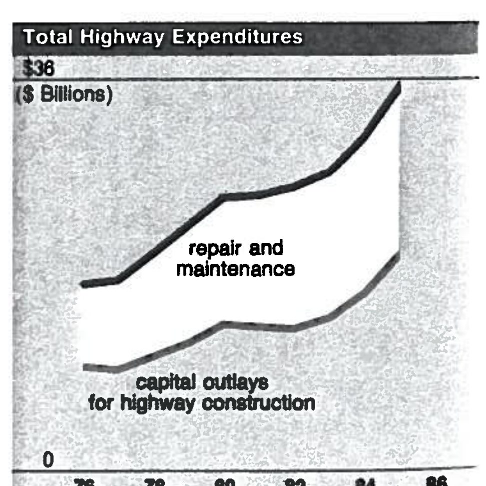
Today's Koppers has been positioned upon a new foundation, far more solid than the one that preceded it. Standing upon that foundation, we can now focus all our energies, all our resources, on ways to increase values for shareholders.

It goes without saying that any foundation serves its purpose only when it is used to support a structure, and that the measure of its success lies in the weight and worth of the structure that surmounts it. On both accounts, we believe, we have built well.

State and local governments have followed the upward path of Federal highway expenditures.



Repair and maintenance work paces highway spending.



Garner, North Carolina. John McDonald, resident engineer, I-40 Project, North Carolina Department of Transportation; H. Lin Riley, Jr., project manager, Nello L. Teer Company, subsidiary of Koppers.

Wilmington is North Carolina's leading port and is vital to our economy. It has excellent facilities, which are now underused. That should be remedied somewhat when the NCDOT—our Department of Transportation—closes some gaps in I-40, the interstate highway that runs west to California. Nello Teer's assignment includes constructing one of the largest interchanges in the interstate system, covering 100 or so acres. It's tough digging in North Carolina. We seem to encounter the entire spectrum, from solid granite, which has to be drilled and shot, to a decomposed, highly micaceous granite that is 20 to 40% above optimum moisture. We've also run into a silica clay that "sandblasts" our ground-engagement tools and cuts their life in half. Our compactor has 32 metal cleaning bars, and the silica clay meant we'd have to use hundreds of the bars to complete our work. We designed a new system using a more wear-resistant steel and I'm happy to tell you that we now have a better-performing system and expect a substantial savings. The NCDOT sets lofty standards, so our success in jobs like this depends on holding costs to a minimum while delivering a quality product to the owner.

Lin Riley

Lin Riley

Koppers Results by Business Segments (from continuing operations)

	During 1985	Near-Term Outlook	($ Millions)	1985	1984	1983
Construction Materials and Services	Sales, income set records as highway construction, maintenance funding was high, weather conditions favorable. Company expanded into several areas. Nonoperating charges reduced income by $5.5 million. Operating margin was raised. Prices improved. Aggregate sales reached 58 million tons, up 9%; construction services totaled $308 million, up 5%. Income rose 32% in South, 14% in East, 4% in West. Wire and steel concrete-reinforcing products had another strong year.	**Highway market is expected to remain strong. Federal funding should be at a high level, despite possible cuts. State, local road budgets continue to be strengthened. Lower oil prices should help business. Private construction should benefit from more favorable interest rates. Backlog of urgent infrastructure projects remains high. Koppers expansion efforts remain vigorous, with emphasis on more higher-growth regions.**	Sales Operating Income	**$ 777.4** **$ 71.5**	$ 720.5 $ 61.4	$ 548.6 $ 45.1
Chemical and Allied Products	Loss resulted from $80.5 million in nonoperating charges incurred to cut costs as segment shut several plants, sold businesses, reduced other operations, established environmental reserves, but realized $15.2 million on timberland sale. Excluding charges, $3.7 million income from operations reflected weakened demand, effect of strong dollar. Some raw materials costs were reduced. Sales gains were achieved in wood-treating chemicals, phenolic foam insulation, utility pole sealants, auto specialty products.	**Cost reductions, market share gains are expected to produce turnaround. Major improvement is foreseen in phthalic anhydride, coal tar pitch, creosote. Weakened U.S. dollar will help resorcinol margins. Polyester resins should benefit from lower raw material costs, continued strong demand. Losses should reverse in building products as sales of Wolman chemicals, foam insulation products rise. Crosstie demand is expected to turn upward; utility pole recovery should continue.**	Sales Operating Income (loss)	**$ 618.6** **$ (61.6)**	$ 664.5 $ 4.6	$ 631.4 $ 34.6
Miscellaneous	Equity losses from investments were partially offset by gains from the sales of several Kopvenco investments.		Sales Operating Income	**$ 4.2** **$ (5.2)**	$ 3.7 $ 6.1	$ 3.6 $ 1.7
		Total	Sales Operating Income	**$1,400.2** **$ 4.7**	$1,388.7 $ 72.1	$1,183.6 $ 81.4
		General Corporate Overhead		**$ 28.7**	$ 23.4	$ 17.3
		Income (Loss) Before Interest Expense and Income Taxes		**$ (24.0)**	$ 48.7	$ 64.1

Koppers Sales to Major Economic Sectors

				1985	1984	1983
Nonbuilding Construction	Spending for construction, maintenance of highways, streets surged 20% with release of federal funds, higher state gasoline taxes. Public expenditures rose 5%-10% for water and sewerage facilities, conservation projects, military construction. Electric utility construction declined; spending rose moderately for other private nonbuilding construction. Railroads reduced track maintenance slightly. Farm construction declined sharply.	**State highway, bridge program momentum should lead to gains in new construction, maintenance. Backlog of urgent projects remains high; additional revenue sources are major uncertainty. Water supply construction has at least another year of expansion ahead. Electric utility capital projects are tapering off. Crosstie replacements could drop further. Public works projects may be affected by budgetary restraints.**	Sales % Total (Materials, construction services used in highways, roads, bridges, streets, such other infrastructure facilities as railroads, utilities, pipelines)	**$ 859.8** **61.4**	$ 847.0 61.0	$ 645.5 54.5
Architectural Construction	Lower interest rates kept housing starts at 1.7 million. Residential additions, alterations spending climbed more than 15%. Nonresidential construction registered strong gains. New office building construction increased, but peaked at midyear.	**Housing strength, favorable mortgage rates indicate good first half. Starts for 1986 may reach 1.8 million units. Additions and alterations spending should maintain high levels. Total 1986 nonresidential building should increase at inflation rate.**	Sales % Total (Building products for commercial, industrial, residential structures)	**$ 230.4** **16.5**	$ 188.2 13.6	$ 178.4 15.1
Industrial Production	Industrial output gains slowed. Retail domestic car sales rose 3%; total motor vehicles, 17%. Tire output slipped. Primary aluminum production declined 15%. Chemicals, plastics, most construction materials outpaced average gains. Appliances, steel, coal, paper, paints lagged.	**Total output should grow. Domestic car sales will decline with rising imports, longer wear. Aluminum output will improve. Plastics, chemical products, appliances, other goods will outperform economy. Lumber, steel, coal, paper materials will match industry growth.**	Sales % Total (Products used by producers of chemicals, plastics, rubber, lumber and wood)	**$ 310.0** **22.1**	$ 353.5 25.4	$ 359.7 30.4
			Total sales	**$1,400.2**	$1,388.7	$1,183.6

Akron, Ohio: Dr. Gerry Hunt, research and development associate, The Goodyear Tire & Rubber Company; Bert W. Bishop, buyer, Goodyear; George E. Trent, Jr., senior sales representative, Koppers; Donald V. Todd, manager—sales and marketing, Industrial Specialty Chemicals Division, Koppers.

When it comes to the specialty chemical known as resorcinol, we've supplied the industry for 42 years! Today we're the only domestic producer. Resorcinol and resorcinol products go into the rubber compound from which your tires are made. They promote adhesion to the tire cords. Without that adhesion, the plies of the tire cord could pull away in what's called delamination. You'd be bumping along on a "blister" or stopped off the road fuming and looking for your jack. Or worse. People at Koppers like to point out that one of our two operating divisions makes the material that goes into the tires you ride on, while the other makes the materials that go into the roads those tires roll on. If you want a gut-wrenching anecdote about how Koppers saved a customer from disaster, I don't have any. Sorry. Our customers are too savvy to let themselves reach that point. Our story, really, has to do with how we boosted our capacity to become known as a dependable source for a chemical that sometimes used to be in short supply. Boring? Maybe. I'd rather be known for reliability than for spinning yarns.

Donald V. Todd

Donald V. Todd

Management's Discussion and Analysis of Financial Condition and Results of Operations

Chief Financial Officer's Comments

The Company's performance in 1985 was an anomaly in financial terms. We knew that reported earnings would be affected negatively by certain decisions and events, many of which we undertook to strengthen our financial viability. Our program for the sale of 10 businesses resulted in a charge against earnings of $68.6 million, but the redeployment of capital from these discontinued operations is expected to provide some $160 million in cash, which will effectively add to the Company's earning power and enhance its overall value.

In addition, our continuing operations incurred net nonoperating charges during 1985 totaling $73.9 million before taxes, including provisions for reserves for future environmental and severance expenses, and charges related to several plant closings and cutbacks. While these charges plunged the earnings statement deep into the red, the balance sheet remained strong.

Total funds provided from all operations (including working capital changes) actually increased some $29 million from the 1984 level. This reflected the fact that significant portions of the year's nonoperating charges represented noncash expenses, such as asset write-downs, or reserve provisions accrued in anticipation of future costs. The Company's cash position will be helped also by proceeds from sales of assets no longer needed and by careful management of working capital items throughout the operating sectors.

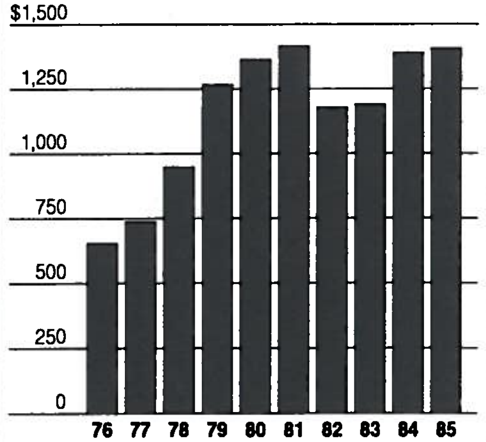
Cash of $57.8 million on hand at year-end was down only $9.2 million from the beginning of the year, and total term debt (including debt due in one year) remained essentially the same. Debt as a percentage of total invested capital increased because of the reduced total equity, but was still a very respectable 32.9% at December 31, 1985.

The outlook for the Company's ability to generate cash continues strong. Proceeds from the divestiture program should add significantly to 1986's cash flow. Also, continuing operations promise to show improved operating earnings, which will be accompanied by minimal cash outlays for income taxes, since the Company will take advantage of part of the $40 million in net operating loss carry-forwards and tax credits available as a result of the charges booked in 1985.

T M St Clair

Thomas M. St. Clair
Vice President and
Chief Financial Officer
February 24, 1986

Koppers Sales From Continuing Operations
($ Millions)



Results of Continuing Operations

This section covers, for the period 1983-1985, the performance of Koppers business segments, other factors in the Consolidated Statement of Operations (page 27) that materially influenced the financial results, changes in liquidity and use of capital resources that affected Koppers financial condition at the close of 1985.

Net Sales and Income

Sales were up less than 1% over 1984. A continued increase in funding for federal, state and local highway programs contributed substantially to record sales in Construction Materials and Services, but the gain was almost completely offset by a decline in sales from Chemical and Allied Products businesses. Weak domestic markets and the strength of the U.S. dollar through the first three quarters resulted in lower volumes and prices in chemical-related operations.

Traditionally, Koppers sales are lowest in the first quarter and reach their peak during the second and third quarters, then begin to decline in the fourth quarter because of seasonal demand influences. Excluding nonoperating items, the Company's income also normally follows this pattern.

The Company posted a loss in the fourth quarter after recognizing the unfavorable net effect of nonoperating charges and charges from discontinued operations. It recorded a profit in the same 1984 period.

Koppers Quarterly Financial Data (from continuing operations)—unaudited

($ Millions, except per share data)	1st Quarter 1985	1st Quarter 1984*	2nd Quarter 1985	2nd Quarter 1984*	3rd Quarter 1985	3rd Quarter 1984*	4th Quarter 1985	4th Quarter 1984*	Total 1985	Total 1984*
Net sales	**$259.5**	$251.6	**$377.1**	$354.8	**$411.1**	$411.0	**$352.5**	$371.3	**$1,400.2**	$1,388.7
Gross profit**	**21.7**	24.4	**57.2**	54.1	**69.0**	65.1	**52.5**	37.3	**200.4**	180.9
Income (loss)***	**(12.8)**	(6.7)	**(10.7)**	8.0	**29.8**	19.9	**(36.3)**	2.8	**(30.0)**	24.0
Earnings (loss) per common share	**$(0.49)**	$(0.30)	**$(0.42)**	$ 0.22	**$ 1.00**	$ 0.65	**$(1.32)**	$ 0.05	**$ (1.23)**	$ 0.62

*Restated to conform with 1985 classifications (Note 7).
**Net sales less Cost of sales (including allocable portion of Depreciation, depletion and amortization and Taxes, other than income taxes).
***The second and fourth quarters of 1985 include the after-tax effect of nonoperating charges of $20.6 million and $40.2 million, respectively.

Jacksonville, Florida. Kitty Sebastian, customer services manager, Ivy Steel & Wire Company, Inc., subsidiary of Koppers; Steve Hasley, plant manager, Southern Culvert Manufacturing Company.

Construction Materials and Services

($ Millions)	1985	1984	1983
Sales	**$777.4**	$720.5	$548.6
Operating income	**$ 71.5**	$ 61.4	$ 45.1

Records were achieved in both sales and operating income, with 8% and 16% increases, respectively, over 1984. Sales in 1984 rose 31% over 1983, with a 36% gain in operating income. The improved funding in highway programs, an important market, is expected to continue.

Over all, income rose at a rate greater than sales, reflecting greater margins resulting from both improved product pricing and decreased costs. Total shipments of aggregates increased from 53 million tons in 1984 to 58 million tons in 1985. Construction work also was up.

Sales and income gains were posted in almost every operating unit, with the biggest boost coming in Southern region activities, which benefited from exceptionally good weather. Several units in other regions also performed well.

Sector activity was fairly balanced: sales were 60% in government projects and 40% in the private sector; sales of materials were 60%, while sales of services were 40%; and about 60% of work was in the East, with the balance in the West.

Aggressive cost-control programs continued. Lower oil prices and the conversion to coal-fired systems at some facilities resulted in additional savings. New processes to convert surplus sizes of aggregate into salable sizes resulted in increased sales and profits and in lowered working capital.

Year-end backlog was 11% below 1984's, and new orders are down slightly because of lessened emphasis on overseas construction contracts. Work booked in 1985 included a $5.7 million highway contract in Georgia, a $14.7 million paving contract in South Carolina, a $5.7 million correctional facilities building, and an $8.0 million contract for I-81 in New York State. First-quarter bidding activity in 1986 has been above normal.

Operations were expanded during 1985 by the addition of seven quarries, five ready-mix plants, two bituminous concrete plants, two sand and gravel operations, a paving operation, a construction unit, and two steel and wire plants.

Picture steel wire that's half an inch in diameter, about the same as your pinkie. Then picture this wire welded into a mesh on six-inch centers, with openings barely big enough for you to squeeze your fist through. Finally, picture a machine that does the welding faster and more accurately than any human being can. That's what we have here, the only one on the East Coast, and we're about to add another. It's typical of what's happened at Ivy Steel & Wire since I started in 1965. In spite of automation and the cost pressure that goes with competition, we have about twice as many people here in Jacksonville as we had then. No engineers then. Now you can't turn around without stumbling over them. This for a company started by one man, Ivy Smith, a contractor who got tired of relying on others when he wanted reinforcing wire for concrete pipe. It's the American dream come true. And being acquired by Koppers hasn't hurt one bit. They leave us alone to run our own affairs, and we have continued to prosper. Why they bought us, I'm sure, is that they knew we could give them super performance. They have not been disappointed. Neither have we.

Kitty Sebastian

Kitty Sebastian

Chemical and Allied Products

($ Millions)	1985	1984	1983
Sales	**$618.6**	$664.5	$631.4
Operating income (loss)	**$(61.6)**	$ 4.6	$ 34.6

Sales declined 7%, compared with a 5% increase last year. It was the negative impact of substantial nonoperating charges that produced the loss for the year. Of these charges, 66% pertained to reserves established for environmental expenses; the balance resulted from plant closings. The net effect was $65.3 million, compared with net charges of $35.6 million in 1984 and a net benefit of $1.1 million in 1983.

Building Products Sector—Sales in wood-treating chemicals rose slightly, but declines in other lines held sector sales to approximately the same as 1984's. Highly competitive markets pushed down prices in several products. Nonoperating charges and reduced margins resulted in a loss for the year. Compared with 1984, this loss was narrowed by the near-absence of nonoperating charges for warranty expenses incurred in 1984.

Chemical Systems Sector—Decreased activity in the tire and rubber industry, a major market for this sector, and increased foreign competition were primary factors in a sales decline of nearly 5% from 1984. The marine, automotive (other than for tires) and construction markets remained at about 1984 levels. Domestic market share for resorcinol dipped slightly because of foreign competition, but Koppers held steady in its polyester resin market share. Sealant and adhesive sales increased 29% from 1984. Normal operating income for the sector was 35% lower than 1984's, primarily because of competitive pricing, and higher costs for energy, labor and raw materials. Nonoperating charges further reduced Operating income to 60% below 1984's.

Coal- and Wood-Based Products Sector—Sales declined 10% as unit volumes and prices were down in several product lines. Continued cutbacks in the aluminum industry reduced carbon pitch sales, railroads purchased fewer crossties, and creosote sales to wood treaters were down. While phthalic anhydride volume and prices were depressed, withdrawals by certain producers are bringing capacity in line with demand, which improved results in the latter part of 1985 and enhanced prospects for 1986. The operating loss from this sector was compounded by nonoperating charges, primarily from plant closings and environmental expenses, and contrasted with operating income in 1984.

Miscellaneous

($ Millions)	1985	1984	1983
Sales	**$ 4.2**	$ 3.7	$ 3.6
Operating income (loss)	**$(5.2)**	$ 6.1	$ 1.7

Miscellaneous sales and Operating income include revenues received by Koppers from numerous investments other than those in the Company's basic operations. Sources include venture capital (Kopvenco) and other equity investments, short-term cash investments and others.

In 1985, Koppers had equity losses from investments, partially offset by gains from the sales of several Kopvenco investments. General corporate overhead costs increased in 1985, primarily because of provisions for severance and certain employee benefits costs.

In 1984, Miscellaneous income included $5.9 million in gains from the sale of Richmond Tank Car Company stock, the collection of a note receivable from that company's affiliate, and the sale of a portion of the Company's shares in Genex Corporation.

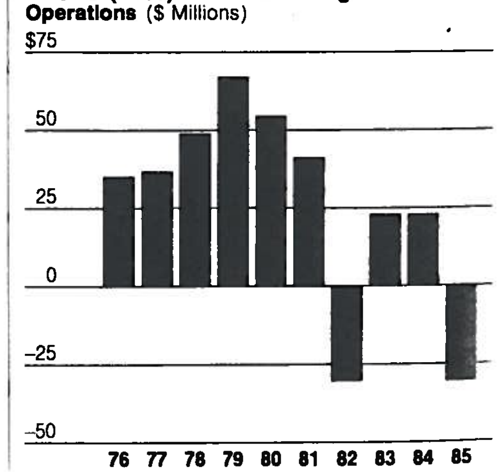
In 1983, Koppers also sold a portion of its shares in Genex, producing a gain of $12.0 million. Other 1983 amounts included $7.0 million in losses related to the canceled North Carolina synthetic fuels project and to the investment in Richmond Tank Car Company.

Discontinued Operations

($ Millions)	1985	1984	1983
Sales	**$419.5**	$430.8	$382.1
Operating income (loss)	**$(66.0)**	$ 9.1	$ 0.7

Koppers redeployment plan is based on the divestiture of 10 business units. These businesses will all be sold as going concerns. In this report, they are classified as discontinued operations. More detail is presented in the Letter to Shareholders and in note 7 on page 33.

Income (Loss) From Continuing Operations ($ Millions)



Financial Results

Operating Expenses Mixed

Trends in sales and profitability over the past three years were discussed in the preceding section. As explained, Koppers operating income has been greatly influenced by various nonoperating charges and gains. It is difficult to determine from those comparisons the Company's true ability to generate profits on the sales of its products and services.

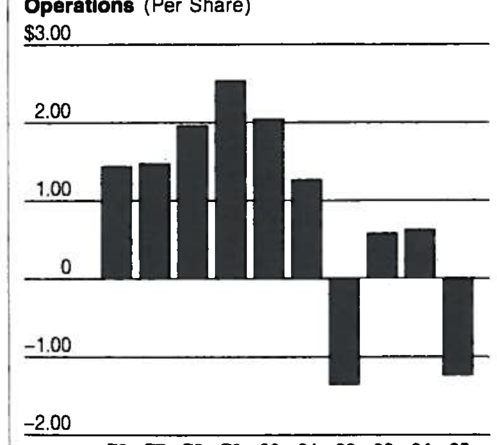
The profitability underlying Koppers operations is best demonstrated in the relationship between Sales and Cost of sales, shown as part of the Operating expenses in the Consolidated Statement of Operations on page 27.

Sales from continuing operations in 1985 increased $11.5 million from 1984. Cost of sales declined because of the near absence of nonoperating expenses related to product warranty claims. This decline was nearly offset by increased 1985 maintenance and repair expenses.

In spite of the reduced Cost of sales, Koppers 1985 Operating expenses rose by a slightly greater margin than sales. Operating profit fell by $2.9 million, or more than 7%. In 1984, the $3.6 million, or nearly 9%, decline in Operating profit resulted primarily from high nonoperating expenses that accounted for the 21% rise in Cost of sales.

All other categories of 1985 Operating expenses rose by a greater percentage than sales to account for the lower Operating profit.

Earnings (Loss) From Continuing Operations (Per Share)



Houston, Texas. Gary L. Converse, regional sales manager, Wolman Department, Koppers; Roger Weverka, regional vice president, Payless Cashways; William H. Plant, president, HCS Woodtech, Koppers licensee.

Sure, you can simply sell to your customers, but you do a lot better if you help them sell to *their* customers. We've had a three-player offensive on this market. There's Payless Cashways, with a chain of Furrow stores here in Texas, serving primarily do-it-yourselfers. There's HCS Woodtech, one of our leading licensees for Wolmanized pressure-treated lumber. And there's us, Koppers. The Outdoor Dream Centers, which show the uses of Wolman lumber in realistic settings at Furrow stores, were the brainchild of Bill Plant, president of HCS. It's a tribute to Bill that they'd give this much space to a single brand, Wolman. And Bill insisted the Centers should be places where people could buy on the spot, not just look and walk away. We made the lampposts and prepared plans for planter boxes, fences, decks, picnic tables and such. I've worn a nail apron, waved a hammer and lectured hundreds of do-it-yourselfers. Roger Weverka from Payless Cashways told us HCS is the kind of outfit they like to do business with: quality products and timely service, which translate into inventory turnover, higher margins and customer satisfaction. In this business, there's no higher compliment.

Gary Converse

Gary Converse

Depreciation, depletion and amortization rose marginally in each of the past two years as the result of higher capital spending during that period. Also, Taxes, other than income taxes, rose at a greater rate than sales in each year because of the higher social security tax rate.

Selling, research, general and administrative expenses accounted for the largest increase in 1985 Operating expenses, as increases in commissions and salaries, research, severance and pension expenses raised this category by nearly 16% over 1984. Many of the same items grew by a lower rate in 1984 from the prior year.

Other Income Includes Charges

The Company incurred a $59.9 million loss in Other income for 1985 due primarily to the nonoperating charges from continuing operations. Other income of $9.9 million in 1984 declined from the prior year in the absence of significant capital gain income.

- The $32.6 million loss realized on Operations disposed of or sold in 1985 resulted from the closing of several tar, chemical and building products plants in Chemical and Allied Products, and writeoffs in Construction Materials and Services for certain unusable properties. Plant closings led to the smaller comparable loss in 1984, and the 1983 income resulted from the gain on disposal of Canadian timber rights.
- Provisions totaling $45.2 million were recorded in 1985 to cover the cost of necessary environmental remedies at various plant sites, including some previously operated locations. Action by the Company to identify and quantify the remedial cost and initiate correction of these situations accounted for the large increase in this provision from prior years.
- Profits on the sale of capital assets rose significantly in 1985, primarily as the result of a $15.2 million gain realized on the sale of timberlands. Gain from a similar sale accounted for the 1983 profits. However, 1985 profits from the sale of investments were somewhat less than in 1984 and 1983, which benefited from sale of investments in Richmond Tank Car Company (RTC) and Genex Corporation.

Foreign Operations*

($ Millions) Year ended December 31,	1985	1984**	1983**
Koppers identifiable assets:			
Foreign operations	**$30.5**	$34.2	$41.8
% of consolidated identifiable assets	**3%**	3%	4%
Canadian identifiable assets included above	**$11.8**	$ 6.1	$13.9
% of foreign operations identifiable assets	**39%**	18%	34%
Koppers revenues (net sales):			
From foreign operations	**$15.8**	$19.4	$22.1
% of consolidated revenues	**1%**	1%	2%
From Canadian operations included above	**$13.5**	$12.6	$10.3
% of foreign revenues	**86%**	65%	46%
Koppers income (after foreign and applicable U.S. income taxes):			
From foreign operations	**$ 5.4**	$2.5	$ 9.8
% of total net income	**—**	9%	32%
From Canadian operations included above	**$ .9**	$ .7	$ 3.7
% of foreign income	**17%**	28%	38%

*Koppers export sales are not included in this presentation as they constitute less than 5% of the Company's total sales and are not material.
**Restated to conform with 1985 classifications (Note 7).

Koppers Selected Financial Data (from continuing operations)

($ Millions, except per share data)	1985	1984*	1983*	1982*	1981*
Operating results:*					
Net sales	**$1,400.2**	$1,388.7	$1,183.6	$1,174.4	$1,411.3
Income (loss) from operations	**$ (30.0)**	$ 24.0	$ 24.1	$ (29.9)	$ 46.8
Income (loss) from operations —per common share	**$ (1.23)**	$ 0.62	$ 0.59**	$ (1.36)	$ 1.40
At year end:					
Total assets	**$1,066.1**	$1,154.7	$1,175.4	$1,192.9	$1,328.2
Long-term debt	**$ 215.5**	$ 219.8	$ 232.9	$ 275.7	$ 288.9
Redeemable convertible preference stock	**$ 43.9**	$ 46.5	$ 69.4	$ 75.0	$ 75.0
Total long-term debt and redeemable preference stock	**$ 259.4**	$ 266.3	$ 302.3	$ 350.7	$ 363.9
Cash dividends declared per common share	**$ 0.80**	$ 0.80	$ 0.80	$ 1.40	$ 1.40

*Operating results restated to conform with 1985 classifications (Note 7).
**Per share figure excludes extraordinary gain of $0.21.

Other income (expenses) has benefited in each of the past two years by the absence of substantial equity losses, which penalized 1983 results. These losses resulted primarily from the Company's investments in Peat Methanol Associates and RTC.

The distribution of Other income (expense) by individual business segments for the past three years is shown in Table 7 on page 36.

Interest Expense Rose Slightly

Although Koppers continued to reduce its long-term debt in 1985, Interest expense rose by 4% because of the increased use of commercial paper to meet seasonal working capital needs. The maximum amount of commercial paper outstanding in 1985 was $59.8 million, versus $5.0 million in 1984. Interest expense related to term debt declined by $1.0 million. Term debt in 1985 did not decline as rapidly as in recent years because three industrial development bond issues to fund capital investment projects were obtained at very favorable interest rates. Two of these bonds supported environmental facilities and the other was for a cogeneration system.

Income Tax Benefit

The 1985 income tax benefit of $17.7 million compared with a $1.9 million tax provision in 1984. The tax benefit resulted from the 1985 pretax loss incurred by Koppers, a portion of which was used to reduce the Company's deferred tax liability. *[See note 8, page 34.]*

Financial Condition Strong

Since 1981, when management began the process of streamlining Koppers operations in response to emerging unfavorable business trends, numerous nonoperating expenses have been charged against Koppers financial results. In two of the last four years, for example, nonoperating charges have resulted in reported net losses that, combining the results of all four years, have led to a net loss of more than $80 million for the period.

As a result of these charges in 1985, several provisions of the Company's debt agreements at December 31, 1985 would have restricted the payment of dividends. However, the Company was able to negotiate amendments to those agreements and maintain the payment of dividends.

Gainesville, Georgia. Robert E. Minnick, sales manager, Davidson Mineral Properties, Inc., subsidiary of Koppers; Eugene M. Smith, vice president, Shepherd Construction Company, Inc.

The Georgia Department of Transportation had to make a decision on what to do with 30 miles of failing concrete paving on I-85. The problem was with reflective cracking on any surface that would be put over this concrete. The cost of removal of the old concrete would have been staggering. A five-mile test strip was marked off to put down an experimental asphalt base. This base required a stone blend that was bigger than any of our standard sizes, with only a half inch of tolerance. We couldn't let down DOT or our friends at Shepherd, even though we were not geared up to produce this stone size. We assembled the equipment for this task from as far away as the West Coast. Our production crew showed great innovation when they determined that by running the motors on our screening towers *backwards* we could maintain the one-half-inch tolerance. We came in ahead of schedule and eventually got the orders for most of the 30 miles. I do believe that tells you what Koppers is about these days: turned around so that most of what we do is what we're best at, which means that every effort we make will be translated into the highest returns and the greatest degree of customer satisfaction.

Robert E. Minnick

Robert E. Minnick

An important priority of Koppers management through this difficult period of repositioning the Company has been to maintain a strong financial position. This has been possible partly because the losses reported have been the result of asset write-downs or dispositions that resulted in little, if any, outflow of cash from the Company. Koppers continuing business operations have been profitable at the operating level and have, in fact, generated a sizable flow of cash each year. Koppers management has concentrated on keeping the Company's use of cash in reasonable proximity to the cash generated each year.

While maintaining a strong financial condition, in the past four years management has:

- invested an average of about $95 million each year in capital expansion projects to provide for future Company growth;
- reduced total term debt by more than $70 million, thus reducing interest costs;
- provided more than $30 million to repurchase 311,100 shares, or 41%, of the total outstanding convertible preference stock, thus reducing dividend expense.

Funds generated by Koppers operations continue to supply the major portion of the Company's financing needs. This capability will be further heightened in 1986 by the effect of the current plan to reposition the Company. The planned sale of nearly $235 million in assets of discontinued businesses that, in total, incurred a $2.5 million operating loss in 1985 is expected to provide net proceeds of more than $160 million. These funds will be used to further reduce the outstanding preference shares and invest in businesses that will generate higher returns. Also enhancing this potential will be the more than $40 million in tax carry-forwards on Koppers books at the close of 1985 that resulted from past charges against income. These will reduce Koppers future tax liabilities in the next several years and add to the funds generated by Koppers operations.

Liquidity Maintained

Koppers management follows a number of criteria to ensure the ability to maintain strong liquidity. Cash from operations is an important indicator. The levels of investment in components of working capital are another. Finally, there are the Company's debt-equity position and borrowing capacity.

Greater Cash Generated

($ Millions)	1985	1984	1983
Total cash sources	**$188.6**	$140.7	$216.0
Total cash used	**197.8**	192.0	172.5
Increase (decrease) in cash	**(9.2)**	(51.3)	43.5
Beginning cash balance	**67.0**	118.3	74.8
Ending cash balance	**$ 57.8**	$ 67.0	$118.3

In spite of the sizable net loss in 1985, Koppers cash declined by only $9.2 million. Total cash generated by the Company in 1985 grew by nearly $48 million from the previous year, as shown in the summary above of the Consolidated Statement of Changes in Financial Condition (page 30). Much of the nonoperating charges of about $140 million taken in 1985 did not result in any outflow of cash from the Company. As a result, funds provided from operations increased to $157.3 million, from $128.1 million in 1984. In addition, Koppers added low-interest-bearing industrial development bonds to its debt structure and realized an increased level of funds from the sale of fixed assets.

Total use of funds increased slightly in 1985 from the prior year, although capital investments were slightly lower. Term debt retired increased and a substantial amount of funds was used in connection with projects for environmental cleanup at numerous plant locations, as well as for meeting Company obligations on product warranty claims.

Koppers Total Capitalization

December 31,	1985 $ Millions	1985 % of Total	1984 $ Millions	1984 % of Total	1983 $ Millions	1983 % of Total
Total Debt						
11.25% Promissory notes	**$ 93.5**	**13.1%**	$100.0	11.8%	$100.0	11.3%
Industrial development bonds and notes	**71.9**	**10.1**	59.3	7.0	61.6	6.9
6% Notes	**20.0**	**2.8**	23.0	2.7	26.0	2.9
8.95% Notes	**18.0**	**2.5**	22.0	2.6	26.0	2.9
Other	**12.0**	**1.7**	15.5	1.8	19.3	2.2
Debt due within one year	**19.3**	**2.7**	13.4	1.6	16.0	1.8
Total	**$234.7**	**32.9%**	$233.2	27.5%	$248.9	28.0%
Equity						
Common	**$420.1**	**58.9%**	$551.8	65.2%	$554.5	62.5%
Preference*	**43.9**	**6.1**	46.5	5.5	69.4	7.8
Preferred	**15.0**	**2.1**	15.0	1.8	15.0	1.7
Total	**$479.0**	**67.1%**	$613.3	72.5%	$638.9	72.0%
Total Capitalization	**$713.7**	**100.0%**	**$846.5**	**100.0%**	**$887.8**	**100.0%**

*Debt ratios shown with redeemable preference stock included in debt for 1985, 1984 and 1983 would be 39.0%, 33.0% and 35.9%, respectively, of total capitalization, with equity being 61.0%, 67.0% and 64.1%, respectively.

Working Capital Increased

($ Millions)	1985	1984	1983
Working capital	**$303.9**	$242.0	$282.3

Since 1981, the close control of working capital has been an important factor in management's ability to maintain Koppers sound financial position and its good liquidity. (Working capital is the surplus of current assets over current liabilities and indicates the financial flexibility to meet day-to-day obligations, withstand adversity and pay dividends.)

The $61.9 million increase in working capital shown in the table above resulted entirely from the method used to account for the assets of discontinued operations in the Company's 1985 Consolidated Balance Sheet. The net assets of discontinued operations (total assets less liabilities) were classified as a current asset under the plan to sell them all in 1986. Excluding this, Koppers normal working capital at the close of 1985 decreased by $58.3 million from the close of the prior year. The decline in working capital resulted as increases in current assets were substantially more than offset by increases in current liabilities.

Two factors accounted for the increases in accounts receivable and prepaid expenses: first, a note received on the sale of hardwood timberlands in the 1985 third quarter (collected in 1986) accounted for much of the increase in receivables; second, the deferred income tax benefit from reserves established in 1985 increased prepaid expenses.

The increases were more than offset by additions to accrued liabilities associated with reserves established for discontinued operations and other charges taken against continuing operations in 1985. These include the short-term portion of environmental reserves and product warranties, and pension and payroll expenses.

Raleigh, North Carolina. Conrad C. Dugan, area sales manager, Koppers; Allen A. White, Jr., senior materials specialist, Carolina Power & Light Company.

Wood utility poles treated with Koppers creosote never have to be painted, don't need a foundation and are adapted easily to hardware. Also, you can climb wood poles instead of needing a bucket truck. But that often meant dirty hands and clothes. To alleviate this problem, our Industrial Products Division developed "clean creosote." Complaints from linemen are gone. That's the kind of thing that makes a lot of sales for us. We also have a record for dependability. About a year and a half ago, tornadoes ripped through eastern North Carolina. We've served Carolina Power & Light for over 30 years, and when they're cut, we bleed. They had 65,000 customers without power, 150 transmission structures destroyed or damaged, and hundreds of distribution poles to be replaced. About midnight, they got our plant manager out of bed, and he set the machinery in motion. We had to offload the trucks, reload and send them rolling. It was pitch black when they left with the poles and barely daybreak when they arrived, as far as 200 miles away. The next day, a salesman came in and saw a lot of our people yawning. "Must be pretty dull around here," he said. Nobody laughed.

Con Dugan

Conrad C. Dugan

Debt Further Reduced

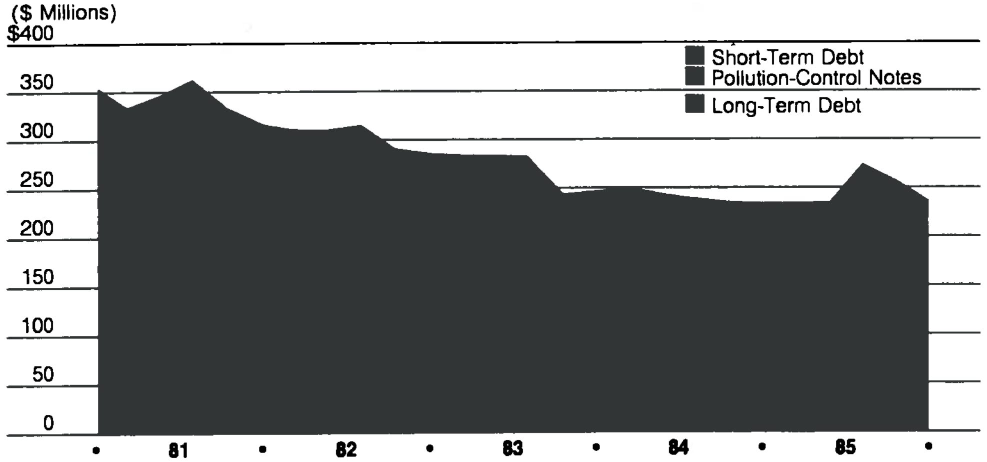
Koppers continued to retire long-term debt in 1985 as more than $20 million was repaid during the year. However, total debt (including debt due in one year) was increased slightly as the Company took advantage of favorable interest rates during 1985 and made provisions to finance several capital projects using industrial development bonds that totaled $14.9 million. In addition, a small amount of debt was acquired through acquisitions completed during the year.

The Company used commercial paper during 1985 to meet seasonal working capital requirements. The maximum amount of this short-term debt outstanding during the year was $59.8 million, and all was repaid by year end.

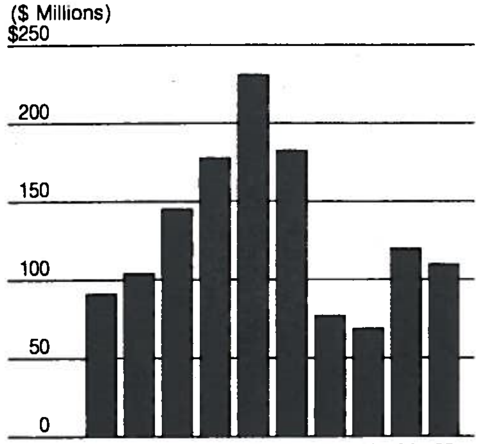
Existing bank credit agreements, which provide up to $200 million in revolving credit loans, were not in use at the end of the year. Substantial capacity exists within the Company's financial structure to fund major expenditures externally.

Koppers has consistently maintained the debt portion of its total capitalization at a low level. At the close of 1985, total debt was 33% of the Company's total capitalization. This rose from 28% of total capitalization at the close of 1984, entirely because of the reduction in the Company's equity due to the restructuring and environmental charges.

Debt Used to Support Operations
($ Millions)



Capital Expenditures
($ Millions)



Capital Expenditures Moderated

Koppers 1985 capital expenditures declined slightly from the high 1984 levels. As in the prior years, internally generated sources provided all of the funding.

Over one-half of 1985's capital investment was concentrated on upgrading and expanding production facilities as well as acquiring companies in business lines serving less cyclical markets. The remaining expenditures were directed toward improving plant efficiencies and competitive positions in the Company's other core businesses.

Capital expenditures by business segment are shown in Table 7 on page 36. Most expenditures were for increases in Koppers property, plant and equipment to modernize, increase production capacity or improve efficiency at Company facilities. Major expenditures or acquisitions completed in the past three years are summarized as follows:

1985—Chemical and Allied Products completed two major projects. An arsenic acid plant to supply a major raw material used in the specialty wood chemicals business was successfully finished at the Conley, Georgia plant. A modernization and conversion project at the Chicago phthalic anhydride plant was completed, permitting that facility to utilize an internally generated raw material.

Construction Materials and Services added capabilities in Indiana consisting of five quarries with significant future reserves and a paving operation. In California, operations were expanded with two new sand and gravel operations and new road construction capabilities. In South Carolina, three aggregate plants with quarries were added. Two bituminous concrete plants, including a construction operation, were added in Florida. Koppers steel and wire reinforcement/accessory business was expanded with additional plants in New York and Virginia. To improve energy efficiencies, new equipment was purchased to convert from natural gas or fuel oil to coal burners in the production of bituminous concrete.

Additional investments continued to be made through the Company's venture capital program.

1984—Chemical and Allied Products started construction on the arsenic acid plant and the modernization and conversion of the Chicago phthalic anhydride plant. A production facility for high-purity sodium sulfite was purchased to expand Koppers participation in markets for that product.

Construction Materials and Services expanded paving operations in New York and North Carolina. They also obtained a specialized mechanical contracting capability in North Carolina. Sizable amounts of operating equipment were purchased for various highway and civil construction projects in the U.S. and overseas. Expansions of quarry operations were completed in Pennsylvania and North Carolina. New production facilities, as well as paving and construction equipment, were added at numerous operating locations. A new wire mesh plant to produce concrete reinforcement materials was added in Texas.

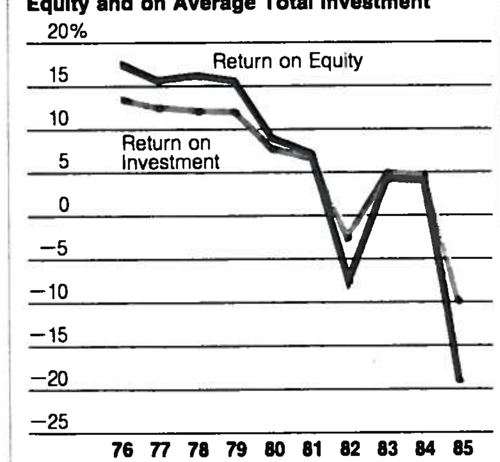
Investments were made through the Company's venture capital program in such areas as high-purity ceramic powders, pharmaceutical services and biological pesticides.

1983—Chemical and Allied Products completed a second plant to produce phenolic foam insulation board.

Construction Materials and Services acquired companies in South Carolina and Georgia that supply civil construction services. Other purchases included mineral deposits and related processing equipment in Oklahoma and New York. Quarry operations were expanded and modernized in Pennsylvania and North Carolina, and new crushing and paving equipment was added at several locations.

Investments through the venture capital program were made in developers of computer-aided design and manufacturing systems and of computer software.

Returns on Average Common Shareholders' Equity and on Average Total Investment



San Diego, California. Stephan J. Nemeth, assistant chief estimator, Sim J. Harris Company, subsidiary of Koppers; Roger Manion, assistant director of physical plant, University of San Diego.

Right between a rock and a hard place. We had only seven weeks to build a 300-car parking lot for the University of San Diego. What was not realized, and what we found when the rough grading started, was an eight-inch water main under the surface, and under that a 30-inch high-pressure gas main. The construction code calls for a minimum cover over the water main and the gas main. It also dictates a specific clearance between the new parking lot and existing overhead high-tension wires. That's what I mean about a rock and a hard place. We mobilized our own forces and constructed a new water main *under* the gas main. That did it. We don't ordinarily take on that type of work, but we'll do whatever's required to meet the customer's needs. That's what it is to prosper and grow on a lot of smaller jobs instead of a few big ones. If we have a job that lasts more than a couple of weeks, that's a long time. To schedule this kind of work requires a flexibility you don't need for a project that runs, say, two years. The people we deal with know this is our forte, not because we tell them so, but because we show them so. Performance is a universal language that everyone understands.

Stephan J. Nemeth

Shareholder Information

Market for Koppers Common Stock and Related Security Holder Information

Koppers common stock, $1.25 par value, is traded principally on the New York Stock Exchange and is listed also on the Midwest and Pacific Stock Exchanges. The tables on page 21 present its high and low market prices and dividend information. Cash dividends have been paid on these shares every year since 1944, the year the Company was incorporated.

Long-term debt agreements and the terms of Koppers cumulative preferred stock, $100 par value, 4% Series, and Koppers $10 convertible preference stock, no par value, include certain restrictive covenants. These, among other things, prohibit certain aggregate amounts of the Company's dividends and distributions on its stock from exceeding specified levels. The most restrictive provision, contained in a long-term debt agreement that begins to mature in 1986, permitted $25,000,000 of consolidated earnings retained in the business to be available for cash dividends at January 1, 1986.

Participation in Dividend Reinvestment Plans

A total of 15% of Koppers shareowners participated in the Company's cost-free Dividend Reinvestment/Cash Payment Plan in 1985. The number of participants declined by 9% during the year, to 2,569. Participating shareholders invested $452,948 to purchase almost 24,400 additional shares during 1985. These plans enable shareholders, on a cost-free basis, to:

- Elect to invest common, preferred and/or preference dividends in shares of Koppers common stock; and/or
- Purchase additional Koppers common stock by making voluntary cash payments of $25 to $1,000 in any month.

Shareholders may obtain further information on these plans by writing to Mellon Bank N.A., Stock Transfer Section, P.O. Box 444, Pittsburgh, Pennsylvania 15230.

Cumulative Preferred Stock

The outstanding shares of cumulative preferred stock, $100 par value, 4% Series, may be redeemed at the option of the Company, as a whole or in part, at any time upon not less than 30, nor more than 60, days' notice, at $107.75 per share, together with accrued and unpaid dividends to the date fixed for redemption. Although the Company also has the right, with the approval of the Board of Directors, to repurchase cumulative preferred shares in the open market, it has no current plans to redeem or repurchase shares.

$10 Convertible Preference Stock

The outstanding shares of $10 convertible preference stock, no par value, may be converted into shares of common stock of the Company at any time, unless previously redeemed, at the conversion price of $28.75 per share, subject to adjustment in certain events. The preference stock is redeemable on not less than 30 days' notice at the option of the Company at a price of $105.00 per share through December 15, 1986 and declining by $1 per share each year through 1990. Koppers Board of Directors has authorized the Company to purchase up to 500,000 shares of convertible preference stock in the open market. A total of 26,100 shares were purchased in 1985, 229,000 in 1984, and 56,000 in 1983.

The Shareholders' Scorecard

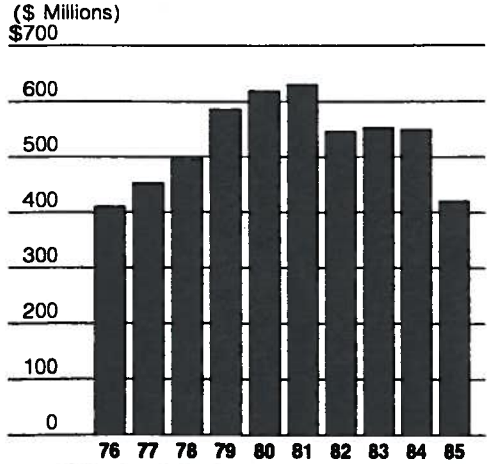
The series of charts below illustrate some measures of Koppers stock performance over the past 10 years. The redeployment plan resulted in a drop in common shareholders' equity from the previous three-year steady level to $420.1 million.

Dividends, in the face of a loss year, remained as in the prior two years as the Company's cash generation remained strong.

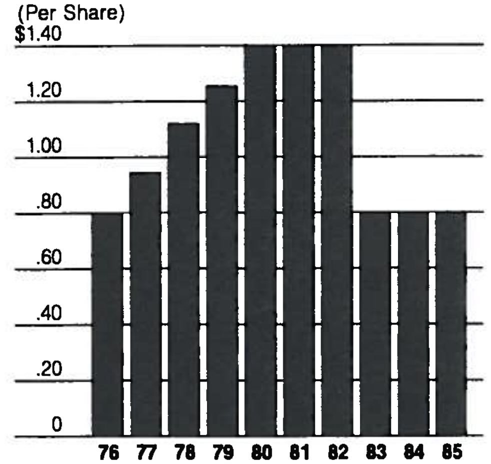
The 1985 price range for Koppers common stock was lower than 1984's but closed strongly as the market reacted to the Company's redeployment announcement. In recent years, Koppers stock has underperformed the three indices used in the illustrations.

However, total return to investors, compared with the Consumer Price Index, ended 1985 at a 10-year high. Every $100 invested in Koppers common stock at the start of 1976 would have grown to $194.80 in total return—reinvested dividends plus price appreciation—by the end of 1985.

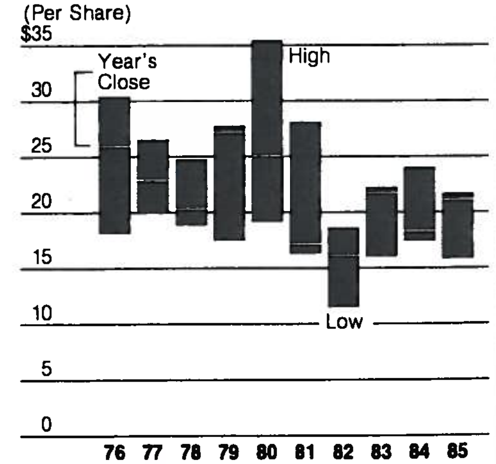
Common Shareholders' Equity



Annual Common Dividend



Common Stock Price Trend



Shareholder Rights Plan

In February, 1986, Koppers directors approved a rights plan to protect shareholders from an unsolicited takeover attempt that would deny them the full value of their investment.

Shareholders will receive as a dividend one individual stock purchase right for each share of Koppers common stock. Each right will entitle shareholders to buy one one-hundredth of a newly issued share of junior preference stock of the Company at an exercise price of $75 upon the occurrence of certain events.

Rights will be exercisable only if a person or group either acquires 20% or more of Koppers common stock or commences a tender offer for 30% or more.

The dividend stock purchase right is not a response to any specific effort to acquire control of Koppers, and the Company is not aware of any such effort.

A summary copy of the plan is available: Koppers Company, Inc., 1900 Koppers Building, Pittsburgh, Pa. 15219.

Koppers Common Stock Statistics

	1985	1984	1983	1982	1981
Common stock price ranges on NYSE/Composite:					
High	**$21¼**	$23⅝	$21⅞	$18¼	$27⅞
Low	**15½**	17⅛	15¾	11¼	16⅛
Close	**21**	18	21¾	16	17
Volume traded (in thousands)	**18,207**	16,415	12,890	11,445	8,781
% of shares outstanding	**64%**	57%	46%	41%	32%

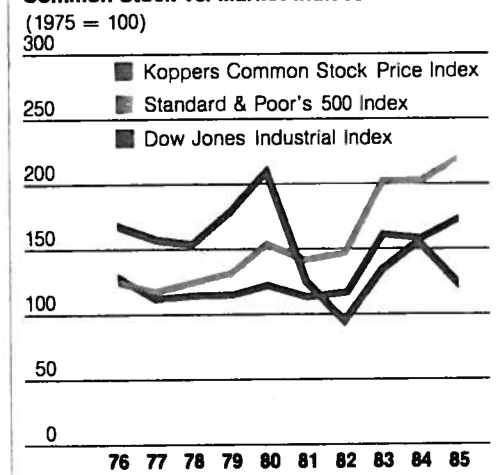
Quarterly Common Stock Price Ranges and Dividends

	1985			1984		
Quarter	**High**	**Low**	**Dividend**	High	Low	Dividend
1st	**$21¼**	**$17⅞**	**$0.20**	$23⅝	$17½	$0.20
2nd	**19**	**17**	**0.20**	23¼	18⅜	0.20
3rd	**18½**	**16½**	**0.20**	22⅝	17⅞	0.20
4th	**21**	**15½**	**0.20**	22⅛	17⅛	0.20

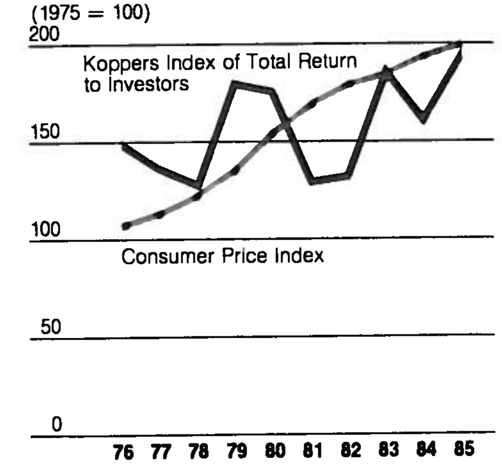
Equity Security Holders

Title of Class	Number of Shareholders of Record on March 7, 1986
Common Stock, $1.25 Par Value	15,093
Cumulative Preferred Stock, $100 Par Value	1,028
Convertible Preference Stock	408

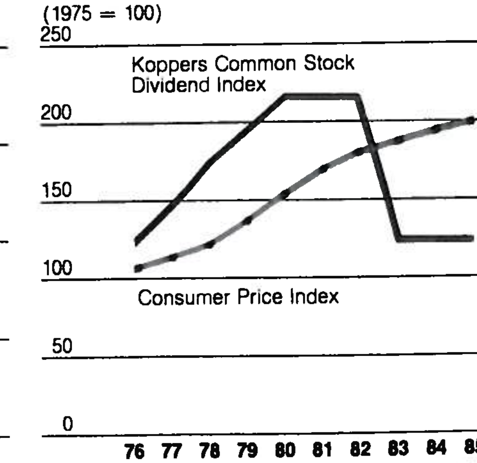
Common Stock vs. Market Indices



Annual Total Returns to Shareholders



Dividends Versus Inflation



Corporate Officers

Charles R. Pullin 62 (1946)
Chairman of the Board (Chief Executive Officer) since 1982; formerly Vice Chairman of the Board since 1981 and President and Chief Operating Officer—Road Materials Group.

Burnett G. Bartley, Jr. 61 (1949)
Executive Vice President—Construction Materials and Services since 1984; formerly Deputy Chairman.

Donald H. Cuozzo 52 (1968)
Vice President—Legal Services Group, General Counsel and Secretary since 1985; formerly Assistant General Counsel since 1985 and Assistant Secretary since 1976.

Thomas M. St. Clair 50 (1958)
Vice President—Financial Services Group, Treasurer and Chief Financial Officer since 1984; formerly Vice President—Finance since 1984, Vice President and Assistant to the Chairman since 1983 and President—Engineered Metal Products Group.

Richard E. Spatz 60 (1951)
Corporate Vice President—Office of the Chairman since 1984; formerly Vice President and Assistant to the Chairman since 1983 and President—Forest Products Group.

Lester L. Murray 57 (1975)
Vice President and General Manager of the former Engineered Metal Products Group since 1983; formerly Vice President and General Manager—Sprout-Waldron Division.

Construction Materials and Services

Frederick C. Moore 52 (1970)
Vice President and General Manager—East Region since 1983 and Chairman of the Board—The General Crushed Stone Company; formerly Vice President, Road Materials Group.

Alvin L. Walters 57 (1976)
Vice President and General Manager—West Region since 1982; formerly President and General Manager—Western Paving Construction Company.

R. Kenneth MacGregor 63 (1978)
Vice President and Manager—West Coast Operations since 1982 and President and General Manager—Sully-Miller Contracting Company.

Robert A. Cruise 55 (1973)
President—Koppers International Canada Ltd., a wholly owned subsidiary since 1969.

Chemical and Allied Products

John D. Hite, Jr. 48 (1960)
Vice President and General Manager—Building Products Sector since 1984; formerly Vice President and General Manager—Specialty Wood Chemicals Division.

Dr. Alonzo Wm. Lawrence 48 (1976)
Vice President and General Manager—Chemical Systems Sector since 1984; formerly Vice President—Science and Technology since 1981.

Glen C. Tenley 58 (1955)
Vice President and General Manager—Coal- and Wood-Based Products Sector since 1984; formerly Vice President and General Manager—Foundry and Industrial Supply Division since 1980.

John R. Brown III 43 (1967)
Vice President and General Manager—Polyester Resins Division since 1984; formerly Vice President—Specialty Systems Division and Manager.

Key R. Caldwell 64 (1948)
Vice President and General Manager—Industrial Products Division since 1984; formerly Production Manager.

Robert K. Wagner 54 (1953)
Vice President and General Manager—Treated Wood Products Division since 1978.

Brooks C. Wilson 52 (1965)
Managing Director—Koppers Australia Pty. Ltd.

Corporate Staff Officers

J. Roger Beidler 50 (1960)
Vice President—Communications Group since 1985; formerly Vice President—Investor Relations since 1980 and Manager.

Fitzhugh L. Brown 53 (1962)
Comptroller since 1978.

Charles P. Dorsey 58 (1966)
Vice President—Science and Technology Group since 1984; formerly Vice President and General Manager—Specialty Systems Division.

James A. Harris 51 (1965)
Vice President—Planning Services Group since 1985; formerly Vice President and General Manager—Engineering and Construction Group since 1981.

Raymond R. Wingard 55 (1952)
Vice President—Administrative Services Group since 1985; formerly Vice President and Manager—Marketing Services and Corporate Growth Planning since 1980.

Other Officers

Jay A. Best 52 (1956)
Vice President and Manager—Traffic and Transportation Department since 1978.

Frank E. Davis, Jr. 61 (1962)
Vice President and Manager—Communications Department since 1983; formerly Vice President and Manager—Advertising and Public Relations.

Richard C. Hawkins 45 (1971)
Vice President and Manager—Human Resources Department since 1985; formerly with National Intergroup, Inc. from 1980 to 1985; former Manager—Selection and Placement for Koppers since 1971.

Robert R. Moran 61 (1947)
Vice President—Purchasing Department since 1982; formerly Manager—Raw Materials.

Our friends at The Pultrusions Corporation take Koppers resin and convert it into fiberglass-reinforced plastic—FRP—that can be used to make such things as bus components, cable trays, doors for refrigerated trucks and structural cooling tower components. They pull fiberglass mats and rovings through a resin bath and into a curing die, a heated piece of metal in the shape they want. Scheduling is a juggling act. But our plants work hard at some pretty innovative production scheduling and our order department works hand-in-glove with our customers. Pultrusions people like Dave Balazek and Diane Callen, administrative assistant, help us as much as we help them; that's one of the nicest aspects of my job. I think what made me most proud recently was when Pultrusions won the Grand Design Award presented by The Society of the Plastics Industry. They got it for their exceptional work on a highly engineered bus component made with our resin. It was almost as if I got the award, because my job is to make our customers succeed. And there they were, with the top award from the most prestigious organization in our industry.

Jennifer A. Côté

Jennifer A. Côté

Koppers 10-Year Financial Highlights and Operating Statistics

	($ Millions, except per share data)	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
Sales by Business Group*	Construction Materials and Services	**$ 777.4**	$ 720.5	$ 548.6	$ 495.9	$ 561.1	$ 551.2	$ 448.6	$ 303.8	$ 176.4	$ 141.5
	Chemical and Allied Products	**$ 618.6**	$ 664.5	$ 631.4	$ 674.4	$ 847.3	$ 803.7	$ 767.4	$ 640.8	$ 586.4	$ 520.7
	Miscellaneous	**$ 4.2**	$ 3.7	$ 3.6	$ 4.1	$ 2.9	$ 1.6	$ 1.5	$ 0.8	$ 0.5	$ 1.3
	Total from continuing operations	**$1,400.2**	$1,388.7	$1,183.6	$1,174.4	$1,411.3	$1,356.5	$1,217.5	$ 945.4	$ 763.3	$ 663.5
Corporate Operating Expenses*	Wages, salaries and pension expense	**$ 304.6**	$ 282.7	$ 293.1	$ 275.5	$ 280.8	$ 256.8	$ 240.2	$ 191.9	$ 153.1	$ 131.8
	Materials, supplies and services	**$ 953.7**	$ 965.5	$ 754.7	$ 770.8	$ 940.6	$ 906.9	$ 796.8	$ 617.7	$ 486.4	$ 425.6
	Depreciation, depletion and amortization	**$ 66.4**	$ 64.5	$ 62.3	$ 66.8	$ 67.3	$ 63.5	$ 50.7	$ 41.0	$ 32.8	$ 28.4
	Taxes, other than income taxes	**$ 39.6**	$ 37.2	$ 31.2	$ 31.5	$ 33.0	$ 29.1	$ 26.1	$ 21.5	$ 23.8	$ 13.2
	Total corporate operating expenses	**$1,364.3**	$1,349.9	$1,141.3	$1,144.6	$1,321.7	$1,256.3	$1,113.8	$ 872.1	$ 696.1	$ 599.0
	Operating profit	**$ 35.9**	$ 38.8	$ 42.3	$ 29.8	$ 89.6	$ 100.2	$ 103.7	$ 73.3	$ 67.2	$ 64.5
	Other income (expense)	**$ (59.9)**	$ 9.9	$ 21.8	$ (50.7)	$ 21.1	$ 9.1	$ 13.4	$ 23.5	$ 8.2	$ 12.6
Operating Income (Loss) by Business Group* (before corporate overhead)	Construction Materials and Services	**$ 71.5**	$ 61.4	$ 45.1	$ 38.6	$ 60.4	$ 58.5	$ 55.5	$ 36.6	$ 21.1	$ 18.8
	Chemical and Allied Products	**$ (61.6)**	$ 4.6	$ 34.6	$ 16.7	$ 73.7	$ 75.1	$ 81.4	$ 58.2	$ 64.1	$ 62.0
	Miscellaneous	**$ (5.2)**	$ 6.1	$ 1.7	$ (50.7)	$ (0.9)	$ (0.2)	$ 2.4	$ 19.9	$ 3.0	$ 8.2
	Total from continuing operations	**$ 4.7**	$ 72.1	$ 81.4	$ 4.6	$ 133.2	$ 133.4	$ 139.3	$ 114.7	$ 88.2	$ 89.0
Corporate Income (Loss)*	Corporate overhead (included in above expenses)	**$ 28.7**	$ 23.4	$ 17.3	$ 25.5	$ 22.5	$ 24.1	$ 22.2	$ 17.9	$ 12.8	$ 11.9
	Income (loss) before interest expense and taxes	**$ (24.0)**	$ 48.7	$ 64.1	$ (20.9)	$ 110.7	$ 109.3	$ 117.1	$ 96.8	$ 75.4	$ 77.1
	Interest expense	**$ 23.7**	$ 22.8	$ 26.2	$ 29.4	$ 33.0	$ 32.9	$ 20.2	$ 12.4	$ 11.7	$ 11.6
	Income taxes (benefit)	**$ (17.7)**	$ 1.9	$ 13.8	$ (20.4)	$ 30.9	$ 21.2	$ 32.3	$ 34.6	$ 26.4	$ 29.8
	Income (loss) from continuing operations	**$ (30.0)**	$ 24.0	$ 24.1	$ (29.9)	$ 46.8	$ 55.2	$ 64.6	$ 49.8	$ 37.3	$ 35.7
	Preference and preferred dividends	**$ 5.1**	$ 6.1	$ 7.7	$ 8.1	$ 7.9	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6
To Common Shareholders	Income (loss) from continuing operations*	**$ (35.1)**	$ 17.9	$ 16.4**	$ (38.0)	$ 38.9	$ 54.6	$ 64.0	$ 49.2	$ 36.7	$ 35.1
	Net income (loss)	**$ (106.2)**	$ 22.6	$ 22.9	$ (46.6)	$ 43.8	$ 53.4	$ 84.3	$ 75.4	$ 65.8	$ 66.9
Financial Position At December 31,	Current assets	**$ 553.0**	$ 465.7	$ 527.3	$ 490.1	$ 542.8	$ 644.9	$ 535.3	$ 530.4	$ 438.9	$ 427.1
	Current liabilities	**$ 249.1**	$ 223.7	$ 245.0	$ 246.4	$ 272.1	$ 319.9	$ 270.0	$ 247.7	$ 208.2	$ 167.8
	Working capital	**$ 303.9**	$ 242.0	$ 282.3	$ 243.7	$ 270.7	$ 325.0	$ 265.3	$ 282.7	$ 230.7	$ 259.3
	Property, plant and equipment—net	**$ 436.3**	$ 607.3	$ 583.2	$ 633.6	$ 679.1	$ 667.0	$ 555.8	$ 457.7	$ 378.1	$ 325.5
	Total assets	**$1,066.1**	$1,154.7	$1,175.4	$1,192.9	$1,328.2	$1,389.5	$1,140.7	$1,036.1	$ 870.3	$ 783.6
	Term debt due after one year	**$ 215.5**	$ 219.8	$ 232.9	$ 275.7	$ 288.9	$ 308.7	$ 224.2	$ 233.6	$ 152.0	$ 159.7
	Total debt—% of total capitalization	**33%**	28%	28%	31%	30%	32%	29%	32%	26%	28%
	Common shareholders' equity	**$ 420.1**	$ 551.8	$ 554.5	$ 544.1	$ 629.1	$ 619.5	$ 582.2	$ 498.3	$ 454.8	$ 410.2
Data Per Common Share	Earnings (loss) from continuing operations*	**$ (1.23)**	$ 0.62	$ 0.59**	$ (1.36)	$ 1.40	$ 2.02	$ 2.44	$ 1.97	$ 1.47	$ 1.42
	Net earnings (loss)	**$ (3.72)**	$ 0.79	$ 0.81	$ (1.67)	$ 1.58	$ 1.98	$ 3.21	$ 3.01	$ 2.64	$ 2.70
	Common stock dividends	**$ 0.80**	$ 0.80	$ 0.80	$ 1.40	$ 1.40	$ 1.40	$ 1.25	$ 1.125	$ 0.95	$ 0.80
	Shareholders' equity	**$ 14.70**	$ 19.31	$ 19.39	$ 19.49	$ 22.58	$ 22.41	$ 21.81	$ 19.86	$ 18.21	$ 16.50
Other Statistics	Capital expenditures	**$ 110.6**	$ 121.1	$ 68.6	$ 76.7	$ 182.1	$ 230.9	$ 177.1	$ 144.5	$ 104.5	$ 90.6
	Gross cash flow	**$ (42.2)**	$ 100.4	$ 123.2	$ 18.6	$ 132.8	$ 134.6	$ 141.5	$ 141.7	$ 114.8	$ 107.3
	Current ratio	**2.22-to-1**	2.08-to-1	2.15-to-1	1.99-to-1	1.99-to-1	2.02-to-1	1.98-to-1	2.14-to-1	2.11-to-1	2.55-to-1
	Return on average invested capital	**(11.0%)**	4.7%	4.9%	(2.4%)	6.7%	7.7%	12.0%	12.1%	12.4%	13.4%
	Return on average common equity	**(20.5%)**	4.1%	4.3%	(7.8%)	7.2%	9.0%	15.8%	16.2%	15.6%	17.6%
	Average common shares outstanding (thousands)	**28,574**	28,599	28,111	27,854	27,667	26,989	26,228	25,031	24,886	24,809
	Shareholders at year end	**17,269**	19,190	20,758	22,489	20,326	18,362	18,115	17,729	17,553	16,729
	Average number of employees	**11,128**	10,783*	14,518	17,334	20,113	21,029	22,087	20,858	18,168	17,880
Discontinued Operations*	Sales	**$ 419.5**	$ 430.8	$ 382.1	$ 378.4	$ 498.4	$ 443.7	$ 610.8	$ 636.5	$ 592.4	$ 525.7
	Income (loss)	**$ (71.1)**	$ 4.7	$ 0.5	$ (8.6)	$ 4.9	$ (1.2)	$ 20.3	$ 26.2	$ 29.1	$ 31.8

*Prior years restated to conform with 1985 classifications (Note 7).
**1983 excludes extraordinary gain of $6.0 million, or $0.21 per share.

Report of Certified Public Accountants

Arthur Young & Company
Certified Public Accountants

The Board of Directors and Shareholders
Koppers Company, Inc.:

We have examined the consolidated financial statements of Koppers Company, Inc. and subsidiaries listed in the accompanying Index to Consolidated Financial Statements. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements listed in the accompanying Index to Consolidated Financial Statements present fairly the consolidated financial position of Koppers Company, Inc. and subsidiaries at December 31, 1985 and 1984, and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1985, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

2400 Koppers Building
Pittsburgh, Pennsylvania 15219
January 23, 1986

Index to Consolidated Financial Statements

Koppers Company, Inc. Covered by Report of Certified Public Accountants

Schedules I, II, III, IV, VII, XI, XII, XIII and XIV are not given, as the subject matter thereof either is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the financial statements or the notes thereto.

Statement of Accounting Policies

Koppers Company, Inc. and Subsidiaries

The major accounting policies of the Company are set forth below. The word "Company" as used in this report includes consolidated entities as well as Koppers Company, Inc.

Principles of Consolidation—The consolidated statements include the accounts of the Company and all of its subsidiaries. All intercompany transactions have been eliminated.

Inventories—Inventories are valued at the lower of cost or market. Cost for approximately 68% and 73% of inventories for 1985 and 1984, respectively, is determined by the LIFO (last-in, first-out) method. Cost for the remainder of the inventories represents average costs or standard costs, which approximate actual on the FIFO (first-in, first-out) basis. Market is replacement cost for raw materials and net realizable value for work in process and finished goods.

Fixed Assets—Buildings, machinery and equipment are depreciated on the straight-line method over their useful lives. Timber and mineral properties are depleted on the basis of units produced.

When land, standing timber or property units are sold, the difference between selling price and cost, after recognition of accumulated depreciation and depletion, is reflected as Other income.

Long-Term Contracts—Revenue on long-term construction contracts is accounted for on the percentage-of-completion basis; losses are recognized as soon as they are determined.

Pension Plans—The Company has pension plans covering substantially all employees. The Company provides for amortization of unfunded prior service costs over periods up to 40 years and pays provisions for pension expense into trust funds in accordance with ERISA requirements.

Income Taxes—Investment tax credits are accounted for under the "flow-through" method, which recognizes the benefit in the year in which the credit is utilized.

Earnings (Loss) Per Share—Earnings (loss) per share have been computed on the basis of the average number of common shares outstanding and do not include the assumed conversion of preference stock, which is antidilutive.

Consolidated Statement of Operations

1985	*1984	*1983	Koppers Company, Inc. and Subsidiaries	
($ Thousands, except per share figures)				
$1,400,166	$1,388,658	$1,183,563	Net sales	1
			Operating expenses:	
1,108,382	1,118,888	928,678	Cost of sales	2
66,373	64,513	62,252	Depreciation, depletion and amortization	3
39,630	37,185	31,198	Taxes, other than income taxes	4
149,879	129,289	119,096	Selling, research, general and administrative expenses	5
1,364,264	1,349,875	1,141,224	Total operating expenses	
35,902	38,783	42,339	Operating profit	
			Other income (expense):	6
(32,564)	(2,303)	4,297	Profit (loss) on operations disposed of or closed (Note 7)	7
(45,249)	(3,176)	(1,449)	Provision for environmental expenses (Notes 7 and 9)	
17,482	3,385	8,425	Profit on sales of capital assets, primarily timberlands	
2,798	5,855	12,393	Profit on sale of investments (Note 2)	
(438)	854	(10,859)	Equity in earnings (losses) of affiliates (dividends received: 1985—$4,590; 1984—$2,115; 1983—$5,249)	8
2,288	4,430	6,937	Interest income	9
(4,242)	878	2,057	Miscellaneous	
(59,925)	9,923	21,801	Total other income (expense)	
(24,023)	48,706	64,140	Income (loss) before interest expense and provision (benefit) for income taxes	
23,673	22,834	26,232	Interest expense	10
(47,696)	25,872	37,908	Income (loss) from continuing operations before provision (benefit) for income taxes	
(17,693)	1,900	13,759	Provision (benefit) for income taxes (Note 8)	11
$ (30,003)	$ 23,972	$ 24,149	Income (loss) from continuing operations	12
			Discontinued operations (Note 7):	13
(2,460)	8,280	1,794	Income (loss) from discontinued operations (less applicable income tax provision: 1985—$1,085; 1984—$6,988; 1983—$1,348)	
(68,608)	(3,486)	(1,315)	Loss on disposal of discontinued operations (less applicable income tax provision (benefit): 1985—$4,000; 1984—$(2,637); 1983—$(1,121))	
(101,071)	28,766	24,628	Income (loss) before extraordinary gain	14
—	—	5,960	Extraordinary gain on extinguishment of debt (Note 4)	
$ (101,071)	$ 28,766	$ 30,588	Net income (loss) for the year	
			Dividends on:	
4,577	5,533	7,080	Redeemable convertible preference stock	
600	600	600	Cumulative preferred stock	
$ (106,248)	$ 22,633	$ 22,908	Net income (loss) applicable to common stock	15
28,574	28,599	28,111	Average number of shares of common stock outstanding during year (in thousands)	
			Earnings (loss) per share of common stock:	
$(1.23)	$ 0.62	$ 0.59	From continuing operations before extraordinary gain	
$(2.49)	$ 0.17	$ 0.01	From discontinued operations	
$ —	$ —	$ 0.21	Extraordinary gain	
$(3.72)	$ 0.79	$ 0.81	Net earnings (loss)	

*Restated to conform with 1985 classifications (Note 7).
(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

1. Total received or receivable from customers. Excludes discontinued operations.

2. Directly related to operating levels: wages, salaries, raw materials, energy, transportation, pensions, supplies and services.

3. Related to the Company's investment in fixed assets—this portion of the original cost of machinery, plants, etc. has been allocated against the year's income.

4. Not closely related to operating levels: social security and unemployment taxes, state and local franchise and real estate taxes.

5. Salesmen's compensation, corporate staff and officers' salaries, pensions, and other general expenses.

6. Not resulting directly from sale of products or services, although most is included in operating income of business segments; see page 36.

7. Gain or loss realized from sale or write-off of assets of business lines or facilities.

8. Represents Koppers portion of earnings or losses of companies in which it has 20%-50% ownership.

9. From short-term cash investments.

10. Cost of borrowed funds.

11. Total income taxes and credits: federal, state and foreign.

12. This was earned for all shareholders by businesses that will continue to be operated in future.

13. After-tax effect of decisions made in 1985 and 1984 not to remain in certain businesses.

14. After including all operations.

15. This portion of net income (loss) was applicable to common shareholders: in 1985 $22.9 million was paid in dividends.

Consolidated Balance Sheet

Assets

December 31, 1985	1984*	Koppers Company, Inc. and Subsidiaries	
($ Thousands)			
		Current assets:	1
$ 57,777	$ 67,005	Cash, including short-term investments of $44,225 in 1985 and $52,617 in 1984	2
187,133	218,185	Accounts receivable, principally trade, less allowance for doubtful accounts of $6,509 in 1985 and $5,453 in 1984	3
		Inventories (Note 1):	4
		At cost—FIFO (first-in, first-out) basis:	
87,317	125,985	Product	
4,306	36,209	Work in process	
74,030	91,498	Raw materials and supplies	
165,653	253,692	Total FIFO inventories	
52,989	92,028	Less LIFO (last-in, first-out) reserve	5
112,664	161,664	Total LIFO inventories	6
41,280	18,913	Prepaid expenses, including deferred tax benefits of $36,994 in 1985 and $14,522 in 1984	
154,109	—	Net assets of discontinued operations (Notes 1 and 7)	7
552,963	465,767	Total current assets	8
		Investments:	9
23,107	27,842	Affiliated companies, at equity	
12,145	13,125	Others at cost	
35,252	40,967	Total investments	
		Fixed assets, at cost:	10
101,410	136,039	Buildings	
872,595	1,005,451	Machinery and equipment	
974,005	1,141,490	Gross buildings, machinery and equipment	
610,408	666,128	Less accumulated depreciation and amortization	11
363,597	475,362	Net buildings, machinery and equipment	
35,973	80,583	Depletable properties, less accumulated depletion of $18,700 in 1985 and $16,565 in 1984	12
36,693	51,307	Land	
436,263	607,252	Net fixed assets	
41,575	40,672	Other assets	
$1,066,053	$1,154,658	Total assets	13

*Restated to conform with 1985 classifications (Note 9).
(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows what Koppers owned.

1. Likely to be converted into cash within one year.

2. Primarily kept in bank accounts for normal business use or invested in short-term notes.

3. Amounts owed to Company by customers and others.

4. Goods being stockpiled or used in the process of manufacturing or held for sale. Value of these inventories is based on the FIFO accounting method, which reflects the most recent cost of goods.

5. Company uses LIFO accounting for substantially all domestic inventories to charge current income with most recent costs of goods, thus eliminating illusory inventory profits.

6. LIFO value of inventory results in a reduction of asset values in comparison with FIFO or current values.

7. Total assets net of liabilities related to discontinued operations.

8. See discussion of working capital on page 17.

9. Koppers ownership in other companies.

10. The original amount paid for Company-owned buildings, machinery and equipment.

11. Accumulation of the portion of the original amount paid for fixed assets that has been allocated to operating costs since the assets were purchased.

12. Cost of properties having exhaustible resources, such as timber, coal and stone, reduced for value of resources used in the past.

13. The total net cost assigned to everything Koppers owns.

Consolidated Balance Sheet

Liabilities and Shareholders' Equity

December 31, 1985	1984*	Koppers Company, Inc. and Subsidiaries	
($ Thousands)			
		Current liabilities:	1
$ 58,385	$ 69,422	Accounts payable, principally trade	2
		Accrued liabilities:	3
3,330	4,745	Income taxes	
27,094	4,989	Pensions (Note 3)	
28,604	30,571	Insurance	
36,187	40,063	Payroll and other compensation costs	
12,958	15,747	Warranty reserves	
16,517	339	Environmental reserves	
41,161	34,524	Other accruals	
5,561	9,993	Advance payments received on contracts	4
19,279	13,351	Term debt due within one year (Note 4)	5
249,076	223,744	Total current liabilities	6
215,455	219,809	Term debt due after one year (Note 4)	7
17,100	16,814	Deferred compensation (Note 6)	
37,289	37,696	Deferred income taxes	8
68,187	43,260	Other long-term liabilities (Note 9)	9
43,890	46,500	Redeemable convertible preference stock, no par value, stated value $100 per share: authorized 1,000,000 shares; issued and outstanding 438,900 shares in 1985 and 465,000 shares in 1984, 10% series (Note 5)	
15,000	15,000	Cumulative preferred stock (not subject to mandatory redemption), $100 par value: authorized 300,000 shares; issued and outstanding 150,000 shares, 4% series	
35,721	35,714	Common stock, $1.25 par value: authorized 60,000,000 shares; issued 28,610,834 and outstanding 28,576,206 shares in 1985; issued 28,610,834 and outstanding 28,571,217 shares in 1984	10
144,574	144,454	Capital in excess of par value	10
239,761	371,667	Earnings retained in the business (Note 4)	10
$1,066,053	$1,154,658	Total liabilities and shareholders' equity	

*Restated to conform with 1985 classifications (Note 9).
(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows everything Koppers owed.

1. These are liabilities payable within one year.

2. Due to suppliers for goods and services provided.

3. Amounts owed but not paid as of year end.

4. For services and products paid for by customers, which Koppers will provide in the near future.

5. Repayment of long-term debt and capital lease obligations required during coming year.

6. Company's current assets at year-end 1985 covered these liabilities by a current ratio of 2.22-to-1.

7. Borrowings used to expand Koppers income-producing base. This includes the present value of lease payments that will be made in the future.

8. Differences in accounting rules and tax regulations result in certain income and expenses in financial reports that are not included in tax reports in the same year. This total represents the taxes on the difference that will be paid in future years.

9. Primarily environmental and pension provisions to be made beyond 1986.

10. The total of these items, $420.1 million, represents the total common shareholders' ownership in Koppers at the close of 1985. Common equity was equal to $14.70 for each share of common stock outstanding at the close of 1985, versus $19.31 at the end of 1984.

Consolidated Statement of Changes in Financial Position

Years ended December 31, 1985	1984*	1983*	Koppers Company, Inc. and Subsidiaries	
	($ Thousands)		Source of funds:	1
			Operations:	
$(30,003)	$ 23,972	$ 24,149	Income (loss) from continuing operations before extraordinary gain	2
66,373	64,513	62,252	Depreciation, depletion and amortization	3
597	1,069	16,828	Deferred income taxes	4
52,282	29,742	9,861	Other deferred expenses	4
23,712	3,502	4,277	Provision for operations disposed of or closed and decline in value of investments	5
4,475	1,291	15,211	Equity in losses of affiliated companies, less dividends received	6
117,436	124,089	132,578	Funds provided from continuing operations before extraordinary gain	
(71,068)	4,794	479	Income (loss) from discontinued operations	7
16,189	15,794	15,605	Depreciation, depletion and amortization	
(111)	(916)	3,642	Deferred income taxes	
36,496	—	—	Other deferred expenses	
(18,494)	19,672	19,726	Funds provided (absorbed) from discontinued operations	
98,942	143,761	152,304	Funds provided from operations before extraordinary gain	
—	—	5,960	Extraordinary gain on extinguishment of debt (Note 4)	
98,942	143,761	158,264	Subtotal	
129,430	—	—	Reclassification of net noncurrent assets of discontinued operations (Note 7)	
			Increase (decrease) in working capital before segregation of items relating to discontinued operations, excluding cash:	
(28,324)	15,255	(23,156)	Accounts receivable	
4,224	(16,834)	26,828	Inventories	
(22,988)	(3,351)	3,338	Prepaid expenses	
(154,109)	—	—	Net assets of discontinued operations (Note 7)	
24,679	—	—	Reclassification of net working capital of discontinued operations (Note 7)	
9,712	773	9,956	Accounts payable	
83,614	(6,807)	(9,851)	Accrued liabilities	
6,172	(2,073)	(7,817)	Advance payments received on contracts	
5,928	(2,616)	4,675	Term debt due within one year	
(71,092)	(15,653)	3,973	Total (increase) decrease in working capital, excluding cash	
157,280	128,108	162,237	Funds provided from operations	
15,707	1,698	5,244	Term debt issued	8
92	62	12,044	Common stock issued	9
15,471	10,869	36,471	Book value of fixed assets and other noncurrent assets disposed of or sold	10
188,550	140,737	215,996	Total source of funds	11
			Disposition of funds:	12
110,569	121,060	68,621	Capital investments	13
20,061	14,786	48,070	Term debt retired	14
28,036	29,008	30,145	Dividends paid	15
2,575	22,808	5,045	Preference stock purchased	
275	6,484	12,222	Issuance of receivables due after one year	16
9,165	—	—	Funds held for capital investments	17
25,841	(4,584)	6,417	(Increase) decrease in long-term liabilities	
1,256	2,484	2,020	Other	
197,778	192,046	172,540	Total disposition of funds	
$ (9,228)	$(51,309)	$ 43,456	Increase (decrease) in cash	
$ 67,005	$118,314	$ 74,858	Beginning cash balance	
$ 57,777	$ 67,005	$118,314	Ending cash balance	

*Restated to conform with 1985 classifications (Notes 7 and 9). (See accompanying statement of accounting policies and notes to financial statements.)

Explanations

1. Where the funds came from.
2. From line 12 on page 27.
3. This operating cost does not require the payment of funds, which are retained for use in the business.
4. Taxes and other expenses not paid currently, available for use in operations until the time when payment becomes due.
5. Plant write-offs and write-downs of investments reduced income but did not result in an outflow of funds. The amount by which income was reduced represents funds retained for use in the business.
6. Includes cash dividends received from certain equity affiliates plus the Company's portion of the earnings and losses incurred by affiliated companies that affected Koppers income but did not affect the flow of funds.
7. Income (losses) reported on income statement include certain expenses that did not require payment of funds, as explained in 3 and 4 above.
8. Borrowings explained on page 18.
9. Issuance of common shares to retire long-term debentures, plus value of shares contributed to Employee Savings Plan.
10. Received from disposal of equipment, facilities, etc. no longer needed in operations.
11. Total funds from all sources.
12. Where the funds went.
13. To provide further growth.
14. Repayment of obligations, including retirement of long-term debentures.
15. Returns to common, preference and preferred shareholders.
16. Includes notes received on sale of certain investments and assets.
17. The unexpended portion of funds borrowed for capital projects; being held by a trustee.

Consolidated Statement of Shareholders' Equity Other Than Redeemable Convertible Preference Stock

Koppers Company, Inc. and Subsidiaries (Amounts in thousands, except outstanding shares and per share figures)

	Outstanding Shares							
	Cumulative Preferred Stock	Common Stock	Cumulative Preferred Stock	Common Stock	Capital in Excess of Par Value	Foreign Currency Translation Adjustment	Earnings Retained in the Business	Total
Balance at December 31, 1982	150,000	27,910,834	$15,000	$34,889	$133,501	$ —	$375,665	$559,055
Net income for the year 1983			—	—	—	—	30,588	30,588
Cash dividends paid:								
On preference stock, $10.00 per share			—	—	—	—	(7,080)	(7,080)
On preferred stock, $4.00 per share			—	—	—	—	(600)	(600)
On common stock, $0.80 per share			—	—	—	—	(22,465)	(22,465)
Purchase of common stock for treasury		(8,741)	—	(11)	(144)	—	—	(155)
Common stock issued during 1983:								
Extinguishment of debt (Note 4)		700,000	—	875	11,165	—	—	12,040
Common stock issued from treasury to Employee Savings Plan		220	—	—	4	—	—	4
Retirement of 56,000 shares of redeemable convertible preference stock (Note 5)			—	—	555	—	—	555
Foreign currency translation:								
Initial Adjustment (net of $121 in related income tax benefits)			—	—	—	(2,007)	—	(2,007)
Current year (net of $33 in related income tax benefits)			—	—	—	(458)	—	(458)
Balance at December 31, 1983	150,000	28,602,313	15,000	35,753	145,081	(2,465)	376,108	569,477
Net income for the year 1984			—	—	—	—	28,766	28,766
Cash dividends paid:								
On preference stock, $10.00 per share			—	—	—	—	(5,533)	(5,533)
On preferred stock, $4.00 per share			—	—	—	—	(600)	(600)
On common stock, $0.80 per share			—	—	—	—	(22,875)	(22,875)
Recovery of common stock via escrow claim		(34,156)		(43)	(777)			(820)
Common stock issued from treasury to Employee Savings Plan		3,060	—	4	58	—	—	62
Retirement of 229,000 shares of redeemable convertible preference stock (Note 5)			—	—	92	—	—	92
Foreign currency translation (net of $113 in related income tax benefits)			—	—	—	(1,734)	—	(1,734)
Balance at December 31, 1984	150,000	28,571,217	15,000	35,714	144,454	(4,199)	375,866	566,835
Net loss for the year 1985			—	—	—	—	(101,071)	(101,071)
Cash dividends paid:								
On preference stock, $10.00 per share			—	—	—	—	(4,577)	(4,577)
On preferred stock, $4.00 per share			—	—	—	—	(600)	(600)
On common stock, $0.80 per share			—	—	—	—	(22,859)	(22,859)
Common stock issued from treasury to Employee Savings Plan		4,989	—	7	85	—	—	92
Retirement of 26,100 shares of preference stock (Note 5)			—	—	35	—	—	35
Foreign currency translation (net of $189 in related income tax benefits)			—	—	—	(2,799)	—	(2,799)
Balance at December 31, 1985	150,000	28,576,206	$15,000	$35,721	$144,574	$(6,998)	$246,759	$435,056

(See accompanying statement of accounting policies and notes to financial statements.)

Notes to Financial Statements

December 31, 1985, 1984 and 1983

1. Inventories—During 1985 and 1983, inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of purchases in current years, the effect of which increased net earnings in 1985 and 1983 by approximately $277,000, or $0.01 per share, and $3,104,000, or $0.11 per share, respectively. There was no LIFO liquidation during 1984.

At December 31, 1985, the net assets of discontinued operations included a LIFO reserve of $33,877,000.

2. Investments

Genex Corporation—The Company continued to reduce its investment in Genex in 1985 through the sale of 260,000 common shares of Genex, resulting in a pretax gain of $466,000, or $252,000 after tax ($0.01 per share). Equity losses during the years ended December 31, 1985, 1984 and 1983 were $4,836,000, $900,000 and $1,684,000, respectively. The Company's investment in Genex was $1,410,650 (3,060,250 shares, or 24.0%) at December 31, 1985. During 1984 and 1983, the Company sold common shares of Genex resulting in a pretax gain of $915,000, or $659,000 after tax ($0.02 per share), and a pretax gain of $11,999,000, or $8,640,000 after tax ($0.31 per share), respectively. The quoted market value of this investment at December 31, 1985, was $5,355,438 ($1.75 per share).

Richmond Tank Car Company (RTC)—In 1983, subsequent to a write-down of $39,304,000 in 1982, the Company reduced its investment in RTC to zero through the recognition of $6,925,000 in equity losses. In 1984, gains of $3,922,000, or $2,824,000 after tax ($0.10 per share), and $1,018,000, or $550,000 after tax ($0.02 per share), were realized on the sale of RTC's stock and a note receivable from an RTC subsidiary, respectively.

Synfuels—In February, 1984, the Company's project to construct a synthetic fuel facility (peat-to-methanol plant) through a partnership, Peat Methanol Associates, was canceled upon the Synthetic Fuels Corporation's decision not to provide additional financial assistance. During 1984 and 1983, the Company recognized $1,553,000 and $7,669,000, respectively, of equity losses from its synthetic fuel investments.

Other Investments—During 1985, Koppers venture capital subsidiary, Kopvenco, sold stock of several investee companies, resulting in a pretax gain of $2,332,000, or $1,316,000 after tax ($0.05 per share).

3. Retirement Plans

Company Plans—Total pension expense for continuing operations in 1985 was $15,880,000, as compared with $12,724,000 and $13,379,000 in 1984 and 1983, respectively. The pension expense increase in 1985 is essentially due to additional provisions for closed or disposed-of plants.

A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit plans as of December 31, 1985 and 1984 is detailed below.

($ Thousands)	1985	1984
Actuarial present value of accumulated plan benefits:		
Vested	**$334,375**	$264,604
Nonvested	**32,767**	28,521
	$367,142	$293,125
Net assets available for benefits	**$442,023**	$376,309

The rate used in determining the actuarial present value of accumulated plan benefits was 8% for 1985 and 10% for 1984. The actuarial present value of accumulated plan benefits is less than that considered in calculating the funding requirements of the plan, partly because of differences in actuarial assumptions relating to future salaries, wages and interest.

The Company historically funds the pension accrual in the subsequent year. In 1985, the Company determined that a lesser amount, which met the requirements of ERISA, would be funded in lieu of the 1984 accrual amount. The amount not funded, $16,500,000, was reclassified to other long-term liabilities and will be offset against future pension liabilities over a 15-year period.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health and life insurance benefits for retired employees. These benefits are provided through insurance contracts, the premiums for which are based on the benefits paid during the year. The Company recognizes the cost of providing these benefits by expensing the annual insurance premiums, which were $2,961,000, $2,782,000 and $2,083,000 for 1985, 1984 and 1983, respectively.

Multiemployer Plans—In addition to the expense for the Company-sponsored plans, the Company had pension expense for full-time employees of $7,033,000, $6,282,000 and $5,907,000 in 1985, 1984 and 1983, respectively, for contributions to multiemployer plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and plan net assets of multiemployer plans is not determinable by the Company and is not included in the above information.

4. Term Debt—Term debt due after one year is shown in Table 1.

The aggregate term debt maturity in the years 1986 through 1990, respectively, is $19,279,000, $17,357,000, $17,534,000, $16,977,000 and $17,092,000.

Extraordinary Item—In September, 1983, the Company issued 700,000 shares of its common stock valued at $17.20 per share plus $12,000,000 cash to Metropolitan Life Insurance Company in exchange for $30,000,000 principal amount of its long-term 8.95% promissory notes due May 15, 1998. This transaction resulted in an extraordinary tax-free gain of $5,960,000, or $0.21 per share.

Table 1. Term Debt

($ Thousands)	1985	1984
11.25% promissory notes due $6,500 annually, $9,000 balance due in 2000	**$ 93,500**	$100,000
8.95% promissory notes due $4,000 annually	**18,000**	22,000
6% notes due $3,000 annually	**20,000**	23,000
Industrial development bonds and notes:		
8.25% bonds due 1986-2002	**31,400**	33,300
5.875% tax-exempt bonds due 1998-2017	**16,350**	16,350
5.9% and 6% notes due 1986-1998	**9,280**	9,650
Variable rate notes due 1996-2010	**14,900**	—
Other	**12,025**	15,509
	$215,455	$219,809

Additional Debt Information—During 1985, three tax-exempt industrial development bond issues were completed for capital projects at various plant locations for a total of $14,900,000 with variable interest rates and maturities ranging from 1996 to 2010. The interest rate for two of the bonds will be established weekly by First Boston Corporation on the basis of market rates and may be converted to a fixed interest rate basis on 30 days' notice. The interest rate for the third bond will be at 65% of the prime rate, with the Company as guarantor.

The Company has a revolving credit bank loan agreement that provides for revolving credit loans of up to $200,000,000 until September 30, 1986. Commitment fees of up to ⅜ of 1% per annum are required on any unborrowed amounts. Any loans outstanding on September 30, 1986 may be converted to term loans payable during the succeeding three years. The agreement calls for interest at one of three options chosen by the Company, those being the prime rate, the certificate of deposit rate and the Eurorate, with factors up to ⅞ of 1% added to these rates after September 30, 1985. The maximum amount of revolving credit loans outstanding during 1985 was $7,000,000, with no borrowings as of December 31, 1985. The Company had no borrowings under this agreement in 1984.

The Company's term debt agreements contain various restrictions as to dividend payments and incurrence of additional indebtedness. As a result of the Company's decision to discontinue certain operations and provide for known environmental cleanup costs (see Notes 7 and 9), several provisions in the above agreements at December 31, 1985 would have restricted the payment of dividends. Subsequent to December 31, 1985, amendments to the agreements have been negotiated with the lenders. Under terms of these amendments, $25,000,000 of consolidated earnings retained in the business will be available as of January 1, 1986 for the payment of dividends. Under the most restrictive provisions of existing agreements, the Company would have been permitted to incur additional indebtedness of $86,782,000 at December 31, 1985.

5. Redeemable Convertible Preference Stock—In 1984, the Company's Board of Directors authorized the purchase of an additional 250,000 shares to a maximum of 500,000 shares of convertible preference stock (preference stock) on the open market. Since the original authorization in 1983 (250,000 shares), the Company has purchased 26,100 shares in 1985, 229,000 shares in 1984 and 56,000 shares in 1983, with those shares returning to unissued status.

Each share of the Company's preference stock is convertible into 3.48 shares of the Company's common stock. The Company may redeem the preference shares in 1986 at $105 per share through December 15, 1986 and declining by $1 per share each year through 1990. Beginning in 1990, the Company is required to make sinking fund payments at $100 per share sufficient to retire 37,500 shares of preference stock annually, except that prior redemptions or conversions may be applied to such requirements at the Company's option.

The Company may not pay cash dividends on common or preference stock if required sinking fund payments are not made. If preference stock dividends are in arrears for an amount equal to more than six quarterly dividends, the holders of preference stock may then elect two directors.

6. Employee Compensation Plans

Deferred Compensation Plan—The Company has a Deferred Compensation Unit Plan for officers and other key employees. Operating expense has been charged with $1,334,000, $1,424,000 and $1,533,000 to provide for the benefits accrued during 1985, 1984 and 1983, respectively.

Incentive Plan—The Company has an Incentive Plan for key employees that is based upon the attainment of a specific return on invested capital using income before interest expense and income taxes. Because of the Company's insufficient return on investment, there was no charge to operating expense in 1985, 1984 or 1983.

Performance Share Plan—The Company has a Performance Share Plan for key employees that provides for an award of performance shares (up to an aggregate maximum of 500,000 shares), each equivalent to one share of the Company's common stock and cash. Distribution of the common stock plus cash equal to the fair market value of the common stock will be made at the end of designated periods if specified earnings are attained.

At present, there are 147,200 performance shares outstanding. On the basis of profit performance, no provisions have been made for the years 1985, 1984 and 1983.

Employee Savings—The Company has an Employee Savings Plan for all eligible employees that was amended May 1, 1984 to conform to Section 401(K) of the Internal Revenue Code. Prior to this amendment, participating employees could elect to contribute up to 6% of their salaries, while the Company contributed an amount equal to a specified percentage of the employees' contributions to a limit of $6,000 per employee. Under the amended plan, participating employees can elect to contribute up to 16% of their salaries, with a regular Company matching contribution in Koppers common stock equivalent to 25% of the first 2% of the tax-saver contributions for each month of the plan year. The Company may also make annual supplemental contributions. The Company's contributions amounted to $548,000 in 1985, $399,000 in 1984 and $286,000 in 1983.

7. Closed Operations and Disposals

Discontinued Operations—In 1985, the Company decided to sell 10 business units, including the Engineered Metal Products operations and certain components of other operating groups, primarily Chemical and Allied Products. Net reserve provisions of $68,608,000 ($2.40 per share) were made in December, 1985 for the expected losses on these disposals. An agreement has been concluded for the sale of one of these operations.

In 1984, an after-tax loss of $3,486,000 ($0.12 per share) was realized on the sale of the Company's engineering and construction business to Raymond Kaiser Engineers, Inc. (RKE). Future contingent payments to Koppers for the sale are based upon the after-tax profit or loss of the RKE Pittsburgh office over a period of time from the closing through December 31, 1988.

In 1983, the Company sold two operations, the Environmental Elements and Mineral Processing Systems Divisions, for $21,039,000 in cash, notes and preferred stock. Reserve provisions made in 1982 for the expected losses on these disposals were insufficient for actual 1983 losses incurred because of changes in the structure of the sales agreement, thereby requiring an additional provision of $1,315,000 after tax ($0.05 per share) in 1983.

Net sales of the discontinued operations were $419,535,000, $430,766,000 and $382,107,000 for 1985, 1984, and 1983, respectively.

Amounts in the Consolidated Statement of Operations for the years 1984 and 1983 have been reclassified to conform with the 1985 discontinued operations presentation.

At December 31, 1985, the remaining assets, liabilities and reserves associated with the discontinued operations are included in the Consolidated Balance Sheet as follows:

($ Thousands)	
Working Capital	
Accounts receivable	$ 59,377
Inventories	44,776
Prepaid expenses	620
Accounts payable	(20,749)
Accrued liabilities	(48,741)
Advance payments received on contracts	(10,604)
Total working capital	24,679
Noncurrent Assets	
Fixed assets	164,459
Reserves for disposal	(36,554)
Other	1,525
Total noncurrent assets	129,430
Total net assets of discontinued operations	$ 154,109

Other Operations Closed or Disposed of—In 1985, a loss of $29,056,000, or $15,690,000 after tax ($0.55 per share), was realized by Chemical and Allied Products for provisions related to plant closings. Additionally, provisions for environmental expenses at previously operated plants amounted to $28,620,000, or $15,455,000 after tax ($0.54 per share).

In 1984, dispositions in Chemical and Allied Products resulted in a loss of $3,692,000, or $2,137,000 after tax ($0.07 per share).

In 1983, a gain of $3,976,000, or $2,863,000 after tax ($0.10 per share), was realized on the disposition of Canadian timber rights. This transaction was negotiated in conjunction with the Company's 1981 sale of the Canadian spruce lumber operations.

The effect on operations and the related profit or loss on operations disposed of or closed is shown in Table 2.

8. Income Taxes—Income (loss) from continuing operations before provision (benefit) for income taxes and the components of income taxes are in Table 3.

The components of deferred tax expense (benefit) and related tax effect are shown in Table 4.

The differences between the statutory and effective income tax (benefit) rates applicable to continuing operations (excluding extraordinary items) are shown in Table 5.

The provisions for income taxes for the years 1984 and 1983 have been reduced by $5,486,000 and $2,129,000, respectively, for investment tax credit.

Summarized in Table 6 is the Company's carry-forward position for financial and tax purposes as of December 31, 1985.

Table 2. Operations Disposed of or Closed

($ Thousands)	1985	1984	1983
Net sales	**$ 71,333**	$84,084	$121,296
Operating expenses	**81,938**	82,165	117,285
Operating profit (loss)	**(10,605)**	1,919	4,011
Profit (loss) on disposal of net assets	**(32,564)**	(2,303)	4,297
Provision for environmental expenses	**(28,620)**	(2,426)	(419)
	$(71,789)	$(2,810)	$ 7,889

Table 3. Components of Income Taxes (Benefit)

($ Thousands)	1985	1984*	1983*
Income (loss) from continuing operations before provision (benefit) for income taxes:			
Domestic operations	**$(55,797)**	$22,067	$ 24,217
Foreign operations**	**8,101**	3,805	13,691
Total	**$(47,696)**	$25,872	$ 37,908
Income tax expense (benefit):			
Continuing operations	**$(17,693)**	$ 1,900	$ 13,759
Discontinued operations	**5,085**	4,351	227
Total	**$(12,608)**	$ 6,251	$ 13,986
Current:			
Federal	**$ 1,893**	$ 3,601	$(13,361)
Foreign	**1,545**	2,568	1,995
State	**2,844**	2,638	3,051
	6,282	8,807	(8,315)
Deferred:			
Federal	**(18,816)**	(1,859)	22,006
Foreign	**(74)**	(697)	295
	(18,890)	(2,556)	22,301
Total	**$(12,608)**	$ 6,251	$ 13,986

*Restated to conform with 1985 classification (Note 7).
**Foreign operations income before the provision for income taxes includes equity income from foreign investments of $6,249, $3,799, and $6,193 for 1985, 1984 and 1983, respectively.

9. Long-Term Liabilities—The Company owns, or has previously operated, a number of sites that have required action to correct environmental pollution. The Company provides for these costs when the situation has been identified and when it is possible to quantify the cost of such action. The portion that is not expected to be incurred currently has been classified as a long-term liability. Additionally, certain other liabilities, including a portion of the 1984 pension provisions (see Note 3), have been reclassified to long-term to reflect the anticipated payment schedule.

10. Operations by Business Segments—The Company operates principally in two business segments. Financial information about each segment is provided in Table 7. Information relating to the products and services provided by these segments is located on pages 39 and 40 of this annual report and 10-K. Because of immateriality, intersegment sales are not disclosed.

11. Litigation—In 1981, Inland Steel Company filed an action against the Company asserting a claim in the amount of $100 million for damages under a construction contract. The Company filed a counterclaim against Inland to recover $17 million representing fees on the contract. A jury verdict was rendered on February 21, 1984 for Inland on its claim in the amount of $74 million and for the Company on its counterclaim in the amount of $10 million. The appeal of the verdict was heard by the Court of Appeals of Indiana in December, 1985. A decision is expected currently. While the ultimate outcome of this litigation is not currently determinable, the Company believes that it has meritorious defenses to Inland's claim and it will pursue all legal action to set aside this verdict or obtain a new trial.

Table 4. Deferred Tax Expense (Benefit)

($ Thousands)	1985	1984	1983
Excess of tax over book depreciation	**$ 10,709**	$ 8,842	$ 8,927
Anticipated expenses provided in advance of deductibility for tax purposes:			
—Environmental expenses	**(9,009)**	(416)	—
—Warranty expenses	**2,224**	(8,876)	(2,276)
—Pension funding	**(1,057)**	—	—
—Synthetic fuels expenses	**—**	4,260	(3,239)
—Other	**(3,436)**	(1,977)	1,741
Difference in book and tax income recognition:			
—Construction contracts	**5,226**	83	1,166
—Inventory timing difference	**(1,754)**	(592)	139
—Genex basis difference	**362**	90	986
—Installment sales	**5,949**	(1,659)	1,568
Benefit of tax carry-forwards used to reduce deferred tax liability	**(20,350)**	(3,575)	(2,572)
Provisions for operations discontinued, disposed of or closed	**(4,239)**	621	3,228
RTC investment provision	**—**	—	11,025
Other—net	**(3,515)**	643	1,608
	$(18,890)	$(2,556)	$22,301

Table 5. Statutory and Effective Income Tax (Benefit) Rates (Continuing Operations)

	1985	1984*	1983*
Statutory tax rate:			
Federal	**(46.0%)**	46.0%	46.0%
State, net of federal tax benefit	**3.2%**	5.5%	3.6%
Current year loss carry-forward	**17.8%**	—	—
Investment tax credit	**—**	(18.5%)	(4.7%)
Nontaxable earnings of international sales corporations	**(1.2%)**	(1.1%)	(0.6%)
Effect of percentage over cost depletion	**(8.6%)**	(14.4%)	(7.6%)
Effect of lower statutory tax rate applicable to capital gains and equity investment transactions	**—**	(9.5%)	(8.8%)
Minimum tax on tax preference items	**—**	7.5%	4.4%
Other—net	**(2.3%)**	(8.2%)	4.0%
	(37.1%)	7.3%	36.3%

*Restated to conform with 1985 classifications (Note 7).

Table 6. Tax Carry-Forwards

($ Thousands)	Financial Reporting	Tax Reporting	Year of Expiration
Net operating loss	$78,500	$29,800	2000
Investment tax credit	8,700	8,700	2000
Foreign tax credit	2,100	2,100	1990

Table 7. Operations by Business Segments

($ Thousands)	Construction Materials and Services	Chemical and Allied Products	Misc.	Consolidated
Year ended December 31, 1985:				
Net sales from continuing operations	$777,418	$618,612	$ 4,136	$1,400,166
Operating profit (loss) before general corporate overhead	$ 68,517	$ (1,829)	$ (2,038)	$ 64,650
Other income (expense) (Notes 2 and 7)	(201)	(63,214)	3,928	(59,487)
Equity in earnings (loss) of affiliates	3,205	3,412	(7,055)	(438)
Operating income (loss)	$ 71,521	$(61,631)	$ (5,165)	$ 4,725
General corporate overhead				28,748
Interest expense				23,673
Loss from continuing operations before provision for income taxes				$ (47,696)
Identifiable assets as of December 31, 1985	$408,642	$373,179	$ 30,784	$ 812,605
General corporate assets				99,339
Net assets of discontinued operations				154,109
Total assets				$1,066,053
Depreciation, depletion and amortization	$ 35,233	$ 28,786	$ —	$ 64,019
Depreciation and amortization of general corporate assets				2,354
				$ 66,373
Capital expenditures	$ 53,729	$ 33,781	$ 6,284	$ 93,794
Year ended December 31, 1984 (restated):				
Net sales from continuing operations	$720,475	$664,484	$ 3,699	$1,388,658
Operating profit (loss) before general corporate overhead	$ 55,592	$ 7,030	$ (421)	$ 62,201
Other income (expense) (Notes 2 and 7)	4,802	(5,639)	9,906	9,069
Equity in earnings (loss) of affiliates	965	3,251	(3,362)	854
Operating income	$ 61,359	$ 4,642	$ 6,123	$ 72,124
General corporate overhead				23,418
Interest expense				22,834
Income from continuing operations before provision for income taxes				$ 25,872
Identifiable assets as of December 31, 1984	$447,458	$453,619	$ 27,152	$ 928,229
General corporate assets				84,749
Assets of discontinued operations				141,680
Total assets				$1,154,658
Depreciation, depletion and amortization	$ 31,300	$ 31,557	$ 3	$ 62,860
Depreciation and amortization of general corporate assets				1,653
				$ 64,513
Capital expenditures	$ 65,529	$ 27,000	$ 17,324	$ 109,853
Year ended December 31, 1983 (restated):				
Net sales from continuing operations	$548,565	$631,441	$ 3,557	$1,183,563
Operating profit (loss) before general corporate overhead	$ 40,138	$ 20,355	$ (847)	$ 59,646
Other income (Notes 2 and 7)	1,841	10,982	19,837	32,660
Equity in earnings (loss) of affiliates	3,110	3,227	(17,196)	(10,859)
Operating income	$ 45,089	$ 34,564	$ 1,794	$ 81,447
General corporate overhead				17,307
Interest expense				26,232
Income from continuing operations before provision for income taxes				$ 37,908
Identifiable assets as of December 31, 1983	$407,469	$459,845	$ 39,954	$ 907,268
General corporate assets				132,913
Assets of discontinued operations				135,233
Total assets				$1,175,414
Depreciation, depletion and amortization	$ 28,040	$ 33,118	$ 10	$ 61,168
Depreciation and amortization of general corporate assets				1,084
				$ 62,252
Capital expenditures	$ 38,592	$ 13,489	$ 10,861	$ 62,942

Schedules for Form 10-K
Koppers Company, Inc., and Subsidiaries

Property, Plant and Equipment (SEC Schedule V)

($ Thousands)

Classification	Balance at beginning of year	Additions at cost	Retirements(1) or sales	Transfers and other additions (deductions)	Balance at close of year
Year ended December 31, 1985					
Land	$ 51,307	$ 2,028	$ 16,607	$ (35)	$ 36,693
Buildings	136,039	4,178	38,522	(285)	101,410
Machinery and equipment	1,005,451	94,692	227,102	(446)	872,595
Depletable mineral properties	82,150	3,749	38,234	—	47,665
Depletable timber properties	14,998	1,650	9,640	—	7,008
	$1,289,945	$106,297	$330,105	$ (766)	$1,065,371
Year ended December 31, 1984					
Land	$ 42,068	$ 9,328	$ 386	$ 297	$ 51,307
Buildings	132,229	7,442	3,429	(203)	136,039
Machinery and equipment	932,892	93,797	20,988	(250)	1,005,451
Depletable mineral properties	81,051	1,517	308	(110)	82,150
Depletable timber properties	15,115	1,610	1,727	—	14,998
	$1,203,355	$113,694	$26,838	$ (266)	$1,289,945
Year ended December 31, 1983					
Land	$ 43,446	$ 2,596	$ 1,948	$(2,026)	$ 42,068
Buildings	138,023	3,637	14,921	5,490	132,229
Machinery and equipment	945,159	46,622	51,716	(7,173)	932,892
Depletable mineral properties	77,505	2,459	1,079	2,166	81,051
Depletable timber properties	21,523	2,069	8,477	—	15,115
	$1,225,656	$ 57,383	$78,141	$(1,543)	$1,203,355

(1) Includes $14,705 in 1985, $12,806 in 1984 and $27,812 in 1983 from operations disposed of or closed. Also included in 1985 is a $300,921 transfer to net assets of discontinued operations.

Accumulated Depreciation, Depletion and Amortization (SEC Schedule VI)

($ Thousands)

Description	Balance at beginning of year	Additions charged to income(1)	Retirements(2)	Other additions(3)	Balance at close of year
Year ended December 31, 1985					
Depreciation and amortization	$666,128	$78,074	$175,587	$41,793	$610,408
Depletion	16,565	3,591	12,573	11,117	18,700
	$682,693	$81,665	$188,160	$52,910	$629,108
Year ended December 31, 1984					
Depreciation and amortization	$605,214	$76,401	$ 18,128	$ 2,641	$666,128
Depletion	14,957	2,714	1,106	—	16,565
	$620,171	$79,115	$ 19,234	$ 2,641	$682,693
Year ended December 31, 1983					
Depreciation and amortization	$577,470	$73,877	$ 46,169	$ 36	$605,214
Depletion	14,584	2,863	2,490	—	14,957
	$592,054	$76,740	$ 48,659	$ 36	$620,171

(1) Includes provision relating to both continuing and discontinued operations.

(2) Includes $9,798 in 1985, $8,582 in 1984 and $7,466 in 1983 from operations disposed of or closed. Also included in 1985 is a $173,016 transfer to net assets of discontinued operations.

(3) Includes $53,277 in 1985, $2,198 in 1984 and $914 in 1983 of valuation reserves for operations disposed of or closed.

Valuation and Qualifying Accounts (SEC Schedule VIII)

Description	Balance at beginning of year	Additions charged to income(1)	Deductions(2)	Balance at close of year
	($ Thousands)			
Year ended December 31, 1985				
Allowance for doubtful accounts	$ 5,453	$3,354	$ 2,298	$ 6,509
Allowance for doubtful notes receivable	3,872	695	—	4,567
Allowance for decline in value of investment	2,049	721	—	2,770
	$11,374	$4,770	$ 2,298	$13,846
Year ended December 31, 1984				
Allowance for doubtful accounts	$ 5,645	$2,218	$ 2,410	$ 5,453
Allowance for doubtful notes receivable	2,841	1,031	—	3,872
Allowance for decline in value of investment	2,138	—	89	2,049
	$10,624	$3,249	$ 2,499	$11,374
Year ended December 31, 1983				
Allowance for doubtful accounts	$ 5,015	$1,995	$ 1,365	$ 5,645
Allowance for doubtful notes receivable	135	2,841	135	2,841
Allowance for decline in value of investment	40,362	1,185	39,409	2,138
	$45,512	$6,021	$40,909	$10,624

(1) Includes provision relating to both continuing and discontinued operations.
(2) Accounts written off, less recoveries. Included in 1985 is a $459 transfer to net assets of discontinued operations.

Short-Term Borrowings (SEC Schedule IX)

Category of Short-Term Borrowings	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period(1)	Weighted average interest rate during the period(1)
	($ Thousands)				
Year ended December 31, 1985					
Amounts payable to banks	$1,307(2)	13.5%	$ 2,221	$ 1,208	14.5%
Commercial paper	$ —	—	$59,750	$19,610	8.2%
Year ended December 31, 1984					
Amounts payable to banks	$1,322(2)	15.5%	$ 1,852	$ 1,214	16.5%
Commercial paper	$ —	—	$ 5,000	$ 167	10.8%

(1) The average amount outstanding for each period was computed by using a daily average during the year. The weighted average interest rate for each period was computed by weighting the effective interest rate over the year.
(2) Included in term debt due within one year.

Supplementary Income Statement Information (SEC Schedule X)

Item	($ Thousands) Charged to expenses		
Years ended December 31,	1985	1984*	1983*
Maintenance and repairs	$112,653	$90,884	$80,227
Taxes, other than payroll and income taxes	$ 14,469	$14,886	$11,859
Rents	$ 26,597	$23,911	$19,556
Research and development	$ 16,268	$15,793	$11,902

*Restated to conform with 1985 classifications (Note 7).

Description of Koppers Business

Construction Materials and Services

The Business

This unit consists of operating subsidiaries in regional markets producing crushed stone, sand, gravel and bituminous and ready-mix concrete, and providing engineering and construction services. Related products include steel culvert pipe, welded wire fabric and specialty products used in highway, bridge and other civil construction.

Sales of aggregates and construction services are divided between publicly funded projects, such as road maintenance and new construction, and privately financed construction projects. Transportation is a major factor in total product cost. The delivered price doubles when crushed stone is transported 20 to 30 miles. To compete effectively, stone aggregate markets are localized.

Construction Materials and Services operates more than 170 domestic facilities. These serve markets in 18 states extending from New York through Pennsylvania and Ohio and into the Southeast, portions of the Midwest, and sections of Colorado, Wyoming and California. About 48% of sales are in the West, 35% in the Southeast, and 17% in the Northeast.

Operations were significantly expanded during 1985. For details, see Capital Expenditures discussion on page 18.

Raw Materials and Fuel

Aggregate raw materials consist of sand and gravel, granite, limestone, traprock and sandstone, which come from quarries and mines. Most of Koppers quarries are on land either owned by the Company or held under long-term leases. It is estimated that the present reserves of aggregates will be sufficient for more than 25 years at current production rates. Other major raw materials include asphalt, cement, and steel rod and sheet, which are purchased from oil companies and cement and steel producers. Adequate supplies of raw materials and fuel are expected to continue.

Fuel oil satisfies nearly half of the energy requirements; natural gas and diesel fuel provide about 20% each; the remainder comes from gasoline, kerosene, propane, and coal.

Competitive and Seasonal Conditions

Construction Materials and Services operations are geographically diversified, with vertical integration within certain regional markets. Because mineral reserves are limited within regional areas, the Company commonly holds a high share of those regional markets in which it competes.

Principal factors in competition are location, price and service. Prices for aggregates are determined by local conditions and are not subject to fluctuations created by nationwide demand, supply and capacity factors. Increasingly, this business has become service-oriented, calling for on-time delivery from a guaranteed source of supply.

Business is seasonal, with more than 70% of sales occurring during the peak construction period from May 1 to November 30.

Product inventories are controlled at volumes that reflect a balance between the most efficient production level and supplying peak demand. Inventories normally grow substantially during spring months in anticipation of high summer demand. It is not customary, however, to carry inventories or provide financing for customers.

Backlog

Combined backlog at the end of 1985 was $189.2 million, versus $213.7 million a year earlier. The lower backlog is primarily due to less emphasis on overseas construction projects. The normal tendency is for this backlog to increase during the first six months of the year and to decline thereafter. Orders in the backlog are considered firm, and more than 95% of the year-end backlog is expected to result in 1986 sales.

Construction Materials and Services Combined 1985 Sales by Major Economic Sectors

Economic Sectors	($ Millions)	%
Nonbuilding Construction	$647.6	83.3%
Architectural Construction	107.3	13.8
Industrial Production	22.5	2.9
	$777.4	100%

Chemical and Allied Products

The Business

Three operating sectors compose Chemical and Allied Products. Most businesses market products and services worldwide that are associated with either the manufacture and use of products derived from coal or the production of chemically treated wood and wood-treating chemicals. Other lines serve specialty markets.

Building Products Sector produces coal tar bitumen built-up roofing systems, phenolic foam insulation board and residential insulating sheathing, and cold-applied maintenance materials.

This unit licenses proprietary processes and products using specialty chemicals under such trademarks as Dricon and Wolman to wood-treating companies throughout the U.S. and in foreign countries. A retail package line called Wolman Wood Protection Products includes exterior wood stains and water repellents. Brush-on wood preservatives, caulking compounds and adhesives will be added in 1986.

Chemical Systems Sector is a major supplier of resorcinol, used primarily to produce adhesives used in rubber tires and laminated wood; polyester resins for general purpose and high-performance applications; binder systems and refractory coatings for foundries; industrial sealants, caulks and adhesives; and a group of intermediate chemicals. A new product line, vinyl ester resins, was introduced in 1985 for reinforced plastics applications requiring corrosion resistance and fire-retardant qualities.

Coal- and Wood-Based Products Sector produces coal tar derivatives, such as pitches used by the aluminum and commercial carbon industries as binders in the manufacture of electrodes; creosote, a complex mixture of chemicals, used primarily as a wood preservative; naphthalene, used to produce phthalic anhydride and other chemical intermediates; and phthalic anhydride, used in production of alkyd and polyester resins and plasticizers for plastics.

This sector also sells treated wood products, which include chemically pressure-treated railroad crossties; utility, transmission, distribution and lighting poles and accessory equipment; building poles and timbers; foundation and marine piling; and construction lumber and plywood. Wood pressure treatments for these products use creosote, pentachlorophenol and waterborne salt preservatives. Koppers also provides contract wood-treating services for industrial and commercial customers.

Raw Materials and Fuel

Primary raw materials for Chemical and Allied Products operations include coal and coal-derived products, hardwood and softwood timber, and preservative raw materials. Most coal tar processed is purchased through contracts with steel producers. Purchasing agreements cover such other raw materials as coal and benzene. For wood-treating operations, the major requirements are for Eastern and Southern hardwood; and softwood timber, primarily Southern yellow pine and West Coast species. Less than 10% of the Company's timber needs are met from Company-owned properties or by negotiated cutting rights. Preservative raw materials are supplied from both Company and outside sources.

Energy needs are supplied by natural gas, fuel oil, coal, and wood waste. Certain plants also operate electrical cogeneration systems; two of them sell excess power to local utilities. No major disruption of business in 1986 is expected as a result of shortages of raw materials or energy.

Competitive and Seasonal Conditions

Chemical and Allied Products goods and services are sold in highly competitive markets. Except for certain proprietary items, there are suppliers of identical products in all business areas, as well as competition from alternative materials performing the same functions. The principal factors in competition are price, quality and service.

Most businesses are affected to varying degrees by seasonal variations. For example, winter weather reduces volumes in roofing and other construction industry products.

Products are marketed worldwide through the group sales organizations and through independent distributors and agents. Substantial inventories are maintained in many product categories to ensure prompt, dependable service.

Backlog

Chemical and Allied Products year-end backlog was $155.8 million, versus $210.8 million a year earlier. The total backlog is expected to be shipped during 1986, although most unfilled orders are subject to cancellation at the buyer's option.

Chemical and Allied Products Combined 1985 Sales by Major Economic Sectors

Economic Sectors	($ Millions)	%
Industrial Production	$283.3	45.8%
Nonbuilding Construction	212.2	34.3
Architectural Construction	123.1	19.9
	$618.6	100%

Venture Capital

In 1980, a wholly owned venture capital subsidiary, Kopvenco, was formed. Its mission is threefold:

- Identify and develop new core-business opportunities.
- Gain access to emerging technologies and facilitate application within Koppers.
- Maintain profitability of the investment portfolio.

A strategic focus on "seed" and early start-up investments has proved valuable in technological and economic terms. Koppers investments include:

Advanced Materials—Ceramatec, Inc. develops and manufactures high-performance ceramic products, including structural and technical ceramics, specialty ceramic electronic packages, and beta alumina for sodium-sulfur batteries. Metcal, Inc. has unique self-regulating, resistance-heating technology with applications in electronic, mechanical and electrical interconnections, industrial process heating and medical devices. Eotec Corporation is a producer of fiber optics for factory automation, specialty connectors and sensors.

Life Sciences—DNA Plant Technology Corporation is a venture in agricultural biotechnology to develop superior commercial crop strains. It has entered into joint ventures with Kraft, Inc. to market a consumer food product and with Koppers to produce plant-disease diagnostic kits. Genex Corporation is an advanced genetic engineering company with protein and biochemical engineering capabilities. Ecogen, Inc. employs advanced molecular genetic techniques in biological pesticide development as alternatives to current chemical pest controls. Engenics, Inc. offers sophisticated bioprocess research and development to commercial clients in high-technology businesses.

Software and Productivity—American Cimflex Corporation (formerly American Robot Corporation) is a leading manufacturer of electric-drive, high-precision robot systems with unique electronic vision capabilities and major applications in the automation of industrial plants. In separate agreements with Ford Motor Company and BMW of West Germany, American Cimflex is developing manufacturing computer communications networks and industrial vision systems. Inspiration Systems, Inc. markets a versatile Unix-based integrated database management system for business. Formtek, Inc. integrates advanced digital scanning and faster graphic editing into a computer-aided design system known as First.

Kopvenco's portfolio also includes MotorTech, Inc. with unique high-performance and fuel-efficiency technology for primary and custom automotive markets. PGS, Inc. is a prescription mail-order sales and marketing organization providing Thrift Drug Company Division of J. C. Penney Company with an efficient, cost-effective alternative to conventional corporate drug benefit plans.

General Development of Koppers Business

Koppers Company, Inc. was incorporated on September 30, 1944. It succeeded by merger to the properties and business of four predecessor companies. Those companies grew logically out of Koppers original business, established in 1907 to design and build chemical-recovery coke plants for the American steel industry.

Prior to 1965, Koppers was highly dependent upon its original steel plant construction business for earnings growth. This was a cyclical business that had a disconcerting roller-coaster effect on the Company's prospects for growth.

In 1965, the Company began to build a manufacturing organization. In 1966, Koppers organized its Road Materials business, building it into today's rapidly growing Construction Materials and Services segment.

The Company's steel plant construction business was sold at the start of 1984. In December, 1985, Koppers announced plans to divest itself of several manufacturing businesses and certain other operations in order to concentrate upon its areas of greater strength: Construction Materials and Services, and Chemical and Allied Products.

Koppers total investment was $714 million on December 31, 1985, closely balanced between its two business segments.

Employment

The average number of persons employed in continuing operations by the Company was 11,128 in 1985, compared with 10,783 in 1984.

Approximately 4,000 of the Company's employees are covered by 110 different collective bargaining agreements. Successful labor contract negotiations were completed at 36 locations in 1985.

Legal Proceedings

On August 7, 1981, Inland Steel Corporation filed an action against Koppers in the Lake Superior Court, East Chicago, Indiana, alleging that negligence, fraud and breach of contract in construction of a coke oven battery and blast furnace by Koppers at Inland's Indiana Harbor Works had caused Inland damages in the amount of $100 million. Koppers counter-claimed to recover $17 million still unpaid by Inland on the contract for construction of the coke oven battery and blast furnace. Venue in this action was moved to the La Porte Circuit Court, La Porte, Indiana. The negligence count was dropped by Inland and the court dismissed the fraud count. Trial began on January 17, 1984 and a verdict was rendered on February 21, 1984 for Inland on its claims in the amount of $74 million and for Koppers on its counterclaim in the amount of $10 million, for a net verdict in favor of Inland in the amount of $64 million. Post-judgment interest is accruing and will continue to accrue until the judgment is modified or paid. The case is on appeal in the Court of Appeals of Indiana. A decision is expected currently. While the ultimate outcome of this litigation is not currently determinable, the Company believes that it has meritorious defenses and will take all legal actions to set aside the verdict or obtain a new trial.

On July 6, 1983, 97 individual plaintiffs brought suit against 12 named defendants, including Koppers, North American Phillips Corporation (Phillips), Drake Chemical Company and American Color & Chemical Company, formerly a jointly owned subsidiary of Koppers and Phillips, in the Clinton County, Pennsylvania Court of Common Pleas alleging generally that defendants produced, stored, purchased and sold toxic chemicals in the City of Lock Haven, Pennsylvania that contaminated air, soil and ground water in the vicinity of plants operated by American Color and Drake Chemical. Plaintiffs have requested $120 million compensatory damages, $200 million punitive damages and an order directing defendants to clean up and dispose of all hazardous waste attributable to them in the area. Koppers sold its 48% interest in American Color to Phillips in 1982 when the Lock Haven plant closed. The action is still in its preliminary stages, but Koppers management believes that it has sound defenses to this claim and that this litigation will not result in any material liability to Koppers.

In 1984, Sterling Paving Company, a wholly owned subsidiary, was indicted by a grand jury convened in the United States District Court for the District of Colorado for alleged irregularities in highway paving bidding in violation of Section 1 of the Sherman Antitrust Act. Sterling Paving Company was acquired by Koppers in November, 1981. The activities upon which the indictment is based occurred prior to Koppers acquisition of Sterling. Sterling and its employees were acquitted of all charges in June, 1985.

Koppers is involved in environmental administrative proceedings and litigation with respect to certain of its operating plants, former plants and waste disposal sites. Where the costs likely to arise from these proceedings and litigation are determinable, appropriate reserves have been established.

Koppers and its subsidiaries are parties to a number of claims and lawsuits arising out of the normal course of business with respect to commercial matters, including product liabilities; government regulations, including environmental matters; and toxic torts and other actions. Certain of these actions purport to be class actions, involve multiple plaintiffs and seek damages in very large amounts. All such claims are being contested. The amounts of ultimate liability thereunder are indeterminable at present, but in the opinion of management, resolution of these matters will not materially affect the consolidated financial position or results of operations of Koppers and its subsidiaries.

Financial Information by Industry Segment

Selected financial information for each of Koppers operating units for a 10-year period appears on page 24. Additional financial information on the operating groups appears in Table 7, "Operations by Business Segments," on page 36.

Patents and Licensing

Koppers owns nearly 400 existing United States patents and a large number of foreign patents covering many products and processes. Some of the patents and technology are licensed to other companies. The Company makes few of its products under licenses from other companies with respect to patents they own or technology they have supplied. No single patent or license is considered material in relation to the Company's overall performance.

Properties

The Company has 240 operating locations in 30 states of the U.S., and in Canada, Great Britain and Australia. They include Chemical and Allied Products, 59; and Construction Materials and Services, 181. Principal operations are predominantly located in Alabama, California, the Carolinas, New York, Ohio and Pennsylvania.

In the opinion of management, the production capacities in Koppers various business segments are adequate to operate at a significantly higher volume than in 1985.

Research and Development

The Company conducts research activities and supporting pilot plant operations at two locations in suburban Pittsburgh. Special research projects are conducted at five universities. Additional activities include sponsored external research by high-technology research and development companies in which Koppers has an equity interest.

Koppers research laboratories explore advanced technologies, develop new products, improve manufacturing processes and serve as the monitoring influence on new areas of technology.

Table A. Consolidated Statement of Income From Continuing Operations Adjusted for Changing Prices (unaudited)

For the Year Ended December 31, 1985 ($ Thousands, except per share figures)	Dollars of Current Purchasing Power*: As Reported in 1985 Financial Statements (Historical Cost)	Dollars of Current Purchasing Power*: Adjusted for Changes in Specific Prices (Current Cost)
Net sales	**$1,400,166**	$1,400,797
Operating expenses:		
Cost of sales	**1,108,382**	1,103,673
Depreciation, depletion and amortization	**66,373**	148,274
Taxes, other than income taxes	**39,630**	39,630
Selling, research, general and administrative expenses	**149,879**	149,879
	1,364,264	1,441,456
Operating profit (loss)	**35,902**	(40,659)
Other income (expense)	**(59,925)**	(86,831)
Interest expense	**23,673**	23,673
Loss before income taxes	**(47,696)**	(151,163)
Income tax benefit	**(17,693)**	(17,693)
Loss from continuing operations	**$ (30,003)**	$ (133,470)
Dividends on:		
Redeemable convertible preference stock	**4,577**	4,577
Cumulative preferred stock	**600**	600
Loss applicable to common stock	**$ (35,180)**	$ (138,647)
Average number of shares of common stock outstanding during year (thousands)	**28,574**	28,574
Loss per share of common stock	**$ (1.23)**	$ (4.85)
Loss from decrease in purchasing power of net amounts owed		$ (217)
Increase in current cost of inventory and property, plant and equipment held during the year**		$ 243,478
Effect of increase in general price level		38,274
Increase in specific prices net of increase in general price level		$ 205,204

*Current-cost amounts are expressed in average 1985 dollars. Changes are measured by the Consumer Price Index.

**At December 31, 1985, the current cost of inventories was $175,110, and the current cost of property, plant and equipment, net of accumulated depreciation, was $528,119.

Special services such as occupational health and product safety, environmental management and analytical and engineering support are provided to all operations.

Development laboratories at several locations support each of the Company's business segments with applied research, including customer and technical service.

The amount spent on research and development activities was approximately $16.3 million in 1985, $15.8 million in 1984 and $11.9 million in 1983.

Environmental, Occupational Health and Safety Regulations

Koppers, in common with many other enterprises, is subject to new federal, state and local laws and regulations governing environmental as well as health and safety matters. The amended and reauthorized Resource Conservation and Recovery Act will require additional cleanup of existing plants and the installation of a substantial amount of new and replacement equipment. The new right-to-know regulations under the Occupational Safety and Health Act, coupled with the rapid growth of state right-to-know laws, will require extensive new recordkeeping, labeling and safety procedures. Continuing efforts by the U.S. Environmental Protection Agency to locate and clean up old toxic waste disposal sites under the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund") may lead to involvement of the Company in additional Superfund sites in the future. Environmental health and safety laws and regulations have not curtailed plant operations significantly; however, compliance with such laws and regulations has had a substantial adverse effect on the Company's financial performance. The effect of the laws and regulations and their potential costs is not determinable at this time.

Environmental Management

Koppers, along with its competitors, faces increasingly stringent regulations concerning the handling of many chemicals it uses, purchases or sells. New laws and regulations administered by numerous state and federal agencies now more than ever make strict compliance with environmental laws a prerequisite for continued participation in chemical markets.

Over the past 15 years, Koppers has developed the technology and technical expertise necessary for the resolution of any likely environmental and health issues that may arise in its operations in the next decade. The Company has an extensive ongoing program of environmental review of its facilities aimed at developing an aggressive, cost-effective plan for resolution of future environmental problems. The plan is likely to entail only a small fraction of the potential cost that could be faced if compliance is not achieved before government agencies intervene. Koppers management believes this environmental program enhances the Company's competitive position.

Effects of Inflation

The Financial Accounting Standards Board (FASB) requires supplementary disclosure of selected historical financial data on an adjusted basis to recognize the effect of inflation in times of change in specific prices (current-cost method). Under this approach, the current cost of property, plant and equipment (including mineral resources) was estimated by using indices published by the federal government, private organizations and internal sources.

Koppers, in complying with FASB Statement No. 33, has elected to restate only inventories; sales; cost of sales; property, plant and equipment, net of accumulated depreciation; and depreciation, depletion and amortization. These areas are most affected by inflation. Restatement of other accounts would not materially affect the results. The adjusted information shown in Table A was prepared by converting historical amounts into dollars adjusted for changes in specific prices. Other data in the five-year summary shown in Table B also are restated for purposes of comparison. Information on Koppers mineral reserves is on page 44.

Table B. Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (unaudited)

($ Thousands, except per share figures)	As Reported in 1985 Financial Statements (Historical Cost)	Years Ended December 31, (In Average 1985 Dollars): 1985	1984*	1983*	1982*	1981*
Net sales	**$1,400,166**	$1,400,797	$1,499,639	$1,277,931	$1,268,117	$1,523,940
Loss from continuing operations	**$ (30,003)**	$ (133,470)	$ (50,714)	$ (63,608)	$ (117,257)	$ (27,381)
Net assets at year end	**$ 478,946**	$ 634,888	$ 929,326	$ 970,026	$ 994,262	$1,163,036
Gain (loss) from increase/decrease in purchasing power of net amounts owed	—	$ (217)	$ 179	$ (1,277)	$ 3,550	$ 25,271
Excess (deficit) of increase/decrease in specific prices net of increase in general price level	—	$ 243,478	$ (53,171)	$ (66,878)	$ (150,861)	$ 22,862
Per share information:						
Loss from continuing operations	**$ (1.23)**	$ (4.85)	$ (2.00)	$ (2.56)	$ (4.53)	$ (1.33)
Cash dividends declared	**$ 0.80**	$ 0.80	$ 0.83	$ 0.87	$ 1.56	$ 1.67
Market price at year end	**$ 21.00**	$ 20.67	$ 18.13	$ 23.27	$ 19.11	$ 22.79
Average Consumer Price Index		322.2	311.1	298.4	289.1	272.4

*Restated to conform with 1985 classifications (Note 7).

Koppers endorses attempts to present the effects of inflation on reported financial results. The Company's results of operations (Table A) illustrate some of the obvious effects of the declining purchasing power of the dollar. However, the present state of the art leaves much to be desired as it involves the use of assumptions, approximations and estimates. Therefore, Koppers does not believe that the impact of inflation on the Company's performance and financial condition during the past four years was as severe as the inflation-adjusted income data, taken alone, would indicate.

Mineral Assets Price and Quantity Information (from Continuing Operations)
The table below provides information relating to Koppers mineral reserves. Estimates for proven and probable mineral reserves were obtained at the times of acquisition of the reserves, which range from 1967 to the present and were monitored thereafter.

(Volumes are in thousands of tons; $ are per ton values.)	Years Ended December 31, 1985	1984*	1983*	1982*	1981*
Proven and probable reserves at beginning of year					
Coal	**58**	80	214	350	2,398
Stone	**1,780,527**	1,706,701	1,821,758	1,796,551	1,769,803
Sand and gravel	**307,164**	311,595	407,967	414,267	405,484
Additions resulting from purchases of in-place mineral reserves					
Coal	**—**	—	—	—	459
Stone	**82,768**	110,689	25,072	44,127	49,454
Sand and gravel	**9,193**	2,438	13,350	2,424	21,872
Reductions resulting from production					
Coal	**—**	22	134	136	2,507
Stone	**22,898**	22,138	17,863	18,920	22,706
Sand and gravel	**7,014**	6,869	8,680	8,724	13,089
Reductions resulting from sale of reserves					
Coal	**58**	—	—	—	—
Stone	**30,000**	725	122,266	—	—
Sand and gravel	**509**	—	101,042	—	—
Proven and probable reserves at end of year					
Coal	**—**	58	80	214	350
Stone	**1,810,397**	1,780,527	1,706,701	1,821,758	1,796,551
Sand and gravel	**308,834**	307,164	311,595	407,967	414,267
Average market price					
Coal	**$13.00**	$19.00	$33.36	$33.45	$33.20
Stone	**$ 4.45**	$ 4.39	$ 4.18	$ 4.01	$ 3.69
Sand and gravel	**$ 4.01**	$ 3.92	$ 3.76	$ 3.64	$ 3.48

*Restated to conform with 1985 classifications (Note 7).

Exhibits for Form 10-K

The following exhibits are included as a part of the 1985 Form 10-K Report as required by Item 601 of Regulation S-K. Shareholders may obtain copies of the exhibits not presented here upon written request to: Secretary, Koppers Company, Inc., Koppers Building, Pittsburgh, Pa. 15219.

Exhibit A—3.1 Koppers Certificate of Incorporation, as amended, and the Certificate of Resolution, dated December 16, 1980, setting forth certain terms of Koppers $10 convertible preference stock, filed as exhibits 4.1 and 4.2 to Koppers Registration Statement No. 2-70174 and incorporated herein by this reference.

Exhibit B—3.2 Certificate of Amendment to Koppers Certificate of Incorporation, dated May 1, 1984, filed as Exhibit 3.2 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by reference.

Exhibit C—3.3 Koppers By-Laws as amended to February 25, 1985.

Exhibit D—10.1 Koppers Restated Deferred Compensation Unit Plan, filed as Exhibit 10.2 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by reference.

Exhibit E—10.2 Koppers Deferred Compensation Plan for Directors, filed as Exhibit 10.3 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by this reference.

Exhibit F—10.3 Agreement dated April 26, 1982 between Koppers and Fletcher L. Byrom for consulting services, filed as exhibit 10.1 to Koppers Form 10-Q for the quarter ended June 30, 1982 and incorporated herein by this reference.

Exhibit G—10.4 Koppers 1979 Performance Share Plan, filed as Exhibit 10.5 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by reference.

Exhibit H—10.5 Koppers 1986 Executive Incentive Plan. An Executive Incentive Plan for 1986 has been authorized by Koppers Board of Directors for certain officers and other key employees. During 1986, the Company will charge earnings up to a maximum of $2.5 million for potential award payouts to Plan participants. Each Plan participant will be assigned a target award level and he or she will receive an incentive payment if Company and individual performance criteria are met. After the close of the Plan year, the Chairman will recommend to the Compensation Committee of the Board of Directors the distribution of such portion of the Plan fund as he deems appropriate; or if he so determines, may recommend that no awards be made for performance during the Plan year. Upon appropriate review of the Company's performance during the Plan year, the Compensation Committee shall act upon the Chairman's recommendations. Any award to the Chairman shall be determined by the Compensation Committee of the Board of Directors.

Exhibit I—22.1 Koppers has the subsidiaries listed below whose accounts are included in its consolidated financial statements. The Company has 31 other subsidiaries, which are not named here because all of them, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Subsidiary and Jurisdiction of Incorporation

Broderick and Gibbons, Inc.—Colo.
Cherokee Crushed Stone, Inc.—Del.
Eastern Rock Products, Inc.—N.Y.
Echols Brothers, Inc.—Del.
Fairfield Bridge Company, Inc.—Del.
The General Crushed Stone Co.—Del.
  Chester Carriers, Inc.—Del.
  Easton Mack Truck Sales, Inc.—Pa.
  Reed Paving, Inc.—N.Y.
  The Stone Man, Inc.—Del.
Sim J. Harris Co.—Del.
Ivy Steel & Wire Company, Inc.—Del.
  Davidson Mineral Properties, Inc.—Del.
    Reeves Construction Co.—Ga.
  Meadow Steel Products, Inc.—Del.
Kaiser Sand and Gravel Co.—Del.
The Kentucky Stone Co.—Ky.
Koppers Engineered Products Ltd.—Ontario, Canada
Koppers International Canada Ltd.—Canada
Lycoming Silica Sand Co.—Pa.
The McMichael Company—Del.
  McMichael Asphalt Sales Co.—Okla.
  McMichael Concrete Co.—Okla.
  Tulsa Concrete Co.—Okla.
  Tulsa Paving Co.—Okla.
  Tulsa Rock Co.—Okla.
Parr, Inc.—Del.
Sloan Construction Co., Inc.—S.C.
Sterling Paving Co.—Colo.
Sterling Sand & Gravel Co.—Colo.
Sterling Sand & Gravel Co. of Wyoming—Wyo.
Sully-Miller Contracting Co.—Calif.
  Kern Rock Company—Calif.
  P&K Materials, Inc.—Calif.
  South Coast Asphalt Products Co.—Calif.
  Southern Pacific Milling Co.—Calif.
Nello L. Teer Co.—Del.
  Central Engineering and Contracting Corporation—N.C.
  Comfort Engineers, Inc.—N.C.
  Guest Associates, Inc.—N.C.
  Nello L. Teer International, Inc.—Del.
Thiem Corporation—Del.
Western Paving Construction Co.—Colo.
  Mid-Kansas Construction Co., Inc.—Kans.

Exhibit J—24.1 Consent of Arthur Young & Company, Certified Public Accountants, to the incorporation by reference in the Registration Statements (Form S-8 #2-89784) and the related Prospectus pertaining to Koppers Employee Savings Plan of their report included in Koppers Annual Report and Form 10-K for the year ended December 31, 1985.

Signatures Required for Form 10-K

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Koppers has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on February 24, 1986.

Koppers Company, Inc.

By
Thomas M. St. Clair
Vice President and
Chief Financial Officer

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

Charles R. Pullin
Chairman of the Board of Directors
(Chief Executive Officer)
February 24, 1986

Fitzhugh L. Brown, Comptroller
February 24, 1986

Richard M. Cyert, Director
February 24, 1986

Charles F. Barber, Director
February 24, 1986

Douglas Grymes, Director
February 24, 1986

Evelyn Berezin, Director
February 24, 1986

William H. Knoell, Director
February 24, 1986

Fletcher L. Byrom, Director
February 24, 1986

General Subject Index

To aid the annual report reader who is interested in general subject areas, the following index is an alphabetical guide with specific page references. It is based upon a judgment as to those items most often referred to and should not be considered a complete listing.

Information on Koppers Operations

Backlog
Competitive Conditions
Description of Business
End Markets
Fuel
Raw Materials
Seasonal Factors

For information on the above subjects as they relate to individual Koppers operations, consult the following:

Koppers Product and Service Information Center: 1-800-556-7737

We have established the above toll-free number for customers and potential customers who want to know how and where to buy our products and services and for shareholders who want specific information about the Company.

B

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Part III

Part III is incorporated by reference to pages 1 to 13 of Koppers Proxy Statement, dated March 18, 1986, in connection with its annual meeting of shareholders, to be held on April 28, 1986. See also Item 1 (e).

Recent 8-K Report

The only Form 8-K (a Securities and Exchange Commission report) filed by Koppers during the fourth quarter of 1985 was filed on December 16, 1985. That report related to:

(a) Divestiture by Koppers of ten (10) business units that account for nearly 30% of its total invested capital.
(b) Redeployment by Koppers of more than $160 million anticipated from its sale of these ten (10) business units.
(c) The establishment of a reserve for estimated future environmental expenses.
(d) A reduction in Company overhead expenses commensurate with the narrowed business structure.

Annual Meeting

The annual meeting of the shareholders of the Company will be held at 11 a.m. on Monday, April 28, 1986 in the Pittsburgh Room of The Westin-William Penn Hotel, Pittsburgh, Pennsylvania.

Koppers Company, Inc.

Koppers Building
Pittsburgh, PA 15219
Area Code 412/227-2000

Common Stock
Symbol: KOP

Exchange Listings:
New York Stock Exchange
Midwest Stock Exchange
Pacific Stock Exchange

Transfer Agents:
Mellon Bank N.A.
Mellon Square
Pittsburgh, PA 15230

Fidata Trust Company, New York
67 Broad Street
New York, NY 10005

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, IL 60690

Bank of America National Trust and Savings Association
55 Hawthorne Street
San Francisco, CA 94105

Stock Registrars:
Pittsburgh National Bank
P. O. Box 340746P
Pittsburgh, PA 15230

Morgan Guaranty Trust Company of New York
30 West Broadway
New York, NY 10015

Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street
Chicago, IL 60601

Manufacturers Hanover Trust Company of California
50 California Street
San Francisco, CA 94111

Dividend Disbursing Agent:
Mellon Bank N.A.
Mellon Square
Pittsburgh, PA 15230

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, 1985

Commission File Number 1-3224

Koppers Company, Inc.

A Delaware Corporation
IRS Employer Identification No. 25-0904665

Koppers Building, Pittsburgh, Pennsylvania 15219 (412) 227-2000

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

Common Stock $1.25 Par Value	Registered: New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange
Cumulative Preferred Stock 4% Series, $100 Par Value	Registered: New York Stock Exchange
$10 Convertible Preference Stock No Par Value	Registered: New York Stock Exchange

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS REPORT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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, and (2) has been subject to such filing requirements for the past 90 days.
Yes X No __

As of March 7, 1986, 28,576,239 shares of common stock were outstanding, and the aggregate market value of the shares of Koppers common stock (based upon the closing price of these shares on the New York Stock Exchange/composite tape) held by nonaffiliates was approximately $670.0 million. For this computation, Koppers has excluded the market value of all common stock beneficially owned by officers and directors of Koppers and their associates as a group, and all common stock held by Dean LeBaron doing business as Batterymarch Financial Management. Such exclusion is not to signify in any way that any of such persons are "affiliates" of Koppers.

Documents Incorporated by Reference	Part
Koppers 1985 annual report to shareholders and Form 10-K are combined in this document.	
Koppers proxy statement dated March 18, 1986 for the 1986 annual meeting.	III

Annual Report and Form 10-K

This 1985 annual report to shareholders incorporates all material required in Koppers 1985 Form 10-K filed with the Securities and Exchange Commission. **The table of contents for Koppers 1985 Form 10-K is on page 48.** Koppers 1985 Annual Report and Form 10-K are combined in this document to provide all Koppers shareholders, as well as others interested in Koppers, timely access to this comprehensive material. (Portions of the 1985 annual report to shareholders, such as the "Chairman's Letter to Koppers Shareholders," are not required by the Form 10-K and are not "filed" with the Securities and Exchange Commission. Only those sections of the annual report referenced in the 10-K table of contents on page 48 and in the index on page 26 are part of the Form 10-K and filed with the Securities and Exchange Commission.)

General Subject Index is on page 47.

Koppers Company, Inc., Science and Technology
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2000

KOPPERS

CERTIFIED MAIL

March 27, 1987

Colonel Charlie L. Blalock
Executive Director
Mississippi Department of Natural
Resources
P. O. Box 10385
Jackson, MS 39209

RE: RCRA Financial Requirements

Dear Colonel Blalock:

Enclosed is a letter from Koppers Company, Inc., Chief Financial Officer concerning RCRA Financial Requirements for 1986. Also enclosed is our certified public accountant's report on examination of Koppers' Financial Statement for the latest completed fiscal year. The enclosed 1986 Annual Report contains the SEC Form 10-K for the fiscal year ending December 31, 1986.

If you have any questions concerning this submission, please contact me at the above telephone number and address.

Sincerely yours,

Terence P. Kirchner

Terence P. Kirchner
Environmental Engineer
Regulatory Affairs Section
Keystone Environmental Resources
for Koppers Company, Inc.

TPK/s

Enclosure

DIVISION OF SOLID WASTE
REVIEWED BY N. Jones
DATE 7-14-87
COMMENTS O.K. Needs correction of paragraph 3 and item #5

RECEIVED
APR 2 1987
Department of Natural Resources

Koppers Company, Inc., Financial Services
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2185

KOPPERS

Thomas M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

March 27, 1987

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for closure and/or post-closure care and liability coverage as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
MSD 007027543 Grenada Plant Koppers Company, Inc. P.O. Box 160 Grenada, MS 38960	$214,469	$140,056	$354,525

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A and B	$9,646,049	$1,448,820	$11,094,869

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1986.

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)	$ 11,094,869	
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 8,000,000	
3.	Sum of lines 1 and 2	$ 19,094,869	
*4.	Total liabilities	$522,475,000	
*5.	Tangible net worth	$475,580,000	
*6.	Net worth	$494,149,000	
*7.	Current assets	$455,659,000	
*8.	Current liabilities	$278,743,000	
9.	Net working capital	$176,916,000	
*10.	The sum of net income plus depreciation, depletion and amortization	$159,420,000	
*11.	Total assets in U.S.	Not Applicable	
		Yes	**No**
12.	Is line 5 at least $10 million	x	
13.	Is line 5 at least 6 times line 3?	x	
14.	Is line 9 at least 6 times line 3?	x	
*15.	Are at least 90% of assets located in the US? If not, complete line 16	x	
16.	Is line 11 at least 6 times line 3?	Not Applicable	
17.	Is line 4 divided by line 6 less than 2.0? 1.057	x	
18.	Is line 10 divided by line 4 greater than 0.1? .305	x	
19.	Is line 7 divided by line 8 greater than 1.5? 1.635	x	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

Yours very truly,

T. M. St. Clair

T. M. St. Clair
Vice President, Treasurer and
Chief Financial Officer
March 27, 1987

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone: (412) 288-4400
Telex: WU 86-6133

March 27, 1987

Executive Director
Mississippi Department of Natural Resources
P.O. Box 10385
Jackson, MS 39209

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1986 and the related consolidated statements of operations, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended, and have issued our report thereon dated January 26, 1987. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pursuant to the provisions of Environment Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and specific state regulations, where applicable, the chief financial officer, T. M. St. Clair, has prepared a letter dated March 27, 1987 demonstrating both liability coverage and assurance of closure and post-closure care. Certain data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1986 Form 10-K.

In connection with the procedure referred to above, nothing came to our attention which caused us to believe that the financial data contained in the above-mentioned letter should be adjusted.

Very truly yours,

Arthur Young & Company

ATTACHMENTS A & B

KOPPERS COMPANY, INC.

SUMMARY OF TSD FACILITY

INFORMATION FOR KOPPERS COMPANY, INC.

TO ACCOMPANY FINANCIAL ASSURANCE SUBMISSION

OF MARCH 27, 1987

Prepared by:
Keystone Environmental Resources for
Koppers Company, Inc.
March 27, 1987

ATTACHMENT A
1985 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvania 15219

December 31, 1986

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1985. Facilities are listed according to states.

Facility Location	Cost Estimates 1986 Closure	Cost Estimates 1986 Post Closure
Woodward Coke P.O.Box 100 Dolomite, Alabama, 35061 ALD 000771949	$ 21,567 Total Cost = $ 25,468	$ 3,901
Woodward Tar P.O.Box 100 Dolomite, Alabama, 35061 ALD 085765808	$ 40,271 Total Cost = $ 43,916	$ 3,645
Montgomery Plant P.O. Box 510 Montgomery, Alabama, 36101 ALD 004009403	$ 12,373 Total Cost = $ 12,373	$ 0.00
Little Rock Plant P.O. Box 3231 North Little Rock, Arkansas, 72117 ARD 006344824	$ 227,280 Total Cost = $ 227,280	$ 0.00
Commerce Plant P.O. Box 22066 Los Angeles, California, 90022 CAD 004937793	$ 17,746 Total Cost = $ 17,746	$ 0.00
Oxnard Plant 5980 Arcturus Avenue Oxnard, California, 93033 CAD 087163267	$ 23,283 Total Cost = $ 23,283	$ 0.00
Cal-Richmond Plant 3501 Collins Avenue Richmond, California, 94806 CAD 043242718	$ 9,044 Total Cost = $ 9,044	$ 0.00
Feather River Plant P.O.Box 351 Oroville, California, 95965 CAD 009112087	$2,391,433 Total Cost = $2,393,498	$ 2,065

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates: 1986 Closure	Cost Estimates: 1986 Post Closure
Ontario Plant P.O. Box 1112 Guasti, California, 91743 CAD 000617324	$ 19,137 Total Cost = $ 19,137	$ 0.00
Fontana Plant P.O.Box 489 Fontana, California, 92335 CAD 073568677	$ 63,271 Total Cost = $ 63,271	$ 0.00
Denver Plant 465 West 56th Avenue Denver, Colorado, 80216 COD 007077175	$ 214,049 Total Cost = $ 214,049	$ 0.00
Gainesville Plant P.O. Box 1067 Gainesville, Florida, 32602 FLD 004057535	$ 10,309 Total Cost = $ 10,309	$ 0.00
Conley Plant 1579 Koppers Road Conley, Georgia, 30027 GAD 004009403	$ 28,613 Total Cost = $ 28,613	$ 0.00
Campbell Plant Honolulu Wood Treating Ltd. 91-291 Hanua Street Ewa Beach, Hawaii, 96707 HID 009198797	$ 19,065 Total Cost = $ 19,065	$ 0.00
Maui Plant P.O. Box 1650 Maui, Hawaii, 96732 HID 059475210	$ 9,405 Total Cost = $ 9,405	$ 0.00
Galesburg Plant P.O. Box 1191 Galesburg, Illinois, 61401 ILD 990817991	$ 6,511 Total Cost = $ 6,511	$ 0.00
Chicago Plant 3900 S. Laramie Avenue Cicero Station Chicago, Illinois, 60650 ILD 005164611	$ 45,832 Total Cost = $ 45,832	$ 0.00
Carbondale Plant P.O. Box 270 Carbondale, ILLinois, 62901 ILD 000819946	$1,965,012 Total Cost = $2,075,718	$ 110,706

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure	1986 Post Closure
Valparaiso Plant P.O.Box 104 Valparaiso, Indiana, 46383 IND 000781609	$ 10,435 Total Cost = $ 10,435	$ 0.00
Guthrie Plant P.O. Box 8 Guthrie, Kentucky, 42234 KYD 006383392	$ 96,749 Total Cost = $ 96,749	$ 0.00
Salisbury Plant P.O. Box 2217 Salisbury, Maryland, 21801 MDD 05650680	$ 22,081 Total Cost = $ 22,081	$ 0.00
Grenada Plant P.O. Box 160 Grenada, Mississippi, 38960 MSD 007027543	$ 214,469 Total Cost = $ 354,525	$ 140,056
Kansas City Plant P.O. Box 8057 Kansas City, Missouri, 64129 MOD 007146517	$ 7,491 Total Cost = $ 7,491	$ 0.00
Nashua P.O.Box 488 Nashua, NH, 03061 NHD 001084979	$ 3,660 Total Cost = $ 3,660	$ 0.00
Orrville Product Devleopment P.O. Box 905 Orrville, Ohio, 44667 OHD 068911494	$ 8,060 Total Cost = $ 8,060	$ 0.00
Youngstown Plant P.O.Box 1137 Youngstown, Ohio, 44501 OHD 004198784	$ 17,018 Total Cost = $ 17,018	$ 0.00
Parr - East 18400 Syracuse Avenue Cleveland, Ohio, 44110 OHD 004179180	$ 4,690 Total Cost = $ 4,690	$ 0.00

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure	1986 Post Closure
Parr - West 5151 Denison Avenue Cleveland, Ohio, 44102 OHD 060431947	$ 17,660 Total Cost = $ 17,660	$ 0.00
Florence Plant P.O. Box 1725 Florence, South Carolina, 29503 SCD 003353026	$ 977,909 Total Cost = $1,521,192	$ 543,283
Irving Plant 801 E. Lee Street Irving, Texas, 75060 TXD 053126785	$ 40,046 Total Cost = $ 40,046	$ 0.00
Houston Tar Plant P.O.Box 96150 Houston, Texas, 77015 TXD 008089021	$ 18,153 Total Cost = $ 18,153	$ 0.00
Richmond Plant 4005 Charles City Road Richmond, Virginia, 23231 VAD 003121977	$ 224,311 Total Cost = $ 449,475	$ 225,164
Roanoke Plant P.O. Box 792 Salem, Virginia, 24153 VAD 003125770	$ 385,173 Total Cost = $ 748,173	$ 363,000
Follansbee Plant P.O.Box M Follansbee, West Virginia, 26037 WVD 004336749	$ 71,120 Total Cost = $ 71,120	$ 0.00
Follansbee Landfill P.O.Box M Follansbee, West Virginia, 26037 WVD 550010144	$1,990,000 Total Cost = $2,044,000	$ 54,000
Green Spring Plant P.O. Box 98 Green Spring, West Virginia, 26722 WVD 003080959	$ 412,823 Total Cost = $ 415,823	$ 3,000
Total Closure Cost Attachment A	= $ 9,646,049	
Total Post Closure Cost Attachment A	= $ 1,448,820	
Total Costs	**= $11,094,869**	

ATTACHMENT B
HAZARDOUS WASTE FACILITIES ASSURED BY BONDS
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvnia 15219

December 31, 1986

This Attachment identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management that have bonds as the form of financial assurance in 1985. Facilities are listed according to states. These facilities are excluded from Financial Assurance Tests given to states and USEPA Regional Offices.

ATTACHMENT B- 1986 COSTS

Facility Location	Cost Estimates: 1986 Closure	Cost Estimates: 1986 Post Closure
Garwood Plant P.O. Box 729 Westfield, New Jersey, 07091 NJD 002164705	$ 49,230 Total Cost = $ 49,230	$ 0.00
Newark Plant 480 Frelinghuysen Avenue Newark, New Jersey, 07114 NJD 002149789	$ 40,526 Total Cost = $ 40,526	$ 0.00
Port Newark Plant Maritime & Tyler Streets Port Newark, New Jersey, 07114 NJD 000542282	$ 23,626 Total Cost = $ 23,626	$ 0.00
Oak Creek Plant P.O.Box 6 Oak Creek, Wisconsin, 53154 WID 057163941	$ 11,688 Total Cost = $11,688	$ 0.00
Superior Plant P.O. Box 397 Superior, Wisconsin, 54880 WID 006179493	$ 180,351 Total Cost = $180,351	$ 0.00

ATTACHMENT B

Facility Location	Cost Estimates 1986 Closure	1986 Post Closure
Verona Research 15 Plum Street Verona, Pennsylvania, 15147 PAD 000647339	$ 8,633 Total Cost = $ 8,633	$ 0.00
Susquehanna Plant P.O.Box 189 Montgomery, Pennsylvania, 17752 PAD 056723265	$ 153,960 Total Cost = $153,960	$ 0.00
Science & Technology Center 440 College Park Drive Monroeville, Pennsylvania, 15146 PAD 082245754	$ 5,878 Total Cost = $ 5,878	$ 0.00

MEMORANDUM

TO: KOPPERS FINANCIAL FILE
FROM: NANCY E. JONES
DATE: 7-14-87
SUBJ: KOPPERS FINANCIAL TEST

I spoke with Mr. Terence Kirchner, Environmental Engineer, Koppers today about an error in the letter from the Chief Financial Officer of Koppers. The facility had deleted the third paragraph regarding the corporate guarantee for pollution liability insurance and also item #5 which refers to financial assurance for plugging and abandonment of UIC facilities. Mr. Kircher agreed to correct the deficiencies and send a revised copy to me by July 31, 1987.

N. Jones

Koppers Company, Inc.
436 Seventh Avenue
Pittsburgh, PA 15219
Telephone 412-227-2000

KOPPERS

CERTIFIED MAIL

July 27, 1987

Executive Director
Mississippi Department of Natural
Resources
P.O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurance for
Koppers Company, Inc.
Grenada, Mississippi Plant

Dear Sir or Madam:

Pursuant to the request from Nancy Jones of the MS DNR, enclosed is the revised letter from Koppers Company, Inc. Chief Financial Officer as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

Also enclosed is the updated Attachment A and the corresponding certified public accountant's report to accompany the CFO letter.

If you have any questions, please call me.

Very truly yours,

Terence P. Kirchner

Terence P. Kirchner
Regulatory Compliance Section
Keystone Environmental Resources, Inc.
(412) 227-2691

TPK/bj
Enclosures

cc: R. Clayton
G. Edwards

Koppers Company, Inc., Financial Services
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2185

KOPPERS

Thomas M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

March 27, 1987

Revised July 24, 1987

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances

Letter from Chief Financial Officer (to demonstrate liability coverage or to demonstrate both liability coverage and assurance of closure or post-closure care).

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
MSD 007027543 Grenada Plant Koppers Company, Inc. P.O. Box 160 Grenada, MS 38960	$214,469	$140,056	$354,525

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$10,831,982	$1,447,574	$12,279,556

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1986.

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under Part 144. The current closure cost estimates as required by Mississippi Hazardous Waste Regulations Part 144.62 are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)	$ 12,279,556	
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 8,000,000	
3.	Sum of lines 1 and 2	$ 20,279,556	
*4.	Total liabilities	$522,475,000	
*5.	Tangible net worth	$475,580,000	
*6.	Net worth	$494,149,000	
*7.	Current assets	$455,659,000	
*8.	Current liabilities	$278,743,000	
9.	Net working capital	$176,916,000	
*10.	The sum of net income plus depreciation, depletion and amortization	$159,420,000	
*11.	Total assets in U.S.	Not Applicable	
		Yes	No
12.	Is line 5 at least $10 million	x	
13.	Is line 5 at least 6 times line 3?	x	
14.	Is line 9 at least 6 times line 3?	x	
*15.	Are at least 90% of assets located in the US? If not, complete line 16	x	
16.	Is line 11 at least 6 times line 3?	Not Applicable	
17.	Is line 4 divided by line 6 less than 2.0?	x	
18.	Is line 10 divided by line 4 greater than 0.1?	x	
19.	Is line 7 divided by line 8 greater than 1.5?	x	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

Yours very truly,

T M St Clair

T. M. St. Clair
Vice President, Treasurer and
Chief Financial Officer
July 24, 1987

ATTACHMENT A

KOPPERS COMPANY, INC.

SUMMARY OF TSD FACILITY
INFORMATION FOR KOPPERS COMPANY, INC.
TO ACCOMPANY FINANCIAL ASSURANCE SUBMISSION
OF MARCH 27, 1987
AMENDED JULY 24, 1987

Prepared by:
Keystone Environmental Resources for
Koppers Company, Inc.
July 24, 1987

ATTACHMENT A
1985 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvania 15219

December 31, 1986

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1986. Facilities are listed according to states.

Facility Location	Cost Estimates: 1986 Closure		Cost Estimates: 1986 Post Closure
Woodward Coke P.O.Box 100 Dolomite, Alabama, 35061 ALD 000771949	$ 32,257	Total Cost = $ 34,207	$ 1,950
Woodward Tar P.O.Box 100 Dolomite, Alabama, 35061 ALD 085765808	$ 40,271	Total Cost = $ 44,621	$ 4,350
Montgomery Plant P.O. Box 510 Montgomery, Alabama, 36101 ALD 004009403	$ 12,373	Total Cost = $ 12,373	$ 0.00
Little Rock Plant P.O. Box 3231 North Little Rock, Arkansas, 72117 ARD 006344824	$ 227,280	Total Cost = $ 227,280	$ 0.00
Commerce Plant P.O. Box 22066 Los Angeles, California, 90022 CAD 004937793	$ 17,746	Total Cost = $ 17,746	$ 0.00
Oxnard Plant 5980 Arcturus Avenue Oxnard, California, 93033 CAD 087163267	$ 23,283	Total Cost = $ 23,283	$ 0.00
Cal-Richmond Plant 3501 Collins Avenue Richmond, California, 94806 CAD 043242718	$ 9,044	Total Cost = $ 9,044	$ 0.00
Feather River Plant P.O.Box 351 Oroville, California, 95965 CAD 009112087	$2,391,433	Total Cost = $2,393,498	$ 2,065

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates: 1986 Closure	Cost Estimates: 1986 Post Closure
Ontario Plant P.O. Box 1112 Guasti, California, 91743 CAD 000617324	$ 19,137 Total Cost = $ 19,137	$ 0.00
Fontana Plant P.O.Box 489 Fontana, California, 92335 CAD 073568677	$ 63,271 Total Cost = $ 63,271	$ 0.00
Denver Plant 465 West 56th Avenue Denver, Colorado, 80216 COD 007077175	$ 214,049 Total Cost = $ 214,049	$ 0.00
Gainesville Plant P.O. Box 1067 Gainesville, Florida, 32602 FLD 004057535	$ 10,309 Total Cost = $ 10,309	$ 0.00
Conley Plant 1579 Koppers Road Conley, Georgia, 30027 GAD 004009403	$ 28,613 Total Cost = $ 28,613	$ 0.00
Campbell Plant Honolulu Wood Treating Ltd. 91-291 Hanua Street Ewa Beach, Hawaii, 96707 HID 009198797	$ 19,065 Total Cost = $ 19,065	$ 0.00
Maui Plant P.O. Box 1650 Maui, Hawaii, 96732 HID 059475210	$ 9,405 Total Cost = $ 9,405	$ 0.00
Galesburg Plant P.O. Box 1191 Galesburg, Illinois, 61401 ILD 990817991	$ 6,511 Total Cost = $ 6,511	$ 0.00
Chicago Plant 3900 S. Laramie Avenue Cicero Station Chicago, Illinois, 60650 ILD 005164611	$ 45,832 Total Cost = $ 45,832	$ 0.00
Carbondale Plant P.O. Box 270 Carbondale, ILLinois, 62901 ILD 000819946	$1,965,012 Total Cost = $2,075,718	$ 110,706

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates: 1986 Closure	1986 Post Closure
Valparaiso Plant P.O.Box 104 Valparaiso, Indiana, 46383 IND 000781609	$ 10,435 Total Cost = $ 10,435	$ 0.00
Guthrie Plant P.O. Box 8 Guthrie, Kentucky, 42234 KYD 006383392	$ 96,749 Total Cost = $ 96,749	$ 0.00
Salisbury Plant P.O. Box 2217 Salisbury, Maryland, 21801 MDD 05650680	$ 22,081 Total Cost = $ 22,081	$ 0.00
Grenada Plant P.O. Box 160 Grenada, Mississippi, 38960 MSD 007027543	$ 214,469 Total Cost = $ 354,525	$ 140,056
Kansas City Plant P.O. Box 8057 Kansas City, Missouri, 64129 MOD 007146517	$ 7,491 Total Cost = $ 7,491	$ 0.00
Nashua P.O.Box 488 Nashua, NH, 03061 NHD 001084979	$ 3,660 Total Cost = $ 3,660	$ 0.00
Garwood Plant P. O. Box 729 Westfield, New Jersey 07091 NJD 002164705	$ 49,230 Total Cost = $ 49,230	$ 0.00 $ 0.00
Newark Plant 480 Frelinghuysen Avenue Newark, New Jersey 07114 NJD 002149789	$ 40,526 Total Cost = $ 40,526	$ 0.00
Port Newark Plant Maritime & Tyler Streets Port Newark, New Jersey 07114 NJD 000542282	$ 23,626 Total Cost = $ 23,626	$ 0.00
Orrville Product Development P.O. Box 905 Orrville, Ohio, 44667 OHD 068911494	$ 8,060 Total Cost = $ 8,060	$ 0.00

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates: 1986 Closure	Cost Estimates: 1986 Post Closure
Youngstown Plant P.O.Box 1137 Youngstown, Ohio, 44501 OHD 004198784	$ 17,018 Total Cost = $ 17,018	$ 0.00
Parr - East 18400 Syracuse Avenue Cleveland, Ohio, 44110 OHD 004179180	$ 4,690 Total Cost = $ 4,690	$ 0.00
Parr - West 5151 Denison Avenue Cleveland, Ohio, 44102 OHD 060431947	$ 17,660 Total Cost = $ 17,660	$ 0.00
Verona Research 15 Plum Street Verona, Pennsylvania 15147 PAD 980554950	$ 8,633 Total Cost = $ 8,633	$ 0.00
Susquehanna Plant P. O. Box 189 Montgomery, Pennsylvania 17752 PAD 056723265	$ 153,960 Total Cost = $ 153,960	$ 0.00
Science & Technology Center 440 College Park Drive Monroeville, Pennsylvania 15146 PAD 082245754	$ 5,878 Total Cost = $ 5,878	$ 0.00
Florence Plant P.O. Box 1725 Florence, South Carolina, 29503 SCD 003353026	$ 977,909 Total Cost = $1,521,192	$ 543,283
Irving Plant 801 E. Lee Street Irving, Texas, 75060 TXD 053126785	$ 40,046 Total Cost = $ 40,046	$ 0.00
Houston Tar Plant P.O.Box 96150 Houston, Texas, 77015 TXD 008089021	$ 18,153 Total Cost = $ 18,153	$ 0.00
Richmond Plant 4005 Charles City Road Richmond, Virginia, 23231 VAD 003121977	$ 224,311 Total Cost = $ 449,475	$ 225,164

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure	1986 Post Closure
Roanoke Plant P.O. Box 792 Salem, Virginia, 24153 VAD 003125770	$ 385,173 Total Cost = $ 748,173	$ 363,000
Follansbee Plant P.O.Box M Follansbee, West Virginia, 26037 WVD 004336749	$ 71,120 Total Cost = $ 71,120	$ 0.00
Follansbee Landfill P.O.Box M Follansbee, West Virginia, 26037 WVD 550010144	$1,990,000 Total Cost = $2,044,000	$ 54,000
Green Spring Plant P.O. Box 98 Green Spring, West Virginia, 26722 WVD 003080959	$ 412,823 Total Cost = $ 415,823	$ 3,000
Oak Creek Plant P. O. Box 6 Oak Creek, Wisconsin 53154 WID 057163941	$ 11,688 Total Cost = $ 11,688	$ 0.00
Superior Plant P. O. Box 397 Superior, Wisconsin 54880 WID 006179493	$ 881,702 Total Cost = $ 881,702	$ 0.00

Total Closure Cost Attachment A = $ 10,831,982

Total Post Closure Cost Attachment A = $ 1,447,574

Total Costs **= $ 12,279,556**

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone: (412) 288-4400
Telex: WU 86-6133

July 27, 1987

Executive Director
Mississippi Department
of Natural Resources
P.O. Box 10385
Jackson, MS 39209

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1986 and the related consolidated statements of operations, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended, and have issued our report thereon dated January 26, 1987. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pursuant to the provisions of Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and specific state regulations, where applicable, the chief financial officer, T. M. St. Clair, has prepared a letter dated July 24, 1987 demonstrating both liability coverage and assurance of closure identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1986 Form 10-K.

In connection with the procedure referred to above, nothing came to our attention which caused us to believe that the financial data contained in the above-mentioned letter should be adjusted.

Very truly yours,

Arthur Young & Company

KEYSTONE
ENVIRONMENTAL RESOURCES, INC.
436 Seventh Avenue, Suite 1940, Pittsburgh, PA 15219

December 24, 1987

CERTIFIED MAIL
Return Receipt
Requested

Mr. Charles Estes
Mississippi Department of Natural
Resources
P.O. Box 10385
Jackson, MI 39209

Dear Mr. Estes:

Enclosed is a revised letter from Koppers Company, Inc., Chief Financial Officer concerning RCRA financial requirements for the Grenada, Mississippi facility. Also enclosed is our certified public accountant's report on examination of Koppers' financial statement for the latest completed fiscal year (1986).

If you have any questions concerning this submission, please call me at (412) 227-2691.

Happy Holidays!

Sincerely,

Terence P. Kirchner

Terence P. Kirchner
Regulatory Compliance Section
Keystone Environmental Resources, Inc.

TPK/cr

Enclosures

Koppers Company, Inc., Financial Services
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2185

KOPPERS

Thomas M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

December 24, 1987

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances
(Revision of March 27, 1987 Submission)

Letter from Chief Financial Officer (to demonstrate liability coverage or demonstrate both liability coverage and assurance of closure or post-closure care).

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

firm

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

for both sudden and nonsudden accidental occurrences

MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

firm

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
MSD 007027543 Grenada Plant Koppers Company, Inc. P. O. Box 160 Grenada, MS 38960	$1,001,612	$1,268,940	$2,270,552

2. The owner or operator firm identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In states where DNR firm is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

Plant and ID No.	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$9,918,195	$1,308,927	$11,227,122

NOTE: Facilities in New Jersey, Pennsylvania and Wisconsin are covered by either Letters of Credit or Collateral Bonds.

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under Part 144. The current closure cost estimates as required by Mississippi Hazardous Waste Regulations Part 144.62 are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this ~~owner's or operator~~'s independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1986.

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)	$ 13,497,674	
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 8,000,000	
3.	Sum of lines 1 and 2	$ 21,497,674	
*4.	Total liabilities	$522,475,000	
*5.	Tangible net worth	$475,580,000	
*6.	Net worth	$494,149,000	
*7.	Current assets	$455,659,000	
*8.	Current liabilities	$278,743,000	
9.	Net working capital	$176,916,000	
*10.	The sum of net income plus depreciation, depletion and amortization	$159,420,000	
*11.	Total assets in U.S.	Not Applicable	
		Yes	**No**
12.	Is line 5 at least $10 million	x	
13.	Is line 5 at least 6 times line 3?	x	
14.	Is line 9 at least 6 times line 3?	x	
*15.	Are at least 90% of assets located in the US? If not, complete line 16	x	
16.	Is line 11 at least 6 times line 3?	Not Applicable	
17.	Is line 4 divided by line 6 less than 2.0? yes 1.06	x	
18.	Is line 10 divided by line 4 greater than 0.1? yes .305	x	
19.	Is line 7 divided by line 8 greater than 1.5? Yes 1.63	x	

I hereby certify that the wording of this letter is identical to the wording specified in ~~Subpart H of~~ the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below. 264.151(j)

Yours very truly,

T M St Clair

T. M. St. Clair
Vice President, Treasurer and
Chief Financial Officer
December 24, 1987

ATTACHMENT A

KOPPERS COMPANY, INC.

SUMMARY OF TSD FACILITY
INFORMATION FOR KOPPERS COMPANY, INC.
TO ACCOMPANY FINANCIAL ASSURANCE SUBMISSION
OF MARCH 27, 1987

Revised December 24, 1987

Prepared by:
Keystone Environmental Resources for
Koppers Company, Inc.
December 24,1987

ATTACHMENT A
1987 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvania 15219

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1986. Facilities are listed according to states.

Facility Location	**Cost Estimates**		
	1986 Closure		**1986 Post Closure**
Woodward Coke P.O.Box 100 Dolomite, Alabama, 35061 ALD 000771949	$ 32,257	Total Cost = $ 34,207	$ 1,950
Woodward Tar P.O.Box 100 Dolomite, Alabama, 35061 ALD 085765808	$ 40,271	Total Cost = $ 44,621	$ 4,350
Montgomery Plant P.O. Box 510 Montgomery, Alabama, 36101 ALD 004009403	$ 12,373	Total Cost = $ 12,373	$ 0.00
Little Rock Plant P.O. Box 3231 North Little Rock, Arkansas, 72117 ARD 006344824	$ 227,280	Total Cost = $ 227,280	$ 0.00
Commerce Plant P.O. Box 22066 Los Angeles, California, 90022 CAD 004937793	$ 17,746	Total Cost = $ 17,746	$ 0.00
Oxnard Plant 5980 Arcturus Avenue Oxnard, California, 93033 CAD 087163267	$ 23,283	Total Cost = $ 23,283	$ 0.00
Cal-Richmond Plant 3501 Collins Avenue Richmond, California, 94806 CAD 043242718	$ 9,044	Total Cost = $ 9,044	$ 0.00
Feather River Plant P.O.Box 351 Oroville, California, 95965 CAD 009112087	$2,391,433	Total Cost = $2,393,498	$ 2,065

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates: 1986 Closure		Cost Estimates: 1986 Post Closure
Ontario Plant P.O. Box 1112 Guasti, California, 91743 CAD 000617324	$ 19,137	Total Cost = $ 19,137	$ 0.00
Denver Plant 465 West 56th Avenue Denver, Colorado, 80216 COD 007077175	$ 214,049	Total Cost = $ 214,049	$ 0.00
Gainesville Plant P.O. Box 1067 Gainesville, Florida, 32602 FLD 004057535	$ 10,309	Total Cost = $ 10,309	$ 0.00
Conley Plant 1579 Koppers Road Conley, Georgia, 30027 GAD 004009403	$ 28,613	Total Cost = $ 28,613	$ 0.00
Campbell Plant Honolulu Wood Treating Ltd. 91-291 Hanua Street Ewa Beach, Hawaii, 96707 HID 009198797	$ 19,065	Total Cost = $ 19,065	$ 0.00
Maui Plant P.O. Box 1650 Maui, Hawaii, 96732 HID 059475210	$ 9,405	Total Cost = $ 9,405	$ 0.00
Galesburg Plant P.O. Box 1191 Galesburg, Illinois, 61401 ILD 990817991	$ 6,511	Total Cost = $ 6,511	$ 0.00
Chicago Plant 3900 S. Laramie Avenue Cicero Station Chicago, Illinois, 60650 ILD 005164611	$ 45,832	Total Cost = $ 45,832	$ 0.00
Carbondale Plant P.O. Box 270 Carbondale, ILLinois, 62901 ILD 000819946	$ 633,795	Total Cost = $1,375,696	$ 741,901

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure		1986 Post Closure
Valparaiso Plant	$ 10,435		$ 0.00
P.O.Box 104			
Valparaiso, Indiana, 46383	Total Cost =	$ 10,435	
IND 000781609			
Guthrie Plant	$ 96,749		$ 0.00
P.O. Box 8			
Guthrie, Kentucky, 42234	Total Cost =	$ 96,749	
KYD 006383392			
Kansas City Plant	$ 7,491		$ 0.00
P.O. Box 8057			
Kansas City, Missouri, 64129	Total Cost =	$ 7,491	
MOD 007146517			
Garwood Plant	$ 49,230		$ 0.00
P. O. Box 729			
Westfield, New Jersey 07091	Total Cost =	$ 49,230	$ 0.00
NJD 002164705			
Newark Plant	$ 40,526		$ 0.00
480 Frelinghuysen Avenue			
Newark, New Jersey 07114	Total Cost =	$ 40,526	
NJD 002149789			
Port Newark Plant	$ 23,626		$ 0.00
Maritime & Tyler Streets			
Port Newark, New Jersey 07114	Total Cost =	$ 23,626	
NJD 000542282			
Orrville Product Development	$ 8,060		$ 0.00
P.O. Box 905			
Orrville, Ohio, 44667	Total Cost =	$ 8,060	
OHD 068911494			
Youngstown Plant	$ 17,018		$ 0.00
P.O.Box 1137			
Youngstown, Ohio, 44501	Total Cost =	$ 17,018	
OHD 004198784			

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates: 1986 Closure	Cost Estimates: 1986 Post Closure
Parr - West 5151 Denison Avenue Cleveland, Ohio, 44102 OHD 060431947	$ 17,660 Total Cost = $ 17,660	$ 0.00
Verona Research 15 Plum Street Verona, Pennsylvania 15147 PAD 980554950	$ 8,633 Total Cost = $ 8,633	$ 0.00
Bridgeville Plant P. O. Box 219 Bridgeville, Pa. 15017 PAD 063764898	$ 70,003 Total Cost = $ 70,003	$ 0.00
Susquehanna Plant P. O. Box 189 Montgomery, Pennsylvania 17752 PAD 056723265	$ 153,960 Total Cost = $ 153,960	$ 0.00
Science & Technology Center 440 College Park Drive Monroeville, Pennsylvania 15146 PAD 082245754	$ 5,878 Total Cost = $ 5,878	$ 0.00
Florence Plant P.O. Box 1725 Florence, South Carolina, 29503 SCD 003353026	$ 977,909 Total Cost = $1,521,192	$ 543,283
Irving Plant 801 E. Lee Street Irving, Texas, 75060 TXD 053126785	$ 40,046 Total Cost = $ 40,046	$ 0.00
Houston Tar Plant P.O.Box 96150 Houston, Texas, 77015 TXD 008089021	$ 18,153 Total Cost = $ 18,153	$ 0.00
Richmond Plant 4005 Charles City Road Richmond, Virginia, 23231 VAD 003121977	$ 224,311 Total Cost = $ 449,475	$ 225,164

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates: 1986 Closure	Cost Estimates: 1986 Post Closure
Roanoke Plant P.O. Box 792 Salem, Virginia, 24153 VAD 003125770	$ 385,173 Total Cost = $ 748,173	$ 363,000
Follansbee Plant P.O.Box M Follansbee, West Virginia, 26037 WVD 004336749	$ 71,120 Total Cost = $ 71,120	$ 0.00
Follansbee Landfill P.O.Box M Follansbee, West Virginia, 26037 WVD 550010144	$1,990,000 Total Cost = $2,044,000	$ 54,000
Green Spring Plant P.O. Box 98 Green Spring, West Virginia, 26722 WVD 003080959	$ 412,823 Total Cost = $ 415,823	$ 3,000
Oak Creek Plant P. O. Box 6 Oak Creek, Wisconsin 53154 WID 057163941	$ 11,688 Total Cost = $ 11,688	$ 0.00
Superior Plant P. O. Box 397 Superior, Wisconsin 54880 WID 006179493	$ 881,702 Total Cost = $ 881,702	$ 0.00

Total Closure Cost Attachment A = $ 9,918,195

Total Post Closure Cost Attachment A = $ 1,308,927

Total Costs = **$ 11,227,122**

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone (412) 288-4400
Telex WU 86-6133

December 24, 1987

Executive Director
Mississippi Department
of Natural Resources
P.O. Box 10385
Jackson, MS 39209

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1986 and the related consolidated statements of operations, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended and have issued our report thereon dated January 26, 1987. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and specific state regulations, where applicable, the chief financial officer, T. M. St. Clair, has prepared a letter dated December 24, 1987 demonstrating both liability coverage and assurance of closure and post-closure care. Certain data set forth in that letter is identified with an asterick as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1986 Form 10-K.

In connection with the procedures referred to above, nothing came to our attention which caused us to believe that the financial data contained in the above-mentioned letter should be adjusted.

Very truly yours,

Arthur Young & Company

Inside This 1986 Annual Report

Note:
Priority information in this report is highlighted for quick reference.

Quality products and services—those are common enough specifications at many companies. For Koppers employees, they are the priority. At Marathon, N.Y., Koppers employee Rick Huggard operates a vibratory steel-drum compaction roller in one of many examples of the road-paving services performed by the Construction Materials and Services group. At Petrolia, Pa., chemical plant manager Jerry Wagoner leads a spirited team of employees applying advanced technology and innovative productivity to keep Koppers Chemical and Allied Products business a leader in world chemical markets.

The Front Cover . . .
Koppers Construction Materials and Services winning bid for this 14-mile stretch of I-81 in central New York was based on completing the two-year project in half that time.
Koppers communications effort to shareholders shows similar ingenuity: this annual report may be the first in the U.S. to be printed without a heavy cover paper stock, a measure that trimmed approximately 10% off the cost of production.

1986
Koppers Company, Inc. at a Glance

($ Millions, except per share figures)	1986	1985
Total sales from continuing operations	$1,396.4	$1,400.2
Income (loss) from continuing operations	$ 63.2	$ (30.0)
Earnings (loss) per share of common stock:		
From continuing operations	$ 2.09	$ (1.23)
Net to common stock	$ 2.59	$ (3.72)
Dividends per share of common stock	$ 0.80	$ 0.80
Return on average common equity	16.9%	(20.5) %
Capital expenditures	$ 190.7	$ 110.6
Backlog at year end	$ 302.8	$ 345.1

Two core businesses now make up the heart of Koppers:

■ Construction Materials and Services is a network of regional operations with strategically placed aggregate reserves. Combined with paving material and service operations, these meet the high-priority need to rebuild the nation's roads, bridges and other infrastructure facilities.

■ Chemical and Allied Products is an integrated group of chemical-based operations focused on markets where Koppers has technological leadership and/or low-cost production with primary orientation to the requirements of construction, transportation and other industrial markets.

These operations serve customers in three major segments of the economy:

■ Nonbuilding construction, particularly the infrastructure market.

■ A broad spectrum of the building market: commercial, residential, industrial.

■ Industrial production, with specific emphasis on the aluminum, automotive, rubber, transportation, utility and other basic industries.

Three goals involve the welfare of our shareholders and employees:

■ To boost income and reach an 18% return on common shareholders' equity.

■ To improve an already strong financial condition as the primary means toward further growth opportunities.

■ To enlarge Koppers business with consistent earnings performance.

It gives me great pleasure to introduce you to Glen C. Tenley, president and chief operating officer of Koppers. Glen's election gives us a fine combination of continuity and balance. The continuity comes from 31 years of distinguished service since he joined Koppers in 1955. The balance comes from his extensive experience in Koppers chemical processing and coal-based businesses, to whose turnaround he has lent sterling leadership. Combined with my own experience in construction materials and services—I came to Koppers in 1946—this adds up to wide-ranging exposure to our two core businesses.

I should add that I know Glen as a team player who displays utmost compassion in his human dealings along with a no-nonsense approach to operations. He is the very model of The Koppers Spirit referred to in the following letter.

C. R. Pullin

Glen Tenley and Chuck Pullin take a first-hand look at the operations of recently purchased France Stone Company, an organization that added important new Midwest markets to our Construction Materials and Services base.

To Our Shareholders:

The restructuring of Koppers, discussed in last year's message, is well under way. We have sold eight of the 10 businesses we had on the market at the close of 1985. We are pleased by the fact that these transactions have brought in more than we had expected. We continue to pursue possibilities for the sale of the remaining two businesses.

With this downsizing in operations has come a commensurate reduction in costs.

From 1985 levels, corporate overhead expenses have been reduced by more than 25%. This is discussed in the Chief Financial Officer's Letter on page 10.

Operating and Restructuring Success

Last year's letter foresaw "a continuation of impressive growth in Construction Materials and Services" (CMS) and "a conspicuous turnaround in Chemical and Allied Products" (CAP). Both expectations came in on target. Income from CMS operations grew over $33 million in 1986 and topped $100 million for the first time. CAP achieved a reversal, with a nearly $40 million increase in income and a strengthening of Koppers competitive position.

In short, we did what we said we would do.

As a result of a $75 million improvement from operations, our earnings from continuing operations reached $2.09 per share, a level not seen since 1979. The favorable comparisons with 1985 results are shown in the table at right. Return on common equity (excluding extraordinary income) climbed to 13.6% versus –20.5% in 1985, well along the way toward our goal of 18%. Because of the sale of several businesses in our continuing operations and significant product price declines due to lower raw materials prices, total dollar sales did not improve in 1986.

In other phases of our restructuring plan, we made rapid progress thanks to the funds generated from the timely sales of discontinued businesses, the sales of other assets and an improved operating performance. In total, these generated more than $300 million in cash, thus making it possible for us to:

■ Spend $45 million for the redemption of convertible preference stock.

■ Reduce our long-term debt by 50% as we eliminated $93.5 million worth of our high-interest notes.

■ Repurchase more than 800,000 shares of common stock by year end, part of an authorized plan to buy back as much as 4.5 million shares, or 15% of the total outstanding.

■ Invest $190.7 million, primarily for expansion and modernization in the strongest of our existing businesses.

■ Raise our cash on hand at year end by nearly $15 million, to $72 million, giving us good flexibility to deal with developing growth opportunities.

Reaction in the investment community confirmed our optimism as the market value of your Company's stock appreciated by 40% in 1986 and continued to climb in the early 1987 market surge to reach all-time highs.

Focus Sharpened

Today, Koppers is focused firmly on its two major businesses, better able to compete than ever before, closer than ever before to their customers. They stand poised to meet unmistakable national priorities:

CMS is keyed to the need to rebuild the country's decaying infrastructure, most specifically its badly deteriorating system of highways and roads.

CAP is addressing urgent customer requirements for specialized chemical products in the automotive, construction, transportation and industrial production segments of the economy.

As we meet these priorities, both business units are benefiting from:

■ Cost reductions that range from plant operations through all levels of Koppers.

■ Lower prices for raw materials and higher operating efficiencies. We are committed to being the low-cost producer in the majority of our markets.

Now that the results for 1986 have proved we are moving in the right direction, we must recognize the virtue of humility and the vice of complacency. What we want to say to our colleagues at Koppers, therefore, is this:

Yes, it has been a better year for us, but our greatest opportunities for progress still lie ahead. If we let up, if we ease off in the painstaking attention to detail that has characterized our recent efforts, we will not reach our goals as quickly or as fully as we should. We must resolve, all of us, to keep the kettle boiling.

Koppers Strengths

We are determined to continue the momentum generated in 1986. One way to do so is to assess clearly the present strengths upon which to build. This was done in a series of intensive management meetings called for just that purpose. Among Koppers strengths rated most important by a broad group of Company leaders are the following:

■ A nationwide presence in the construction and road materials industry, the nature of which dictates location in many geographic areas. Here we enjoy a strong raw materials position and vertical integration in regional markets. Even the largest of our operating units is locally managed and of a size to be responsive to the market. In addition, we have gone beyond our original role as a raw materials supplier to provide construction services that now account for 40% of CMS sales.

■ Technical competence in the compounding of resins, coatings, sealants and other chemicals, along with superior technology in organic chemistry.

Full-Year After-Tax Comparisons	**1986 $Millions**	**1986 Per Share***	1985 $Millions	1985 Per Share*
Sales	**$1,396.4**	**—**	$1,400.2	—
Income From:				
Operations	**$ 60.9**	**$2.01**	$ 21.4	$ 0.57
Nonoperating Items	**$ 2.3**	**$0.08**	$ (51.4)	$(1.80)
Continuing Operations	**$ 63.2**	**$2.09**	$ (30.0)	$(1.23)
Discontinued Operations	**—**	**—**	$ (71.1)	$(2.49)
Extraordinary Gain	**$ 14.3**	**$0.50**	—	—
Net Income	**$ 77.5**	**$2.59**	$ (101.1)	$(3.72)

*After preference and preferred dividends.

■ The development and manufacture of specialty products to meet specific customer needs in the construction and automotive industries, which are witnessing a revolution in the replacement of conventional materials.

■ The management of environmental problems. We determined long ago that an ounce of voluntary compliance was worth a pound of mandated correction. The experience gained by our cadre of scientists and engineers in managing our own internal problems for the last 10 years has enabled us to form a leading organization that now markets its demonstrated pollution-abatement expertise to others, selling environmental solutions in fields ranging from wood treating to tar distillation, from manufactured gas plants to coke and steel facilities. The potential for this new subsidiary, Keystone Environmental Resources, Inc., is exciting.

To these strengths, we would add one of our own, perhaps the most important of all. It is what we think of as The Koppers Spirit. We are working hard to further an environment in which our people continue to derive gratification from their association with one another and to take pride in their identification with the Company. We observe it in the youngsters who enter our doors full of hope and promise. We observe it in the veterans who joined our ranks in their 20s and have moved up the ladder with us through their middle years and beyond. They have given us a pool of dedicated and experienced employees at all levels, a resource especially valuable at a time when circumstances have required us to prune back our personnel force.

Continuing Reasons for Encouragement

Even in the most sluggish of times, Koppers has been a healthy generator of cash. Cash from depreciation now exceeds that from after-tax earnings. This large and growing flow will provide the basis for a high rate of internally funded expansion.

It is true that much of our recent effort has gone toward the elimination of those operations that have not measured up to our standards. These actions were driven by the knowledge that the cuts are necessary to the process of self-renewal and that our very survival may depend on our status as low-cost producers in our various businesses.

Our restructuring has many positive aspects. The numerous additions to our operations in 1986 speak of a vital, growing, evolving enterprise that may take Koppers down paths even more promising than those of recent years.

There is, finally, the fact that management has put behind it many of its most pressing operating problems, so that we can now concentrate our energies on measures leading to greater profitability. It is also noteworthy that we are able to handle, without disturbing our operating and growth plans, two ongoing problems: the litigation with Inland Steel Company (related to a former business), and future environmental expenses. The ultimate disposition of these (see pages 40-41) can not be accurately foreseen, but we will deal with them with the utmost resolve.

Summing Up

Geographic expansion of Koppers CMS business in the infrastructure markets will take a high priority, particularly as we see such external factors as growing state road maintenance budgets. Koppers CAP businesses will benefit from significantly reduced costs and operating efficiencies.

While the consensus at this time calls for only moderate U.S. economic growth in 1987, we see a positive impact for Koppers from lower interest rates, moderate inflation and a return of the U.S. dollar's value to more historical levels.

Internal measures taken to improve all of our operations, coupled with positive external forces in our markets, should help Koppers to achieve further gains in 1987.

Charles R. Pullin,
Chairman of the Board
Chief Executive Officer

Glen C. Tenley,
President
Chief Operating Officer

February 27, 1987

CMS—Construction Materials and Services
CAP—Chemical and Allied Products

Koppers Meets the Nation's Needs

A Stronger Highway Funding Base

More than half of Koppers CMS sales come from public highway funding. This total market of nearly $40 billion has grown in concert with the nation's GNP, but the portion dedicated to repair and maintenance has been rising at about double that rate, near 9% annually, since 1970.

There are several reasons. The five-cents-per-gallon Federal gas tax increase enacted in 1982 was important particularly because it allowed Federal funds to be used for repair and maintenance, in addition to the building of new highways. Furthermore, states have increased their gas taxes even more substantially than the Federal rate. The average state gas tax per gallon has been raised by 53% since 1980.

State and local governments, because they have the responsibility to maintain streets, roads, highways, interstates and bridges, have begun to play a greatly expanded role in the total highway market. They now supply 75% of the total funds for road construction and maintenance, with the balance coming from the Federal government. The improving ability of local governments to fund needed road repairs in a more timely fashion gives us great confidence in the future of this important market for Koppers.

The key to Koppers future is its ability to help satisfy the needs of the nation and its citizens. This enterprise will survive and prosper only so long as it contributes to society, its prosperity, its quality of life.

Koppers contributions are measured by the value we add to the lives of our citizens. Let us consider how well we carry out that commitment.

Ease of travel adds to commerce and pleasure. So also do the transmission of electrical energy and the extension of communication lines. Koppers people supply materials to build and maintain roads, they treat utility poles and railroad ties, and they contribute to the manufacture of automobiles.

Koppers people provide products to build homes and structures to house commercial and manufacturing facilities. They provide energy-saving insulation. They install low-maintenance roofing. They add to the enjoyment of the outdoors with permanent wood decks. They provide materials that serve dozens of other construction purposes.

Taken alone, the fact that we do these things does not secure our future. It is not enough to know today's needs or wants. We must anticipate tomorrow's. We must also convince our customers that we will have the financial strength to remain a stable, high-quality presence in the marketplace.

Strength in Markets

With Koppers restructuring, we serve important markets from strength. No longer distracted by efforts to shore up weaknesses, we work from two core businesses.

The Construction Materials and Services group concentrates on a most pressing problem. Consider these words from a recent editorial in the newspaper USA Today:

"Chicago's Dan Ryan Expressway is one of the nation's busiest highways. It needs repairs desperately.

"So does Denver's Interstate 25.

"In Houston, the Inner Loop needs more lanes. So does Los Angeles' Century Freeway.

"Bridges need rebuilding in Syracuse . . . .

"We can't waste time. Already, we're facing a backlog of 1.4 million miles of bad roads and 243,000 bad bridges."

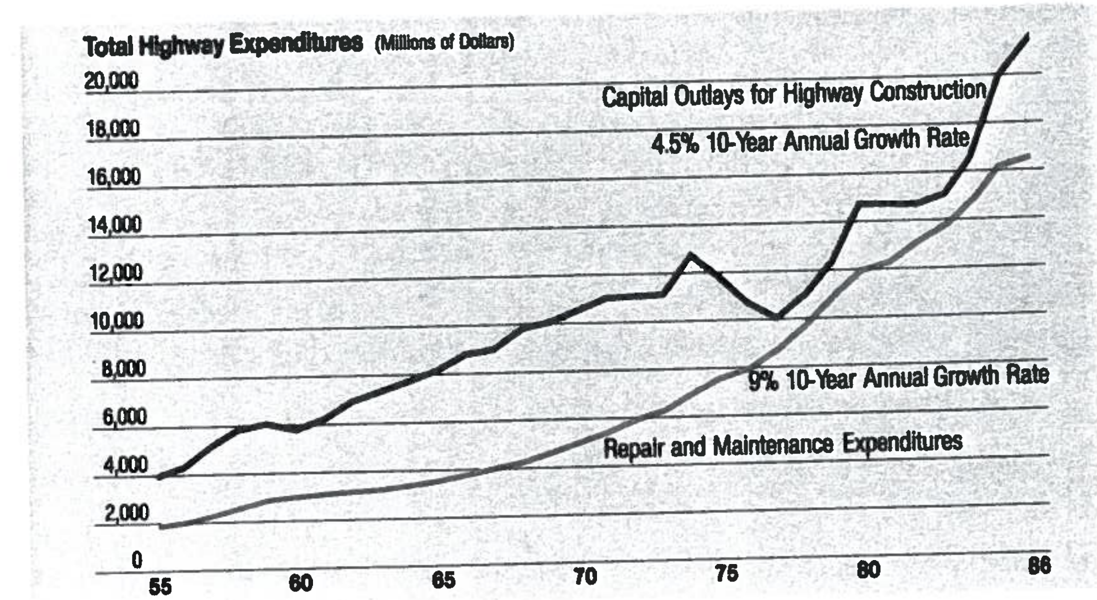
The cure has to do with more than smooth, comfortable and rapid travel. The well-being of entire regions may depend on road transportation. This is what the Journal of American Insurance has to say: "When roads are in good repair, they're safer. Safer roads mean less accidents and injuries, plus lower auto insurance costs."

Road maintenance is a growing priority. Expenditures have increased at an annual rate of 9% over the past 10 years. Koppers is favorably positioned to do well in this market, with operations spread throughout the U.S. (See map on page 38.)

The condition of the infrastructure involves more than roads. According to Business Week, "the nation's public works have been crumbling for nearly a generation." Total work needed in the next 15 years will cost more than $1 trillion, according to the Joint Economic Committee of the U.S. Congress.

Koppers Construction Materials and Services operations, a nationwide organization, supply construction aggregates, bituminous concrete, ready-mix concrete,

Source: U. S. Dept. of Transportation



concrete reinforcing and accessories and construction services.

Our current stone reserves, combined with our network of production facilities (see page 38), both expanded in recent years, make Koppers one of the largest organizations in the U. S. serving the road paving and repair field. Our nearly three billion tons of aggregate will last for more than 30 years at present rates of consumption. With that volume of resources, it is likely that Koppers will continue as a major supplier with products and services for such applications as new roads, highway repair, bridges, industrial parks, airports, sewers, and waste treatment and other infrastructure systems.

The Chemical and Allied Products group is the nation's largest processor of coal tar, producing materials that help to satisfy the nation's need for aluminum, plastics, rubber, utility poles and railroad crossties.

Our resins go into the manufacture of lighter-weight, higher-quality automobiles. As a leader in polyester resin technology, we have improved considerably upon methods for the development of fire-retardant, corrosion-resistant formulations, a capability we expanded by means of acquisition last year.

Our Thiem Corporation contributes to the production of cars that ride more quietly and that reduce rust to a minimum. (See illustration below.) It is keeping us out in front in the search for new materials to be used in automobiles. As automotive engineers consider changes, we work alongside them developing adhesives and sealants that will be compatible with the new materials. Additionally, we are conducting parallel research to help make improved foundry castings that are lighter in weight and more economical to produce.

Our licensees for Wolmanized treated wood continue to lead the field in the manufacture of wood for decks and other outdoor uses. Nine million wood decks will be built in the next six years. The trend to pressure-treated wood is rapidly growing, particularly as society moves to more outdoor living and as alternative materials such as redwood lumber grow more and more expensive.

Growth Through Innovation

The drive continues throughout the Koppers organization to make our products and services more attractive to customers. To Wolmanized treated wood, for example, we have added Wolman protective coatings, sealers and cleaners that enhance the beauty of outdoor decks.

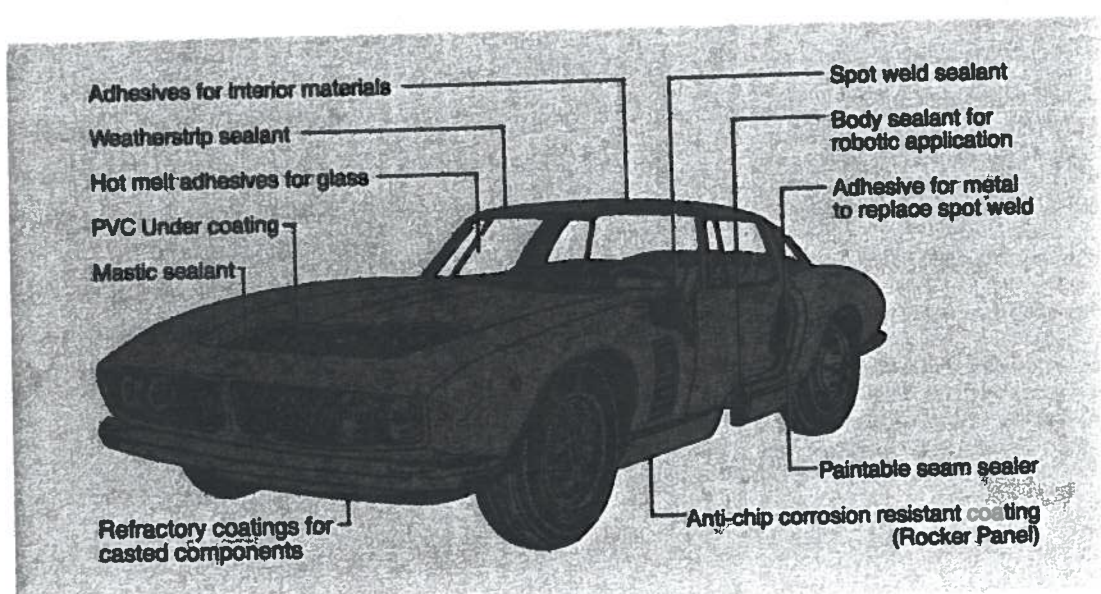
Scientists at our Science and Technology Center, seeking to improve high insulation values, have developed Koppers Rx. Using phenolic foam, this product retains its insulating value far longer than any other product available, making it possible for us to offer the only 20-year written guarantee available in the insulation industry.

Not to be overlooked is the ingenuity of Koppers people in meeting—and exceeding—customer requirements. A classic example is the performance of our General Crushed Stone and Reed Paving subsidiaries in the resurfacing of a 14-mile stretch of Interstate 81 in central New York State. Reed set up a special school to instruct crews on how to organize the job for greater speed. A million-dollar portable plant, located on the job site, lowered the cost of blacktop mixes.

The result: Reed was able to win the assignment by bidding it as a one-year job, thus finishing it in half the time the state had allotted for completion of the job.

Meeting the Automotive Challenge

A quiet revolution is under way in the automotive industry. It has brought the replacement of conventional materials with new and superior substances. Koppers Thiem subsidiary is a prime developer and producer of adhesives, sealants and refractory coatings like those used in this typical, modern-day automobile.



New Muscle for Challenges Ahead

As our restructuring has surged ahead at full speed, Koppers has developed a set of capabilities and conditions to meet the rigors of a radically altered operating environment:

- Divestitures and cutbacks have eliminated excesses from the corporate structure leaving a lean, more responsive organization to attack our challenges on every front.
- With many of its problems behind it, Koppers management is free of the distractions of recent years, free to apply all of its energies to the challenges ahead.
- While using short-term solutions, we have at the same time continued to build for the more distant future. Shareholders should take heart from Koppers recent successes in expanding current businesses and adding new capabilities.
- Our Kopvenco unit, which has invested in 14 new venture enterprises since 1980, has given us a standing in such fast-moving fields as robotics and ceramics.
- The establishment of a new unit, Keystone Environmental Resources, Inc., capitalizes on our internal experience in environmental management to create an entirely new potential for major revenues through the sale of environmental analytical, consulting and remedial services.

We maintain a continuing proactive search for new niches we can fill through the application of our existing disciplines.

Durability From Financial Strength

Prospects alone, however, do not a future make. A key question is whether there are financial resources to capitalize on opportunities.

Koppers is a cash generator. Look at the record for last year: we retired high-cost debt, we bought back stock, we invested heavily to expand our businesses, we paid dividends and still increased our cash balance at year end. Koppers historically has generated funds internally as a major source of our growth capital. This will continue.

Our prospects, then, are excellent, being based upon financial strength and market strength where needs are great. We anticipate and find ways to satisfy future desires of customers. We have the resources to do more than simply endure. Building strength upon strength, we can renew ourselves constantly into the indefinite future.

Mt. Vernon, Indiana. Ronald J. Dunbar, senior process engineer, General Electric Company; Howard A. Mason, area sales manager, Industrial Products Division, and James W. Lamb, Chicago Plant chief engineer, Koppers; Brock Miller, unloader, General Electric Company.

It's a powerful incentive when a customer responds with a go-for-it instead of a yes-but. That's how we stand with General Electric. Six years now, we've been supplying phthalic anhydride for their high-strength, heat-resistant Ultem resin, which they use for everything from aircraft window cowlings to their own microwave ovenware. We started with bags, each of which had to be opened by hand, a time-consuming process. Molten phthalic lends itself to automated handling, only 45 minutes to empty a truckload. Molten they wanted, and molten we gave them, heated to 300 degrees in insulated tank trucks. No instruction manual takes the place of show-and-tell, so we agreed to bring two of their people to our Chicago Plant to watch how we loaded, then over to our customers at The Sherwin-Williams Company to demonstrate unloading. Jim Lamb and I followed up by going all through GE's new Ultem plant to pin down equipment recommendations, which they immediately approved. One thing Jim suggested was a jacketed steam pipe in the storage tank so the phthalic can be reheated without damaging the tank—a bit like a Russian samovar, where charcoal in a cylinder inside the tank brings the tea water to a boil. The main thing we give them, though, is the highest-clarity phthalic on the market. This is what we ship to GE and they like it.

Howard A. Mason

Howard A. Mason

tlook is for moderate improvement in ustrial markets due to expected turn in U.S. de deficit. Increased production capacity for h-growth Thiem automotive products will rt up in 1987. Polyester resin sales will and through recent Atlac resins acquisition. tdoor decks continue as strong market for lmanized wood and newly-introduced lman protection products. Phenolic foam ulation sales should continue rapid growth. mand for railroad crossties will remain weak.	Sales	$ 588.9	$ 618.6	$ 664.5
	Operating Income	$ 39.5	$ (61.6)	$ 4.6
sults in new environmental subsidiary should in 1987. Interest income will decline.	Sales	$ 3.4	$ 4.2	$ 3.7
	Operating Income	$ 7.6	$ (5.2)	$ 6.1
Total	Sales	$1,396.4	$1,400.2	$1,388.7
	Operating Income	$ 152.4	$ 4.7	$ 72.1
General Corporate Overhead		$ 28.7	$ 28.7	$ 23.4
) Before Interest Expense and Income Taxes		$ 123.7	$ (24.0)	$ 48.7
leral highway outlays expected to plateau at h level, with growing proportion going to air market. Additional state fuel taxes, bond ncing should permit modest rise in highway nding, assuming legislative delays do not pair construction programs. Moderate spend- gains are expected for sewer, water systems. lroad maintenance could slip further.	Sales	$ 838.5	$ 859.8	$ 847.0
	% Total	60.0	61.4	61.0
: reform, high vacancy rates will affect rental ısing, offices, stores. Low mortgage rates uld support single-family housing. Gains in litions, alterations expected. Housing starts ld reach 1.7 million. Nonresidential building struction may drop 5%-10%.	Sales	$ 244.3	$ 230.4	$ 188.2
	% Total	17.5	16.5	13.6
ustrial production expected to rise about 2%. mestic auto sales may drop by nearly one lion units as consumers retrench. Dollar's fall l help stem further import inroads in tires, minum, chemicals, plastics, paper, leading to her operating rates.	Sales	$ 313.6	$ 310.0	$ 353.5
	% Total	22.5	22.1	25.4
	Total sales	$1,396.4	$1,400.2	$1,388.7

Windsor, Ontario, Canada. Jeffrey T. Baker, sales engineer, and Richard B. Ballmann, product manager, Thiem Corporation, subsidiary of Koppers; Dr. Duane Becknell, quality assurance supervisor, Ford Motor Company.

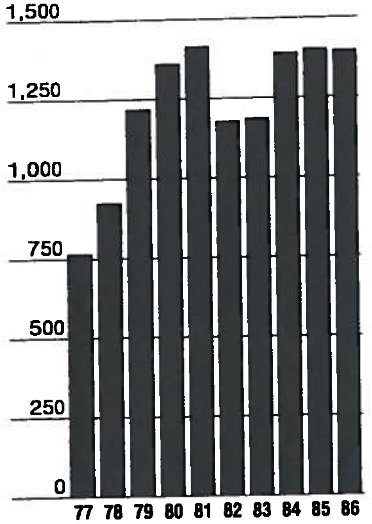
We've worked with Ford for 40 years, since Thiem was founded. Our latest assignment is at the Ford Essex Aluminum Plant in Windsor, Ontario, where they make lightweight aluminum intake manifolds for the Taurus, Motor Trend magazine's car of the year for 1986. Ford invested $3 billion in the new product line. We keep that in mind in assessing our commitment to perfection. Ford decided to use a process they call Evaporative Casting Process for the manifolds. What's different about Ford's method is that they place a polystyrene pattern in loose sand, instead of rigid, bonded sand. This makes it easier to change the design and permits internal passages that would otherwise be impossible. The part comes out smoother and lighter. The savings can be 20%. Thiem's contribution is a refractory coating whose permeability precisely controls the gas formed as the molten aluminum vaporizes and replaces the polystyrene pattern. The coating keeps the metal in and the sand out. Dr. Becknell says: "Without Thiem's research, this wouldn't have been possible. They've given us a designer coating, designed specifically for us." It took months of working around the clock with the production people at Essex. We'd get right inside a 150-degree drying oven to check out the coating. We still rush to Thiem's Milwaukee labs any time we need to modify the coating formula. When you're shipping 30,000 gallons a month, you don't argue. You jump.

Dick Ballmann

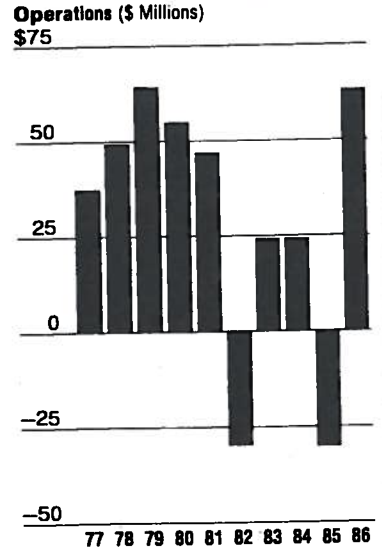
Richard B. Ballmann

Management's Discussion and Analysis of Financial Condition and Results of Operations

Sales From Continuing Operations ($ Millions)



Income (Loss) From Continuing Operations ($ Millions)



Chief Financial Officer's Comments

A year ago, these comments dealt with the prospects for change and improvement that we expected to come from the restructuring plans then being implemented. The Chairman's letter summarizes the progress Koppers has made: "We did what we said we would do."

Two actions that have reshaped the Company's capital structure deserve some elaboration. In July, we redeemed all of the Company's 10% convertible preference stock for a total of $45 million. In December, we retired the 11.25% long-term notes outstanding at a total cost of $100.3 million, including a prepayment premium of $6.8 million. These were relatively high-cost components of our capital, and their elimination will add appreciably to earnings to common shareholders.

Our balance sheet at December 31, 1986, was in excellent shape. Total term debt was reduced by over $100 million and now represents about 21% of total invested capital. Total net investment in working capital declined by $127 million during 1986, reflecting the reduction in net assets of discontinued operations due to the sales of eight of those units and the redeployment of the funds thus generated. Our current ratio was 1.6-to-1 at year end, which was essentially the same as a year earlier, excluding the discontinued operations item. We are comfortable with this relatively low ratio of current assets to current liabilities because December is on the low part of the seasonal curve for our businesses, and because our managers work hard at controlling inventories and receivables throughout the year. Cash and short-term investments at the end of 1986 totaled $72.5 million, up $14.7 million from a year earlier.

Another important aspect of our 1986 performance that is not as visible as our financial progress is the effort to reduce overhead costs. Our objective was to reduce total overhead commensurate with a narrowed business structure. A perceptive reader will see that General corporate overhead of $28.7 million in 1986 (shown on pages 9 and 35) was essentially identical to the 1985 figure. This is the expense category which includes provisions for the Company's supplemental matching contribution to the Employee Savings Plan, the corporate Executive Incentive Plan and the Deferred Compensation Unit plan. Each of these incentive plans is described in Note 6 on page 31. Because of the substantially improved financial performance of the Company in 1986, there were significant increases in these provisions as compared with 1985, when such amounts were minimal or nonexistent. General corporate overhead in 1986, other than the compensation provisions mentioned above, actually declined by $7.3 million, or more than 25%, versus 1985.

We believe Koppers has made meaningful progress in the past year, but it is equally clear that there must be continued improvement. The challenges ahead will certainly be as demanding as those we faced in the year just ended.

As in past reports, Koppers management is responsible for the financial statements and information presented in this annual report and 10-K.

T.M. St.Clair

Thomas M. St. Clair
Vice President and
Chief Financial Officer

February 27, 1987

Results of Continuing Operations

This section covers, for the period 1984-1986, the performance of Koppers business segments, other factors in the Consolidated Statement of Operations (page 25) that materially influenced the financial results, changes in liquidity and the use of capital resources that affected Koppers financial condition at the close of 1986.

Net Sales and Income

Sales were virtually unchanged from 1984 through 1986. (See tables on page 12.) Annual gains in Construction Materials and Services sales offset an 11% sales decline in Chemical and Allied Products since 1984 due to weak demand in certain end markets, lower prices and the sale of a chemical business. Traditionally, Koppers sales are lowest in the first quarter of any year and reach their peak during the second and third quarters, then begin to decline in the fourth quarter because of seasonal demand declines in most construction markets. Excluding nonoperating items, the Company's income also normally follows this pattern.

The Company posted a profit in the fourth quarter of 1986. It recorded a loss in the same 1985 period after recognizing the unfavorable net effect of nonoperating charges and provisions for the discontinuance of certain operations.

Construction Materials and Services Operations

($ Millions)	**1986**	1985	1984
Sales	**$804.1**	$777.4	$720.5
Operating income	**$105.3**	$ 71.5	$ 61.4

Sales increased in 1986 and 1985 as nationwide activity in highway maintenance and construction continued strong and operations were expanded. The sales reported for 1986 would have been even greater but for the exclusion of sales during the last half from the Colorado area businesses that became part of a new joint venture investment, reflected under equity accounting rules. Operating income in 1986 increased nearly 30% from 1985, excluding the effect of nonoperating items in each period. Lower asphalt prices, closely controlled costs and higher unit sales contributed to improved profit margins. Sales in 1985 rose 8% over 1984 with a 17% gain in operating income. Nonoperating items accounted for $7.5 million in 1986 income and reduced 1985 results by $4.5 million.

Higher sales were reported virtually across the board. Total shipments of aggregates increased from 58 million tons in 1985 to 73 million tons in 1986. Construction work dropped slightly. Sector activity was evenly split between private and government contracts. Sales of materials were 60%, while sales of services were 40%. About 60% of sales were in the East and Southeast, with the balance in the West.

San Diego, California. Monty Wilde, project estimator, and Stephan J. Nemeth, assistant chief estimator, Sim J. Harris Company, subsidiary of Koppers; Robert Kenniston, director of park services, Sea World.

They're expanding in a big way, and we are proud to be part of it. We've handled Sea World's paving needs for years. Recently, we once again scored high with them by completing a much-needed major access road in a very short time frame, with knowledgeable methods that saved them a considerable amount of time and money. We send our crews to Sea World on a regular basis and our experience pays off in avoiding any disruption and inconvenience for the millions who visit the park annually. Sea World is open 365 days a year, and when emergency situations arise, they count on Sim J. Harris to respond on short notice. They called on us with their major expansion to take charge of details and work in engineering, grading and paving of an additional 34 acres of parking area. That measures out to more than 45 football fields, goal line to goal line. Imagine close to a thousand players knuckling down to scrimmage at the same time. San Diego's Sea World depends on Sim J. Harris for experience and service, and we at Sim J. Harris are dedicated to maintaining and expanding that experience and service to all of our customers.

Monty Wilde

Management's Discussion and Analysis (continued)

Excluding acquisitions, Western and Eastern region performances each improved by 40% as a result of increased construction activity and increased demand for crushed stone. This was partially offset by a decline in steel-reinforcement products for concrete.

The 1986 year-end backlog was up 8% from 1985, excluding the businesses now in the joint venture. New orders in 1986 were up 15%, however, as work booked included a $34 million highway contract in Georgia, two $5.0 million projects in Virginia and a $6.0 million highway contract in New York. Recently, an $8.0 million contract on I-81 in New York was completed.

Operations were expanded by the addition of 20 quarries, nine bituminous concrete plants, one sand and gravel operation and two construction units. These units have the potential to add more than $100 million to CMS annual sales. The coatings business grew with two newly acquired paint operations that will more than double coatings sales. Late in the year, a joint venture, Western-Mobile, Inc., was formed to produce and supply construction materials and services in Colorado, Kansas, New Mexico and Wyoming. (See note 2, page 30.)

Chemical and Allied Products Operations

($ Millions)	1986	1985	1984
Sales	**$588.9**	$618.6	$664.5
Operating income	**$ 39.5**	$(61.6)	$ 4.6

This business segment reported improved operating income on slightly lower sales in 1986, versus a loss in 1985. Contributing to the turnaround were improved profit margins resulting from reduced raw material costs, better operating efficiencies, unit sales gains and a weaker U.S. dollar. Excluding the effect of nonoperating charges, each sector's performance improved significantly from the prior year.

Results in 1986 reflected only $1.4 million in nonoperating charges, while 1985 results were unfavorably affected by the impact of $65.3 million in such charges, with 66% pertaining to environmental provisions and with the balance resulting from plant closings. Nonoperating charges for 1984 totaled $35.6 million and included warranty reserves, asset write-downs and environmental provisions.

Building Products Sector—Sales in 1986 increased 9% and losses from the prior year were reduced by $8.5 million. Specialty wood chemicals sales and income rose because of high sales volumes and improved pricing. Insulation foam board sales volumes were double 1985 levels. This, along with substantial cost reductions, greatly lowered the loss in this new product line. Reduced overhead also brought about improved profits in the commercial roofing business.

Selected Financial Data (from continuing operations)

($ Millions, except per share data)	1986	1985	1984	1983	1982
Operating results:					
Net sales	**$1,396.4**	$1,400.2	$1,388.7	$1,183.6	$1,174.4
Income (loss) from operations	**$ 63.2**	$ (30.0)	$ 24.0	$ 24.1	$ (29.9)
Income (loss) from operations —per common share	**$ 2.09***	$ (1.23)	$ 0.62	$ 0.59*	$ (1.36)
At year end:					
Total assets	**$1,016.6**	$1,066.1	$1,154.7	$1,175.4	$1,192.9
Long-term debt	**$ 117.7**	$ 215.5	$ 219.8	$ 232.9	$ 275.7
Redeemable convertible preference stock	**$ —**	$ 43.9	$ 46.5	$ 69.4	$ 75.0
Total long-term debt and redeemable preference stock	**$ 117.7**	$ 259.4	$ 266.3	$ 302.3	$ 350.7
Cash dividends declared per common share	**$ 0.80**	$ 0.80	$ 0.80	$ 0.80	$ 1.40

*Per share figure excludes extraordinary gain of $0.50 and $0.21 in 1986 and 1983, respectively.

Quarterly Financial Data (from continuing operations)—unaudited

($ Millions, except per share data)	1st Quarter 1986	1st Quarter 1985	2nd Quarter 1986	2nd Quarter 1985	3rd Quarter 1986*	3rd Quarter 1985	4th Quarter 1986*	4th Quarter 1985	Total 1986	Total 1985
Net sales	**$257.0**	$259.5	**$370.9**	$377.1	**$400.7**	$411.1	**$367.8**	$352.5	**$1,396.4**	$1,400.2
Gross profit**	**33.7**	21.7	**73.5**	57.2	**84.6**	69.0	**79.5**	36.3	**271.3**	184.2
Income (loss)	**(0.6)**	(12.8)	**17.8**	(10.7)	**30.6**	29.8	**15.4**	(36.3)	**63.2**	(30.0)
Earnings (loss) per common share***	**$ (0.07)**	$ (0.49)	**$ 0.57**	$ (0.42)	**$ 1.05**	$ 1.00	**$ 0.53**	$ (1.32)	**$ 2.09**	$ (1.23)

*The 1986 third and fourth quarter figures for sales and gross profit have been restated to reflect the sale of certain CMS subsidiaries to Western-Mobile, Inc.

**Net sales less Cost of sales (including allocable portion of Depreciation, depletion and amortization and Taxes, other than income taxes).

***Sum of quarterly earnings (loss) per common share does not equal total, since shares outstanding increased during 1986.

Chemical Systems Sector—Operating results for this sector improved dramatically. Sales of resorcinol-related products were strong in 1986. Their profit margins grew significantly because of lower unit costs helped by the weakened U.S. dollar in overseas markets. The polyester resins market was flat. Higher unit sales of automotive sealants and adhesive products were attributable to increased demand within the automotive industry. New Thiem automotive products introduced in 1986 gained market acceptance.

Tar and Wood Products Sector— Despite weak demand in its markets, this sector achieved a $24 million turnaround in operating income (excluding nonoperating items) from last year's loss. Results benefited from improved production efficiencies, lower raw material cost and reduced expenses.

Unit sales of phthalic anhydride increased by 28% from the prior year. Prices rose moderately and contributed to reduced losses in this line.

Carbon pitch unit sales rose slightly despite the depressed aluminum industry; prices weakened, however. Crosstie sales to railroads and creosote sales to wood treaters each fell by 20% because of the low volume of activity within these markets.

Miscellaneous Operations

($ Millions)	1986	1985	1984
Sales	**$ 3.4**	$ 4.2	$ 3.7
Operating income	**$ 7.6**	$(5.2)	$ 6.1

Miscellaneous sales and operating income include revenues received by Koppers from numerous investments other than those in the Company's basic operations. Sources include venture capital and other equity investments, short-term cash investments and others.

Miscellaneous income included gains from the sale of the Company's shares in Genex Corporation and DNA Plant Technologies, venture capital investments, interest income from short-term investments; and a tax refund. These were offset by losses from equity investments in venture capital companies and by discounts taken on the early collection of notes receivable.

In 1985, Koppers had equity losses from investments, partially offset by gains from the sales of several Kopvenco investments.

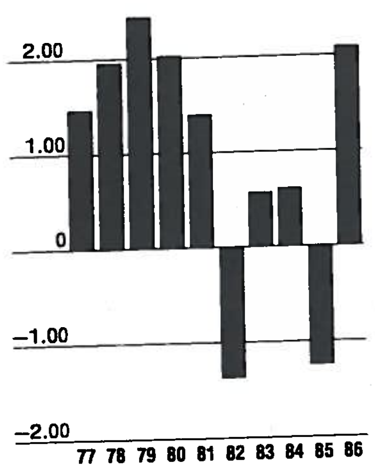
In 1984, Miscellaneous income included gains from the ultimate disposition of Richmond Tank Car Company stock, the collection of a note receivable from that company's affiliate, and the sale of a portion of the Company's shares in Genex Corporation.

Scott County, Kentucky: Donald H. Waltz, Jr., built-up roofing marketing manager, and David S. Ochap, customer service manager, Koppers; Yoshihiro Mizoguchi, chief engineer, Ohbayashi Corporation.

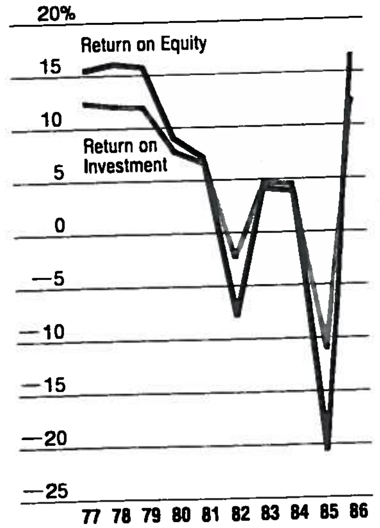
This isn't just another job. It's quality meeting quality. Toyota has an uncompromising insistence on quality and service. Koppers has the highest quality roofing and insulation on the market. Under this Koppers-supplied roof, one of the biggest in the U.S., Toyota will assemble 200,000 cars a year. The Ohbayashi people, in charge of construction, expedite communications with the contractors by harnessing American and Japanese managers in tandem. Our people went to Japan to state our case and we were able to assure Toyota of proven long-term performance of coal tar built-up roofing. And then there's the human side. Dave Ochap, like others in his family, worked as a roofer, clambering onto many a rooftop for 10 years before joining Koppers. Now he shares an apartment with a contractor foreman, and you know what they discuss day and night—roofing. Dedication. What it's all about. The roofers can expect weekly truckloads of Koppers patented phenolic insulation from our Wisconsin plant. Our Alabama plant will be on continuous call, shipping tank truck after tank truck of coal tar bitumen directly to the site. The dimensions are staggering—more than 3½ million square feet. Think of an expanse wide as a football field and more than four miles long. One fellow looked at the job and whistled, "This roof spreads all the way from winter at the near end to springtime at the far."

Donald H. Waltz, Jr.

Earnings (Loss) From Continuing Operations (Per Share)



Returns on Average Common Shareholders' Equity and on Average Total Investment



Financial Results

Operating Expenses Cut

Trends in sales and profitability over the past three years were discussed in the preceding section. Their effect on Koppers performance can best be represented in the relationship between Sales and Cost of sales, shown as part of the Operating expenses in the Consolidated Statement of Operations on page 25.

Cost of sales in 1986 decreased $96.0 million from 1985, primarily because of reduced raw material costs, liquidation of LIFO inventories and fewer operating facilities. The reclassification of $16.6 million of 1985 environmental expenses to Cost of sales, in conformance with SEC guidelines on the presentation of restructuring charges, also contributed to the decline in Cost of sales. While the decline in Sales was minimal, Cost of sales decreased 8.5% from 1985.

Depreciation, depletion, and amortization increased moderately as a result of high capital spending during the past three years. Also, taxes other than income taxes rose slightly due to the increased Social Security tax rate.

Selling, research, general and administrative expenses rose 2% despite decreases in salaries, advertising, commissions and research spending. These reductions were offset by increases in insurance and incentive payments. This category remained constant as a percentage of sales compared with last year.

General corporate overhead costs in 1986 nearly matched those incurred in 1985. Reductions in staff, advertising, and commissions were neutralized by increased costs related to employee compensation and benefit plans. In 1987, the Company will implement Financial Accounting Standard No. 87 "Employers' Accounting for Pensions," which is expected to reduce the Company's 1987 pension expense.

Profit from operations disposed of or closed in 1986, another SEC-required reclassification of restructuring charges, further reduced operating expenses and increased operating profit over the results for 1985.

Other Income Rose

In 1986, Other income of $15.0 million increased over the previous year in all components except profits relating to sales of capital assets. Koppers reported a $10.7 million loss in 1985 due to the nonoperating charges from continuing operations.

■ Interest income of $10.1 million was realized on the high level of cash generated by Koppers in 1986 earnings performance.

■ Additional charges totaling $3.6 million were recorded to cover environmental clean-up costs of previously operated locations. This provision was $25.0 million less than the large provision made in December, 1985.

■ Profits on the sale of capital assets fell sharply in 1986 because of the absence of a large transaction comparable to the 1985 sale of timberlands, which produced a gain of $15.2 million. Profits on the sale of investments, however, were 11% higher than in 1985. The increase was attributable solely to the gain on stock sales of two venture capital investments, DNA Plant Technology and Genex.

Other income benefited from a substantial increase in equity earnings in 1986, in part due to the formation of the Western-Mobile joint venture. The absence in 1986 of some miscellaneous charges incurred in 1985 also contributed to the positive swing in this category.

Interest Expense Reduced

Interest expense fell nearly 10% from 1985 versus an increase of 4% in 1985. Lower term debt and the absence of short-term borrowings accounted for the 1986 decline. At year-end 1986, total term debt was reduced by 44% because of the prepayment of $95.5 million of 11.25% notes. Koppers effective interest rate on average debt in 1986 was 9.59%, nearly identical to the 1985 rate. (See note 4, page 31.)

Income Tax Provision

The income tax provision of $39.1 million compared with a $17.7 million benefit in 1985. An effective tax rate of 38.2% in 1986 compares with a 37.1% benefit rate in 1985. (See note 8, page 33.)

Additionally in 1986, the Company enjoyed a $21.1 million tax benefit (treated as an extraordinary item) associated with the utilization of net operating loss carryforwards.

Financial Condition Strong

Over the past seven years, Koppers has streamlined the operations of the Company in response to changing business conditions. Initiation of a major restructuring plan in 1985 resulted in the recognition of significant nonoperating charges.

With the significant redeployment of assets being accomplished, marked improvements in the Company's 1986 financial performance enabled Koppers to maintain its strong financial condition.

The continuing operations of Koppers have been profitable at the operating level and have generated a significant inflow of cash. The improvement in the Company's earnings and cash proceeds from the sale of eight of the discontinued operations had a very positive impact on the Company's cash position.

As part of the Company's redeployment plan, these funds have been used to acquire several related businesses to position Koppers better in the marketplace. Funds were used also to redeem the Company's remaining convertible preference stock as well as to repay the outstanding 11.25% promissory notes. Both of these cash outflows will add to future funds available to Koppers for its continued growth in the marketplace.

Liquidity Improved

The liquidity position of Koppers improved in the key areas of cash from operations, working capital, debt-to-equity position and borrowing capacity.

Greater Cash Generated

($ Millions)	1986	1985	1984
Total cash sources	**$397.1**	$188.6	$140.7
Total cash used	**$382.4**	$197.8	$192.0
Increase/(decrease) in cash	**$ 14.7**	$(9.2)	$(51.3)
Beginning cash balance	**$ 57.8**	$ 67.0	$118.3
Ending cash balance	**$ 72.5**	**$ 57.8**	**$ 67.0**

Total cash on hand at the close of 1986 increased by $14.7 million from a year-earlier decrease of $9.2 million as shown in the summary above. (The Consolidated Statement of Changes in Financial Position is on page 28.) The high level of cash generated in 1986 enabled the Company to fund expenditures internally without requiring any additional outside financing. Funds provided from operations increased to $300.7 million, from $157.3 million in 1985.

Total use of funds increased to $382.4 million, from the 1985 level of $197.8 million. This increase of $184.6 million resulted primarily from three major actions implemented during 1986: 1) term debt of $115.4 million was repaid, of which $93.5 million was for the early retirement of the 11.25% promissory notes; 2) the redemption of the remaining shares of the preference stock, costing $45.1 million; 3) the common stock repurchase program, costing $23.8 million.

Working Capital Decreased

($ Millions)	1986	1985	1984
Working Capital	**$176.9**	$303.9	$242.0

Over the past several years, management has concentrated its efforts on controlling the Company's working capital investment, an important factor in maintaining Koppers strong financial condition and good liquidity. (Working capital is the surplus of current assets over current liabilities and indicates the financial flexibility to meet day-to-day obligations, withstand adversity and pay dividends.)

In 1986, the reduction in working capital of $127.0 million shown in the above table was a direct result of the $139.3 million reduction in the net assets of discontinued operations, which were classified as current assets under the plan to sell them during 1986. Excluding this item, Koppers normal working capital at the close of 1986 would have actually increased $12.3 million. This increase in working capital resulted in slight increases in cash, inventories and prepaid expenses, which were partially offset by increases in current liabilities. The current ratio (current assets divided by current liabilities) was 1.63-to-1 at the close of 1986.

Pleasanton, California. Robert Silva, center, vice president, Oliver de Silva, Inc.; Alan French, Central Region manager, roadbuilding sales, and Hal A. Lohmann, sales manager, Central Division, Kaiser Sand & Gravel Company, subsidiary of Koppers.

Growth is a dominant theme in this part of the country. Start with Pleasanton, east of San Francisco Bay. It's the home of Hacienda Business Park, an 860-acre community of commercial, retail, financial, and research and development facilities, one of the largest in the U.S. The general contractor for site preparation, Oliver de Silva, Inc., is a major customer of Kaiser Sand & Gravel Company, a subsidiary of Koppers. To serve customers like de Silva, we have 16 production facilities in California supplying sand, gravel, crushed stone, ready-mix and asphaltic concrete. Our Pleasanton sand and gravel plant is one of the largest and most sophisticated of its kind in the U.S. Even so, we had to make special provisions to meet de Silva's monumental requirements. One dramatic measure was to assemble special equipment in the mining area to provide more than 10,000 tons of aggregate subbase per day for a two-week period, a total of 128,000 tons. In addition, we supplied 75,000 tons of aggregate base and 35,000 tons of asphaltic concrete. Bob Silva told me that he no longer thinks about Kaiser as a supplier. Now we're *part of his team.* That made me feel very good about our 30 years of hard work and you bet we'll be just as responsive on the next job, big or small.

Hal A. Lohmann

Hal A. Lohmann

986 there was a net reduction in long-t of $97.7 million, while debt due in one reduced an additional $4.7 million. The ı in the long-term debt was due primar- early retirement of the 11.25% prom-tes. (See Note 4 on page 31.)
ɔmpany renegotiated its revolving credit ı agreement providing up to $200 mil-volving credit, enabling Koppers to or expenditures. There were no gs under this agreement during 1986. :sult of the reduction in long-term debt, debt portion of total capitalization 1 to 21.1% from 32.9% in 1985. The y's debt level has averaged approxi-)% over the past 10 years.

Expenditures Higher

1986 capital expenditures of $190.7 ıcreased significantly over 1985 expend-$93.8 million. This higher level of capi-ing was funded totally by internally l sources, as in prior years. ximately three-quarters of 1986's capi-ment was for Construction Materials ıces projects. The majority of total capi-ditures went for acquisitions of compa-lated businesses and areas that follow :nt business strategy to position better in the marketplace. Combined, .tions added in 1986 will generate ıles of more than $100 million. The g expenditures were directed toward g and expanding existing facilities. l expenditures by business segment are a domestic specialty polyester resin business that will expand Koppers position as a supplier of premium resins.

Construction Materials and Services' largest expenditure was for the formation of Western-Mobile, Inc., an equally owned joint venture with Redland USA Holdings, Inc. The new company will produce and supply construction materials and services in the Colorado, Kansas, New Mexico and Wyoming markets, with combined aggregate reserves of over 200 million tons at 22 sites. (See Note 2, page 30.)

Construction Materials and Services also added capabilities in Ohio and Indiana consisting of 10 quarries, one sand and gravel plant, and one pulverizing plant. In Pennsylvania, operations were expanded with the addition of five quarries and five asphalt plants along with paving construction services. Two quarries and one bituminous concrete plant were added in New York, along with a construction service business. A Florida bituminous concrete plant was acquired in addition to an asphalt plant in Georgia and a quarry in Indiana that has stone reserves equal to a 20-year supply. Koppers Coatings Division expanded its business with the acquisition of two marine paint manufacturers.

Keystone Environmental Resources, a newly formed wholly owned subsidiary, recently acquired the assets and business of an environmental testing laboratory in Texas. This facility will expand Keystone's capabilities in the analytical market, which is critical to its business strategy.

Additional investments in emerging technolo-

pitalization	1986		1985		1984	
31,	$ Millions	% of Total	$ Millions	% of Total	$ Millions	% of Total
t						
% Promissory notes	$ —	—%	$ 93.5	13.1%	$100.0	11.8%
rial development bonds						
notes	69.9	11.2	71.9	10.1	59.3	7.0
otes	17.0	2.7	20.0	2.8	23.0	2.7
Notes	14.0	2.2	18.0	2.5	22.0	2.6
	16.9	2.7	12.0	1.7	15.5	1.8
due within one year	14.6	2.3	19.3	2.7	13.4	1.6
	$132.4	21.1%	$234.7	32.9%	$233.2	27.5%
ıon	$479.1	76.5%	$420.1	58.9%	$551.8	65.2%
ence*	—	—	43.9	6.1	46.5	5.5
red	15.0	2.4	15.0	2.1	15.0	1.8
	$494.1	78.9%	$479.0	67.1%	$613.3	72.5%
italization	$626.5	100.0%	$713.7	100.0%	$846.5	100.0%

ıs shown with redeemable preference stock included in debt for 1985 and 1984 would be 39.0% and . espectively, of total capitalization, with equity being 61.0% and 67.0%, respectively.

pleted two major projects. An arsenic acid plant to supply a major raw material used in the specialty wood chemicals business was successfully finished at the Conley, Georgia plant. A modernization and conversion project at the Chicago phthalic anhydride plant was completed, permitting that facility to utilize an internally generated raw material.

Construction Materials and Services added capabilities in Indiana consisting of five quarries with significant future reserves and a paving operation. In California, operations were expanded with two new sand and gravel operations and new road construction capabilities. In South Carolina, three aggregate plants with quarries were added. Two bituminous concrete plants, including a construction operation, were added in Florida. Koppers steel and wire reinforcement/accessory business was expanded with additional plants in New York and Virginia. To improve energy efficiencies, new equipment was purchased to convert from natural gas or fuel oil to coal burners in the production of bituminous concrete.

Additional investments continued through the Company's venture capital program.

1984—Chemical and Allied Products started construction on an arsenic acid plant and the modernization and conversion of the Chicago phthalic anhydride plant. The purchase of a production facility for high-purity sodium sulfite expanded Koppers participation in markets for that product.

Construction Materials and Services expanded paving operations in New York and North Carolina. Sizable amounts of operating equipment were purchased for various highway and civil construction projects in the U.S. and overseas. Expansions of quarry operations were completed in Pennsylvania and North Carolina. New production facilities, as well as paving and construction equipment, were added at numerous operating locations. A new wire mesh plant to produce concrete-reinforcement materials was added in Texas.

Investments were made through the Company's venture capital program in such areas as high-purity ceramic powders, pharmaceutical services and biological pesticides.

Hoffman Estates, Illinois. Edward Hines, president and chief executive officer, Edward Hines Lumber Co.; Kenneth Barnes, vice president, Alexander Warehouse and Sales Co.; Wayne H. Simkins, sales manager, Wolman Wood Protection Products Department, Koppers.

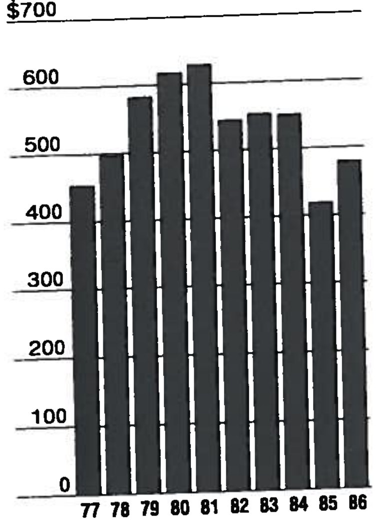
Edward Hines Lumber Co. is a premier home center organization with more than 20 stores in the Chicago market. They have been selling huge quantities of Wolmanized wood for years. In 1985, they began selling our RainCoat water repellent and Wolman stains for the outdoor deck market. Now they're pushing all out for Koppers innovative Wolman Deck Care System. That system presents our newest products: Wolman Deck Brightener, which restores the natural beauty of weathered wood, and Wolman Water Repellent Deck Stains, specially made for pressure-treated wood. Hines Lumber realizes the important benefits of co-ordinating their sales efforts on behalf of both Wolman protection products and Wolmanized wood. Hines Lumber's objective is to provide their customers with treated wood decks and the deck care products to keep them beautiful over the years. Serving them locally is Alexander Warehouse and Sales Co., one of a select group of Wolman distributors and a key partner in Wolman Protection Products distribution in Chicago. They supply the products and display materials to Hines Lumber and also handle advertising inquiries, shelf stocking and store support activities. With 23 million decks already in place and more than a million under construction each year, Wolman deck care products serve an important customer need. When pros like Hines Lumber and Alexander team up with Koppers, special things happen.

Wayne H Simkins

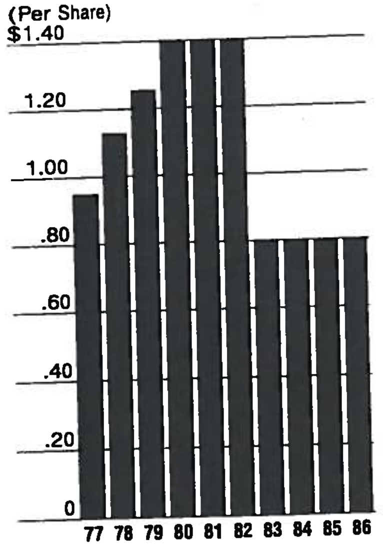
Wayne H. Simkins

Shareholder Information

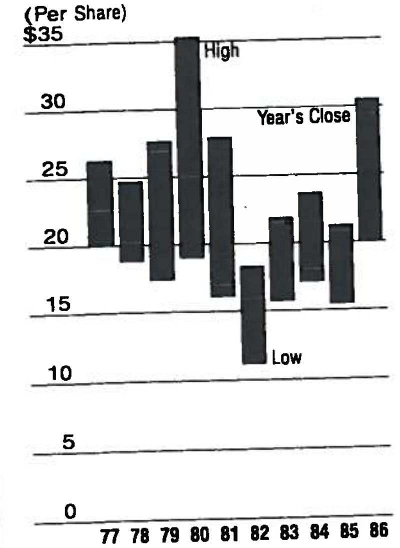
Common Shareholders' Equity
($ Millions)



Annual Common Dividend
(Per Share)



Common Stock Price Trend
(Per Share)



In addition to annual reports, Koppers shareholders receive quarterly financial statements from the Company. The Annual Meeting is held each year on the last Monday in April.

Market for Koppers Common Stock and Related Security Holder Information

Koppers common stock, $1.25 par value, is traded principally on the New York Stock Exchange and is listed also on the Midwest and Pacific Stock Exchanges. The tables on these pages present its high and low market prices and dividend information. Cash dividends have been paid on these shares every year since 1944, the year the Company was incorporated.

Long-term debt agreements and the terms of Koppers cumulative preferred stock, $100 par value, 4% Series, include certain restrictive covenants. These, among other things, prohibit certain aggregate amounts of the Company's dividends and distributions on its stock from exceeding specified levels. The most restrictive provision, contained in a long-term debt agreement that began to mature in 1986, permitted $60,416,000 of consolidated earnings retained in the business to be available for cash dividends at January 1, 1987.

Participation in Dividend Reinvestment Plan

A total of 17% of Koppers shareowners participated in the Company's cost-free Dividend Reinvestment/Cash Payment Plan in 1986. The number of participants declined by 8% during the year, to 2,370. Participating shareholders invested $391,342 to purchase almost 14,593 additional shares during 1986. The plan enables the Company's shareholders, on a cost-free basis, to:

- Elect to invest common and/or preferred dividends in shares of Koppers common stock; and/or
- Purchase additional Koppers common stock by making voluntary cash payments of $25 to $1,000 in any month.

Shareholders may obtain further information on these plans by writing to Mellon Bank N.A., Stock Transfer Section, P.O. Box 444, Pittsburgh, Pennsylvania 15230.

Cumulative Preferred Stock

The outstanding shares of cumulative preferred stock, $100 par value, 4% Series, may be redeemed at the option of the Company, as a whole or in part, at any time upon not less than 30, nor more than 60, days' notice, at $107.75 per share, together with accrued and unpaid dividends to the date fixed for redemption. Although the Company also has the right, with the approval of the Board of Directors, to repurchase cumulative preferred shares in the open market, it has no current plans to redeem or repurchase such shares.

$10 Convertible Preference Stock

All the remaining outstanding shares of $10 Convertible Preference Stock were redeemed by the Company and returned to unissued status during 1986.

Common Stock Repurchase Plan

Koppers Board of Directors has approved the repurchase of up to 4,500,000 shares of outstanding common stock. A total of 802,136 shares were purchased in 1986.

Common Stock Annual Price Ranges and Volumes

	1986	1985	1984	1983	1982
Common stock price ranges on NYSE/Composite:					
High	**$30½**	$21¼	$23⅝	$21⅞	$18¼
Low	**20**	15½	17⅛	15¾	11¼
Close	**29⅜**	21	18	21¾	16
Volume traded (in thousands)	**27,879**	18,207	16,415	12,890	11,445
% of shares outstanding	**96%**	64%	57%	46%	41%

Annual Meeting

The annual meeting of the shareholders of the Company will be held at 11 a.m. on Monday, April 27, 1987 in the Pittsburgh Room of The Westin-William Penn Hotel, Pittsburgh, Pennsylvania.

The Shareholders' Scorecard

The charts on these pages illustrate some of the measures that show how shareholders have been affected by Koppers performance over the past ten years—a period of severe economic fluctuation and tremendous change (discussed more fully on page 22).

A strong operating performance coupled with the implementation of a previously announced restructuring plan resulted in common shareholder equity increasing to $479.1 million in 1986, ending four years of stagnation and decline.

The common dividend was unchanged from the prior three years as cash generated by the Company was used in the restructuring and expansion of Koppers operating base.

The 1986 price range for Koppers common stock improved from 1985 and the value of our common shares increased by 40%.

In previous years, Koppers stock underperformed the stock market indices shown here, during the period of adverse economic conditions and change.

In the face of these adverse conditions, the common dividend was reduced in 1983 and maintained at the lower level.

The chart illustrating annual total return to investors compared with the consumer price index indicates that $100 invested in Koppers common stock at the start of 1977 would have grown to $182.50 in total return—reinvested dividends plus price appreciation—by the end of 1986.

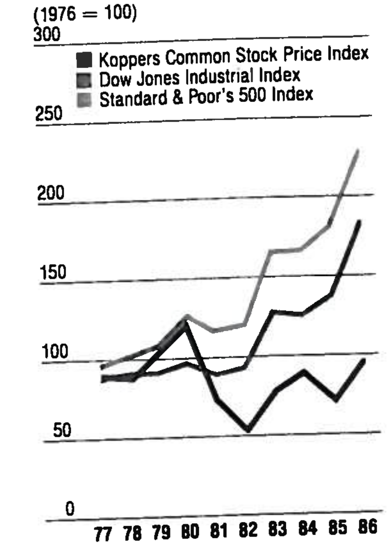
Quarterly Common Stock Price Ranges and Dividends

	1986			1985		
Quarter	**High**	**Low**	**Dividend**	High	Low	Dividend
1st	**$28½**	**$20**	**$0.20**	$21¼	$17⅞	$0.20
2nd	**30⅜**	**24¼**	**0.20**	19	17	0.20
3rd	**29¼**	**22⅞**	**0.20**	18½	16½	0.20
4th	**30½**	**22¾**	**0.20**	21	15½	0.20

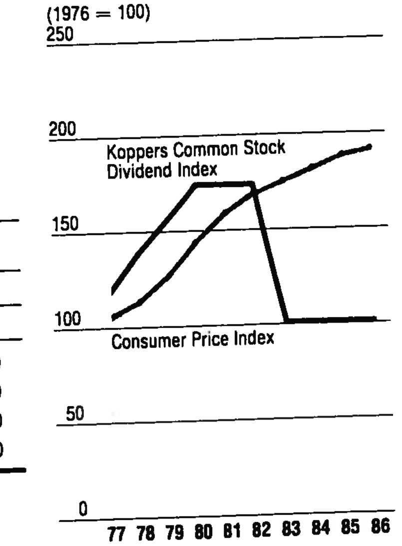
Equity Security Holders

Title of Class	Number of Shareholders of Record on March 6, 1987
Common Stock, $1.25 Par Value	11,828
Cumulative Preferred Stock, $100 Par Value	955

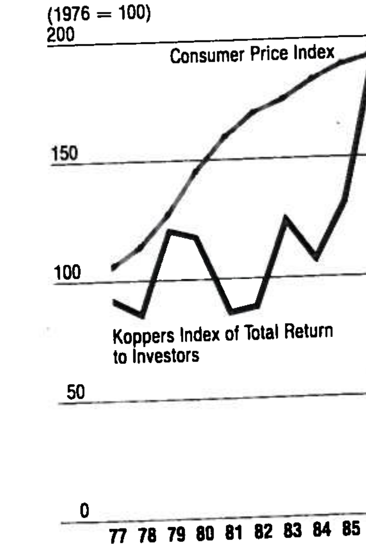
Common Stock vs. Market Indices
(1976 = 100)



Dividends Versus Inflation
(1976 = 100)



Annual Total Returns to Shareholders
(1976 = 100)



Koppers Board of Directors And Executive Officers

As of February 28, 1987.

Directors

(Date in parentheses indicates year this person joined the Board of Directors.)

Charles F. Barber 70 (1981)
Retired Chairman and Chief Executive Officer, ASARCO Inc.
Nonferrous metals producer

***Evelyn Berezin 61 (1980)**
President, Greenhouse Management Corporation
Venture capital investment

†*Anthony J. A. Bryan 64 (1984)
Chairman and Chief Executive Officer, Copperweld Corporation
Specialty steel products

Fletcher L. Byrom 68 (1960)
Retired Chairman of the Board, Koppers Company, Inc.

†*Dr. Richard M. Cyert 65 (1972)
President, Carnegie-Mellon University

Edward Donley 65 (1986)
Chairman and Chief Executive Officer, Air Products and Chemicals, Inc.

Daniel M. Galbreath 58 (1984)
President, John W. Galbreath and Company
Real estate development

†*William H. Knoell 62 (1981)
Chairman, Chief Executive Officer and Director, Cyclops Corporation
Basic and specialty steels and steel products

†*Andrew W. Mathieson 58 (1965)
Executive Vice President, Richard K. Mellon and Sons
Investment management

†Charles R. Pullin 63 (1981)
Chairman of the Board, Koppers Company, Inc.

†Glen C. Tenley 59 (1986)
President and Chief Operating Officer, Koppers Company, Inc.

Dr. Romesh Wadhwani 39 (1986)
Chairman and Chief Executive Officer, American-Cimflex Corporation
Manufacturer of products and systems for computer-integrated manufacturing

†Executive Committee
*Audit Committee

The Board notes with deep regret the death of Fred C. Foy, former president, chief executive officer and chairman of the board. Notice of his passing appeared in the Company's second-quarter report.

Corporate Officers

(Date in parentheses indicates year this person joined Koppers.)

Charles R. Pullin 63 (1946)
Chairman of the Board (Chief Executive Officer) since 1982; formerly Vice Chairman of the Board since 1981 and President and Chief Operating Officer—Road Materials Group.

Glen C. Tenley 59 (1955)
President and Chief Operating Officer since 1986; formerly Vice President and General Manager—Tar and Wood Products Sector since 1984, Vice President and General Manager—Foundry and Industrial Supply Division since 1980.

Burnett G. Bartley, Jr. 62 (1949)
Executive Vice President and General Manager—Construction Materials and Services since 1984; formerly Deputy Chairman.

Donald H. Cuozzo 53 (1968)
Vice President—Legal Services Group, General Counsel and Secretary since 1985; formerly Assistant General Counsel since 1985 and Assistant Secretary since 1976.

Lester L. Murray 58 (1975)
President of KOPVENCO since 1986; formerly Vice President and General Manager of the Engineered Metal Products Group since 1983.

Thomas M. St. Clair 51 (1958)
Vice President—Financial Services Group, Treasurer and Chief Financial Officer since 1984; formerly Vice President—Finance since 1984, Vice President and Assistant to the Chairman since 1983 and President—Engineered Metal Products Group.

Construction Materials and Services

Frederick C. Moore 53 (1970)
Vice President and General Manager—East Region since 1983; formerly Vice President, Road Materials Group.

R. Kenneth MacGregor 64 (1978)
Vice President and Manager—West Coast Operations since 1982 and President and General Manager—Sully-Miller Contracting Company.

Robert A. Cruise 56 (1973)
President—Koppers International Canada Ltd., a wholly owned subsidiary since 1969.

Chemical and Allied Products

James A. Harris 52 (1965)
Vice President and General Manager—Building Products Sector since 1986; formerly Vice President—Planning Services Group since 1985; formerly Vice President and General Manager—Engineering and Construction Group since 1981.

Dr. Alonzo Wm. Lawrence 49 (1976)
Vice President and General Manager—Chemical Systems Sector since 1984; formerly Vice President—Science and Technology since 1981.

Robert K. Wagner 55 (1953)
Vice President and General Manager—Tar and Wood Products Sector since 1986; formerly Vice President and General Manager—Treated Wood Products Division since 1978.

Brooks C. Wilson 53 (1965)
Managing Director—Koppers Australia Pty. Ltd.

Corporate Staff Officers

J. Roger Beidler 51 (1960)
Vice President—Communications Group since 1985; formerly Vice President—Investor Relations since 1980.

Fitzhugh L. Brown 54 (1962)
Comptroller since 1978.

Charles P. Dorsey 59 (1966)
Vice President—Science and Technology Group since 1984; formerly Vice President and General Manager—Specialty Systems Division.

Raymond R. Wingard 56 (1952)
Vice President—Administrative Services Group since 1985; formerly Vice President and Manager—Marketing Services and Corporate Growth Planning since 1980.

Other Officers

Jay A. Best 53 (1956)
Vice President and Manager—Traffic and Transportation Department since 1978.

Richard C. Hawkins 46 (1971)
Vice President and Manager—Human Resources Department since 1985; formerly with National Intergroup, Inc. from 1980 to 1985; formerly Manager—Selection and Placement for Koppers since 1971.

Robert R. Moran 62 (1947)
Vice President—Purchasing Department since 1982; formerly Manager—Raw Materials.

Chula, Georgia. Charles Reeves, president, Reeves Construction Company, subsidiary of Koppers; Donald Senkbeil, engineer, Tifton District, Georgia Department of Transportation.

The Tifton Bypass, barely half a dozen miles long, is a vital part of the Canada-to-Miami Interstate 75. It's amazing how much work Reeves has taken on to rebuild that short stretch. Replace faulty concrete and cover it with asphalt. Add a third lane on each side. Replace five bridges and raise five others. Lengthen the exit ramps. Cut expenses by using scrapers instead of trucks to move material over that tricky soil they call "greasy gumbo clay." A $34-million job. All of this carried out while the endless traffic roars past. I compare it to bypass surgery, where you have to keep the system alive and flowing even while the "patient" is being cut and patched. We're talking about more than half a million tons of material. This job calls for the tremendous resources we offer, with our two paving plants and 40 years of experience. In 1959, when I joined the company my dad had started, it was still a small family business. Now, thanks to Koppers, we can handle any major construction job the South has to challenge us with. Most of the roads in Georgia are in fair shape, mostly because the Georgia Department of Transportation keeps them that way. The trend in roadbuilding is changing, to widen two-lane roads to four lanes, to connect the large cities and move higher volumes of traffic. Increasingly, this work calls for the kind of financial strength Koppers enjoys. More than one contractor down here has found itself winding up in bankruptcy before winding up the job.

Charles Reeves

Charles Reeves

The Changing Nature of Koppers

The performance depicted on these pages dramatically shows the tremendous change that Koppers has undergone over a brief span of time.

Total sales from continuing operations have more than doubled since 1976, but the mix of sales and income from our business groups is considerably different:

% of total	1986	1976
Sales		
Construction Materials and Services	**56%**	21%
Chemical and Allied Products	**42%**	78%
Income		
Construction Materials and Services	**69%**	21%
Chemical and Allied Products	**26%**	70%

Sales and income in CMS have grown in the past decade, at an average annual rate of almost 19%. The toll taken on our chemical businesses by adverse economic conditions since 1981, prior to the 1986 rebound, is clearly shown.

Perhaps equally dramatic, the lines at the bottom of the page show the volume of business from which Koppers has withdrawn, essentially since 1981, in order to focus the Company on its two strong businesses. Those discontinued businesses provided 44% of Koppers sales in 1976.

Other 1986 financial figures portray the improvement in operating performance and financial condition that Koppers has produced over a challenging period:

- **Operating income** from CMS has grown in nine of the past 10 years.
- CAP 1986 **operating income** was the best since 1981, but still well below the late 1970s.
- **Cash flow** has been strong, although nonoperating (noncash) charges to income made it appear low in two years.
- **1986 capital expenditures** to provide growth were the second highest in Koppers history. High levels have been maintained in most years, with funds primarily from internal sources.
- **Total debt** is lower than in any of the previous 10 years, both in absolute terms and as a percentage of total capitalization.
- **Return on average common equity** in 1986, even excluding extraordinary income, was our best since the late 1970s and is approaching Koppers target of 18%.

CMS—Construction Materials and Services
CAP—Chemical and Allied Products

10-Year Financial Comparisons

($ Millions, except per share data)		1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
Sales by Business*	Construction Materials and Services	**$ 804.1**	777.4	720.5	548.6	495.9	561.1	551.2	448.6	303.8	176.4	141.5
	Chemical and Allied Products	**$ 588.9**	618.6	664.5	631.4	674.4	847.3	803.7	767.4	640.8	586.4	520.7
	Miscellaneous	**$ 3.4**	4.2	3.7	3.6	4.1	2.9	1.6	1.5	0.8	0.5	1.3
	Total from continuing operations	**$1,396.4**	1,400.2	1,388.7	1,183.6	1,174.4	1,411.3	1,356.5	1,217.5	945.4	763.3	663.5
Corporate Operating Expenses*	Wages, salaries and pension expense	**$ 312.8**	304.6	282.7	293.1	275.5	280.8	256.8	240.2	191.9	153.1	131.8
	Materials, supplies and services	**$ 864.2**	1,002.9	967.8	750.4	784.8	932.8	909.3	792.9	617.7	486.4	425.6
	Depreciation, depletion and amortization	**$ 70.5**	66.4	64.5	62.3	66.8	67.3	63.5	50.7	41.0	32.8	28.4
	Taxes, other than income taxes	**$ 40.2**	39.6	37.2	31.2	31.5	33.0	29.1	26.1	21.5	23.8	13.2
	Total corporate operating expenses	**$1,287.7**	1,413.5	1,352.2	1,137.0	1,158.6	1,313.9	1,258.7	1,109.9	872.1	696.1	599.0
	Operating profit	**$ 108.7**	(13.3)	36.5	46.6	15.8	97.4	97.8	107.6	73.3	67.2	64.5
	Other income (expense)	**$ 15.0**	(10.7)	12.2	17.5	(36.7)	13.3	11.5	9.5	23.5	8.2	12.6
Operating Income (Loss) by Business*	Construction Materials and Services	**$ 105.3**	71.5	61.4	45.1	38.6	60.4	58.5	55.5	36.6	21.1	18.8
	Chemical and Allied Products	**$ 39.5**	(61.6)	4.6	34.6	16.7	73.7	75.1	81.4	58.2	64.1	62.0
	Miscellaneous	**$ 7.6**	(5.2)	6.1	1.7	(50.7)	(0.9)	(0.2)	2.4	19.9	3.0	8.2
	Total from continuing operations	**$ 152.4**	4.7	72.1	81.4	4.6	133.2	133.4	139.3	114.7	88.2	89.0
Corporate Income (Loss)*	Corporate overhead (included in above expenses)	**$ 28.7**	28.7	23.4	17.3	25.5	22.5	24.1	22.2	17.9	12.8	11.9
	Income (loss) before interest expense and taxes	**$ 123.7**	(24.0)	48.7	64.1	(20.9)	110.7	109.3	117.1	96.8	75.4	77.1
	Interest expense	**$ 21.4**	23.7	22.8	26.2	29.4	33.0	32.9	20.2	12.4	11.7	11.6
	Income taxes (benefit)	**$ 39.1**	(17.7)	1.9	13.8	(20.4)	30.9	21.2	32.3	34.6	26.4	29.8
	Income (loss) from continuing operations	**$ 63.2**	(30.0)	24.0	24.1	(29.9)	46.8	55.2	64.6	49.8	37.3	35.7
To Common Shareholders	Preference and preferred dividends	**$ 3.3**	5.1	6.1	7.7	8.1	7.9	0.6	0.6	0.6	0.6	0.6
	Income (loss) from continuing operations	**$ 59.9****	(35.1)	17.9	16.4**	(38.0)	38.9	54.6	64.0	49.2	36.7	35.1
	Net income (loss)	**$ 74.1**	(106.2)	22.6	22.9	(46.6)	43.8	53.4	84.3	75.4	65.8	66.9
Financial Position At December 31,	Current assets	**$ 455.6**	553.0	465.7	527.3	490.1	542.8	644.9	535.3	530.4	438.9	427.1
	Current liabilities	**$ 278.7**	249.1	223.7	245.0	246.4	272.1	319.9	270.0	247.7	208.2	167.8
	Working capital	**$ 176.9**	303.9	242.0	282.3	243.7	270.7	325.0	265.3	282.7	230.7	259.3
	Property, plant and equipment—net	**$ 454.6**	436.3	607.3	583.2	633.6	679.1	667.0	555.8	457.7	378.1	325.5
	Total assets	**$1,016.6**	1,066.1	1,154.7	1,175.4	1,192.9	1,328.2	1,389.5	1,140.7	1,036.1	870.3	783.6
	Term debt due after one year	**$ 117.7**	215.5	219.8	232.9	275.7	288.9	308.7	224.2	233.6	152.0	159.7
	Total debt—% of total capitalization	**21%**	33%	28%	28%	31%	30%	32%	29%	32%	26%	28%
	Common shareholders' equity	**$ 479.1**	420.1	551.8	554.5	544.1	629.1	619.5	582.2	498.3	454.8	410.2
Data Per Common Share	Earnings (loss) from continuing operations*	**$ 2.09****	(1.23)	0.62	0.59**	(1.36)	1.40	2.02	2.44	1.97	1.47	1.42
	Net earnings (loss)	**$ 2.59**	(3.72)	0.79	0.81	(1.67)	1.58	1.98	3.21	3.01	2.64	2.70
	Common stock dividends	**$ 0.80**	0.80	0.80	0.80	1.40	1.40	1.40	1.25	1.125	0.95	0.80
	Shareholders' equity	**$ 16.51**	14.70	19.31	19.39	19.49	22.58	22.41	21.81	19.86	18.21	16.50
Other Statistics	Capital expenditures	**$ 190.7**	110.6	121.1	68.6	76.7	182.1	230.9	177.1	144.5	104.5	90.6
	Gross cash flow	**$ 122.3**	(42.2)	100.4	123.2	18.6	132.8	134.6	141.5	141.7	114.8	107.3
	Current ratio	**1.63-to-1**	2.22-to-1	2.08-to-1	2.15-to-1	1.99-to-1	1.99-to-1	2.02-to-1	1.98-to-1	2.14-to-1	2.11-to-1	2.55-to-1
	Return on average invested capital	**12.7%**	(11.0%)	4.7%	4.9%	(2.4%)	6.7%	7.7%	12.0%	12.1%	12.4%	13.4%
	Return on average common equity	**16.9%**	(20.5%)	4.1%	4.3%	(7.8%)	7.2%	9.0%	15.8%	16.2%	15.6%	17.6%
	Average common shares outstanding (thousands)	**28,606**	28,574	28,599	28,111	27,854	27,667	26,989	26,228	25,031	24,886	24,809
	Shareholders at year end	**14,574**	17,269	19,190	20,758	22,489	20,326	18,362	18,115	17,729	17,553	16,729
	Average number of employees	**10,944**	11,128*	10,783*	14,518	17,334	20,113	21,029	22,087	20,858	18,168	17,880
Discontinued Operations	Sales	**$ 299.5**	419.5	430.8	382.1	378.4	498.4	443.7	610.8	636.5	592.4	525.7
	Income (loss)	**$ —**	(71.1)	4.7	0.5	(8.6)	4.9	(1.2)	20.3	26.2	29.1	31.8

*Figures conform with 1986 classifications. Operating income is before corporate overhead.
**1986 and 1983 exclude extraordinary gains of $14.2 million, or $0.50 per share, and $6.0 million, or $0.21 per share, respectively.

Index to Consolidated Financial Statements

Koppers Company, Inc. Covered by Report of Certified Public Accountants

Schedules I, II, III, IV, VII, XI, XII, XIII and XIV are not given, as the subject matter thereof either is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the financial statements or the notes thereto.

Report of Certified Public Accountants

Arthur Young & Company
Certified Public Accountants

The Board of Directors and Shareholders
Koppers Company, Inc.:

We have examined the consolidated financial statements of Koppers Company, Inc. and subsidiaries listed in the accompanying Index to Consolidated Financial Statements. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements listed in the accompanying Index to Consolidated Financial Statements present fairly the consolidated financial position of Koppers Company, Inc. and subsidiaries at December 31, 1986 and 1985, and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1986, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

2400 Koppers Building
Pittsburgh, Pennsylvania 15219
January 26, 1987

Statement of Accounting Policies

Koppers Company, Inc. and Subsidiaries

The major accounting policies of the Company are set forth below. The word "Company" as used in this report includes consolidated entities as well as Koppers Company, Inc.

Principles of Consolidation—The consolidated statements include the accounts of the Company and all of its subsidiaries. All intercompany transactions have been eliminated.

Inventories—Inventories are valued at the lower of cost or market. Cost for approximately 58% and 68% of inventories for 1986 and 1985, respectively, is determined by the LIFO (last-in, first-out) method. Cost for the remainder of the inventories represents average costs or standard costs, which approximate actual on the FIFO (first-in, first-out) basis. Market is replacement cost for raw materials and net realizable value for work in process and finished goods.

Fixed Assets—Buildings, machinery and equipment are depreciated on the straight-line method over their useful lives. Timber and mineral properties are depleted on the basis of units produced. When land, standing timber or property units are sold, the difference between selling price and cost, after recognition of accumulated depreciation and depletion, is reflected as Other income.

Long-Term Contracts—Revenue on long-term construction contracts is accounted for on the percentage-of-completion basis; losses are recognized as soon as they are determined.

Pension Plans—The Company has pension plans covering substantially all employees. The Company provides for amortization of unfunded prior service costs over periods up to 40 years and pays provisions for pension expense into trust funds in accordance with ERISA requirements.

Income Taxes—Investment tax credits are accounted for under the "flow-through" method, which recognizes the benefit in the year in which the credit is utilized.

Investments—Companies owned 50% or less but more than 20% are accounted for by the equity method.

Earnings (Loss) Per Share—Earnings (loss) per share have been computed on the basis of the average number of common shares outstanding and did not include the assumed exercise of stock options in 1986, which is immaterial, or the assumed conversion of preference stock in 1985 and 1984, which was antidilutive.

Consolidated Statement of Operations

Koppers Company, Inc. and Subsidiaries	1986	1985	1984
	Years ended December 31, ($ Thousands, except per share figures)		
Net sales 1	**$1,396,401**	$1,400,166	$1,388,658
Operating expenses:			
Cost of sales 2	**1,029,008**	1,125,011*	1,118,888
Depreciation, depletion and amortization 3	**70,526**	66,373	64,513
Taxes, other than income taxes 4	**40,176**	39,630	37,185
Selling, research, general and administrative expenses 5	**152,758**	149,879	129,289
(Profit) loss on operations disposed of or closed (Notes 2 and 7) 6	**(4,764)**	32,564*	2,303*
Total operating expenses	**1,287,704**	1,413,457	1,352,178
Operating profit (loss)	**108,697**	(13,291)	36,480
Other income (expense): 7			
Provision for environmental expenses (Note 7)	**(3,644)**	(28,620)*	(3,176)
Profit on sales of capital assets, primarily timberlands	**1,138**	17,482	3,385
Profit on sale of investments (Note 2)	**3,103**	2,798	5,855
Equity in earnings (losses) of affiliates (dividends received: 1986—$2,072; 1985—$4,590; 1984—$2,115) 8	**4,539**	(438)	854
Interest income 9	**10,097**	2,288	4,430
Miscellaneous	**(249)**	(4,242)	878
Total other income (expense)	**14,984**	(10,732)	12,226
Income (loss) before interest expense and provision (benefit) for income taxes	**123,681**	(24,023)	48,706
Interest expense 10	**21,402**	23,673	22,834
Income (loss) from continuing operations before provision (benefit) for income taxes	**102,279**	(47,696)	25,872
Provision (benefit) for income taxes (Note 8) 11	**39,059**	(17,693)	1,900
Income (loss) from continuing operations 12	**$ 63,220**	$ (30,003)	$ 23,972
Discontinued operations (Note 7): 13			
Income (loss) from discontinued operations (less applicable income tax provision: 1985—$1,085; 1984—$6,988)	**—**	(2,460)	8,280
Loss on disposal of discontinued operations (less applicable income tax provision (benefit): 1985—$4,000; 1984—$(2,637))	**—**	(68,608)	(3,486)
Income (loss) before extraordinary gain 14	**63,220**	(101,071)	28,766
Extraordinary items:			
Prepayment premium on retirement of 11.25% promissory notes (Note 4)	**(6,807)**	—	—
Utilization of operating loss carryforward (Note 8)	**21,067**	—	—
Net income (loss) for the year	**$ 77,480**	$ (101,071)	$ 28,766
Dividends on:			
Redeemable convertible preference stock	**2,744**	4,577	5,533
Cumulative preferred stock	**600**	600	600
Net income (loss) applicable to common stock 15	**$ 74,136**	$ (106,248)	$ 22,633
Average number of shares of common stock outstanding during year (in thousands)	**28,606**	28,574	28,599
Earnings (loss) per share of common stock:			
From continuing operations before extraordinary gain	**$ 2.09**	$ (1.23)	$ 0.62
From discontinued operations	**$ —**	$ (2.49)	$ 0.17
Extraordinary gain	**$ 0.50**	$ —	$ —
Net earnings (loss)	**$ 2.59**	$ (3.72)	$ 0.79

*Reclassified to conform to S.E.C. guidelines concerning presentation of restructuring charges.
(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

1. Total received, or receivable, from customers. Excludes discontinued operations.

2. Directly related to operating levels: wages, salaries, raw materials, energy, transportation, pensions, supplies and services.

3. Related to the Company's investment in fixed assets—this portion of the original cost of machinery, plants, etc. has been allocated against income.

4. Not closely related to operating levels: social security and unemployment taxes, state and local franchise and real estate taxes.

5. Salesmen's compensation, corporate staff and officers' salaries, pensions, research and other general expenses.

6. Gain or loss realized from sale or write-off of assets of business lines or facilities.

7. Not resulting directly from sale of products or services, although most is included in operating income of business segments. (See page 35.)

8. Represents Koppers portion of earnings or losses of companies in which it has 20% to 50% ownership.

9. From short-term cash investments.

10. Cost of borrowed funds.

11. Total income taxes and credits: Federal, state and foreign.

12. This was earned for all shareholders by businesses that will continue to be operated in future.

13. After-tax effect of decisions made in 1985 and 1984 not to remain in certain businesses.

14. After including all operations.

15. This portion of net income (loss) was applicable to common shareholders; in 1986, $22.9 million was paid in dividends.

Consolidated Balance Sheet

Assets

Koppers Company, Inc. and Subsidiaries

	December 31, 1986	1985
	($ Thousands)	
Current assets: **1**		
Cash, including short-term investments of $61,819 in 1986 and $44,225 in 1985 **2**	**$ 72,540**	$ 57,777
Accounts receivable, principally trade, less allowance for doubtful accounts of $8,220 in 1986 and $6,509 in 1985 **3**	**183,845**	187,133
Inventories (Note 1): **4**		
At cost—FIFO (first-in, first-out) basis:		
Product	**93,130**	87,317
Work in process	**4,106**	4,306
Raw materials and supplies	**63,544**	74,030
Total FIFO inventories	**160,780**	165,653
Less LIFO (last-in, first-out) reserve **5**	**44,217**	52,989
Total LIFO inventories **6**	**116,563**	112,664
Prepaid expenses, including deferred tax benefits of $69,701 in 1986 and $36,994 in 1985	**67,920**	41,280
Net assets of discontinued operations (Note 7) **7**	**14,791**	154,109
Total current assets **8**	**455,659**	552,963
Investments (Note 2): **9**		
Affiliated companies, at equity	**57,335**	23,107
Others at cost	**10,501**	12,145
Total investments	**67,836**	35,252
Fixed assets, at cost: **10**		
Buildings	**100,286**	101,410
Machinery and equipment	**900,515**	872,595
Gross buildings, machinery and equipment	**1,000,801**	974,005
Less accumulated depreciation and amortization **11**	**626,821**	610,408
Net buildings, machinery and equipment	**373,980**	363,597
Depletable properties, less accumulated depletion of $11,666 in 1986 and $18,700 in 1985 **12**	**43,817**	35,973
Land	**36,833**	36,693
Net fixed assets	**454,630**	436,263
Other assets	**38,499**	41,575
Total assets **13**	**$1,016,624**	$1,066,053

(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows what Koppers owned.

1. Likely to be converted into cash within one year.

2. Primarily kept in bank accounts for business use or invested in short-term notes.

3. Amounts owed to Company by customers and others.

4. Goods being stockpiled or used in the process of manufacturing or held for sale. Value of these inventories is based on the FIFO accounting method, which reflects the most recent cost of goods.

5. Company uses LIFO accounting for most domestic inventories to charge current income with the most recent costs of goods, thus eliminating illusory inventory profits.

6. LIFO value of inventory results in a reduction of asset values in comparison with FIFO or current values.

7. Total assets net of liabilities related to discontinued operations.

8. See discussion of working capital on page 15.

9. Koppers ownership in other companies.

10. The original amount paid for Company-owned buildings, machinery and equipment.

11. Accumulation of the portion of the original amount paid for fixed assets that has been allocated to operating costs since the assets were purchased.

12. Cost of properties having exhaustible resources, such as timber, coal and stone, reduced for value of resources used in the past.

13. The total net cost assigned to everything Koppers owns.

Consolidated Balance Sheet

Liabilities and Shareholders' Equity

Koppers Company, Inc. and Subsidiaries

	December 31, 1986	1985
	($ Thousands)	
Current liabilities: **1**		
Accounts payable, principally trade **2**	**$ 70,550**	$ 58,385
Accrued liabilities: **3**		
Income taxes	**23,992**	3,330
Pensions (Note 3)	**24,076**	27,094
Insurance	**20,295**	28,604
Payroll and other compensation costs	**39,102**	36,187
Warranty reserves	**11,832**	12,958
Environmental reserves	**23,954**	16,517
Other accruals	**45,354**	41,161
Advance payments received on contracts **4**	**4,963**	5,561
Term debt due within one year (Note 4) **5**	**14,625**	19,279
Total current liabilities **6**	**278,743**	249,076
Term debt due after one year (Note 4) **7**	**117,737**	215,455
Deferred compensation (Note 6)	**17,551**	17,100
Deferred income taxes **8**	**41,797**	37,289
Other long-term liabilities **9**	**66,647**	68,187
Redeemable convertible preference stock, no par value, stated value $100 per share: authorized 1,000,000 shares; issued and outstanding 438,900 shares in 1985 (Note 5)	**—**	43,890
Cumulative preferred stock (not subject to mandatory redemption), $100 par value: authorized 300,000 shares; issued and outstanding 150,000 shares, 4% series	**15,000**	15,000
Common stock, $1.25 par value: authorized 60,000,000 shares; issued 29,887,510 and outstanding 29,020,746 shares in 1986; issued 28,610,834 and outstanding 28,576,206 shares in 1985	**37,359**	35,764
Less cost of treasury stock: 866,764 shares in 1986 and 34,628 in 1985 (Note 5)	**24,677**	828
Capital in excess of par value	**176,631**	145,359
Earnings retained in the business (Note 4)	**289,836**	239,761
Total common shareholders' equity (Note 5) **10**	**479,149**	420,056
	$1,016,624	$1,066,053

(See accompanying statement of accounting policies and notes to financial statements.)

Explanations

This portion of balance sheet shows everything Koppers owed.

1. These are liabilities for goods and services provided.

2. Due to suppliers for goods and services.

3. Amounts owed but not paid as of year end.

4. For services and products paid for by customers, which Koppers will provide in the near future.

5. Repayment of long-term debt and capital lease obligations required during coming year.

6. Company's current assets at year-end 1986 covered these liabilities by a current ratio of 1.63-to-1.

7. Borrowings used to expand Koppers income-producing base. This includes the present value of lease payments that will be made in the future.

8. Differences in accounting rules and tax regulations result in certain income and expenses in financial reports that are not included in tax reports in the same year. This total represents the taxes on the difference that will be paid in future years.

9. Primarily environmental and pension provisions to be made beyond 1987.

10. Represents the total common shareholders' ownership in Koppers at the close of 1986. It's the total of the four items immediately above it. Common equity was equal to $16.51 for each share of common stock outstanding at the close of 1986, versus $14.70 at the end of 1985.

Consolidated Statement of Changes in Financial Position

Koppers Company, Inc. and Subsidiaries

	Years ended December 31, 1986	1985	1984
	($ Thousands)		
Source of funds: **1**			
Operations:			
Income (loss) from continuing operations before extraordinary gain **2**	**$ 63,220**	$ (30,003)	$ 23,972
Depreciation, depletion and amortization **3**	**70,526**	66,373	64,513
Deferred income taxes **4**	**4,508**	597	1,069
Other deferred expenses **4**	**3,536**	52,282	29,742
Provision for operations disposed of or closed and decline in value of investments **5**	**4,558**	23,712	3,502
Equity in (income) losses of affiliated companies, less dividends received **6**	**(1,636)**	4,475	1,291
Funds provided from continuing operations before extraordinary items	**144,712**	117,436	124,089
Income (loss) from discontinued operations **7**	**—**	(71,068)	4,794
Depreciation, depletion and amortization	**11,414**	16,189	15,794
Deferred income taxes	**—**	(111)	(916)
Other deferred expenses	**—**	36,496	—
Funds provided (absorbed) from discontinued operations	**11,414**	(18,494)	19,672
Funds provided from operations before extraordinary items	**156,126**	98,942	143,761
Extraordinary items	**14,260**	—	—
Subtotal	**170,386**	98,942	143,761
Reclassification of net noncurrent assets of discontinued operations	**—**	129,430	—
(Increase) decrease in working capital before segregation of items relating to discontinued operations in December, 1985, excluding cash:			
Accounts receivable	**3,288**	(28,324)	15,255
Inventories	**(3,899)**	4,224	(16,834)
Prepaid expenses	**(26,640)**	(22,988)	(3,351)
Net assets of discontinued operations	**127,904**	(154,109)	—
Reclassification of net working capital of discontinued operations	**—**	24,679	—
Accounts payable	**12,165**	9,712	773
Accrued liabilities	**22,754**	83,614	(6,807)
Advance payments received on contracts	**(598)**	6,172	(2,073)
Term debt due within one year	**(4,654)**	5,928	(2,616)
Total (increase) decrease in working capital, excluding cash	**130,320**	(71,092)	(15,653)
Funds provided from operations	**300,706**	157,280	128,108
Term debt issued **8**	**17,677**	15,707	1,698
Common stock issued **9**	**34,104**	92	62
Book value of fixed assets and other noncurrent assets disposed of or sold **10**	**44,682**	15,471	10,869
Total source of funds **11**	**397,169**	188,550	140,737
Disposition of funds: **12**			
Capital investments **13**	**190,726**	110,569	121,060
Term debt retired **14**	**115,395**	20,061	14,786
Dividends paid **15**	**26,219**	28,036	29,008
Preference stock purchased **16**	**45,127**	2,575	22,808
Treasury stock acquired	**23,849**	—	820
Issuance (retirements) notes and other assets due after one year **17**	**(22,244)**	275	6,484
Funds held for capital investments **18**	**(2,316)**	9,165	—
(Increase) decrease in long-term liabilities	**3,048**	25,841	(4,584)
Other	**2,602**	1,256	1,664
Total disposition of funds	**382,406**	197,778	192,046
Increase (decrease) in cash	**$ 14,763**	$ (9,228)	$(51,309)
Beginning cash balance	**$ 57,777**	$ 67,005	$118,314
Ending cash balance	**$ 72,540**	$ 57,777	$ 67,005

Explanations

1. Where funds came from.

2. From line 12 on page 25.

3. This operating cost does not require the payment of funds, which are retained for use in the business.

4. Taxes and other expenses not paid currently, available for use in operations until payment is due.

5. Plant write-offs and write-downs of investments reduced income but did not result in an outflow of funds. Represents funds retained for use in the business.

6. Includes cash dividends received from certain equity affiliates plus the Company's portion of the earnings and losses incurred by affiliated companies that affected Koppers income but did not affect the flow of funds.

7. Income (losses) reported on income statement include certain expenses that did not require payment of funds, as explained in 3 and 4 above.

8. Borrowings explained on page 16.

9. Issuance of common shares contributed to Employee Savings Plan and for an acquisition.

10. Received from disposal of equipment, facilities, etc. no longer needed.

11. Total funds from all sources.

12. Where the funds went:

13. To provide for growth.

14. Repayment of obligations, including retirement of long-term debentures.

15. Returns to common, preference and preferred shareholders.

16. Redemption of preference stock.

17. Includes notes received (paid) on sale of certain investments and assets.

18. The unexpended portion of funds borrowed for capital projects; being held by a trustee.

(See accompanying statement of accounting policies and notes to financial statements.)

Consolidated Statement of Shareholders' Equity Other Than Redeemable Convertible Preference Stock

Koppers Company, Inc. and Subsidiaries

(Amounts in thousands, except shares and per share figures)	Cumulative Preferred Stock	Common Stock	Treasury Stock	Capital in Excess of Par Value	Foreign Currency Translation Adjustment	Earnings Retained in the Business	Total
Balance at December 31, 1983	$15,000	$35,764	$ (151)	$145,221	$(2,465)	$376,108	$569,477
Net income for the year 1984	—	—	—	—	—	28,766	28,766
Cash dividends paid:							
On preference stock, $10.00 per share	—	—	—	—	—	(5,533)	(5,533)
On preferred stock, $4.00 per share	—	—	—	—	—	(600)	(600)
On common stock, $0.80 per share	—	—	—	—	—	(22,875)	(22,875)
Recovery of common stock via escrow claim	—	—	(820)	—	—	—	(820)
Common stock issued from treasury to Employee Savings Plan	—	—	55	7	—	—	62
Retirement of 229,000 shares of redeemable convertible preference stock (Note 5)	—	—	—	92	—	—	92
Foreign currency translation (Net of $113 in related income tax benefits)	—	—	—	—	(1,734)	—	(1,734)
Balance at December 31, 1984	$15,000	$35,764	$ (916)	$145,320	$(4,199)	$375,866	$566,835
Net loss for the year 1985	—	—	—	—	—	(101,071)	(101,071)
Cash dividends paid:							
On preference stock, $10.00 per share	—	—	—	—	—	(4,577)	(4,577)
On preferred stock, $4.00 per share	—	—	—	—	—	(600)	(600)
On common stock, $0.80 per share	—	—	—	—	—	(22,859)	(22,859)
Common stock issued from treasury to Employee Savings and Profit Sharing	—	—	88	4	—	—	92
Retirement of 26,100 shares of redeemable convertible preference stock (Note 5)	—	—	—	35	—	—	35
Foreign currency translation (Net of $189 in related income tax benefits)	—	—	—	—	(2,799)	—	(2,799)
Balance at December 31, 1985	$15,000	$35,764	$ (828)	$145,359	$(6,998)	$246,759	$435,056
Net income for the year 1986	—	—	—	—	—	77,480	77,480
Cash dividends paid:							
On preference stock, $10.00 per share	—	—	—	—	—	(2,744)	(2,744)
On preferred stock, $4.00 per share	—	—	—	—	—	(600)	(600)
On common stock, $0.80 per share	—	—	—	—	—	(22,875)	(22,875)
Common stock issued from treasury to Employee Savings and Profit Sharing Plan	—	—	8	3	—	—	11
Purchase of common stock for treasury (Note 5)	—	—	(22,973)	—	—	—	(22,973)
Recovery of common stock via escrow claim	—	—	(884)	—	—	—	(884)
Redemption of 430,444 shares of redeemable convertible preference stock for cash (Note 5)	—	—	—	(2,152)	—	—	(2,152)
Redemption of 8,456 shares of redeemable convertible preference stock for common stock (Note 5)	—	35	—	921	—	—	956
Common stock issued:							
to Employee Savings Plan	—	2	—	35	—	—	37
to acquire MPM, Inc. (Note 2)	—	1,558	—	32,465	—	—	34,023
Foreign currency translation	—	—	—	—	(1,186)	—	(1,186)
Balance at December 31, 1986	$15,000	$37,359	$(24,677)	$176,631	$(8,184)	$298,020	$494,149

(See accompanying statement of accounting policies and notes to financial statements.)

Notes to Financial Statements

December 31, 1986, 1985, and 1984

1. Inventories

During 1986 and 1985, inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of purchases in current years, the effect of which increased net earnings in 1986 and 1985 by approximately $1,574,000, or $0.06 per share, and $277,000, or $0.01 per share, respectively. There was no LIFO liquidation during 1984.

At December 31, 1986 and 1985, the net assets of discontinued operations included a LIFO reserve of $2,776,000 and $33,877,000, respectively.

2. Investments

Western-Mobile, Inc. (WMI)—In 1986, the Company issued 1,246,859 shares of common stock, valued at $34,023,000 for the acquisition of the stock of MPM, Inc. (MPM). The Company contributed the stock of the MPM subsidiaries to WMI in exchange for a 50% ownership interest in WMI. WMI then purchased the stock of certain Construction Materials and Services Group subsidiaries for cash, resulting in a gain of $20,000,000 ($10,000,000 of which was recognized currently and $10,000,000 of which is being deferred and amortized into income over the life of the assets acquired by WMI). The company recognized equity income from WMI of $2,400,000 during the year ended December 31, 1986.

Genex Corporation—The Company continued to reduce its investment in Genex in 1986 through the sale of 656,000 common shares, resulting in a pretax gain of $1,382,000, or $995,000 after tax ($0.03 per share). Equity losses during the years ended December 31, 1986, 1985 and 1984 were $154,000, $4,836,000, and $900,000, respectively. The Company's investment in Genex was $568,212 (1,404,250 shares, or 11%) at December 31, 1986. The Company now accounts for Genex on the cost basis because of the reduction in the investment during 1986. During 1985 and 1984, the Company sold common shares of Genex resulting in a pretax gain of $466,000, or $252,000 after tax ($0.01 per share), and a pretax gain of $915,000, or $659,000 after tax ($0.02 per share), respectively. The quoted market value of Genex at December 31, 1986 was $2,281,906, $1.63 per share, but the stock held by the Company is restricted as to the sale, and this value may not be recoverable.

Richmond Tank Car Company (RTC)—In 1984, gains of $3,922,000 or $2,824,000 after tax ($0.10 per share), and $1,018,000, or $550,000 after tax ($0.02 per share), were realized on the ultimate disposition of RTC's stock and a note receivable from an RTC subsidiary, respectively.

Other Investments—During 1986 and 1985, the Company's venture capital subsidiary, Kopvenco, sold stock of several investee companies, resulting in pretax gain of $1,798,000, or $1,295,000 after tax ($0.05 per share) and a pretax gain of $2,332,000 or $1,316,000 after tax ($0.05 per share), respectively.

3. Retirement Plans

Company Plans—Total pension expense for continuing operations in 1986 was $14,294,000 as compared with $15,880,000 and $12,724,000 in 1985 and 1984, respectively. The pension expense increase in 1985 was primarily due to additional provisions for plants that were closed or disposed of.

A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit plans as of December 31, 1986 and 1985 is detailed below.

($ Thousands)	1986	1985
Actuarial present value of accumulated plan benefits:		
Vested	**$347,857**	$334,375
Nonvested	**34,423**	32,767
	$382,280	$367,142
Net assets available for benefits	**$496,951**	$442,023

The rate used in determining the actuarial present value of accumulated plan benefits was 8% for 1986 and 1985. The actuarial present value of accumulated plan benefits is less than that considered in calculating the funding requirements of the plan, partly because of differences in actuarial assumptions relating to future salaries, wages and interest.

The Company historically funds the pension accrual in the subsequent year. In 1985, the Company determined that a lesser amount, which met the requirements of ERISA, would be funded in lieu of the 1984 accrual amount. The amount, $16,500,000, not funded was reclassified to other long-term liabilities and will be offset against future pension liabilities over a 15-year period.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health and life insurance benefits for retired employees. These benefits are provided through insurance contracts the premiums of which are based on the benefits paid during the year. The Company recognizes the cost of providing these benefits by expensing the annual insurance premiums, which were $3,320,000, $2,961,000 and $2,782,000 for 1986, 1985 and 1984, respectively.

Multiemployer Plans—In addition to the expense for the Company-sponsored plans, the Company had pension expense for full-time employees of $8,873,000, $7,033,000 and $6,282,000 in 1986, 1985 and 1984, respectively, for contributions to multiemployer plans as determined by various collective bargaining agreements. [The relative position of the Com]pany regarding the accumulated plan benefits and plan net assets of multiemployer plans is not determinable by the Company and is not included in the above information.

4. Term Debt

Term debt due after one year is shown below.

($ Thousands)	1986	1985
11.25% promissory notes due $6,500 annually, $9,000 balance due in 2000	**$ —**	$ 93,500
8.95% promissory notes due $4,000 annually	**14,000**	18,000
6% notes due $3,000 annually	**17,000**	20,000
Industrial development bonds and notes:		
8.25% bonds due 1987-2002	**29,500**	31,400
5.875% tax-exempt bonds due 1998-2017	**16,350**	16,350
5.9% and 6% notes due 1987-1998	**9,105**	9,280
Variable rate notes due 1996-2010	**14,900**	14,900
Other	**16,882**	12,025
Total term debt	**$117,737**	$215,455

The aggregate term debt maturity in the years 1987 through 1991, respectively, is $14,625,000, $11,618,000, $11,212,000, $11,194,000 and $9,038,000.

Additional Debt Information—During 1986, the 11.25% promissory notes due in 2000 were retired, with the repayment consisting of $93,500,000 of principal, $2,629,688 of accrued interest, and a 7.28% prepayment premium of $6,807,000, which was classified as an extraordinary item on the consolidated statement of operations.

The Company renegotiated its revolving credit bank loan agreement, which provides for revolving credit loans up to $200,000,000 until October 24, 1990. Commitment fees of up to ¼ of 1% per annum are required on any unborrowed amounts. The agreement calls for interest at one of three options chosen by the Company, those being the prime rate or the certificate of deposit rate or the Eurorate, with factors up to ½% added to those rates. There were no borrowings under the revolving credit facility during 1986. The maximum amount of borrowings under the revolving credit facility during 1985 was $7,000,000, with no borrowings at December 31, 1985.

The Company's term debt agreements contain various restrictions as to dividend payments and incurrence of additional indebtedness. As of December 31, 1986, under the most restrictive provisions, $60,416,000 of consolidated earnings retained in the business was available for the payment of cash dividends, and the Company could incur additional indebtedness of $180,736,000.

5. Stock Activity

Redeemable Convertible Preference Stock—On July 31, 1986, the Company redeemed the remaining 438,900 outstanding shares of redeemable convertible preference stock for either cash or its common stock. Previously, the Company had repurchased 26,100 shares and 229,000 shares in 1985 and 1984, respectively, as part of a repurchase program approved by the Board of Directors.

Common Stock Repurchase Plan—Late in 1986, the Company's Board of Directors approved the repurchase of up to 4,500,000 shares of outstanding common stock. As of December 31, 1986, 802,136 shares had been purchased at a cost of $22,973,000 and accounted for as treasury stock.

Shareholder Rights Plan—In February, 1986, the Company's Board of Directors approved a rights plan. Shareholders received as a dividend one individual stock purchase right for each share of the Company's common stock. Each right will entitle shareholders to buy one one-hundredth of a newly issued share of Junior Participating Preference Stock at an exercise price of $75. The rights will be exercisable only if a person or group either acquires 20% or more of Koppers common stock or commences a tender offer for 30% or more. All rights are redeemable at the Company's discretion upon the occurrence of certain events at $0.05 per right and are no longer exercisable after March 11, 1995. The Company authorized 350,000 shares of Junior Participating Preference Stock with no par value.

6. Employee Compensation Plans

Deferred Compensation Plan—The Company has a Deferred Compensation Unit Plan for officers and other key employees. Operating expense has been charged with $2,646,000, $1,334,000 and $1,424,000 to provide for the benefits accrued during 1986, 1985 and 1984, respectively.

Incentive Plan—The 1986 Executive Incentive Plan is based on established target award levels for each participant if certain Company per-

Employee Compensation Plans (continued)

formance and individual goals are met. The charge to operating expense in 1986 was $2,500,000. Because of the Company's insufficient return on investment, there were no charges to operating expense in 1985 and 1984.

Performance Share Plan—The Company has a Performance Share Plan for key employees that provides for an award of performance shares (up to an aggregate maximum of 500,000 shares), each equivalent to one share of the Company's common stock and cash. Distribution of the common stock plus cash equal to the fair market value of the common stock will be made at the end of designated periods if specified earnings are attained.

At present, there are 146,400 performance shares outstanding. On the basis of profit performance, no charges have been made to operating expense for the years 1986, 1985 and 1984.

Employee Savings Plan—The Company has an Employee Savings Plan for all eligible employees that conforms to Section 401(k) of the Internal Revenue Code. Under the plan, participating employees can elect to contribute up to 16% of their salaries with a regular Company matching contribution in Koppers common stock equivalent to 25% of the first 2% of the tax-saver contributions for each month of the plan year. The Company's contributions amounted to $494,000 in 1986, $548,000 in 1985 and $399,000 in 1984. The Company may also make annual supplemental contributions based upon its return on common shareholders' equity. In 1986, the supplemental contribution expense was $3,400,000. The return on common equity was insufficient in 1985 and 1984; therefore, there was no charge to operating expense in either year.

Stock Option Plan—At the annual meeting held on April 28, 1986, the stockholders ratified the 1986 Stock Option Plan. The Plan provides for the award of stock options with a right to purchase an amount of common stock equal to the options awarded. Additionally, all of the options have attached stock appreciation rights that may be exercised in lieu of the stock options, resulting in the holder receiving cash equal to the difference between the current value of the Company's common stock and the exercise price for the stock options established at the date of grant. During 1986, 277,225 stock options were awarded to officers and key employees at an exercise price of $23.375. The options become exercisable in installments commencing one year after the award date and expire if not exercised no later than 10 years from the date of grant. At December 31, 1986, no options are currently exercisable and an additional 722,775 stock options remain available for grant through February 24, 1996. In 1986, there was no charge to operating expense for the compensation cost of the stock appreciation rights.

7. Closed Operations and Disposals

Discontinued Operations—By the close of 1986, the Company had concluded agreements for the sale of eight of the 10 business units reserved for sale in December, 1985. The units sold included all those in the Engineered Metal Products operations and certain components of Chemical and Allied Products. The net gain on these sales has been deferred pending final disposition of the two remaining units.

In December, 1985, net reserve provisions of $68,608,000 ($2.40 per share) were made for the expected losses on these 10 disposals.

In 1984, an after-tax loss of $3,486,000 ($0.12 per share) was realized in the sale of the Company's engineering and construction business to Raymond Kaiser Engineers, Inc. (RKE), now designated as Kaiser Engineers. Future contingent payments to Koppers for the sale are based upon the after-tax profit or loss of the Kaiser Engineers Pittsburgh Office over a period of time from the closing through December 31, 1988.

Net sales of the Discontinued Operations were $299,475,000, $419,535,000 and $430,766,000 for 1986, 1985 and 1984, respectively.

Other Operations Closed or Disposed of—In 1986, certain subsidiaries of the Construction Materials and Services group were sold to WMI. (See Note 2). Also a loss of $2,722,000, or $1,470,000 after tax ($0.05 per share), was realized by Chemical and Allied Products for provisions related to plant closings.

In 1985, provisions for plant closings in Chemical and Allied Products resulted in a loss of $29,056,000, or $15,690,000 after tax ($0.55 per share). Additionally $16,629,000 was provided for environmental expenses at plants currently operating, closed, or disposed of in 1985.

In 1984, Chemical and Allied Products realized a loss from dispositions of $3,692,000 or $2,137,000 after tax ($0.07 per share).

The effect on operations and the related profit or loss on operations disposed of or closed is shown in the table below.

Additionally, in 1986 and 1985 provisions for environmental expenses at previously operated properties amounted to $3,075,000, or $1,660,000 after tax ($0.06 per share), and $28,620,000 or $15,455,000 after tax ($0.54 per share) respectively.

Other Operations Closed or Disposed of

($ Thousands)	**1986**	1985	1984
Net sales	**$66,251**	$185,690	$200,052
Recurring operating expenses	**(61,123)**	(184,602)	(181,020)
Profit (loss) on disposal of net assets	**4,764**	(32,564)	(2,303)
Provision for environmental expenses	**—**	(16,629)	—
Operating profit (loss)	**$ 9,892**	$(48,105)	$ 16,729

8. Income Taxes

Income (loss) from continuing operations before provision (benefit) for income taxes and the components of income taxes are as follows:

($ Thousands)	**1986**	1985	1984
Income (loss) from continuing operations before provision (benefit) for income taxes:			
Domestic operations	**$ 96,175**	$(55,797)	$22,067
Foreign operations*	**6,104**	8,101	3,805
Total	**$102,279**	$(47,696)	$25,872
Income tax expense (benefit):			
Continuing operations	**$ 39,059**	$(17,693)	$ 1,900
Discontinued operations	**—**	5,085	4,351
Total	**$ 39,059**	$(12,608)	$ 6,251
Current:			
Federal	**$ 29,891**	$ 1,893	$ 3,601
Foreign	**2,495**	1,545	2,568
State	**7,212**	2,844	2,638
	39,598	6,282	8,807
Deferred:			
Federal	**(21,606)**	(18,816)	(1,859)
Foreign	**—**	(74)	(697)
	(21,606)	(18,890)	(2,556)
Provision in lieu of Federal income taxes	**21,067**	—	—
Total income taxes (benefits)	**$ 39,059**	$(12,608)	$ 6,251

*Foreign operations income before the provision for income taxes includes equity income from foreign investments of $5,095, $6,249 and $3,799 for 1986, 1985 and 1984, respectively.

The components of deferred tax expense (benefits) and related tax effect are shown below.

($ Thousands)	**1986**	1985	1984
Excess of tax over book depreciation	**$ 10,150**	$ 10,709	$ 8,842
Difference in book and tax expense recognition:			
—Environmental expenses	**3,997**	(9,009)	(416)
—Warranty expenses	**2,339**	2,224	(8,876)
—Pension funding	**535**	(1,057)	—
—Synthetic fuels expenses	**—**	—	4,260
—Other	**(2,554)**	(3,436)	(1,977)
Difference in book and tax income recognition:			
—Construction contracts	**(4,125)**	5,226	83
—Inventory timing difference	**1,030**	(1,754)	(592)
—Genex basis difference	**1,069**	362	90
—Installment sales	**(4,978)**	5,949	(1,659)
Benefit of operating loss carry-forwards used to reduce deferred tax liability	**—**	(20,350)	(3,575)
Provisions for operations discontinued, disposed of or closed	**(27,521)**	(4,239)	621
Other	**(1,548)**	(3,515)	643
Total deferred tax expense (benefit)	**$(21,606)**	$(18,890)	$(2,556)

Income Taxes (continued)

The differences between the statutory and effective income tax (benefit) rates applicable to continuing operations are shown below.

	1986	1985	1984
Statutory tax rate:			
Federal	**46.0%**	(46.0%)	46.0%
State, net of federal tax benefit	**3.8%**	3.2%	5.5%
Current year loss carry-forward	**—**	17.8%	—
Investment tax credit	**(11.8%)**	—	(18.5%)
Nontaxable earnings of international sales corporations	**(1.1%)**	(1.2%)	(1.1%)
Effect of percentage over cost depletion	**(5.1%)**	(8.6%)	(14.4%)
Effect of lower statutory tax rate applicable to capital gains and equity investment transactions	**(3.0%)**	—	(9.5%)
Minimum tax on tax preference items	**2.9%**	—	7.5%
Other—net	**6.5%**	(2.3%)	(8.2%)
Total tax rate	**38.2%**	(37.1%)	7.3%

The provisions for income taxes (continuing operations) for 1986 and 1984 have been reduced by $12,100,000 and $5,486,000, respectively, for investment tax credit.

At December 31, 1986, the Company has operating loss and tax credit carryforwards for financial reporting purposes, expiring in 2000, that will reduce future income tax expense by $19,400,000. All carryovers were utilized for tax reporting purposes in 1986.

9. Acquisitions

In 1986, the Company acquired four companies for $66,400,000 in cash. The acquisitions were accounted for using the purchase method of accounting, and results of operations have been included from the respective dates of these acquisitions. The following unaudited summary, prepared on a pro forma basis, combines the consolidated results of operations of the Company for the years ended December 31, 1986 and 1985 with the preacquisition earnings of these acquisitions:

	1986	1985
Net sales	**$1,465,000,000**	$1,494,471,000
Net (loss) income from continuing operations	**$ 65,851,000**	$ (25,835,000)
Net (loss) income	**$ 80,111,000**	$ (96,903,000)
Earnings (loss) per share of common stock from continuing operations	**$2.19**	($1.09)
Net earnings (loss) per share	**$2.68**	($3.57)

10. Operations by Business Segments

The Company operates principally in two business segments. Financial information about each segment is provided in the table on the following page.

Information relating to the products and services provided by these segments is located on pages 38 and 39 of this annual report and 10-K. Because of immateriality, intersegment sales along with revenues and identifiable assets from foreign operations are not disclosed.

11. Litigation

In 1981, Inland Steel Company filed an action against the Company asserting a claim in the amount of $100 million for damages under a construction contract. The Company filed a counterclaim against Inland to recover $17 million representing fees on the contract. A jury verdict was rendered on February 21, 1984 for Inland on its claim, in the amount of $74 million, and for the Company on its counterclaim, in the amount of $10 million. The verdict was affirmed by the Court of Appeals of Indiana. The Company has filed a request for rehearing with the Court of Appeals. If the request is denied, the Company will request transfer of the case to the Indiana Supreme Court. While the ultimate outcome of this litigation is not currently determinable, the Company believes that it has meritorious defenses to Inland's claim and it will take all legal action to set aside this verdict or obtain a new trial.

Note 10: Operations by Business Segments

($ Thousands)

	Construction Materials and Services	Chemical and Allied Products	Misc.	Consolidated
Year ended December 31, 1986:				
Net sales from continuing operations	$804,144	$588,879	$ 3,378	$1,396,401
Operating profit (loss) before general corporate overhead	$ 98,909	$ 39,646	$(1,090)	$ 137,465
Other income	2,171	(3,174)	11,448	10,445
Equity in earnings (loss) of affiliates	4,240	3,032	(2,733)	4,539
Operating income	$105,320	$ 39,504	$ 7,625	$ 152,449
General corporate overhead				28,768
Interest expense				21,402
Income from continuing operations before provision for income taxes				$ 102,279
Identifiable assets as of December 31, 1986	$508,227	$341,513	$33,652	$ 883,392
General corporate assets				118,441
Net assets of discontinued operations				14,791
Total assets				$1,016,624
Depreciation, depletion and amortization	$ 39,295	$ 28,673	$ 350	$ 68,318
Depreciation and amortization of general corporate assets				2,208
				$ 70,526
Capital expenditures	$144,968	$ 33,505	$12,253	$ 190,726
Year ended December 31, 1985 (Reclassified):				
Net sales from continuing operations	$777,418	$618,612	$ 4,136	$1,400,166
Operating profit (loss) before general corporate overhead	$ 62,580	$(45,085)	$(2,038)	$ 15,457
Other income (expense) (Note 7)	5,736	(19,958)	3,928	(10,294)
Equity in earnings (loss) of affiliates	3,205	3,412	(7,055)	(438)
Operating income (loss)	$ 71,521	$(61,631)	$(5,165)	$ 4,725
General corporate overhead				28,748
Interest expense				23,673
Loss from continuing operations before provision for income taxes				$ (47,696)
Identifiable assets as of December 31, 1985	$408,642	$373,179	$30,784	$ 812,605
General corporate assets				99,339
Net assets of discontinued operations				154,109
Total assets				$1,066,053
Depreciation, depletion and amortization	$ 35,233	$ 28,786	$ —	$ 64,019
Depreciation and amortization of general corporate assets				2,354
				$ 66,373
Capital expenditures	$ 53,729	$ 33,781	$ 6,284	$ 93,794
Year ended December 31, 1984 (Reclassified):				
Net sales from continuing operations	$720,475	$664,484	$ 3,699	$1,388,658
Operating profit (loss) before general corporate overhead	$ 56,398	$ 4,101	$ (601)	$ 59,898
Other income (expense) (Note 2)	3,996	(2,710)	10,086	11,372
Equity in earnings (loss) of affiliates	965	3,251	(3,362)	854
Operating income	$ 61,359	$ 4,642	$ 6,123	$ 72,124
General corporate overhead				23,418
Interest expense				22,834
Income from continuing operations before provision for income taxes				$ 25,872
Identifiable assets as of December 31, 1984	$447,458	$453,619	$27,152	$ 928,229
General corporate assets				84,749
Assets of discontinued operations				141,680
Total assets				$1,154,658
Depreciation, depletion and amortization	$ 31,300	$ 31,557	$ 3	$ 62,860
Depreciation and amortization of general corporate assets				1,653
				$ 64,513
Capital expenditures	$ 65,529	$ 27,000	$17,324	$ 109,853

Schedules for Form 10-K
Koppers Company, Inc. and Subsidiaries

Property, Plant and Equipment (SEC Schedule V)

($ Thousands)

Classification	Balance at beginning of year	Additions at cost	Retirements(1) or sales	Transfers and other additions (deductions)	Balance at close of year
Year ended December 31, 1986					
Land	$ 36,693	$ 4,084	$ 4,007	$ 63	$ 36,833
Buildings	101,410	11,609	12,295	(438)	100,286
Machinery and equipment	872,595	99,754	72,329	495	900,515
Depletable mineral properties	47,665	18,904	18,211	—	48,358
Depletable timber properties	7,008	2,270	2,153	—	7,125
	$1,065,371	$136,621	$108,995	$ 120	$1,093,117
Year ended December 31, 1985					
Land	$ 51,307	$ 2,028	$ 16,607	$ (35)	$ 36,693
Buildings	136,039	4,178	38,522	(285)	101,410
Machinery and equipment	1,005,451	94,692	227,102	(446)	872,595
Depletable mineral properties	82,150	3,749	38,234	—	47,665
Depletable timber properties	14,998	1,650	9,640	—	7,008
	$1,289,945	$106,297	$330,105	$ (766)	$1,065,371
Year ended December 31, 1984					
Land	$ 42,068	$ 9,328	$ 386	$ 297	$ 51,307
Buildings	132,229	7,442	3,429	(203)	136,039
Machinery and equipment	932,892	93,797	20,988	(250)	1,005,451
Depletable mineral properties	81,051	1,517	308	(110)	82,150
Depletable timber properties	15,115	1,610	1,727	—	14,998
	$1,203,355	$113,694	$ 26,838	$ (266)	$1,289,945

(1) Includes $70,344 in 1986, $14,705 in 1985, and $12,806 in 1984 from operations disposed of or closed. Also included in 1985 is a $300,921 transfer to net assets of discontinued operations.

Accumulated Depreciation, Depletion and Amortization (SEC Schedule VI)

($ Thousands)

Description	Balance at beginning of year	Additions charged to income	Retirements(2)	Other additions(3)	Balance at close of year
Year ended December 31, 1986					
Depreciation and amortization	$610,408	$66,754	$ 50,659	$ 318	$626,821
Depletion	18,700	3,454	10,426	(62)	11,666
	$629,108	$70,208	$ 61,085	$ 256	$638,487
Year ended December 31, 1985(1)					
Depreciation and amortization	$666,128	$78,074	$175,587	$41,793	$610,408
Depletion	16,565	3,591	12,573	11,117	18,700
	$682,693	$81,665	$188,160	$52,910	$629,108
Year ended December 31, 1984(1)					
Depreciation and amortization	$605,214	$76,401	$ 18,128	$ 2,641	$666,128
Depletion	14,957	2,714	1,106	—	16,565
	$620,171	$79,115	$ 19,234	$ 2,641	$682,693

(1) Includes provision relating to both continuing and discontinued operations.
(2) Includes $34,123 in 1986, $9,798 in 1985 and $8,582 in 1984 from operations disposed of or closed. Also included in 1985 is a $173,016 transfer to net assets of discontinued operations.
(3) Includes $4,558 in 1986, $53,277 in 1985 and $2,198 in 1984 of valuation reserves for operations disposed of or closed.

Valuation and Qualifying Accounts (SEC Schedule VIII)

($ Thousands)

Description	Balance at beginning of year	Additions charged to income	Deductions(2)	Balance at close of year
Year ended December 31, 1986				
Allowance for doubtful accounts	$ 6,509	$4,951	$ 3,240	$ 8,220
Allowance for doubtful notes receivable	4,567	—	422	4,145
Allowance for decline in value of investment	2,770	—	—	2,770
	$13,846	$4,951	$ 3,662	$15,135
Year ended December 31, 1985(1)				
Allowance for doubtful accounts	$ 5,453	$3,354	$ 2,298	$ 6,509
Allowance for doubtful notes receivable	3,872	695	—	4,567
Allowance for decline in value of investment	2,049	721	—	2,770
	$11,374	$4,770	$ 2,298	$13,846
Year ended December 31, 1984(1)				
Allowance for doubtful accounts	$ 5,645	$2,218	$ 2,410	$ 5,453
Allowance for doubtful notes receivable	2,841	1,031	—	3,872
Allowance for decline in value of investment	2,138	—	89	2,049
	$10,624	$3,249	$ 2,499	$11,374

(1) Includes provision relating to both continuing and discontinued operations.
(2) Accounts written off, less recoveries. Included in 1985 is a $459 transfer to net assets of discontinued operations.

Short-Term Borrowing (SEC Schedule IX)

($ Thousands)

Category of Short-Term Borrowings	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period(1)	Weighted average interest rate during the period(1)
Year ended December 31, 1986					
Amounts payable to banks	$1,286(2)	10.8%	$ 1,307	$ 1,146	12.1%
Commercial paper	$ —	—	$ —	$ —	—
Year ended December 31, 1985					
Amounts payable to banks	$1,307(2)	13.5%	$ 2,221	$ 1,208	14.5%
Commercial paper	$ —	—	$59,750	$19,610	8.2%
Year ended December 31, 1984					
Amounts payable to banks	$1,322(2)	15.5%	$ 1,852	$ 1,214	16.5%
Commercial paper	$ —	—	$ 5,000	$ 167	10.8%

(1) The average amount outstanding for each period was computed by using a daily average during the year. The weighted average interest rate for each period was computed by weighting the effective interest rate over the year.
(2) Included in term debt due within one year.

Supplementary Income Statement Information (SEC Schedule X)

($ Thousands) Charged to expenses

Item	1986	1985	1984
Years ended December 31,			
Maintenance and repairs	$115,853	$112,653	$90,884
Taxes, other than payroll and income taxes	$ 14,678	$ 14,469	$14,886
Rents	$ 35,163	$ 26,597	$23,911
Research and development	$ 16,747	$ 16,268	$15,793

Description of Koppers Business

General Development of Koppers Business

Koppers Company, Inc. was incorporated on September 30, 1944. It succeeded by merger to the properties and business of four predecessor companies. Those companies grew logically out of Koppers original business, established in 1907 to design and build chemical-recovery coke plants for the American steel industry.

Prior to 1965, Koppers was highly dependent upon its original steel plant construction business for earnings growth. This was a cyclical business that had a disconcerting roller-coaster effect on the Company's prospects for growth.

In 1965, the Company began to build a manufacturing organization. In 1966, Koppers organized its road materials business, building it into today's rapidly growing Construction Materials and Services segment.

The Company's steel plant construction business was sold at the start of 1984. In December, 1985, Koppers announced plans to divest itself of several manufacturing businesses and certain other operations in order to concentrate upon Construction Materials and Services, and Chemical and Allied Products, which were its strongest units.

Koppers total invested capital was $626.5 million on December 31, 1986, with approximately 60% attributed to Construction Materials and Services and the balance to Chemical and Allied Products.

Construction Materials and Services

The Business

This unit consists of operating subsidiaries, in regional markets, producing crushed stone, sand, gravel and bituminous and ready-mix concrete, and providing engineering and construction services. Related products include steel culvert pipe, welded wire fabric and certain specialty products used in highway, bridge and other civil construction.

Sales of aggregates and construction services are divided between publicly funded projects, such as road maintenance and new construction, and privately financed construction projects. Transportation is a major factor in total product cost. The delivered price doubles when crushed stone is transported 20 to 30 miles. In order to compete effectively, stone aggregate markets must be localized.

Construction Materials and Services operates more than 179 domestic facilities. These serve markets in 14 states extending from New York through Pennsylvania and Ohio and into the Southeast and California. About 39% of sales are in the West, 36% in the Southeast, and 25% in the Northeast.

Through Koppers 50% ownership in a joint venture with Redland USA Holdings, Inc., operations also include activities in Colorado, Kansas, New Mexico and Wyoming.

Operations were significantly expanded during 1986. For details, see Capital Expenditures discussion on page 16.

Raw Materials and Fuel

Aggregate raw materials consist of sand and gravel, granite, limestone, traprock and sandstone, which come from quarries and mines. Most of Koppers quarries are on land either owned by the Company or held under long-term leases. It is estimated that, over all, Koppers present reserves of aggregates will be sufficient for more than 30 years at current consumption rates. Other major raw materials include asphalt, cement, and steel rod and sheet, which are purchased from oil companies and cement and steel producers. Adequate supplies of raw materials and fuel are expected to continue.

Fuel oil satisfies nearly half of the energy requirements; natural gas and diesel fuel provide about 20% each; the remainder comes from gasoline, kerosene, propane and coal.

Competitive and Seasonal Conditions

Construction Materials and Services operations are geographically diversified, with vertical integration in certain regional markets. Because mineral reserves are limited within those regions, the Company commonly holds a high share of those markets in which it competes.

Principal factors in competition are location, price and service. Prices for aggregates are determined by local conditions and are not subject to fluctuations created by nationwide demand, supply and capacity factors. Increasingly, this business has become service-oriented, calling for on-time delivery from a guaranteed source of supply.

Business is seasonal, with more than 70% of sales occurring during the peak construction period from May 1 to November 30.

Product inventories are controlled at volumes that reflect a balance between the most efficient production level and supplying peak demand. Inventories normally grow substantially during spring months in anticipation of high summer demand. It is not customary, however, to carry inventories or to provide financing for customers.

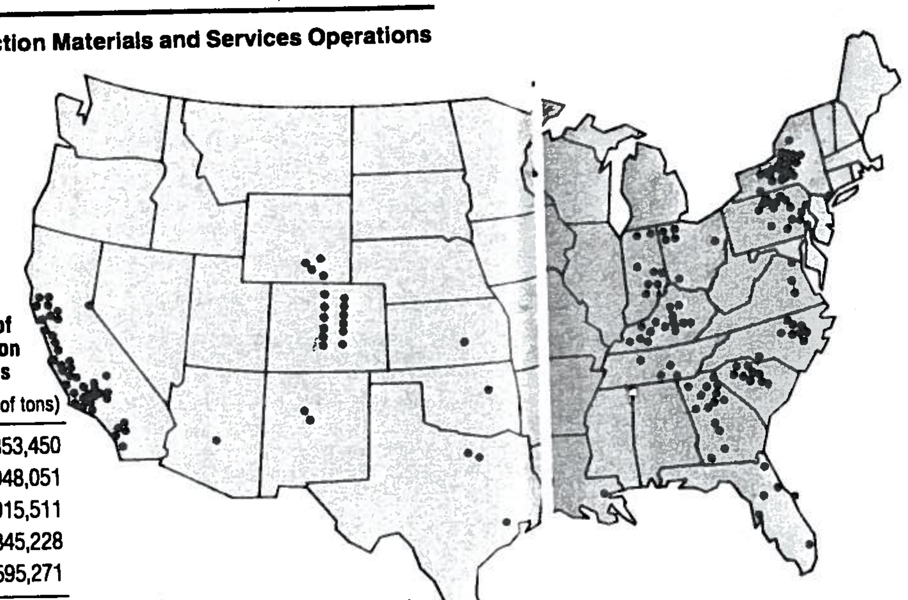
Backlog

Combined backlog at the end of 1986 was $177.4 million, versus $189.2 million a year earlier. The lower backlog is primarily due to the absence of backlog from operations now included in Western-Mobile, Inc. and less involvement in overseas construction projects. Including the Western-Mobile figures in 1986, backlog would show as 8% higher than 1985. The normal tendency is for this backlog to increase during the first six months of the year and to decline thereafter. Orders in the backlog are considered firm, and more than 95% of the year-end backlog is expected to result in 1987 sales.

Construction Materials and Services Combined 1986 Sales by Major Economic Sectors

	($ Millions)	%
Nonbuilding Construction	$654.5	81.4%
Architectural Construction	113.8	14.1
Industrial Production	35.8	4.5
	$804.1	100%

Construction Materials and Services Operations



Koppers Growing Reserves of Construction Aggregates
(thousands of tons)

86	2,853,450
85	1,948,051
84	1,915,511
83	1,845,228
82	1,595,271

(Reserves include those of Western-Mobile, Inc., a joint venture)

Chemical and Allied Products

The Business

Three operating sectors compose Chemical and Allied Products. Most of its businesses market worldwide products and services associated with either the manufacture and use of products derived from coal tar or the production of chemically treated wood and wood-treating chemicals. Other lines serve specialty markets.

Building Products Sector supplies materials for coal tar bitumen built-up roofing systems, phenolic foam insulation board and a range of high-quality maintenance materials.

This sector licenses proprietary processes and products using specialty chemicals under such trademarks as Dricon and Wolman to wood-treating companies throughout the U.S. and in foreign countries. A retail package line called Wolman Wood Protection Products includes exterior wood stains and water repellents. Brush-on wood preservatives, caulking compounds and adhesives were added in 1986.

Chemical Systems Sector is a major supplier of resorcinol, used primarily to produce adhesives for rubber tires and laminated wood; polyester resins for general purpose and high-performance applications, fire-retardant qualities; vinyl ester resins for reinforced-plastics applications requiring corrosion resistance; binder systems and refractory coatings for foundries; industrial sealants, caulks and adhesives; and a group of intermediate chemicals. In late 1986, resin operations were expanded by the acquisition of Atlac specialty resins from ICI Americas Inc.

Tar and Wood Products Sector produces coal tar derivatives, such as pitches used by the aluminum and commercial carbon industries as binders in the manufacture of electrodes; creosote, a complex mixture of chemicals, used primarily as a wood preservative; naphthalene, used to produce phthalic anhydride and other chemical intermediates; and phthalic anhydride, used in production of alkyd and polyester resins and plasticizers for plastics.

This sector also sells treated wood products, which include chemically pressure-treated railroad crossties; utility, transmission, distribution and lighting poles and accessory equipment; building poles and timbers; foundation and marine piling; and construction lumber and plywood. Wood pressure treatments for these products use creosote, pentachlorophenol and waterborne preservatives. Koppers also provides contract wood-treating services for industrial and commercial customers.

Raw Materials and Fuel

Primary raw materials for Chemical and Allied Products operations include coal and tar products, hardwood and softwood timber, and preservative raw materials. Most coal tar processed is purchased through contracts with steel producers. Purchasing agreements cover such other raw materials as coal and benzene. For wood-treating operations, the major requirements are for Eastern and Southern hardwood; and softwood timber, primarily Southern yellow pine and West Coast species. Less than 2% of the Company's timber needs are met from Company-owned properties or by negotiated cutting rights. Preservative raw materials are supplied from both Company and outside sources.

Energy is supplied by natural gas, fuel oil, coal and wood waste. Certain plants also operate electrical cogeneration systems; two of them sell excess power to local utilities. No major disruption of business in 1987 is expected from shortages of raw materials or energy.

Competitive and Seasonal Conditions

Chemical and Allied Products goods and services are sold in highly competitive markets. Except for certain proprietary items, there are suppliers of identical products in all business areas, as well as competition from alternative materials performing the same functions. The principal factors in competition are price, quality and service.

Most businesses are affected to differing degrees by seasonal variations. For example, winter weather reduces volumes in roofing and other construction industry products.

Products are marketed worldwide through the group sales organizations and through independent distributors and agents. Substantial inventories are maintained in many product categories to ensure prompt, dependable service.

Backlog

Chemical and Allied Products year-end backlog was $125.5 million, versus $155.8 million a year earlier. The total backlog is expected to be shipped during 1987, although most unfilled orders are subject to cancellation at the buyer's option.

Chemical and Allied Products Combined 1986 Sales by Major Economic Sectors

	($ Millions)	%
Industrial Production	$329.0	55.9%
Nonbuilding Construction	184.0	31.2
Architectural Construction	75.9	12.9
	$588.9	100%

Miscellaneous

Keystone Environmental Resources, Inc.
Over the past 15 years, Koppers has developed the technology and technical expertise necessary for the resolution of any likely environmental and health issues that may arise in its operations in the next decade. This capability was organized in 1986 into Keystone Environmental Resources, Inc., a wholly owned subsidiary of Koppers. Keystone sells its services outside of Koppers and is responsible for an extensive ongoing program of environmental management of Koppers facilities. The program is aimed at developing proactive, cost-effective plans for resolution of current and future environmental problems. Koppers management believes this environmental program serves to enhance the Company's competitive position.

Venture Capital
Kopvenco, a wholly owned venture capital subsidiary, was formed in 1980. Its primary mission is threefold:

■ Identify and develop new core-business opportunities.

■ Gain access to emerging technologies and facilitate application within Koppers.

■ Maintain profitability of the Company's investment portfolio.

A strategic focus on "seed" and early start-up investments has proved valuable in technological and economic terms. Koppers investments include the following:

Advanced Materials—Ceramatec, Inc. develops and manufactures high-performance ceramic products, including structural and technical ceramics, specialty ceramic electronic packages, and beta alumina for sodium-sulfur batteries. Advanced Refractory Technologies, Inc. manufactures high-quality, high-purity advanced ceramic powders. Metcal, Inc. has unique self-regulating, temperature-source heating technology with applications in the manufacture of electronic, mechanical and electrical interconnections, industrial process heating and medical devices. Eotec Corporation is a producer of fiber optics for factory automation, specialty connectors and sensors.

Life Sciences—DNA Plant Technology Corporation is a venture in agricultural biotechnology to develop superior commercial crop strains. It has entered into joint ventures with Kraft, Inc. to market a consumer food product and with Koppers to produce plant-disease diagnostic kits. Ecogen, Inc. employs advanced molecular genetic techniques in biological pesticide development as alternatives to current chemical controls. Engenics, Inc. offers sophisticated bioprocess research and development to commercial clients in high-technology businesses.

Software and Productivity— American Cimflex Corporation (formerly American Robot Corporation) is a leading manufacturer of electric-drive, high-precision robot systems with unique electronic vision capabilities and major applications in the automation of industrial plants. In separate agreements with Ford Motor Company and BMW of West Germany, American Cimflex is developing computer communications networks for manufacturing and industrial vision systems. Formtek, Inc. integrates advanced digital scanning and raster graphic editing into a computer-aided design system that's known as FIRST.

Other Corporate Matters

Employment
The average number of persons employed in continuing operations by the Company was 10,944 in 1986, compared with 11,128 in 1985.

Approximately 4,600 of the Company's employees are covered by 124 different collective bargaining agreements. There were 43 labor contract negotiations successfully completed over the course of 1986.

Legal Proceedings
On August 7, 1981, Inland Steel Corporation filed an action against Koppers in the Lake Superior Court, East Chicago, Indiana, alleging that negligence, fraud and breach of contract in construction of a coke oven battery and blast furnace by Koppers at Inland's Indiana Harbor Works had caused Inland damages in the amount of $100 million. Koppers counterclaimed to recover $17 million still unpaid by Inland on the contract for construction of the coke oven battery and blast furnace. A verdict was rendered on February 21, 1984 for Inland on its claims in the amount of $74 million and for Koppers on its counterclaim in the amount of $10 million, for a net verdict in favor of Inland in the amount of $64 million. Post-judgment interest is accruing and will continue to accrue until the judgment is modified or paid. The verdict has been affirmed by the Court of Appeals of Indiana. A Motion for Reconsideration has been filed. If denied, Koppers will seek transfer to the Supreme Court of Indiana. While the ultimate outcome of this litigation is not currently determinable, the Company believes that it has meritorious defenses and will take all legal actions to set aside the verdict or obtain a new trial.

On July 6, 1983, 97 plaintiffs brought suit in the Court of Common Pleas of Clinton County, Pennsylvania against 12 named defendants including Koppers, North American Phillips Corporation (Phillips), and American Color and Chemical Company, formerly a jointly owned subsidiary of Koppers and Phillips. Generally, plaintiffs allege that the defendants bought, sold, stored and produced toxic chemicals in Lock Haven, Pennsylvania that contaminated the air, soil, ground and water in the vicinity of plants operated by American Color and Drake Chemical Company, an adjacent landowner. Koppers sold its 48% interest in American Color to Phillips in 1982 when the Lock Haven plant closed. Since the filing of the suit, the Court has granted the defendants preliminary objections to the plaintiffs' Complaint. Eleven plaintiffs have dropped their suits. The remaining plaintiffs are in the process of filing their Amended Complaints. The amount and extent of their claims is not presently determinable. Koppers management believes that it has strong defenses to these suits and that the litigation will not result in material liability to Koppers.

Koppers is involved in environmental administrative proceedings and litigation with respect to certain of its operating plants, former plants and waste disposal sites. Where the costs likely to arise from these proceedings and litigation are determinable, appropriate reserves have been established.

Koppers and its subsidiaries are parties to a number of claims and lawsuits arising out of the normal course of business involving product liability claims; government regulations, including environmental matters; antitrust claims; toxic tort claims and other actions. Certain of these actions purport to be class actions, involve multiple plaintiffs and seek damages in very large amounts. All such claims are being contested. The amounts of ultimate liability thereunder are indeterminable at present, but in the opinion of management, resolution of these matters will not materially affect the consolidated financial position or results of operations of Koppers and its subsidiaries.

Financial Information by Industry Segment
Selected financial information for each of Koppers operating units for a 10-year period appears on page 22. Additional financial information on the operating groups appears in "Operations by Business Segments," on page 35.

Patents and Licensing
Koppers owns nearly 400 existing United States patents and a large number of foreign patents covering many products and processes. Some of the patents and technology are licensed to other companies. The Company makes few of its products under licenses from other companies with respect to patents they own or technology they have supplied. No single patent or license is considered material in relation to the Company's overall performance.

Properties
The Company has 239 operating locations in 30 states of the U.S., and in Canada, Great Britain and Australia. They include Chemical and Allied Products, 52; and Construction Materials and Services, 187. Principal operations are predominantly located in Alabama, California, the Carolinas, Illinois, Georgia, New York, Ohio and Pennsylvania.

In the opinion of management, the production capacities in Koppers various business segments are adequate to operate at a significantly higher volume than in 1986.

Research and Development
The Company conducts research activities and supporting pilot plant operations at two locations in suburban Pittsburgh. Special research projects are conducted at various universities. Additional activities include sponsored external research by high-technology research and development companies in which Koppers has an equity interest.

Koppers research laboratories explore advanced technologies, develop new products, improve manufacturing processes and monitor new areas of technology.

Special services provided to all operations include environmental management and analytical and engineering support.

Development laboratories at several locations support each of the Company's business segments with applied research, including customer and technical service.

The amount spent on research and development activities was approximately $16.7 million in 1986, $16.3 million in 1985 and $15.8 million in 1984.

Environmental, Occupational Health and Safety Regulations
Koppers, in common with many other enterprises, is subject to a multitude of federal, state and local laws and regulations governing environmental as well as occupational health and safety matters. Included are increasingly stringent regulations concerning the handling of many chemicals it uses, purchases or sells. Environmental and health and safety laws and regulations have not curtailed operations significantly; however, compliance with such laws and regulations has had and will continue to have a substantial adverse effect on the Company's financial performance. The eventual effect of the laws and regulations and their potential costs is not determinable at this time.

New laws and regulations administered by numerous state and federal agencies make strict compliance with environmental laws now more than ever a prerequisite for continued participation in chemical markets. (Additional information is on page 40: Keystone Environmental Resources, Inc.)

Exhibits for Form 10-K

The following exhibits are included as a part of the 1986 Form 10-K Report as required by Item 601 of Regulation S-K. Shareholders may obtain copies of the exhibits not presented here upon written request to: Secretary, Koppers Company, Inc., Koppers Building, Pittsburgh, Pa. 15219.

Exhibit A–3.1 Koppers Certificate of Incorporation, as amended, and the Certificate of Resolution, dated December 16, 1980, setting forth certain terms of Koppers $10 convertible preference stock, filed as exhibits 4.1 and 4.2 to Koppers Registration Statement No. 2-70174 and incorporated herein by this reference.

Exhibit B–3.2 Certificate of Amendment to Koppers Certificate of Incorporation, dated May 1, 1984, filed as Exhibit 3.2 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by reference.

Exhibit C–3.3 Koppers By-Laws as amended to February 25, 1985.

Exhibit D–10.1 Koppers Restated Deferred Compensation Unit Plan, filed as Exhibit 10.2 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by reference.

Exhibit E–10.2 Koppers Deferred Compensation Plan for Directors, filed as Exhibit 10.3 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by this reference.

Exhibit F–10.3 Koppers 1986 Stock Option Plan.

Exhibit G–10.4 Koppers 1979 Performance Share Plan, filed as Exhibit 10.5 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by reference.

Exhibit H–10.5 Koppers 1987 Executive Incentive Plan. An Executive Incentive Plan for 1987 has been authorized by Koppers Board of Directors for certain officers and other key employees. Each Plan participant will be assigned a target award level and he or she will receive an incentive payment if Company and individual performance criteria are met. The Chairman will recommend to the Compensation Committee of the Board of Directors the distribution of such portion of the Plan fund as he deems appropriate; or if he so determines, may recommend that no awards be made for performance during the Plan year. Upon appropriate review of the Company's performance during the Plan year, the Compensation Committee shall act upon the Chairman's recommendations. Any award to the Chairman shall be determined by the Compensation Committee of the Board of Directors.

Exhibit I—Koppers has the subsidiaries listed below whose accounts are included in its consolidated financial statements. The Company has 40 other subsidiaries, which are not named here because all of them, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Exhibit J—24.1 Consent of Arthur Young & Company, Certified Public Accountants, to the incorporation by reference in the Registration Statements (Form S-8 #2-89784) and the related Prospectus pertaining to Koppers Employee Savings Plan of their report included in Koppers Annual Report and Form 10-K for the year ended December 31, 1986.

Subsidiary and Jurisdiction of Incorporation

Associated Asphalt Products Co.—Ga.
Cherokee Crushed Stone, Inc.—Del.
Eastern Rock Products, Inc.—N.Y.
Echols Brothers, Inc.—Del.
Fairfield Bridge Company, Inc.—Del.
France Stone Company—Ohio
The General Crushed Stone Co.—Del.
  Chester Carriers, Inc.—Del.
  Easton Mack Truck Sales, Inc.—Pa.
  Reed Paving, Inc.—N.Y.
  The Stone Man, Inc.—Del.
Sim J. Harris Co.—Del.
Herbert R. Imbt, Inc.—Pa.
  Keystone Pavement and Construction Company, Inc.—Pa.
  Southern Arizona Paving and Construction Company—Ariz.
Ivy Steel & Wire Company, Inc.—Del.
  Davidson Mineral Properties, Inc.—Del.
    Reeves Construction Co.—Ga.
    Meadow Steel Products, Inc.—Del.
Kaiser Sand & Gravel Co.—Del.
The Kentucky Stone Co.—Ky.
Keystone Environmental Resources, Inc.—Del.
Koppers International Canada Ltd.—Canada
Lycoming Silica Sand Co.—Pa.
The McMichael Company—Del.
  McMichael Asphalt Sales Co.—Okla.
  McMichael Concrete Co.—Okla.
  Tulsa Concrete Co.—Okla.
  Tulsa Paving Co.—Okla.
  Tulsa Rock Co.—Okla.
Pettit Paint Company, Inc.—N.J.
Sloan Construction Co., Inc.—S.C.
Sully-Miller Contracting Co.—Calif.
  Kern Rock Company—Calif.
  P&K Materials, Inc.—Calif.
  South Coast Asphalt Products Co.—Calif.
  Southern Pacific Milling Co.—Calif.
Nello L. Teer Co.—Del.
  Comfort Engineers, Inc.—N.C.
  Guest Associates, Inc.—N.C.
  Nello L. Teer International, Inc.—Del.
Thiem Corporation—Del.
Western-Mobile, Inc.—Del.

Table of Contents Form 10-K Report/1986 Koppers Company, Inc.

Part III

Part III is incorporated by reference to pages 1 to 13 of Koppers Proxy Statement, dated March 16, 1987, in connection with its annual meeting of shareholders, to be held on April 27, 1987. See also Item 1 (e).

Recent 8-K Report

The only Form 8-K (a Securities and Exchange Commission report) filed by Koppers during the fourth quarter of 1986 was filed on December 15, 1986. That report related to the fact that Koppers Board of Directors had authorized purchase of up to 4.5 million shares or 15 percent of Koppers outstanding common stock, as part of a restructuring plan in progress since the end of 1985.

General Subject Index

To aid the annual report reader interested in general subject areas, the following index is an alphabetical guide with specific page references. It is based upon a judgment as to those items most often referred to and should not be considered a complete listing.

Information on Koppers Operations

Backlog
Competitive Conditions
Description of Business
End Markets
Fuel
Raw Materials
Seasonal Factors

For information on the above subjects as they relate to individual Koppers operations, consult the following:

CMS—Construction Materials and Services
CAP—Chemical and Allied Products

Signatures Required for Form 10-K

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Koppers has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on February 23, 1987.

Koppers Company, Inc.

By ______________
Thomas M. St. Clair
Vice President and
Chief Financial Officer

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

Charles R. Pullin
Chairman of the Board of Directors and Chief Executive Officer
February 23, 1987

Glen C. Tenley
President and Chief Operating Officer
February 23, 1987

Fitzhugh L. Brown, Comptroller
February 23, 1987

Charles F. Barber, Director
February 23, 1987

Evelyn Berezin, Director
February 23, 1987

Anthony J. A. Bryan, Director
February 23, 1987

Fletcher L. Byrom, Director
February 23, 1987

Dr. Richard M. Cyert, Director
February 23, 1987

Edward Donley, Director
February 23, 1987

Daniel M. Galbreath, Director
February 23, 1987

William H. Knoell, Director
February 23, 1987

Andrew W. Mathieson, Director
February 23, 1987

Dr. Ramesh Wadhwani, Director
February 23, 1987

Koppers Company, Inc.

Koppers Building
Pittsburgh, PA 15219
Area Code 412/227-2000

Common Stock
Symbol: KOP

Exchange Listings:
New York Stock Exchange
Midwest Stock Exchange
Pacific Stock Exchange

Transfer Agents:
Mellon Bank N.A.
Mellon Square
Pittsburgh, PA 15230

Mellon Securities Trust Co.
67 Broad Street
New York, NY 10004

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, IL 60690

Bank of America National Trust and Savings Association
55 Hawthorne Street
San Francisco, CA 94105

Stock Registrars:
Pittsburgh National Bank
P. O. Box 340746P
Pittsburgh, PA 15230

Morgan Shareholder Services Trust Company
30 West Broadway
New York, NY 10015

Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street
Chicago, IL 60601

Manufacturers Hanover Trust Company of California
50 California Street
San Francisco, CA 94111

Dividend Disbursing Agent:
Mellon Bank N.A.
Mellon Square
Pittsburgh, PA 15230

Annual Meeting
The annual meeting of the shareholders of the Company will be held at 11 a.m. on Monday, April 27, 1987 in the Pittsburgh Room of The Westin-William Penn Hotel, Pittsburgh, Pennsylvania.

Koppers Product and Service Information Center: 1-800-556-7737

We have established the above toll-free number for customers and potential customers who want to know how and where to buy our products and services and for shareholders who want specific information about the Company.

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, 1986
Commission File Number 1-3224

Koppers Company, Inc.

A Delaware Corporation
IRS Employer Identification No. 25-0904665

Koppers Building, Pittsburgh, Pennsylvania 15219 (412) 227-2000

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

	Registered:
Common Stock $1.25 Par Value	New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange
Cumulative Preferred Stock 4% Series, $100 Par Value	New York Stock Exchange

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS REPORT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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, and (2) has been subject to such filing requirements for the past 90 days.
Yes X No __

As of March 6, 1987, 28,980,949 shares of common stock were outstanding, and the aggregate market value of the shares of Koppers common stock (based upon the closing price of these shares on the New York Stock Exchange/composite tape) held by nonaffiliates was approximately $993.2 million. For this computation, Koppers has excluded the market value of all common stock beneficially owned by officers and directors of Koppers and their associates as a group. Such exclusion is not to signify in any way that any of such persons are "affiliates" of Koppers.

Documents Incorporated by Reference	Part
Koppers 1986 annual report to shareholders and Form 10-K are combined in this document.	
Koppers proxy statement dated March 16, 1987 for the 1987 annual meeting.	III

Annual Report and Form 10-K
This 1986 annual report to shareholders incorporates all material required in Koppers 1986 Form 10-K filed with the Securities and Exchange Commission. **The table of contents for Koppers 1986 Form 10-K is on page 43.** Koppers 1986 Annual Report and Form 10-K are combined in this document to provide all Koppers shareholders, as well as others interested in Koppers, timely access to this comprehensive material. (Portions of the 1986 annual report to shareholders, such as the "Chairman's Letter to Koppers Shareholders," are not required by the Form 10-K and are not "filed" with the Securities and Exchange Commission. Only those sections of the annual report referenced in the 10-K table of contents on page 43 and in the index on page 24 are part of the Form 10-K and filed with the Securities and Exchange Commission.)

General Subject Index is on page 43.

Koppers Inc

General Information

ID	Branch	SIC	County	Basin	Start	End
876	Energy and Transportation	2491	Grenada	Yazoo River	11/09/1981	

Address

Physical Address (Primary)	Mailing Address
1 Koppers Drive Tie Plant, MS 38960	PO Box 160 Tie Plant, MS 38960

Telecommunications

Type	Address or Phone
Work phone number	(662) 226-4584, Ext. 11

Alternate / Historic AI Identifiers

Alt ID	Alt Name	Alt Type	Start Date	End Date
2804300012	Koppers Industries, Inc.	Air-AIRS AFS	10/12/2000	
096000012	Koppers Industries, Inc.	Air-Title V Fee Customer	03/11/1997	
096000012	Koppers Industries, Inc.	Air-Title V Operating	03/11/1997	03/01/2002
096000012	Koppers Industries, Inc.	Air-Title V Operating	01/13/2004	01/01/2009
MSR220005	Koppers Industries, Inc.	GP-Wood Treating	09/25/1992	
MSD007027543	Koppers Industries, Inc.	Hazardous Waste-EPA ID	08/27/1999	
HW8854301	Koppers Industries, Inc.	Hazardous Waste-TSD	06/28/1988	06/28/1998
HW8854301	Koppers Industries, Inc.	Hazardous Waste-TSD	11/10/1999	09/30/2009
876	Koppers Industries, Inc.	Historic Site Name	11/09/1981	12/11/2006
876	Koppers, Inc.	Official Site Name	12/11/2006	
MSP090300	Koppers Industries, Inc.	Water-Pretreatment	11/14/1995	11/13/2000
MSP090300	Koppers Industries, Inc.	Water-Pretreatment	09/18/2001	08/31/2006
MSU081080	Koppers Industries, Inc.	Water-SOP	11/09/1981	11/30/1985

Regulatory Programs

Program	SubProgram	Start Date	End Date
Air	Title V - major	06/01/1900	
Hazardous Waste	Large Quantity Generator	08/27/1999	
Hazardous Waste	TSD - Not Classified	06/28/1988	
Water	Baseline Stormwater	01/01/1900	
Water	PT CIU	11/14/1995	
	PT CIU - Timber Products		

Water	Processing (Subpart 429)	11/14/1995	
Water	PT SIU	11/14/1995	

Locational Data

Latitude	Longitude	Metadata	S / T / R	Map Links
33 ° 44 ' 3 .00 (033.734167)	89 ° 47 ' 8 .06 (089.785572)	**Point Desc:** PG- Plant Entrance (General). Data collected by Mike Hardy on 11/8/2005. Elevation 223 feet. Just inside entrance gate. **Method:** GPS Code (Psuedo Range) Standard Position (SA Off) **Datum:** NAD83 **Type:** MDEQ	Section: Township: Range:	SWIMS TerraServer Map It

12/20/2006 12:16:40 PM

Mississippi Department of Environmental Quality
Office of Pollution Control

I-sys 2000 Master Site Detail Report

Site Name: Koppers Industries Inc

PHYSICAL ADDRESS

LINE 1:	Tie Plant Road
LINE 2:	
LINE 3:	
MUNICIPALITY:	Tie Plant
STATE CODE:	MS
ZIP CODE:	38960-

MAILING ADDRESS

LINE 1:	PO Box 160
LINE 2:	
LINE 3:	
MUNICIPALITY:	Tie Plant
STATE CODE:	MS
ZIP CODE:	38960-

OTHER INFORMATION

MASTER ID:	000876
COUNTY:	Grenada
REGION	NRO
SIC 1:	2491
AIR TYPE:	TITLE V
HW TYPE:	TSD
SOLID TYPE:	
WATER TYPE:	INDUSTRIAL
BRANCH:	Energy Branch

ECED CONTACT:
Collier, Melissa

BASIN:
Yazoo River Basin

AIR PROGRAMS ☑ SIP ☐ PSD ☐ NSPS ☐ NESHAPS ☐ MACT

Mississippi Department of Environmental Quality
Office of Pollution Control

Pemits

PROGRAM	PERMIT TYPE	PERMIT #	MDEQ PERMIT CONTACT	ACTIVE
AIR	TITLE V	096000012	Burchfield, David	YES
WATER	PRE-TREATMENT	MSP090300	Collins, Bryan	YES
HAZ. WASTE	TSD	HW8854301		NO
HAZ. WASTE	EPA ID	MSD007027543		NO
HAZ. WASTE	TSD	HW8854301	Stover, Wayne	YES
GENERAL	BASELINE	MSR22005		NO
WATER	SOP	MSU081080		NO
WATER	PRE-TREATMENT	MSP090300	Rao, Maya	NO

Compliance Actions

MEDIA	ACTIVITY TYPE	SCHEDULED	COMPLETED	INSPECTED B
HAZ WASTE				,
AIR	State Compliance Inspection	09/28/2001		Collier, Melissa
HAZ WASTE	Financial Record Review	01/18/2000	01/18/2000	Twitty, Russ
WATER	CMI - PRETREATMENT		11/16/1999	Whittington, Darryail
WATER	CEI - PRETREATMENT	09/29/2000		,
WATER	CEI - NPDES	09/29/2000		Twitty, Russ
HAZ WASTE	Operation and Maintenance Inspec	09/29/2000	09/13/2000	Stover, Wayne
AIR	State Compliance Inspection	09/29/2000		,
WATER	CEI - NPDES	03/02/1999	03/02/1999	Twitty, Russ
HAZ WASTE	Compliance Evaluation Inspection	03/02/1999	03/02/1999	Twitty, Russ
AIR	State Compliance Inspection	03/02/1999	03/02/1999	Twitty, Russ

FILE COPY

January 19, 1988

Mr. Terence P. Kirchner
Regulatory Compliance Section
Keystone Environmental Resources, Inc.
436 Seventh Avenue
Suite 1940
Pittsburgh, Pennsylvania 15219

Re: Koppers' Financial Test
Grenada, Mississippi Plant

Dear Mr. Kirchner:

I have enclosed a copy of Koppers' financial test letter for fiscal year 1986 and have highlighted those parts where the wording needs to be corrected or where additional wording needs to be added. I have also enclosed a copy of Mississippi Hazardous Waste Regulations Part 264.151(g) for your reference. Please make the appropriate corrections on Koppers' financial test letter for fiscal year 1987.

If you should have any questions or require any additional information, please contact me at (601) 961-5171.

Sincerely,

David J. Bockelmann
Hazardous Waste Division

Enclosure

MISSISSIPPI DEPARTMENT OF NATURAL RESOURCES
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209
(601) 961-5171

January 19, 1988

Mr. Terence P. Kirchner
Regulatory Compliance Section
Keystone Environmental Resources, Inc.
436 Seventh Avenue
Suite 1940
Pittsburgh, Pennsylvania 15219

Dear Mr. Kirchner:

Re: Koppers' Financial Test
Grenada, Mississippi Plant

I have enclosed a copy of Koppers' financial test letter for fiscal year 1986 and have highlighted those parts where the wording needs to be corrected or where additional wording needs to be added. I have also enclosed a copy of Mississippi Hazardous Waste Regulations Part 264.151(g) for your reference. Please make the appropriate corrections on Koppers' financial test letter for fiscal year 1987.

If you should have any questions or require any additional information, please contact me at (601) 961-5171.

Sincerely,

David J. Bockelmann
Hazardous Waste Division

DJB:sae
Enclosure

DIVISION OF SOLID WASTE
REVIEWED BY ______
DATE ______
COMMENTS Transmitted to
EPA 1-19-88
DJB

MISSISSIPPI DEPARTMENT OF NATURAL RESOURCES
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209
(601) 961-5171

MEMORANDUM

TO: Hazardous Waste TSD Facilities

FROM: Hazardous Waste Division

DATE: March 31, 1988

SUBJECT: Annual Closure Cost Estimate Update

1. The closure cost estimate must be updated by May 19, 1988. This estimate must be submitted to this office by May 28, 1988.

2. Financial assurance mechanism must be update as follows:

   A. Facilities that use the Financial Test must resubmit financial information incorporating the closure cost estimate update within 90 days after the end of their fiscal year;

   B. Facilities that use the Trust Fund must update Schedule A of the Trust Fund by July 18, 1988. Annual payments into the Trust Fund must be made by December 1, 1988.

   C. Facilities that use the Surety Bond must increase the amount of the bond and submit evidence of such increase to our office or obtain alternate financial assurance by July 18, 1988.

   D. Facilities that use the Letter of Credit must cause the amount of the credit to be increased so that it at least equals the current closure cost estimate and submit evidence of such increase to our office or obtain other financial assurance by July 18, 1988; and

   E. Facilities that use Closure Insurance must either cause the face amount of the insurance to be increased to the current closure cost estimate and submit evidence to our office or obtain other financial assurance by July 18, 1988.

To update your closure cost estimate, you must multiply the current closure cost estimate (1987 estimate) times 1.027. The new figures will become the updated closure cost estimate for which you must demonstrate financial assurance.

Example:

Original closure cost estimate - $10,000 (1981)
1982 update $10,000 x 1.09 = $10,900
1983 update $10,900 x 1.07 = $11,663
1984 update $11,663 x 1.04 = $12,130
1985 update $12,130 x 1.038 = $12,594
1986 update $12,594 x 1.033 = $13,009
1987 update $13,009 x 1.026 = $13,347
1988 update $13,347 x 1.027 = $13,707

Should you have any questions, please contact the Bureau at (601) 961-5171.

CE:sae

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IV

345 COURTLAND STREET
ATLANTA, GEORGIA 30365

DEC 3 1987

4WD-RCRA

RECEIVED
DEC - 7 1987
Dept. of Natural Resources
Bureau of Pollution Control

Mr. Sam Mabry, Director
Hazardous Waste Division
Bureau of Pollution Control
Mississippi Department of Natural
Resources
Post Office Box 10385
Jackson, Mississippi 39209

RE: New Supplier of Liability Insurance Coverage

Dear Mr. Mabry:

EPA, Region IV received the enclosed letter stating this company is now offering liability coverage for Treatment, Storage and Disposal (TSDs) facilities operating under Resource Conservation and Recovery Act.

If you have any questions, please contact J. R. Finney II of my staff at (404) 347-7603.

Sincerely yours,

Doyle T. Brittain

James H. Scarbrough, P.E.
Chief, RCRA Branch
Waste Management Division

Enclosure

cc/enclosure:
Chuck Estes, MS Bureau of Pollution Control

WC >

United Coastal Insurance Company

One Corporate Center
Hartford, Connecticut 06103
(203) 560-1670

November 20, 1987

EPA Region IV
Hazardous Waste Management Division
345 Courtland Street, N.E.
Atlanta, Georgia 30365

Dear Sir:

The purpose of this letter is to inform you and your staff of the availability of sudden accidental liability insurance for hazardous waste storage and treatment facilities. The policy limits are $1 million per occurrence and $2 million annual aggregate, exclusive of legal defense costs.

For more information please contact:

Mr. Frank Craemer
United Coastal Insurance Co.
One Corporate Center
Hartford, Ct. 06103

(203) 560-1670

Sincerely yours,

Stuart A. Kessler
President

SAK/c

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IV

345 COURTLAND STREET
ATLANTA, GEORGIA 30365

JAN 12 1988

4WD-RCRA

Dept
Bureau of Pollution Control

Mr. Sam Mabry, Director
Hazardous Waste Division
Bureau of Pollution Control
Mississippi Department of Natural Resources
P.O. Box 10385
Jackson, Mississippi 39209

Dear Mr. Mabry:

I am forwarding a copy of a letter we recently received pertaining to availability of liability insurance for hazardous waste storage and treatment facilities, for your information. You may wish to provide this information to facilities which don't have the required coverage, and are under order to continue to try and obtain it. Of course, EPA does not endorse or recommend any company's products. I am passing this along to you for informational purposes only.

Sincerely yours,

Allan E. Antley

Allan E. Antley, Chief
Waste Compliance Section

Enclosure

WCS

United Coastal
Insurance Company

One Corporate Center
Hartford, Connecticut 06103
(203) 560-1670

cc Staff
Financial file

November 20, 1987

EPA Region IV
Hazardous Waste Management Division
345 Courtland Street, N.E.
Atlanta, Georgia 30365

Dear Sir:

The purpose of this letter is to inform you and your staff of the availability of sudden accidental liability insurance for hazardous waste storage and treatment facilities. The policy limits are $1 million per occurrence and $2 million annual aggregate, exclusive of legal defense costs.

For more information please contact:

Mr. Frank Craemer
United Coastal Insurance Co.
One Corporate Center
Hartford, Ct. 06103

(203) 560-1670

Sincerely yours,

Stuart A. Kessler
President

SAK/c

KEYSTONE
ENVIRONMENTAL RESOURCES, INC.

Phone: 412/227-2694 436 Seventh Avenue, Suite 1940, Pittsburgh, PA 15219 Fax: 412/227-2436

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

March 29, 1988

Executive Director
Mississippi Department of Natural
Resources
P.O. Box 10385
Jackson, Mississippi 39209

Dear Sir or Madam:

Koppers Company, Inc. owns and operates a facility in Mississippi. This facility has one or more hazardous waste units that are subject to financial assurance requirements.

In that Koppers is currently subject to a hostile tender offer, our financial assurance documents are not yet available for release to the public. Accordingly, I hereby request an extension of time, until May 15, 1988, to file the necessary financial assurance documents.

Please call Jill Blundon (412/227-2414), Billie Nolan (412/227-2515) or me (412/227-2691) if you have any questions concerning this matter.

Very truly yours,

Terence P. Kirchner

Terence P. Kirchner
Regulatory Compliance Section

TPK/bj

KEYSTONE
ENVIRONMENTAL RESOURCES, INC.

Phone: 412/227-2694 436 Seventh Avenue, Suite 1940, Pittsburgh, PA 15219 Fax: 412/227-2436

RECEIVED
APR - 1 1988
Department of Natural Resources

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

SOLID WASTE
BY
COMMENTS Sent to EPA
4-4-88

March 29, 1988

Executive Director
Mississippi Department of Natural
Resources
P.O. Box 10385
Jackson, Mississippi 39209

Dear Sir or Madam:

Koppers Company, Inc. owns and operates a facility in Mississippi. This facility has one or more hazardous waste units that are subject to financial assurance requirements.

In that Koppers is currently subject to a hostile tender offer, our financial assurance documents are not yet available for release to the public. Accordingly, I hereby request an extension of time, until May 15, 1988, to file the necessary financial assurance documents.

Please call Jill Blundon (412/227-2414), Billie Nolan (412/227-2515) or me (412/227-2691) if you have any questions concerning this matter.

Very truly yours,

Terence P. Kirchner

Terence P. Kirchner
Regulatory Compliance Section

TPK/bj

FILE COPY

April 6, 1988

Mr. Terence P. Kirchner
Regulatory Compliance Section
Keystone Environmental Resources, Inc.
436 Seventh Avenue, Suite 1940
Pittsburgh, PA 15219

Dear Mr. Kirchner:

Re: Financial Assurance
Koppers Company, Inc.
Grenada, Mississippi
MSD007027543

In response to your letter dated March 29, 1988, Koppers Company, Inc. located in Grenada, Mississippi is hereby granted an extension until May 15, 1988 to meet the annual requirements for financial assurance.

If you should have any questions or require any additional information, please contact me at (601) 961-5171.

Sincerely,

David J. Bockelmann

David J. Bockelmann
Hazardous Waste Division

DJB:sae

DIVISION OF SOLID WASTE

REVIEWED BY ______

DATE ______

COMMENTS Sent to EPA
4-5-88
DJB

MISS[illegible]PPI DEPARTMENT OF NATURAL R[illegible]URCES
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39209
(601) 961-5171

April 6, 1988

Mr. Terence P. Kirchner
Regulatory Compliance Section
Keystone Environmental Resources, Inc.
436 Seventh Avenue, Suite 1940
Pittsburgh, PA 15219

Dear Mr. Kirchner:

Re: Financial Assurance
Koppers Company, Inc.
Grenada, Mississippi
MSD007027543

In response to your letter dated March 29, 1988, Koppers Company, Inc. located in Grenada, Mississippi is hereby granted an extension until May 15, 1988 to meet the annual requirements for financial assurance.

If you should have any questions or require any additional information, please contact me at (601) 961-5171.

Sincerely,

David J. Bockelmann

David J. Bockelmann
Hazardous Waste Division

DJB:sae

KEYSTONE
ENVIRONMENTAL RESOURCES, INC.

Phone: 412/227-2694 436 Seventh Avenue, Suite 1940, Pittsburgh, PA 15219 Fax: 412/227-2436

April 25, 1988

CERTIFIED MAIL
Return Receipt Requested

David J. Bockelmann
Hazardous Waste Division
Mississippi Dept. of
Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RECEIVED
MAY - 2 1988
Dept. of Natural Resources
Bureau of Pollution Control

Dear Sir:

Enclosed is a letter from Koppers Company, Inc., Chief Financial Officer concerning RCRA Financial Requirements for fiscal year 1987. Also enclosed is Koppers' certified public accountant's report on examination of Koppers' financial statement for the latest completed fiscal year ending December 31, 1987 which is found in the enclosed Form 10-K. Also enclosed is the special report from Koppers' independent CPA.

Thank you for your patience during this delay due to the current hostile tender offer.

Sincerely yours,

Terence P. Kirchner

Terence P. Kirchner
Regulatory Compliance Section
Keystone Environmental
Resources, Inc. for
Koppers Company, Inc.

TPK/jsw

Enclosures

DIVISION OF SOL...
REVIEWED BY DJB
DATE 5-12-88
COMMENTS sent to EPA
5-13-88
DJB

Koppers Company, Inc., Science and Technology
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2000

~~DWE~~ TC
B

KOPPERS

CERTIFIED MAIL

March 27, 1987

Colonel Charlie L. Blalock
Executive Director
Mississippi Department of Natural
Resources
P. O. Box 10385
Jackson, MS 39209

RE: RCRA Financial Requirements

Dear Colonel Blalock:

Enclosed is a letter from Koppers Company, Inc., Chief Financial Officer concerning RCRA Financial Requirements for 1986. Also enclosed is our certified public accountant's report on examination of Koppers' Financial Statement for the latest completed fiscal year. The enclosed 1986 Annual Report contains the SEC Form 10-K for the fiscal year ending December 31, 1986.

If you have any questions concerning this submission, please contact me at the above telephone number and address.

Sincerely yours,

Terence P. Kirchner

Terence P. Kirchner
Environmental Engineer
Regulatory Affairs Section
Keystone Environmental Resources
for Koppers Company, Inc.

TPK/s

Enclosure

DIVISION OF SOLID WASTE
REVIEWED BY N Jones
DATE 7-14-87
COMMENTS ~~O.K.~~ Needs correction of paragraph 3 and item #5

RECEIVED
APR 2 1987
Department of Natural Resources

Koppers Company, Inc., Financial Services
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2185

KOPPERS

Thomas M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

March 27, 1987

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for closure and/or post-closure care and liability coverage as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
MSD 007027543 Grenada Plant Koppers Company, Inc. P.O. Box 160 Grenada, MS 38960	$214,469	$140,056	$354,525

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A and B	$9,646,049	$1,448,820	$11,094,869

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1986.

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)	$ 11,094,869		
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 8,000,000		
3.	Sum of lines 1 and 2	$ 19,094,869		
*4.	Total liabilities	$522,475,000		
*5.	Tangible net worth	$475,580,000		
*6.	Net worth	$494,149,000		
*7.	Current assets	$455,659,000		
*8.	Current liabilities	$278,743,000		
9.	Net working capital	$176,916,000		
*10.	The sum of net income plus depreciation, depletion and amortization	$159,420,000		
*11.	Total assets in U.S.	Not Applicable		
			Yes	**No**
12.	Is line 5 at least $10 million		x	
13.	Is line 5 at least 6 times line 3?		x	
14.	Is line 9 at least 6 times line 3?		x	
*15.	Are at least 90% of assets located in the US? If not, complete line 16		x	
16.	Is line 11 at least 6 times line 3?	Not Applicable		
17.	Is line 4 divided by line 6 less than 2.0? 1.057		x	
18.	Is line 10 divided by line 4 greater than 0.1? .305		x	
19.	Is line 7 divided by line 8 greater than 1.5? 1.635		x	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

Yours very truly,

T M St Clair

T. M. St. Clair
Vice President, Treasurer and
Chief Financial Officer
March 27, 1987

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone: (412) 288-4400
Telex: WU 86-6133

March 27, 1987

Executive Director
Mississippi Department of Natural Resources
P.O. Box 10385
Jackson, MS 39209

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1986 and the related consolidated statements of operations, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended, and have issued our report thereon dated January 26, 1987. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pursuant to the provisions of Environment Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and specific state regulations, where applicable, the chief financial officer, T. M. St. Clair, has prepared a letter dated March 27, 1987 demonstrating both liability coverage and assurance of closure and post-closure care. Certain data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1986 Form 10-K.

In connection with the procedure referred to above, nothing came to our attention which caused us to believe that the financial data contained in the above-mentioned letter should be adjusted.

Very truly yours,

Arthur Young & Company

ATTACHMENTS A & B

KOPPERS COMPANY, INC.

SUMMARY OF TSD FACILITY

INFORMATION FOR KOPPERS COMPANY, INC.

TO ACCOMPANY FINANCIAL ASSURANCE SUBMISSION

OF MARCH 27, 1987

Prepared by:
Keystone Environmental Resources for
Koppers Company, Inc.
March 27, 1987

ATTACHMENT A
1985 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvania 15219

December 31, 1986

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1985. Facilities are listed according to states.

Facility Location	**Cost Estimates** 1986 Closure	1986 Post Closure
Woodward Coke P.O.Box 100 Dolomite, Alabama, 35061 ALD 000771949	$ 21,567 Total Cost = $ 25,468	$ 3,901
Woodward Tar P.O.Box 100 Dolomite, Alabama, 35061 ALD 085765808	$ 40,271 Total Cost = $ 43,916	$ 3,645
Montgomery Plant P.O. Box 510 Montgomery, Alabama, 36101 ALD 004009403	$ 12,373 Total Cost = $ 12,373	$ 0.00
Little Rock Plant P.O. Box 3231 North Little Rock, Arkansas, 72117 ARD 006344824	$ 227,280 Total Cost = $ 227,280	$ 0.00
Commerce Plant P.O. Box 22066 Los Angeles, California, 90022 CAD 004937793	$ 17,746 Total Cost = $ 17,746	$ 0.00
Oxnard Plant 5980 Arcturus Avenue Oxnard, California, 93033 CAD 087163267	$ 23,283 Total Cost = $ 23,283	$ 0.00
Cal-Richmond Plant 3501 Collins Avenue Richmond, California, 94806 CAD 043242718	$ 9,044 Total Cost = $ 9,044	$ 0.00
Feather River Plant P.O.Box 351 Oroville, California, 95965 CAD 009112087	$2,391,433 Total Cost = $2,393,498	$ 2,065

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure	1986 Post Closure
Ontario Plant P.O. Box 1112 Guasti, California, 91743 CAD 000617324	$ 19,137 Total Cost = $ 19,137	$ 0.00
Fontana Plant P.O.Box 489 Fontana, California, 92335 CAD 073568677	$ 63,271 Total Cost = $ 63,271	$ 0.00
Denver Plant 465 West 56th Avenue Denver, Colorado, 80216 COD 007077175	$ 214,049 Total Cost = $ 214,049	$ 0.00
Gainesville Plant P.O. Box 1067 Gainesville, Florida, 32602 FLD 004057535	$ 10,309 Total Cost = $ 10,309	$ 0.00
Conley Plant 1579 Koppers Road Conley, Georgia, 30027 GAD 004009403	$ 28,613 Total Cost = $ 28,613	$ 0.00
Campbell Plant Honolulu Wood Treating Ltd. 91-291 Hanua Street Ewa Beach, Hawaii, 96707 HID 009198797	$ 19,065 Total Cost = $ 19,065	$ 0.00
Maui Plant P.O. Box 1650 Maui, Hawaii, 96732 HID 059475210	$ 9,405 Total Cost = $ 9,405	$ 0.00
Galesburg Plant P.O. Box 1191 Galesburg, Illinois, 61401 ILD 990817991	$ 6,511 Total Cost = $ 6,511	$ 0.00
Chicago Plant 3900 S. Laramie Avenue Cicero Station Chicago, Illinois, 60650 ILD 005164611	$ 45,832 Total Cost = $ 45,832	$ 0.00
Carbondale Plant P.O. Box 270 Carbondale, ILLinois, 62901 ILD 000819946	$1,965,012 Total Cost = $2,075,718	$ 110,706

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure	1986 Post Closure	Total Cost
Valparaiso Plant P.O.Box 104 Valparaiso, Indiana, 46383 IND 000781609	$ 10,435	$ 0.00	Total Cost = $ 10,435
Guthrie Plant P.O. Box 8 Guthrie, Kentucky, 42234 KYD 006383392	$ 96,749	$ 0.00	Total Cost = $ 96,749
Salisbury Plant P.O. Box 2217 Salisbury, Maryland, 21801 MDD 05650680	$ 22,081	$ 0.00	Total Cost = $ 22,081
Grenada Plant P.O. Box 160 Grenada, Mississippi, 38960 MSD 007027543	$ 214,469	$ 140,056	Total Cost = $ 354,525
Kansas City Plant P.O. Box 8057 Kansas City, Missouri, 64129 MOD 007146517	$ 7,491	$ 0.00	Total Cost = $ 7,491
Nashua P.O.Box 488 Nashua, NH, 03061 NHD 001084979	$ 3,660	$ 0.00	Total Cost = $ 3,660
Orrville Product Devleopment P.O. Box 905 Orrville, Ohio, 44667 OHD 068911494	$ 8,060	$ 0.00	Total Cost = $ 8,060
Youngstown Plant P.O.Box 1137 Youngstown, Ohio, 44501 OHD 004198784	$ 17,018	$ 0.00	Total Cost = $ 17,018
Parr - East 18400 Syracuse Avenue Cleveland, Ohio, 44110 OHD 004179180	$ 4,690	$ 0.00	Total Cost = $ 4,690

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure	1986 Post Closure
Parr - West 5151 Denison Avenue Cleveland, Ohio, 44102 OHD 060431947	$ 17,660 Total Cost = $ 17,660	$ 0.00
Florence Plant P.O. Box 1725 Florence, South Carolina, 29503 SCD 003353026	$ 977,909 Total Cost = $1,521,192	$ 543,283
Irving Plant 801 E. Lee Street Irving, Texas, 75060 TXD 053126785	$ 40,046 Total Cost = $ 40,046	$ 0.00
Houston Tar Plant P.O.Box 96150 Houston, Texas, 77015 TXD 008089021	$ 18,153 Total Cost = $ 18,153	$ 0.00
Richmond Plant 4005 Charles City Road Richmond, Virginia, 23231 VAD 003121977	$ 224,311 Total Cost = $ 449,475	$ 225,164
Roanoke Plant P.O. Box 792 Salem, Virginia, 24153 VAD 003125770	$ 385,173 Total Cost = $ 748,173	$ 363,000
Follansbee Plant P.O.Box M Follansbee, West Virginia, 26037 WVD 004336749	$ 71,120 Total Cost = $ 71,120	$ 0.00
Follansbee Landfill P.O.Box M Follansbee, West Virginia, 26037 WVD 550010144	$1,990,000 Total Cost = $2,044,000	$ 54,000
Green Spring Plant P.O. Box 98 Green Spring, West Virginia, 26722 WVD 003080959	$ 412,823 Total Cost = $ 415,823	$ 3,000

Total Closure Cost Attachment A = $ 9,646,049

Total Post Closure Cost Attachment A = $ 1,448,820

Total Costs = **$11,094,869**

ATTACHMENT B
HAZARDOUS WASTE FACILITIES ASSURED BY BONDS
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvnia 15219

December 31, 1986

This Attachment identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management that have bonds as the form of financial assurance in 1985. Facilities are listed according to states. These facilities are excluded from Financial Assurance Tests given to states and USEPA Regional Offices.

ATTACHMENT B- 1986 COSTS

Facility Location	Cost Estimates: 1986 Closure	Cost Estimates: 1986 Post Closure
Garwood Plant P.O. Box 729 Westfield, New Jersey, 07091 NJD 002164705	$ 49,230 Total Cost = $ 49,230	$ 0.00
Newark Plant 480 Frelinghuysen Avenue Newark, New Jersey, 07114 NJD 002149789	$ 40,526 Total Cost = $ 40,526	$ 0.00
Port Newark Plant Maritime & Tyler Streets Port Newark, New Jersey, 07114 NJD 000542282	$ 23,626 Total Cost = $ 23,626	$ 0.00
Oak Creek Plant P.O.Box 6 Oak Creek, Wisconsin, 53154 WID 057163941	$ 11,688 Total Cost = $11,688	$ 0.00
Superior Plant P.O. Box 397 Superior, Wisconsin, 54880 WID 006179493	$ 180,351 Total Cost = $180,351	$ 0.00

ATTACHMENT B

Facility Location	Cost Estimates 1986 Closure		1986 Post Closure
Verona Research 15 Plum Street Verona, Pennsylvania, 15147 PAD 000647339	$ 8,633 Total Cost =	 $ 8,633	$ 0.00
Susquehanna Plant P.O.Box 189 Montgomery, Pennsylvania, 17752 PAD 056723265	$ 153,960 Total Cost =	 $153,960	$ 0.00
Science & Technology Center 440 College Park Drive Monroeville, Pennsylvania, 15146 PAD 082245754	$ 5,878 Total Cost =	 $ 5,878	$ 0.00

MEMORANDUM

TO: KOPPERS FINANCIAL FILE
FROM: NANCY E. JONES
DATE: 7-14-87
SUBJ: KOPPERS FINANCIAL TEST

I spoke with Mr. Terence Kirchner, Environmental Engineer, Koppers today about an error in the letter from the Chief Financial Officer of Koppers. The facility had deleted the third paragraph regarding the corporate guarantee for pollution liability insurance and also item #5 which refers to financial assurance for plugging and abandonment of UIC facilities. Mr. Kircher agreed to correct the deficiencies and send a revised copy to me by July 31, 1987.

N. Jones

Koppers Company, Inc.
436 Seventh Avenue
Pittsburgh, PA 15219
Telephone 412-227-2000

KOPPERS

RECEIVED
JUL 29 1987
Department of Natural Resources

CERTIFIED MAIL

July 27, 1987

Executive Director
Mississippi Department of Natural
Resources
P.O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurance for
Koppers Company, Inc.
Grenada, Mississippi Plant

Dear Sir or Madam:

Pursuant to the request from Nancy Jones of the MS DNR, enclosed is the revised letter from Koppers Company, Inc. Chief Financial Officer as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

Also enclosed is the updated Attachment A and the corresponding certified public accountant's report to accompany the CFO letter.

If you have any questions, please call me.

Very truly yours,

Terence P. Kirchner

Terence P. Kirchner
Regulatory Compliance Section
Keystone Environmental Resources, Inc.
(412) 227-2691

TPK/bj
Enclosures

cc: R. Clayton
G. Edwards

Koppers Company, Inc., Financial Services
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2185

KOPPERS

Thomas M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

March 27, 1987

Revised July 24, 1987

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances

Letter from Chief Financial Officer (to demonstrate liability coverage or to demonstrate both liability coverage and assurance of closure or post-closure care).

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
MSD 007027543 Grenada Plant Koppers Company, Inc. P.O. Box 160 Grenada, MS 38960	$214,469	$140,056	$354,525

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
NONE			

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

Plant and ID No.	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$10,831,982	$1,447,574	$12,279,556

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1986.

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under Part 144. The current closure cost estimates as required by Mississippi Hazardous Waste Regulations Part 144.62 are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above)	$ 12,279,556
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 8,000,000
3.	Sum of lines 1 and 2	$ 20,279,556
*4.	Total liabilities	$522,475,000
*5.	Tangible net worth	$475,580,000
*6.	Net worth	$494,149,000
*7.	Current assets	$455,659,000
*8.	Current liabilities	$278,743,000
9.	Net working capital	$176,916,000
*10.	The sum of net income plus depreciation, depletion and amortization	$159,420,000
*11.	Total assets in U.S.	Not Applicable

		Yes	No
12.	Is line 5 at least $10 million	x	
13.	Is line 5 at least 6 times line 3?	x	
14.	Is line 9 at least 6 times line 3?	x	
*15.	Are at least 90% of assets located in the US? If not, complete line 16	x	
16.	Is line 11 at least 6 times line 3?	Not Applicable	
17.	Is line 4 divided by line 6 less than 2.0?	x	
18.	Is line 10 divided by line 4 greater than 0.1?	x	
19.	Is line 7 divided by line 8 greater than 1.5?	x	

I hereby certify that the wording of this letter is identical to the wording specified in Subpart H of the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

Yours very truly,

T M St Clair

T. M. St. Clair
Vice President, Treasurer and
Chief Financial Officer
July 24, 1987

ATTACHMENT A

KOPPERS COMPANY, INC.

SUMMARY OF TSD FACILITY

INFORMATION FOR KOPPERS COMPANY, INC.

TO ACCOMPANY FINANCIAL ASSURANCE SUBMISSION

OF MARCH 27, 1987

AMENDED JULY 24, 1987

Prepared by:
Keystone Environmental Resources for
Koppers Company, Inc.
July 24, 1987

ATTACHMENT A
1985 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvania 15219

December 31, 1986

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1986. Facilities are listed according to states.

Facility Location	**Cost Estimates** **1986 Closure**	**1986 Post Closure**
Woodward Coke	$ 32,257	$ 1,950
P.O.Box 100		
Dolomite, Alabama, 35061	Total Cost = $ 34,207	
ALD 000771949		
Woodward Tar	$ 40,271	$ 4,350
P.O.Box 100		
Dolomite, Alabama, 35061	Total Cost = $ 44,621	
ALD 085765808		
Montgomery Plant	$ 12,373	$ 0.00
P.O. Box 510		
Montgomery, Alabama, 36101	Total Cost = $ 12,373	
ALD 004009403		
Little Rock Plant	$ 227,280	$ 0.00
P.O. Box 3231		
North Little Rock, Arkansas, 72117	Total Cost = $ 227,280	
ARD 006344824		
Commerce Plant	$ 17,746	$ 0.00
P.O. Box 22066		
Los Angeles, California, 90022	Total Cost = $ 17,746	
CAD 004937793		
Oxnard Plant	$ 23,283	$ 0.00
5980 Arcturus Avenue		
Oxnard, California, 93033	Total Cost = $ 23,283	
CAD 087163267		
Cal-Richmond Plant	$ 9,044	$ 0.00
3501 Collins Avenue		
Richmond, California, 94806	Total Cost = $ 9,044	
CAD 043242718		
Feather River Plant	$2,391,433	$ 2,065
P.O.Box 351		
Oroville, California, 95965	Total Cost = $2,393,498	
CAD 009112087		

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure		1986 Post Closure
Ontario Plant P.O. Box 1112 Guasti, California, 91743 CAD 000617324	$ 19,137 Total Cost =	$ 19,137	$ 0.00
Fontana Plant P.O.Box 489 Fontana, California, 92335 CAD 073568677	$ 63,271 Total Cost =	$ 63,271	$ 0.00
Denver Plant 465 West 56th Avenue Denver, Colorado, 80216 COD 007077175	$ 214,049 Total Cost =	$ 214,049	$ 0.00
Gainesville Plant P.O. Box 1067 Gainesville, Florida, 32602 FLD 004057535	$ 10,309 Total Cost =	$ 10,309	$ 0.00
Conley Plant 1579 Koppers Road Conley, Georgia, 30027 GAD 004009403	$ 28,613 Total Cost =	$ 28,613	$ 0.00
Campbell Plant Honolulu Wood Treating Ltd. 91-291 Hanua Street Ewa Beach, Hawaii, 96707 HID 009198797	$ 19,065 Total Cost =	$ 19,065	$ 0.00
Maui Plant P.O. Box 1650 Maui, Hawaii, 96732 HID 059475210	$ 9,405 Total Cost =	$ 9,405	$ 0.00
Galesburg Plant P.O. Box 1191 Galesburg, Illinois, 61401 ILD 990817991	$ 6,511 Total Cost =	$ 6,511	$ 0.00
Chicago Plant 3900 S. Laramie Avenue Cicero Station Chicago, Illinois, 60650 ILD 005164611	$ 45,832 Total Cost =	$ 45,832	$ 0.00
Carbondale Plant P.O. Box 270 Carbondale, ILLinois, 62901 ILD 000819946	$1,965,012 Total Cost =	$2,075,718	$ 110,706

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure		1986 Post Closure
Valparaiso Plant P.O.Box 104 Valparaiso, Indiana, 46383 IND 000781609	$ 10,435 Total Cost =	 $ 10,435	$ 0.00
Guthrie Plant P.O. Box 8 Guthrie, Kentucky, 42234 KYD 006383392	$ 96,749 Total Cost =	 $ 96,749	$ 0.00
Salisbury Plant P.O. Box 2217 Salisbury, Maryland, 21801 MDD 05650680	$ 22,081 Total Cost =	 $ 22,081	$ 0.00
Grenada Plant P.O. Box 160 Grenada, Mississippi, 38960 MSD 007027543	$ 214,469 Total Cost =	 $ 354,525	$ 140,056
Kansas City Plant P.O. Box 8057 Kansas City, Missouri, 64129 MOD 007146517	$ 7,491 Total Cost =	 $ 7,491	$ 0.00
Nashua P.O.Box 488 Nashua, NH, 03061 NHD 001084979	$ 3,660 Total Cost =	 $ 3,660	$ 0.00
Garwood Plant P. O. Box 729 Westfield, New Jersey 07091 NJD 002164705	$ 49,230 Total Cost =	 $ 49,230	$ 0.00 $ 0.00
Newark Plant 480 Frelinghuysen Avenue Newark, New Jersey 07114 NJD 002149789	$ 40,526 Total Cost =	 $ 40,526	$ 0.00
Port Newark Plant Maritime & Tyler Streets Port Newark, New Jersey 07114 NJD 000542282	$ 23,626 Total Cost =	 $ 23,626	$ 0.00
Orrville Product Development P.O. Box 905 Orrville, Ohio, 44667 OHD 068911494	$ 8,060 Total Cost =	 $ 8,060	$ 0.00

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure	Cost Estimates 1986 Post Closure
Youngstown Plant P.O.Box 1137 Youngstown, Ohio, 44501 OHD 004198784	$ 17,018 Total Cost = $ 17,018	$ 0.00
Parr - East 18400 Syracuse Avenue Cleveland, Ohio, 44110 OHD 004179180	$ 4,690 Total Cost = $ 4,690	$ 0.00
Parr - West 5151 Denison Avenue Cleveland, Ohio, 44102 OHD 060431947	$ 17,660 Total Cost = $ 17,660	$ 0.00
Verona Research 15 Plum Street Verona, Pennsylvania 15147 PAD 980554950	$ 8,633 Total Cost = $ 8,633	$ 0.00
Susquehanna Plant P. O. Box 189 Montgomery, Pennsylvania 17752 PAD 056723265	$ 153,960 Total Cost = $ 153,960	$ 0.00
Science & Technology Center 440 College Park Drive Monroeville, Pennsylvania 15146 PAD 082245754	$ 5,878 Total Cost = $ 5,878	$ 0.00
Florence Plant P.O. Box 1725 Florence, South Carolina, 29503 SCD 003353026	$ 977,909 Total Cost = $1,521,192	$ 543,283
Irving Plant 801 E. Lee Street Irving, Texas, 75060 TXD 053126785	$ 40,046 Total Cost = $ 40,046	$ 0.00
Houston Tar Plant P.O.Box 96150 Houston, Texas, 77015 TXD 008089021	$ 18,153 Total Cost = $ 18,153	$ 0.00
Richmond Plant 4005 Charles City Road Richmond, Virginia, 23231 VAD 003121977	$ 224,311 Total Cost = $ 449,475	$ 225,164

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure		1986 Post Closure
Roanoke Plant P.O. Box 792 Salem, Virginia, 24153 VAD 003125770	$ 385,173 Total Cost =	$ 748,173	$ 363,000
Follansbee Plant P.O.Box M Follansbee, West Virginia, 26037 WVD 004336749	$ 71,120 Total Cost =	$ 71,120	$ 0.00
Follansbee Landfill P.O.Box M Follansbee, West Virginia, 26037 WVD 550010144	$1,990,000 Total Cost =	$2,044,000	$ 54,000
Green Spring Plant P.O. Box 98 Green Spring, West Virginia, 26722 WVD 003080959	$ 412,823 Total Cost =	$ 415,823	$ 3,000
Oak Creek Plant P. O. Box 6 Oak Creek, Wisconsin 53154 WID 057163941	$ 11,688 Total Cost =	$ 11,688	$ 0.00
Superior Plant P. O. Box 397 Superior, Wisconsin 54880 WID 006179493	$ 881,702 Total Cost =	$ 881,702	$ 0.00

Total Closure Cost Attachment A = $ 10,831,982

Total Post Closure Cost Attachment A = $ 1,447,574

Total Costs = $ 12,279,556

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone: (412) 288-4400
Telex: WU 86-6133

July 27, 1987

Executive Director
Mississippi Department
of Natural Resources
P.O. Box 10385
Jackson, MS 39209

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1986 and the related consolidated statements of operations, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended, and have issued our report thereon dated January 26, 1987. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pursuant to the provisions of Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and specific state regulations, where applicable, the chief financial officer, T. M. St. Clair, has prepared a letter dated July 24, 1987 demonstrating both liability coverage and assurance of closure identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1986 Form 10-K.

In connection with the procedure referred to above, nothing came to our attention which caused us to believe that the financial data contained in the above-mentioned letter should be adjusted.

Very truly yours,

Arthur Young & Company

KEYSTONE
ENVIRONMENTAL RESOURCES, INC.

RECEIVED
JAN - 5 1988
Dept. of Natural Resources
Bureau of Pollution Control

436 Seventh Avenue, Suite 1940, Pittsburgh, PA 15219

December 24, 1987

CERTIFIED MAIL
Return Receipt
Requested

Mr. Charles Estes
Mississippi Department of Natural
Resources
P.O. Box 10385
Jackson, MI 39209

Dear Mr. Estes:

Enclosed is a revised letter from Koppers Company, Inc., Chief Financial Officer concerning RCRA financial requirements for the Grenada, Mississippi facility. Also enclosed is our certified public accountant's report on examination of Koppers' financial statement for the latest completed fiscal year (1986).

If you have any questions concerning this submission, please call me at (412) 227-2691.

Happy Holidays!

Sincerely,

Terence P. Kirchner

Terence P. Kirchner
Regulatory Compliance Section
Keystone Environmental Resources, Inc.

TPK/cr

Enclosures

Koppers Company, Inc., Financial Services
436 Seventh Avenue, Pittsburgh, PA 15219
Telephone 412-227-2185

KOPPERS

Thomas M. St. Clair
Vice President, Treasurer and
Chief Financial Officer

December 24, 1987

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

RE: Financial Assurances
(Revision of March 27, 1987 Submission)

Letter from Chief Financial Officer (to demonstrate liability coverage or demonstrate both liability coverage and assurance of closure or post-closure care).

Dear Sir or Madam:

I am the Chief Financial Officer of Koppers Company, Inc., 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265.

firm

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265:

for both sudden and nonsudden accidental occurrences

MSD 007027543
Grenada Plant
Koppers Company, Inc.
P.O. Box 160
Grenada, Mississippi 38960

firm

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
	Current Estimates		
MSD 007027543 Grenada Plant Koppers Company, Inc. P. O. Box 160 Grenada, MS 38960	$1,001,612	$1,268,940	$2,270,552

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
	Current Estimates		
NONE			

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
	Current Estimates		
See Attachment A	$9,918,195	$1,308,927	$11,227,122

NOTE: Facilities in New Jersey, Pennsylvania and Wisconsin are covered by either Letters of Credit or Collateral Bonds.

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is <u>not</u> demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under Part 144. The current closure cost estimates as required by Mississippi Hazardous Waste Regulations Part 144.62 are shown for each facility.

	Current Estimates		
Plant and ID No.	Closure Cost	Post-Closure Cost	Total Cost
NONE			

This owner or operator is required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on December 31. The figures for the following items marked with an asterisk are derived from this ~~owner's or operator's~~ firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 31, 1986.

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates (total of <u>all</u> cost estimates listed above)	$ 13,497,674		
2.	Amount of annual aggregate liability coverage to be demonstrated	$ 8,000,000		
3.	Sum of lines 1 and 2	$ 21,497,674		
*4.	Total liabilities	$522,475,000		
*5.	Tangible net worth	$475,580,000		
*6.	Net worth	$494,149,000		
*7.	Current assets	$455,659,000		
*8.	Current liabilities	$278,743,000		
9.	Net working capital	$176,916,000		
*10.	The sum of net income plus depreciation, depletion and amortization	$159,420,000		
*11.	Total assets in U.S.	Not Applicable		
			Yes	**No**
12.	Is line 5 at least $10 million		x	
13.	Is line 5 at least 6 times line 3?		x	
14.	Is line 9 at least 6 times line 3?		x	
*15.	Are at least 90% of assets located in the US? If not, complete line 16		x	
16.	Is line 11 at least 6 times line 3?	Not Applicable		
17.	Is line 4 divided by line 6 less than 2.0? yes 1.03		x	
18.	Is line 10 divided by line 4 greater than 0.1? yes .305		x	
19.	Is line 7 divided by line 8 greater than 1.5? Yes 1.63		x	

I hereby certify that the wording of this letter is identical to the wording specified in ~~Subpart H of~~ the Mississippi Hazardous Waste Regulations as such regulations were constituted on the date shown immediately below.

264.151(g)

Yours very truly,

T M St Clair

T. M. St. Clair
Vice President, Treasurer and
Chief Financial Officer
December 24, 1987

ATTACHMENT A

KOPPERS COMPANY, INC.

SUMMARY OF TSD FACILITY

INFORMATION FOR KOPPERS COMPANY, INC.

TO ACCOMPANY FINANCIAL ASSURANCE SUBMISSION

OF MARCH 27, 1987

Revised December 24, 1987

Prepared by:
Keystone Environmental Resources for
Koppers Company, Inc.
December 24,1987

ATTACHMENT A
1987 RCRA FINANICAL ASSURANCE REPORT
KOPPERS COMPANY, INC.
Pittsburgh, Pennsylvania 15219

This report identifies both Closure and Post Closure Costs for Koppers' facilities that were storage, treatment or disposal facilities for purposes of hazardous waste management in 1986. Facilities are listed according to states.

Facility Location	Cost Estimates 1986 Closure		1986 Post Closure
Woodward Coke P.O.Box 100 Dolomite, Alabama, 35061 ALD 000771949	$ 32,257 Total Cost =	 $ 34,207	$ 1,950
Woodward Tar P.O.Box 100 Dolomite, Alabama, 35061 ALD 085765808	$ 40,271 Total Cost =	 $ 44,621	$ 4,350
Montgomery Plant P.O. Box 510 Montgomery, Alabama, 36101 ALD 004009403	$ 12,373 Total Cost =	 $ 12,373	$ 0.00
Little Rock Plant P.O. Box 3231 North Little Rock, Arkansas, 72117 ARD 006344824	$ 227,280 Total Cost =	 $ 227,280	$ 0.00
Commerce Plant P.O. Box 22066 Los Angeles, California, 90022 CAD 004937793	$ 17,746 Total Cost =	 $ 17,746	$ 0.00
Oxnard Plant 5980 Arcturus Avenue Oxnard, California, 93033 CAD 087163267	$ 23,283 Total Cost =	 $ 23,283	$ 0.00
Cal-Richmond Plant 3501 Collins Avenue Richmond, California, 94806 CAD 043242718	$ 9,044 Total Cost =	 $ 9,044	$ 0.00
Feather River Plant P.O.Box 351 Oroville, California, 95965 CAD 009112087	$2,391,433 Total Cost =	 $2,393,498	$ 2,065

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure	1986 Post Closure
Ontario Plant P.O. Box 1112 Guasti, California, 91743 CAD 000617324	$ 19,137 Total Cost = $ 19,137	$ 0.00
Denver Plant 465 West 56th Avenue Denver, Colorado, 80216 COD 007077175	$ 214,049 Total Cost = $ 214,049	$ 0.00
Gainesville Plant P.O. Box 1067 Gainesville, Florida, 32602 FLD 004057535	$ 10,309 Total Cost = $ 10,309	$ 0.00
Conley Plant 1579 Koppers Road Conley, Georgia, 30027 GAD 004009403	$ 28,613 Total Cost = $ 28,613	$ 0.00
Campbell Plant Honolulu Wood Treating Ltd. 91-291 Hanua Street Ewa Beach, Hawaii, 96707 HID 009198797	$ 19,065 Total Cost = $ 19,065	$ 0.00
Maui Plant P.O. Box 1650 Maui, Hawaii, 96732 HID 059475210	$ 9,405 Total Cost = $ 9,405	$ 0.00
Galesburg Plant P.O. Box 1191 Galesburg, Illinois, 61401 ILD 990817991	$ 6,511 Total Cost = $ 6,511	$ 0.00
Chicago Plant 3900 S. Laramie Avenue Cicero Station Chicago, Illinois, 60650 ILD 005164611	$ 45,832 Total Cost = $ 45,832	$ 0.00
Carbondale Plant P.O. Box 270 Carbondale, ILLinois, 62901 ILD 000819946	$ 633,795 Total Cost = $1,375,696	$ 741,901

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure		1986 Post Closure
Valparaiso Plant P.O.Box 104 Valparaiso, Indiana, 46383 IND 000781609	$ 10,435 Total Cost =	 $ 10,435	$ 0.00
Guthrie Plant P.O. Box 8 Guthrie, Kentucky, 42234 KYD 006383392	$ 96,749 Total Cost =	 $ 96,749	$ 0.00
Kansas City Plant P.O. Box 8057 Kansas City, Missouri, 64129 MOD 007146517	$ 7,491 Total Cost =	 $ 7,491	$ 0.00
Garwood Plant P. O. Box 729 Westfield, New Jersey 07091 NJD 002164705	$ 49,230 Total Cost =	 $ 49,230	$ 0.00 $ 0.00
Newark Plant 480 Frelinghuysen Avenue Newark, New Jersey 07114 NJD 002149789	$ 40,526 Total Cost =	 $ 40,526	$ 0.00
Port Newark Plant Maritime & Tyler Streets Port Newark, New Jersey 07114 NJD 000542282	$ 23,626 Total Cost =	 $ 23,626	$ 0.00
Orrville Product Development P.O. Box 905 Orrville, Ohio, 44667 OHD 068911494	$ 8,060 Total Cost =	 $ 8,060	$ 0.00
Youngstown Plant P.O.Box 1137 Youngstown, Ohio, 44501 OHD 004198784	$ 17,018 Total Cost =	 $ 17,018	$ 0.00

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure	1986 Post Closure
Parr - West 5151 Denison Avenue Cleveland, Ohio, 44102 OHD 060431947	$ 17,660 Total Cost = $ 17,660	$ 0.00
Verona Research 15 Plum Street Verona, Pennsylvania 15147 PAD 980554950	$ 8,633 Total Cost = $ 8,633	$ 0.00
Bridgeville Plant P. O. Box 219 Bridgeville, Pa. 15017 PAD 063764898	$ 70,003 Total Cost = $ 70,003	$ 0.00
Susquehanna Plant P. O. Box 189 Montgomery, Pennsylvania 17752 PAD 056723265	$ 153,960 Total Cost = $ 153,960	$ 0.00
Science & Technology Center 440 College Park Drive Monroeville, Pennsylvania 15146 PAD 082245754	$ 5,878 Total Cost = $ 5,878	$ 0.00
Florence Plant P.O. Box 1725 Florence, South Carolina, 29503 SCD 003353026	$ 977,909 Total Cost = $1,521,192	$ 543,283
Irving Plant 801 E. Lee Street Irving, Texas, 75060 TXD 053126785	$ 40,046 Total Cost = $ 40,046	$ 0.00
Houston Tar Plant P.O.Box 96150 Houston, Texas, 77015 TXD 008089021	$ 18,153 Total Cost = $ 18,153	$ 0.00
Richmond Plant 4005 Charles City Road Richmond, Virginia, 23231 VAD 003121977	$ 224,311 Total Cost = $ 449,475	$ 225,164

ATTACHMENT A - 1986 COSTS

Facility Location	Cost Estimates 1986 Closure		1986 Post Closure
Roanoke Plant P.O. Box 792 Salem, Virginia, 24153 VAD 003125770	$ 385,173 Total Cost =	 $ 748,173	$ 363,000
Follansbee Plant P.O.Box M Follansbee, West Virginia, 26037 WVD 004336749	$ 71,120 Total Cost =	 $ 71,120	$ 0.00
Follansbee Landfill P.O.Box M Follansbee, West Virginia, 26037 WVD 550010144	$1,990,000 Total Cost =	 $2,044,000	$ 54,000
Green Spring Plant P.O. Box 98 Green Spring, West Virginia, 26722 WVD 003080959	$ 412,823 Total Cost =	 $ 415,823	$ 3,000
Oak Creek Plant P. O. Box 6 Oak Creek, Wisconsin 53154 WID 057163941	$ 11,688 Total Cost =	 $ 11,688	$ 0.00
Superior Plant P. O. Box 397 Superior, Wisconsin 54880 WID 006179493	$ 881,702 Total Cost =	 $ 881,702	$ 0.00

Total Closure Cost Attachment A = $ 9,918,195

Total Post Closure Cost Attachment A = $ 1,308,927

Total Costs = $ 11,227,122

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Arthur Young

2400 Koppers Building
Pittsburgh, Pennsylvania 15219-1858
Telephone (412) 288-4400
Telex WU 86-6133

December 24, 1987

Executive Director
Mississippi Department
of Natural Resources
P.O. Box 10385
Jackson, MS 39209

Gentlemen:

We have examined the consolidated balance sheet of Koppers Company, Inc. and subsidiaries at December 31, 1986 and the related consolidated statements of operations, changes in financial position and shareholders' equity other than redeemable convertible preference stock for the year then ended and have issued our report thereon dated January 26, 1987. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and specific state regulations, where applicable, the chief financial officer, T. M. St. Clair, has prepared a letter dated December 24, 1987 demonstrating both liability coverage and assurance of closure and post-closure care. Certain data set forth in that letter is identified with an asterick as having been derived from the independently audited, year-end financial statements. We have compared such data to the Company's consolidated financial statements contained in the 1986 Form 10-K.

In connection with the procedures referred to above, nothing came to our attention which caused us to believe that the financial data contained in the above-mentioned letter should be adjusted.

Very truly yours,

Arthur Young & Company

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, 1987 | Commission File Number 1-3224

KOPPERS COMPANY, INC.

A Delaware Corporation

IRS Employer Identification No. 25-0904665

Koppers Building
Pittsburgh, Pennsylvania 15219 | (412) 227-2000

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

Common Stock $1.25 Par Value	Registered: New York Stock Exchange Midwest Stock Exchange Pacific Stock Exchange
Cumulative Preferred Stock 4% Series, $100 Par Value	Registered: New York Stock Exchange

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

None

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, and (2) has been subject to such filing requirements for the past 90 days. Yes X No__

As of February 29, 1988, 28,122,361 shares of common stock were outstanding, and the aggregate market value of the shares of Koppers common stock (based upon the closing price of these shares on the New York Stock Exchange/composite tape) held by nonaffiliates was approximately $1,123 million. For this computation, Koppers has excluded the market value of all common stock beneficially owned by officers and directors of Koppers and their associates as a group. Such exclusion is not to signify in any way that any of such persons are "affiliates" of Koppers.

KOPPERS COMPANY, INC.
AND CONSOLIDATED SUBSIDIARIES

As used in this report, the terms "Koppers," "Company," and "Registrant" mean Koppers Company, Inc. and its consolidated subsidiaries, taken as a whole, unless the context indicates otherwise.

TABLE OF CONTENTS

Item 1. Description of Koppers Business

General Development of Koppers Business

Koppers Company, Inc. was incorporated on September 30, 1944. It succeeded by merger to the properties and business of four predecessor companies. Those companies grew logically out of Koppers original business, established in 1907 to design and build chemical-recovery coke plants for the American steel industry.

Prior to 1965, Koppers was highly dependent upon its original steel plant construction business for earnings growth. This was a cyclical business that had a disconcerting roller-coaster effect on the Company's prospects for growth.

In 1965, the Company began to diversify a manufacturing organization. In 1966, Koppers organized its road materials business, building it into today's rapidly growing Construction Materials and Services segment.

The Company's steel plant construction business was sold at the start of 1984. In December 1985, Koppers announced plans to divest itself of several manufacturing businesses and certain other operations in order to concentrate upon Construction Materials and Services, and Chemical and Allied Products, which were its strongest units.

Koppers total invested capital was $631.7 million on December 31, 1987, with approximately 73% attributed to Construction Materials and Services and the balance to Chemical and Allied Products.

Construction Materials and Services

The Business

This unit consists of operating subsidiaries, in regional markets, producing crushed stone, sand, gravel and bituminous and ready-mix concrete, and providing engineering and construction services. Related products include steel culvert pipe, welded wire fabric and certain specialty products used in highway, bridge and other civil construction. A coatings product line includes marine and swimming pool paints, structural steel coatings, and Wolman Wood Protection Products for use on outdoor treated wood.

Sales of aggregates and construction services are divided between publicly funded projects, such as road maintenance and new construction, and privately financed construction projects. Transportation is a major factor in total product cost. The delivered price doubles when crushed stone is transported 20 to 30 miles. In order to compete effectively, aggregate sources must be close to their markets.

Construction Materials and Services operates more than 190 domestic facilities. These serve markets in 20 states extending from New York through Pennsylvania and Ohio and into the Southeast and West Coast. About 40% of sales are in the West, 30% in the Southeast, and 30% in the Northeast.

Through Koppers 50% ownership in a joint venture with Redland USA Holdings, Inc., operations also include activities in Colorado, Kansas, New Mexico and Wyoming.

Operations were expanded significantly during 1987. For details, see the Capital Expenditures discussion later in this report.

Raw Materials and Fuel

Aggregate raw materials consist of sand and gravel, granite, limestone, traprock and sandstone, which come from quarries and mines. Most of Koppers quarries are on land either owned by the Company or held under long-term leases. It is estimated that, over all, Koppers present reserves of aggregates will be sufficient for more than 30 years at current consumption rates. In those areas where reserves are being rapidly depleted, Koppers has a continuing program to develop new reserves. However, the operations of Koppers in certain instances could be adversely affected if such new reserves are not available to it or are not available upon economically satisfactory terms. Other major raw materials include asphalt, cement, and steel rod and sheet, which are purchased from oil companies and cement and steel producers. Adequate supplies of raw materials and fuel are expected to continue.

Fuel oil satisfies nearly half of the energy requirements; natural gas and diesel fuel provide about 20% each; the remainder comes from gasoline, kerosene, propane and coal.

Competitive and Seasonal Conditions

Construction Materials and Services operations are geographically diversified, with vertical integration in certain regional markets. Because mineral reserves are limited within those regions, the Company usually holds a high share of those markets in which it competes.

Principal factors in competition are location, price and service. Prices for aggregates are determined by local conditions and are not affected substantially by nationwide demand, supply and capacity factors. Increasingly, this business has become service-oriented, calling for on-time delivery from a guaranteed source of supply.

Business is seasonal, with more than 70% of sales occurring during the peak construction period from May 1 to November 30.

Product inventories are controlled at volumes that reflect a balance between the most efficient production level and supplying peak demand. Inventories normally grow substantially during spring months in anticipation of high summer demand. It is not customary, however, to carry inventories or to provide financing for customers.

Backlog

Combined backlog at the end of 1987 was $211.9 million, versus $177.4 million a year earlier. The normal tendency is for this backlog to increase during the first six months of the year and to decline thereafter. Orders in the backlog are considered firm, and more than 95% of the year-end backlog is expected to result in 1988 sales.

Construction Materials and Services Combined 1987 Sales by Major Economic Sectors	($ Millions)	%
Nonbuilding Construction	$729.1	80.9%
Architectural Construction	128.0	14.2
Industrial Production	44.0	4.9
	$901.1	100%

Chemical and Allied Products

The Business

Three operating sectors compose Chemical and Allied Products. Most of its businesses market worldwide products and services associated with either the manufacture and use of products derived from coal tar or the production of chemically treated wood and wood-treating chemicals. Other lines serve specialty markets.

Building Products Sector supplies materials for coal tar bitumen built-up roofing systems, phenolic foam insulation board and a range of high-quality maintenance materials. This sector licenses proprietary processes and products using specialty chemicals under such trademarks as Dricon® and Wolman® to wood-treating companies throughout the U.S. and in foreign countries.

Chemical Systems Sector is a major supplier of resorcinol, used primarily to produce adhesives for rubber tires and laminated wood and as a precursor for a group of intermediate chemicals; general purpose polyester thermoset resins for reinforced plastics; vinylester thermoset resins for parts requiring corrosion resistance; high performance polyester thermoset resins for high strength applications; binder resins and fire-retardant resins; premium resins sold under the Dion® and Atlac® trademarks; binder systems and refractory coatings for foundries; adhesives and industrial sealants primarily for O.E.M. automotive markets; and a group of intermediate chemicals.

Tar and Wood Products Sector produces coal tar derivatives, such as pitches used by the aluminum and commercial carbon industries as binders in the manufacture of electrodes; creosote, a complex mixture of chemicals, used primarily as a wood preservative; naphthalene, used to produce phthalic anhydride and other chemical intermediates; and phthalic anhydride, used in production of alkyd and polyester resins and plasticizers for plastics.

This sector also sells treated wood products, which include chemically pressure-treated railroad crossties; utility, transmission, distribution and lighting poles and accessory equipment; building poles and timbers; foundation and marine piling; and construction lumber and plywood. Wood pressure treatments for these products use creosote, pentachlorophenol and waterborne preservatives. Koppers also provides contract wood-treating services for industrial and commercial customers.

Raw Materials and Fuel

Primary raw materials for Chemical and Allied Products operations include coal and tar products, hardwood and softwood timber, and preservative raw materials and petrochemicals such as benzene, styrene and phenol. Most coal tar processed is purchased through contracts with steel producers. Purchasing agreements cover such other raw materials as coal and benzene. For wood-treating operations, the major requirements are for Eastern and Southern hardwood; and softwood timber, primarily Southern yellow pine and West Coast species.

Energy is supplied by natural gas, fuel oil, coal and wood waste. Certain plants also operate electrical cogeneration systems; two of them sell excess power to local utilities. No major disruption of business in 1988 is expected from shortages of raw materials or energy.

Competitive and Seasonal Conditions

Chemical and Allied Products goods and services are sold in highly competitive markets. Except for certain proprietary items, there are suppliers of identical products in all business areas, as well as competition from alternative materials performing the same functions. The principal factors in competition are price, quality and service.

Most businesses are affected to differing degrees by seasonal variations. For example, winter weather reduces volumes in roofing and other construction industry products.

Products are marketed worldwide through the group sales organizations, through independent distributors and agents, and through joint ventures and licensing agreements. Substantial inventories are maintained in many product categories to ensure prompt, dependable service.

Backlog

Chemical and Allied Products 1987 year-end backlog was $162.4 million, versus $125.5 million a year earlier. The total backlog is expected to be shipped during 1988, although most unfilled orders are subject to cancellation at the buyer's option.

Chemical and Allied Products Combined 1987 Sales by Major Economic Sectors	($ Millions)	%
Industrial Production	$366.8	60.5%
Nonbuilding Construction	161.5	26.6
Architectural Construction	77.9	12.9
	$606.2	100%

Miscellaneous

Keystone Environmental Resources, Inc.

During the past 15 years, Koppers has developed the technology and technical expertise necessary for the resolution of any likely environmental and health issues that may arise in its operations in the next decade. This capability was organized in 1986 into Keystone Environmental Resources, Inc., a wholly owned subsidiary of Koppers. Keystone sells its services outside of Koppers and is responsible for an extensive ongoing program of environmental management of Koppers facilities. The program is aimed at developing proactive, cost-effective plans for resolution of current and future environmental problems. Koppers management believes this environmental program serves to enhance the Company's competitive position.

Venture Capital

Kopvenco, a wholly owned venture capital subsidiary, was formed in 1980. Its primary mission is threefold:

- Identify and develop new core-business opportunities.
- Gain access to emerging technologies and facilitate application within Koppers.
- Maintain profitability of the Company's investment portfolio.

A strategic focus on "seed" and early start-up investments has proved valuable in technological and economic terms. Koppers investments include the following:

Advanced Materials—Ceramatec, Inc. develops and manufactures high-performance ceramic products, including structural and technical ceramics, specialty ceramic electronic packages, and beta alumina for sodium-sulfur batteries. Advanced Refractory Technologies, Inc. manufactures high-quality, high-purity advanced ceramic powders. Metcal, Inc. has unique self-regulating, temperature-source heating technology with applications in the manufacture of electronic, mechanical and electrical interconnections, industrial process heating and medical devices.

Life Sciences—DNA Plant Technology Corporation is a venture in agricultural biotechnology to develop superior commercial crop strains. This company is working with Koppers to produce plant-disease diagnostic kits.
Ecogen, Inc. employs advanced molecular genetic techniques in biological pesticide development as alternatives to current chemical controls.

Software and Productivity—American Cimflex Corporation (formerly American Robot Corporation) is a leading manufacturer of electric-drive, high-precision robot systems with unique electronic vision capabilities and major applications in the automation of industrial plants. In separate agreements with Ford Motor Company and BMW of West Germany, American Cimflex is developing computer communications networks for manufacturing and industrial vision systems. Formtek, Inc. produces software products for the management of technical information, which includes drawings, technical data, text and related documents.

Other Corporate Matters

Employment

The average number of persons employed in continuing operations by the Company was 10,753 in 1987, compared with 10,944 in 1986.

Approximately 4,000 of the Company's employees are covered by 120 different collective bargaining agreements. There were 45 labor contract negotiations successfully completed during the course of 1987.

Patents and Licensing

Koppers owns nearly 400 existing United States patents and a large number of foreign patents covering many products and processes. Some of the patents and technology are licensed to other companies. The Company makes few of its products under licenses from other companies with respect to patents they own or technology they have supplied. No single patent or license is considered material in relation to the Company's overall performance.

Research and Development

The Company conducts research activities and supporting pilot plant operations at two locations in suburban Pittsburgh. Additional activities include sponsored external research by high-technology research and development companies in which Koppers has an equity interest.

Koppers researchers explore advanced technologies, develop new products, improve manufacturing processes and monitor new areas of technology.

Special services provided to all operations include environmental management, occupational health and safety, and analytical sciences and engineering support.

Development laboratories at several locations support each of the Company's business segments with applied research, including customer and technical service.
The amount spent on research and development activities was approximately $15.8 million in 1987, $16.7 million in 1986 and $16.3 million in 1985.

Environmental, Occupational Health and Safety Regulations

Koppers, in common with many other enterprises, is subject to a multitude of federal, state and local laws and regulations governing environmental as well as occupational health and safety matters. Included are increasingly stringent regulations concerning the handling of many of the chemicals the Company uses, purchases or sells.

Many of Koppers plants are, or will become, subject to environmental permit conditions and regulations which will require investigations and remedial activities, as well as the closure of various Resource Conservation and Recovery Act ("RCRA") units, and/or capital expenditures for pollution control devices.

Koppers facilities, for many years, have shipped waste products to third party landfills for disposal. As a result of these practices, Koppers is currently involved in proceedings involving the investigation and/or remediation of approximately 37 different such sites under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or comparable state laws.

These proceedings are in various stages ranging from initial inquiries to active settlement negotiations. In one case, the Company is negotiating a settlement which would require payment by the Company of approximately $2.3 million. In other cases, it is not possible to estimate the potential impact on the Company because cleanup costs, and/or the Company's share of those costs, are not known.

Koppers facilities may have sent wastes to other sites in addition to these 37 and it is possible that Koppers may be involved in future CERCLA and comparable state law investigations and cleanups. Koppers share of the costs of investigating and remedying these sites, in the aggregate, is not currently expected to have a material impact on the financial condition of the Company.

In addition, in the past, Koppers owned and/or operated a number of facilities which are no longer owned or operated by it. Some of these facilities are, or may become, subject to investigations and cleanups under CERCLA or comparable state laws. To date, approximately 32 of these formerly owned/operated plant sites are subject to such investigations and/or cleanups. In addition, during the recent past, the Company has sold a number of facilities in various businesses to third parties. In many of these transactions, the Company agreed to indemnify the purchaser against preclosing environmental liabilities.

In order to manage effectively the impact of Koppers involvement in the off-site landfills mentioned above, as well as these formerly owned/operated properties, Koppers has established a Previously Operated Properties ("POP") group. The POP group, in conjunction with the Koppers Legal Services Group, Finance Department and other support groups, negotiates with the government and third parties, develops strategies for each proceeding and investigates technologies to address each site in a manner which is cost-effective to Koppers.

Environmental and health and safety laws and regulations have not curtailed the Company's operations significantly; however, compliance with such laws and regulations has had and will continue to have a substantial adverse effect on the Company's financial performance. The eventual effect of the laws and regulations and their potential costs is not determinable at this time.

Item 2. Properties

The Company has 252 operating locations in 30 states in the United States, and in Canada and Australia. They include Chemical and Allied Products, 49; and Construction Materials and Services, 192. Principal operations are predominantly located in California, the Carolinas, Florida, Georgia, Indiana, New York, Ohio, and Pennsylvania.

In the opinion of management, the production capacities in Koppers various business segments are adequate to operate at a significantly higher volume than in 1987.

Item 3. Legal Proceedings

On August 7, 1981, Inland Steel Corporation filed an action against Koppers in Lake Superior Court, East Chicago, Ind., alleging that negligence, fraud and breach of contract in construction of a coke oven battery and blast furnace by Koppers at Inland's Indiana Harbor Works had caused Inland damages in the amount of $100 million. Koppers counterclaimed to recover $17 million still unpaid by Inland on the contract for construction of the coke oven battery and blast furnace. A verdict was rendered on February 21, 1984 for Inland on its claims in the amount of $74 million and for Koppers on its counterclaim in the amount of $10 million, for a net verdict in favor of Inland in the amount of $64 million, plus post judgment interest. The judgment was affirmed by the Court of Appeals of Indiana, and the Supreme Court of Indiana refused to review the affirmance. The Inland claim was settled in the fourth quarter of 1987 for cash and an agreement to supply coke in 1988.

Koppers is involved in environmental administrative proceedings and litigation with respect to certain of its operating plants, former plants and waste disposal sites. Where the costs likely to arise from these proceedings and litigation are determinable, appropriate reserves have been established. As of December 31, 1987, Koppers had established in excess of $60 million in environmental reserves on its balance sheet. Since January 1, 1983, Koppers has spent approximately $110 million on compliance with environmental laws and regulations at its operating plants and approximately $25 million on investigations and remedial activities at its formerly operated properties.

In 1987, the United States filed a civil action against Koppers in the United States District Court for the Northern District of Ohio alleging that, beginning in July 1985, the Company's former Toledo, Ohio coke plant violated the federal Clean Water Act's pretreatment standards for three constituents contained in the plant's effluent. The United States claims statutory civil penalties of up to $10,000 per day per violation (and up to $25,000 per day per violation alleged to have occurred after the effective date of the 1987 amendments to the Clean Water Act). In addition, in 1987 the State of Alabama, together with the Jefferson County, Alabama Health Department, filed several civil actions against Koppers alleging that its Woodward, Alabama coke and tar plants have not been in compliance with applicable air pollution and water pollution control regulations. Negotiations directed toward settlement of these matters are ongoing and Koppers does not believe that resolution of these matters will have a material adverse effect on its results of operations.

Koppers settled two lawsuits in 1987 involving the Commonwealth of Pennsylvania and several public interest groups and one claim by a city alleging various environmental violations, including violations of the Pennsylvania Clean Streams Act and the federal Clean Water Act. Settlements of these cases involve payment of civil penalties of approximately $730,000 to the Commonwealth of Pennsylvania or a political subdivision of Pennsylvania.

During 1987 the Company received notices from the EPA and various states or state environmental agencies that Koppers was considered to be one of a number of parties potentially responsible under CERCLA or comparable state laws for the disposal of waste at approximately 17 sites. In the instances where Koppers believes it may have generated hazardous substances disposed at the site, Koppers has responded that it intends to cooperate with other potentially responsible parties in order to resolve the matter.

Koppers and its subsidiaries are parties to a number of claims and lawsuits arising out of the normal course of business involving product liability claims; government regulations, including environmental matters; antitrust claims; toxic tort claims and other actions. Certain of these actions purport to be class actions, involve multiple plaintiffs and seek damages in very large amounts. All such claims are being contested. The amounts of ultimate liability thereunder are indeterminable at present, but in the opinion of management, resolution of these matters will not materially affect the consolidated financial position or results of operations of Koppers and its subsidiaries.

Item 4. Submission of Matters to a Vote of Security Holders

Koppers has not submitted any matters to a vote of security holders since the last Annual Meeting of Stockholders, April 27, 1987.

Part II

Item 5. Market for Koppers Common Stock and Related Stockholder Matters

Koppers common stock, $1.25 par value, is traded principally on the New York Stock Exchange and is listed also on the Midwest and Pacific Stock Exchanges. The tables on these pages present its high and low market prices and dividend information. Cash dividends have been paid on these shares every year since 1944, the year the Company was incorporated.

Long-term debt agreements and the terms of Koppers cumulative preferred stock, $100 par value, 4% Series, include certain restrictive covenants. These, among other things, prohibit certain aggregate amounts of the Company's dividends and distributions on its stock from exceeding specified levels. The most restrictive provision, contained in a long-term debt agreement that began to mature in 1987, permitted $21,900,000 of consolidated earnings retained in the business to be available for cash dividends at January 1, 1988.

Participation in Dividend Reinvestment Plan

A total of 17% of Koppers shareowners participated in the Company's cost-free Dividend Reinvestment/Cash Payment Plan in 1987. The number of participants declined by 1% during the year, to 2,117. Participating shareholders invested $449,721 to purchase 12,167 additional shares during 1987. The plan enables the Company's shareholders, on a cost-free basis, to:

- Elect to invest common and/or preferred dividends in shares of Koppers common stock; and/or
- Purchase additional Koppers common stock by making voluntary cash payments of $25 to $1,000 in any month.

Shareholders may obtain further information on these plans by writing to Mellon Bank N.A., Stock Transfer Section, P.O. Box 444, Pittsburgh, Pennsylvania 15230.

Cumulative Preferred Stock

The outstanding shares of cumulative preferred stock, $100 par value, 4% Series, may be redeemed at the option of the Company, as a whole or in part, at any time upon not less than 30, nor more than 60, days' notice, at $107.75 per share, together with accrued and unpaid dividends to the date fixed for redemption.

Common Stock Repurchase Plan

Koppers Board of Directors has approved the repurchase of up to 4,500,000 shares of outstanding common stock. A total of 938,282 shares were purchased in 1987 for a total to date of 1,740,418 shares.

Common Stock Annual Price Ranges and Volumes

	1987	1986	1985	1984	1983
Common stock price ranges on NYSE/Composite:					
High	**$50⅜**	$30½	$21¼	$23⅝	$21⅞
Low	**26⅞**	20	15½	17⅛	15¾
Close	**31½**	29⅜	21	18	21¾
Volume traded (in thousands)	**27,007**	27,879	18,207	16,415	12,890
% of shares outstanding	**96%**	96%	64%	57%	46%

Quarterly Common Stock Price Ranges and Dividends

	1987			1986		
Quarter	High	Low	Dividend	High	Low	Dividend
1st	**$38¼**	**$29⅝**	**$0.20**	$28½	$20	$0.20
2nd	**41⅜**	**33¼**	**0.20**	30⅜	24¼	0.20
3rd	**50⅜**	**40¼**	**0.30**	29¼	22⅞	0.20
4th	**49¾**	**26⅞**	**0.30**	30½	22¾	0.20

Equity Security Holders

Title of Class	Number of Shareholders of Record on February 29, 1988
Common Stock, $1.25 Par Value	10,706
Cumulative Preferred Stock, $100 Par Value	897

Item 6. Selected Financial Data

Selected Financial Data (from continuing operations)

($ Millions, except per share data)	1987	1986**	1985	1984	1983
Operating results:					
Net sales	**$1,515.7**	$1,396.4	$1,400.2	$1,388.7	$1,183.6
Income (loss) from continuing operations	**$ 70.2**	$ 63.2	$ (30.0)	$ 24.0	$ 24.1
Income (loss) from continuing operations—per common share	**$ 2.44**	$ 2.09*	$ (1.23)	$ 0.62	$ 0.59*
At year end:					
Total assets	**$1,074.9**	$1,067.2	$1,066.1	$1,154.7	$1,175.4
Long-term debt	**$ 172.4**	$ 117.7	$ 215.5	$ 219.8	$ 232.9
Redeemable convertible preference stock	**$ —**	$ —	$ 43.9	$ 46.5	$ 69.4
Total long-term debt and redeemable preference stock	**$ 172.4**	$ 117.7	$ 259.4	$ 266.3	$ 302.3
Cash dividends declared per common share	**$ 1.00**	$ 0.80	$ 0.80	$ 0.80	$ 0.80

*Per share figure excludes extraordinary gain of $0.50 and $0.21 in 1986 and 1983, respectively.

**Restated to conform with 1987 classifications.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results From Continuing Operations

This section covers, for the period 1985-1987, the performance of Koppers business segments, other factors in the Consolidated Statement of Operations that materially influenced the financial results, changes in liquidity and the use of capital resources that affected Koppers financial condition at the close of 1987.

Net Sales and Income

After remaining virtually identical in 1985 and 1986, sales increased 8% in 1987. Construction Materials and Services sales have increased at a rate of 8% over the three-year period. Chemical and Allied Products, after experiencing a decline in sales during 1985 and 1986, showed a 3% increase in 1987. Traditionally, Koppers sales are lowest in the first quarter of any year and reach their peak during the second and third quarters, then begin to fall in the fourth quarter because seasonal demand declines in most construction markets. Excluding nonoperating items, the Company's income also normally follows this pattern. The Company posted a profit from continuing operations in the fourth quarter of 1987 that was 4% higher than 1986's, compared with a loss in the same 1985 period.

Construction Materials and Services (CMS)

($ Millions)	1987	1986	1985
Sales	**$901.1**	$804.1	$777.4
Operating Income	**$117.5**	$105.3	$ 71.5

Review

Operating income rose 22% in 1987 (excluding nonoperating items: a $2.2 million charge in 1987; a $7.5 million gain in 1986). All geographic regions contributed to the 12% sales increase. Greater highway maintenance and construction activity was stimulated by the release of federal highway funds in the second quarter; private nonbuilding construction work also rose. Eastern operations had a major gain from strong markets and important contributions from 1986 expansions. Southern markets improved. The West gained despite certain weak markets and a weather-shortened season. Total aggregate volume grew 7%, to 78 million tons; prices improved moderately. Bituminous concrete was up by 11% and construction services by 5%. Late 1987 acquisitions established Koppers in the Pacific Northwest market and extended Georgia operations into new areas. Combined, these add seven aggregate operations, four ready-mix and seven bituminous concrete plants and four construction units, with $50 million potential annual sales. Coatings sales increased nearly 30%, to $44 million. The concrete-reinforcing steel product business improved performance in a weak construction market.

Near-Term Outlook

Year-end 1987 backlog was 19% greater than a year earlier. Performance in 1988 will benefit from high levels of capital investment in the two previous years, from turnarounds in certain Southern operations and in a Colorado joint venture as a depressed market begins to recover, and from a greater federal funding commitment to the nation's infrastructure. The overall business outlook is favorably influenced by the continuing shift in the highway market to greater emphasis on maintenance work, a segment in which Koppers has positioned itself through forward integration. CMS is positioned in 15 of the 20 states with the largest roadbuilding programs. States have responsibility for maintenance of the federal highway system as well as state roads. Funding sources continue to grow: 19 states increased gasoline taxes in 1987; numerous others will present similar bills to legislatures in 1988; tolls and private financing also are expected to grow as a funding source, offsetting a slight drop in commitments from the Federal Highway Trust Fund.

Chemical and Allied Products (CAP)

($ Millions)	1987	1986	1985
Sales	**$606.2**	$588.9	$618.6
Operating Income	**$ 31.3**	$ 39.5	$(61.6)

Review

Operating income continued the turnaround begun in 1986, rising by more than 10% (excluding nonoperating items: $18 million charge in 1987; $5.1 million charge in 1986; $65.3 million charge in 1985). Nonoperating charges were associated with previously operated properties, environmental reserves and additional product warranty reserves.

Tar and Wood Products— (44% CAP sales, 39% CAP operating income, before charges) —Improved production efficiencies, continued cost reductions and a dramatic turnaround in phthalic anhydride helped to offset declines in the creosote and wood-treating businesses. Phthalic volume gained 24%; prices improved. Carbon binder pitch improved steadily during the year as volume about equaled the 1986 level, but only a portion of an early 1987 price cut was recovered. Creosote volume fell by 11% and crossties by 18% in a weak railroad market. Utility poles and other treated-wood products also were significantly lower.

Chemical Systems— (36% CAP sales, 60% CAP operating income, before charges) —Income improved as resorcinol products volume grew by more than 10%, helped by a weakened U.S. dollar, plant production efficiencies and a strong world tire market. Polyester resins had a modest gain on a 35% sales growth; volatile raw material prices cut margins. Thiem foundry products had a strong year, but did not offset declines in auto-related products. Actions were taken to strengthen our competitive position in the auto market.

Building Products— (20% CAP sales, 1% CAP operating income, before charges) —The unit had a $9 million turnaround in 1987. Improvement in phenolic foam insulation was the major factor. Foam board sales grew 42%; strategic joint ventures were established with Manville Corporation (U.S.) and Domtar Ltd. (Canada) to accelerate distribution of this superior insulation material. Wolman wood-treating chemicals volume grew by 15%, aiding the sector's improved profitability. Roofing business remained weak; operations were streamlined and new strategy was initiated.

Near-Term Outlook

Continued strength in U.S. industrial production and relatively stable interest rates will provide favorable market conditions for further improvement in our chemical businesses. Actions in each sector are aimed at providing growth in 1988 and beyond.

Continued improvement in phthalic anhydride is expected to come from high-volume sales aided by strong export demand and added plant efficiencies. Binder pitch should benefit from higher domestic aluminum production and expansions in Europe and the Far East. Crosstie sales will improve on market share expansion, aided by the start-up of an electric cogeneration plant that solves the problem railroads have in disposing of used crossties.

Resorcinol demand will remain high, based on strong world tire markets. Price restorations in early 1988 should help polyester resins recover raw material cost increases; volume levels will depend on stability in consumer markets. Thiem expanded its U.S. auto-manufacturing customer base; a joint venture with Cemedine (Japan) will add volume among Asian auto producers in the U.S.; and a strong domestic industrial sector will maintain high demand for foundry products.

Phenolic foam insulation performance will begin to feel the benefits from our U.S. and Canadian joint ventures by the end of 1988 as two additional plants are started up. New products and new strategies are expected to begin to turn around roofing products by 1989. Our Wolman chemical business should continue its rapid growth based on strong trends in the home improvement market and new product introductions.

Miscellaneous			
($ Millions)	1987	1986	1985
Sales	$8.3	$3.4	$ 4.2
Operating Income	$1.1	$7.6	$ (5.2)

Review

Sales grew as Company subsidiary Keystone Environmental Resources increased the level of work done for outside customers. This added to income, but the 1987 total fell because interest income was significantly lower than in 1986, when Koppers had a high level of cash from the sale of discontinued businesses. Also, 1987 income was penalized by losses from an investment write-down by Kopvenco, Koppers venture capital subsidiary.

Near-Term Outlook

Continued growth of the environmental subsidiary should increase 1988 sales and income. Periodic sale of assets from the venture capital investment portfolio could produce capital gains in future years. Interest income will remain low.

Total Koppers			
($ Millions)	1987	1986	1985
Sales	$1,515.7	$1,396.4	$1,400.2
Operating Income	$ 149.9	$ 152.4	$ 4.7
General Corporate Overhead	$ 24.9	$ 28.7	$ 28.7
Income (Loss) Before Interest Expense and Income Taxes	$ 125.0	$ 123.7	$ (24.0)

Results and Outlook by Markets

Nonbuilding Construction			
($ Millions)	1987	1986	1985
Sales	$890.7	$838.5	$859.8
% Total	58.8	60.0	61.4

Review

Delayed disbursements from the Federal Highway Trust Fund in early 1987 led to deferred projects and held spending for new highway and bridge construction to about the same level as in the previous year. The trend toward higher maintenance expenditures continued, with 19 states passing motor fuel tax increases. Spending for water and sewerage systems rose 7%, while dams, harbors and other conservation-related projects recorded an even stronger 12% gain. Both electric utilities and major railroads reduced maintenance programs moderately.

Near-Term Outlook

Passage of the Highway Transportation Act, Water Resources Development Act and Safe Drinking Water Act assures a high level of spending for infrastructure projects on a sustained basis, even with the threat from deficit-reduction programs. With state and local matching funds added, public works projects are likely to exceed $40 billion per year. More than 20 states will probably consider additional motor vehicle fuel tax increases during 1988, supporting highway and bridge maintenance programs. Record levels of freight shipments and improved earnings may prevent further erosion in railroad maintenance.

Architectural Construction			
($ Millions)	1987	1986	1985
Sales	$205.9	$244.3	$230.4
% Total	13.6	17.5	16.5

Review

New single-family housing exceeded one million units for the fifth consecutive year, but multifamily starts dropped by 160,000 units to the lowest level since 1982. Remodeling and repair continued to surge. Lumber use increased 5% from the housing mix, remodeling gains and a trend to larger homes. Nonresidential building construction fell by 3% as a consequence of overbuilding in the previous boom period and of tax reform. The major declines were in office structures—nearly 10%, and industrial plants—down 5%. Educational and health-related facilities were in a rising trend.

Near-Term Outlook
Single-family home construction should hold up well despite volatile interest rates and the stock market decline, but high vacancy rates will lead to a further drop in rental units. Home-improvement expenditures are expected to grow moderately as the aftermath of strong sales of new and existing homes in recent years. Rising production rates and capacity utilization should stimulate industrial construction, but office and retail building will remain weak as a result of the overhang of unused space, the loss of tax benefits and a slower pace of consumer spending.

Industrial Production

($ Millions)	1987	1986	1985
Sales	**$419.1**	$313.6	$310.0
% Total	**27.6**	22.5	22.1

Review
Industrial production expanded by 3.6%, outpacing the rest of the economy. Chemicals, plastics, tires, aluminum, steel and paper all showed growing strength in output, spurred by rising export markets and reduced import competition as a result of the dollar's fall. Higher capacity utilization rates led to firmer prices for many industrial commodities. Domestic auto sales fell by more than one million units, but light truck deliveries increased by about 100,000 units.

Near-Term Outlook
A gain of 3% or more in industry output, faster than for other economic sectors, is anticipated as a result of the narrowing gap in the import/export balance. Consumer spending for major durable goods will slow, with domestic auto and light truck production expected to drop by another several hundred thousand units. Reduced demand for new vehicle tires should be more than offset by strong replacement needs and an improving foreign trade balance. Both prices and volumes for aluminum, pulp and paper, chemicals and plastics should maintain strength.

Financial Results

Operating Expenses

Koppers operating income was greatly influenced by various nonoperating charges and gains.

The profitability underlying Koppers operations is best demonstrated in the relationship between Sales and Cost of sales, shown as part of the Operating expenses in the Consolidated Statement of Operations.

While Cost of sales rose 7.8%, it remained constant as a percentage of sales compared with last year. The increase resulted from a combination of several factors, including higher environmental, maintenance and raw material costs, which were partially offset by a significant reduction in pension expense associated with the implementation of FAS 87, "Employers' Accounting for Pensions" in 1987. (See Note 3.)

Depreciation, depletion and amortization rose moderately because of high capital spending during the past three years, as well as from the addition of assets from 1986 acquisitions. Also, Taxes other than income taxes rose slightly because of increased payroll and real estate taxes in 1987.

Selling, research, general and administrative expenses declined primarily because of the previously mentioned effect of FAS 87 on pension expense, which resulted in a decrease of $8.9 million in this category. Research expense fell by 19%, mostly from the incorporation of Koppers environmental management subsidiary, Keystone Environmental Resources, Inc. These reductions were partially offset by increased employee, insurance and advertising costs.

General corporate overhead costs were reduced in 1987 largely as a result of lower costs related to retirement and employee compensation plans. The absence of 1986 severance and external research expenses also contributed to the decrease in overhead.

The Company realized gains from operations disposed of or closed in 1987 primarily from the sale of a Pennsylvania timber mill operation. This gain was slightly reduced by costs associated with various plant closings. The previous year's gain reflected the sale of certain paving and quarry operations to Western-Mobile, Inc., a 50% joint venture formed in late 1986.

Other Income

In 1987, nonoperating charges from continuing operations were responsible for a loss in Other income of $13.9 million. Nonoperating income contributed to the $15.0 million of Other income in 1986. The 1985 loss also was caused by significant nonoperating items.

Additional environmental charges of $5.8 million were recorded in 1987 to cover the cleanup costs of previously operated locations. The 1985 provision of $28.6 million resulted from actions taken by the Company to identify and quantify the costs of future environmental remedies. Also in 1987, the Company recorded provisions for warranty reserves totaling $12 million.

Profits on the sale of capital assets resulted from the sale of certain Canadian properties in 1987. The sale of timberlands in 1985 accounted for $15.2 million of the profits recorded in that year. Koppers realized a loss on the sale of investments in 1987 due to the $1.8 million write-off of a venture capital investment, Engenics, Inc., coupled with the absence of significant 1986 gains from the sale of stock in DNA Plant Technology and Genex.

Interest income fell sharply in 1987 primarily because of reduced investment. The previous year's income of $10.1 million was realized on the high level of cash generated by the Company's sale of certain discontinued operations in 1986.

Other income benefited from equity earnings of $1.5 million in 1987. The income resulted primarily from the Company's investment in Koppers Australia Pty. and the formation of the Tarconord joint venture in Denmark. The absence of notable 1986 equity income from Western-Mobile, Inc. accounted for most of the decrease from the previous year. (See Note 2.)

Interest Expense

Interest expense declined by nearly 50% from the previous year. The prepayment of $95.5 million of 11.25% notes at year-end 1986 was solely responsible for the decrease. Koppers effective interest rate on average debt in 1987 was 7.99%, down from the 1986 rate of 9.59%. (See Note 4.)

Income Taxes

The 1987 income tax provision for continuing operations of $43.6 million compared with a 1986 provision of $39.1 million. The effective tax rate of 38.3% in 1987 nearly matched the 1986 rate of 38.2%. (See Note 8.)

The effect of losses realized from Discontinued Operations in late 1987 negated the Company's recognition of a tax benefit in 1987 similar to the 1986 utilization of net operating loss carryforwards (treated as an extraordinary item).

Financial Condition Remained Strong

Koppers improved performance of $70.2 million after-tax profit from continuing operations provided the funds to continue a level of capital expenditures necessary for continued growth and profitability, to increase the common stock dividend by 50% and to continue repurchasing Koppers common stock under the program initiated in December 1986. The Company's financial condition remained strong despite the after-tax charge of $59.4 million against income from discontinued operations in the fourth quarter of 1987, primarily due to the payment of a damage award won by Inland Steel Corporation.

Liquidity Favorable

Cash from continuing operations, working capital, debt ratio and borrowing capacity all remained favorable.

Cash Decreased

($ Millions)	1987	1986	1985
Cash provided from (used in):			
Operations	$ 67.4	$ 306.5	$ 124.5
Investment activities	$(112.2)	$(121.2)	$(104.5)
Financing activities	$ (7.6)	$(170.6)	$ (29.1)
Increase/(decrease) in cash	$ (52.3)	$ 14.7	$ (9.2)
Beginning cash balance	$ 72.5	$ 57.8	$ 67.0
Ending cash balance	$ 20.2	$ 72.5	$ 57.8

The decrease in total cash on hand at the close of 1987 resulted from the previously mentioned items: 1) capital expenditures for future growth and profitability, 2) dividend payments and 3) the repurchase of Koppers common stock, all of which were initiated to enhance shareholder value. The Consolidated Statement of Cash Flows was prepared in accordance with Financial Accounting Standard (FAS) 95 and provides a detailed accounting of the primary components of cash flow broken down into the three major categories required by FAS 95—cash provided from/(used in) Operations, Investment activities and Financing activities.

Working Capital Decreased

($ Millions)	1987	1986*	1985
Working Capital	$212.4	$223.7	$303.9

*Restated to conform with 1987 classifications.

Koppers management has continued to concentrate its efforts on controlling the Company's working capital investment, which is an important factor in maintaining Koppers strong financial position and good liquidity. (Working capital is the surplus of current assets over current liabilities and indicates the financial flexibility to meet day-to-day obligations, withstand adversity and pay dividends.)

The $11.3 million decline in working capital shown in the table above resulted from a $32.8 million decrease in current assets, mostly offset by a $21.5 million decline in current liabilities. The decrease in current assets was caused primarily by the reduced level of cash on hand at year end, which resulted from continued capital spending, increased dividend payments and the unfavorable settlement of the Inland Steel suit, partially offset by increases in accounts receivables and inventories due to higher sales and production levels. Current liabilities declined primarily because of reduced pension accruals associated with the implementation of FAS 87, previously discussed, and were unaffected by the settlement of the Inland Steel suit, which produced a tax benefit that was essentially offset by an increase in amounts owed on contracts. Overall, working capital, at the close of 1987, was at a very acceptable level, resulting in a current ratio (current assets divided by current liabilities) of 1.81-to-1.

Debt Higher
During 1987, long-term debt was increased $54.6 million, while debt-due-in-one-year was reduced by $1.2 million. The increase in long-term debt was due primarily to the Inland Steel settlement. Additional borrowings of $56 million were secured to provide the necessary funds required as a result of this settlement. (See Note 4.)

The existing revolving credit agreement, which provides up to $200 million in revolving credit loans (substantial capacity to fund major expenditures), was not in use at the end of the year. At the close of 1987, total debt was 29.4% of the Company's total capitalization, up from 21.1% at the close of 1986. The Company's debt level has averaged approximately 29% of capitalization over the past 10 years.

Capital Expenditures Lower
Capital expenditures were lower, but the 1986 level was especially high to fund four large Construction Materials and Services acquisitions. As in prior years, internally generated sources provided all of the 1987 funding.

Nearly one-half of 1987's capital investment was concentrated on upgrading and expanding production facilities as well as acquisitions. The remaining capital expenditures were for improving plant efficiencies and competitive positions in the Company's core businesses.

Capital expenditures by business segment are shown in Note 10. Major expenditures or acquisitions completed in the past three years are summarized as follows:

In 1987, Chemical and Allied Products started construction on a tar still and drumming facility in addition to a cogeneration plant to convert old crossties into electricity. A joint venture formed in Denmark will expand Koppers position in the international market as a supplier of tar. Environmental improvements were made on various plants, which will conform to new government regulations.

Construction Materials and Services largest expenditure was for the DHH Investments, Inc. acquisition. The new company will expand materials operations into the states of Washington, Idaho, Oregon, Montana, Nevada, Utah and Arizona by adding seven aggregate plants, four ready-mix plants, four bituminous concrete plants, three construction units and significant aggregate reserves.

Construction Materials and Services also added capabilities in Georgia and North Carolina consisting of nine bituminous concrete plants, one aggregate plant, three construction units and additional aggregate reserves. Koppers Coatings Division expanded its business with the acquisition of a company that markets a gasoline additive nationally through a network of marine warehouse distributors. The additive will conform to the current EPA-mandated lead ban.

Additional investments in emerging technologies relevant to Koppers strategic plans are continuing through the Company's venture capital program.

In 1986, expenditures covered the acquisition of a domestic specialty polyester resin business, the formation of Western-Mobile, Inc.—a Construction Materials and Services joint venture with Redland USA Holdings, Inc.—and construction materials acquisitions in Ohio, Pennsylvania and Indiana.

In 1985, expenditures were largely for chemical plant modernizations and additions to aggregate reserves.

Recent Developments

Tender Offer
On March 3, 1988, BNS Inc., a Delaware corporation ("BNS"), filed a Tender Offer Statement on Schedule 14D-1 relating to a tender offer (the "BNS Offer") for all outstanding shares of Common Stock, including the associated Preferred Stock Purchase Rights (the "Rights") if not redeemed or invalidated, at $45.00 per share of Common Stock and associated Right, and all outstanding shares of Preferred Stock at $107.75 per share, in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase dated March 3, 1988. According to the BNS Offer to Purchase, the stockholders of BNS are (i) Bright Aggregates Inc., a Delaware corporation and a wholly owned indirect subsidiary of Beazer PLC, an English public limited company, (ii) SL-Merger, Inc., a Delaware corporation and a wholly owned indirect subsidiary of Shearson Lehman Brothers Holding Inc., a Delaware corporation, and (iii) Speedward Limited, an English company and a wholly owned subsidiary of NatWest Investment Bank Limited, a wholly owned subsidiary of National Westminster Bank PLC, an English banking corporation.

According to the Offer to Purchase, the purpose of the BNS Offer is to acquire control of, and the entire equity interest in, the Company. Bright Aggregates Inc. and a partnership consisting of Bright Aggregates Inc., Speedward Limited, and SL-Merger, Inc. (the "Partnership") have disclosed that they beneficially own, in the aggregate, approximately 7.8% of the outstanding shares of Common Stock.

According to the Offer to Purchase, as soon as practicable after completion of the BNS Offer, BNS intends to seek maximum representation on the Company's Board of Directors and to have the Company consummate a merger (the "Merger") with BNS pursuant to which each outstanding share of Common Stock (other than shares of Common Stock held in the treasury of the Company, and shares of Common Stock held by stockholders who properly exercise their appraisal rights under Delaware law) would be converted into the right to receive an amount in cash equal to the price per share of Common Stock paid pursuant to the BNS Offer. According to the Offer to Purchase, prior to the Merger, BNS intends to cause the Company to redeem all

Preferred Stock not purchased pursuant to the BNS Offer for $107.75 per share (plus accrued and unpaid dividends). The BNS Offer was originally scheduled to expire on March 31, 1988. On March 21, 1988, BNS increased the price offered per share of Common Stock to $56.00 and extended the offer to April 1, 1988. On March 25, 1988, BNS increased the price offered per share of Common Stock to $60.00 and extended the offer to April 7, 1988.

The BNS Offer is conditioned upon, among other things, BNS' obtaining sufficient financing to consummate the purchase of all the shares being sought and to pay related fees and expenses; BNS' being satisfied that the restrictions contained in Section 203 of the Delaware General Corporation Law on certain business combinations are invalid, unenforceable, or otherwise inapplicable; the non-management directors of Koppers approving the BNS Offer for purposes of the Rights or BNS' otherwise being satisfied that the Rights are invalid or inapplicable to the BNS Offer and the Merger; the tendering (and non-withdrawal) of a number of shares of Common Stock such that, upon purchasing such shares pursuant to the BNS offer, BNS, Bright Aggregates Inc., and the Partnership will beneficially own in the aggregate at least a majority of the shares of Common Stock; and BNS' being satisfied that the Merger can be consummated without the need for a supermajority vote of Koppers stockholders pursuant to Article EIGHTH of Koppers Certificate of Incorporation.

The Company has commenced litigation against BNS and its stockholders and other entities affiliated with BNS or its stockholders, seeking, among other things, to enjoin the BNS Offer on the grounds of illegality and non-disclosure of material facts. The Company also has intervened in litigation between BNS and the United States Justice Department with respect to certain anti-trust issues arising out of the BNS Offer, and has obtained a temporary restraining order against taking actions designed or intended to advance the consummation of the BNS Offer until April 4, 1988, in order to provide an opportunity for judicial review of a proposed settlement between BNS and the Justice Department. BNS has commenced separate litigation against the Company and its directors, seeking to invalidate, or to cause the directors to redeem, the Rights and to declare unconstitutional Section 203 of the Delaware General Corporation Law. BNS has also filed counterclaims in the action brought by the Company.

In connection with the BNS Offer, the Company's Board of Directors has considered the possibility of a number of transactions, including the implementation of a plan of recapitalization where the Company would remain independent that would involve a sale of Common Stock to an employee stock ownership plan and a substantial distribution or dividend to holders of Common Stock. If any such recapitalization plan is implemented, the Company's financial condition could be changed significantly, as a result of substantial borrowings or a sale of an equity interest in all or a portion of the Company's construction materials and services business or a percentage of certain portions of that business. The Company has also commenced discussions with third parties concerning the possible sale of the entire Company.

The foregoing discussion of recent developments regarding the BNS tender offer is as of March 28, 1988.

Quarterly Financial Data (from continuing operations)—unaudited

($ Millions, except per share data)	1st Quarter 1987	1st Quarter 1986	2nd Quarter 1987	2nd Quarter 1986	3rd Quarter 1987	3rd Quarter 1986	4th Quarter 1987	4th Quarter 1986	Total 1987	Total 1986
Net sales	**$271.7**	$257.0	**$389.1**	$370.9	**$434.6**	$400.7	**$420.4**	$367.8	**$1,515.7**	$1,396.4
Gross profit*	**34.1**	33.7	**92.0**	73.5	**96.0**	84.6	**82.0**	79.5	**304.1**	271.3
Income (loss)	**(3.0)**	(0.6)	**24.0**	17.8	**33.1**	30.6	**16.1*****	15.4	**70.2*****	63.2
Earnings (loss) per common share**	**$(0.11)**	$(0.07)	**$ 0.84**	$ 0.57	**$ 1.16**	$ 1.05	**$ 0.56*****	$ 0.53	**$ 2.44*****	$ 2.09

*Net sales less Cost of sales (including allocable portion of Depreciation, depletion and amortization and Taxes, other than income taxes).

**Sum of quarterly earnings (loss) per common share does not equal total, since shares outstanding fluctuated during 1987 and 1986.

***Does not include loss from discontinued operations of $59.4 million ($2.08 per share).

Total Capitalization

December 31,	1987 $ Millions	1987 % of Total	1986 $ Millions	1986 % of Total	1985 $ Millions	1985 % of Total
Total Debt						
11.25% Promissory notes	$ —	—%	$ —	—%	$ 93.5	13.1%
Industrial development bonds and notes	**67.5**	**10.7**	69.9	11.2	71.9	10.1
6% Notes	**14.0**	**2.2**	17.0	2.7	20.0	2.8
8.95% Notes	**10.0**	**1.6**	14.0	2.2	18.0	2.5
Commercial paper and bank loans	**56.0**	**8.9**	—	—	—	—
Other	**24.9**	**3.9**	16.9	2.7	12.0	1.7
Debt due within one year	**13.4**	**2.1**	14.6	2.3	19.3	2.7
Total	**$185.8**	**29.4%**	$132.4	21.1%	$234.7	32.9%
Equity						
Common	**$430.9**	**68.2%**	$479.1	76.5%	$420.1	58.9%
Preference*	—	—	—	—	43.9	6.2
Preferred	**15.0**	**2.4**	15.0	2.4	15.0	2.1
Total	**$445.9**	**70.6%**	$494.1	78.9%	$479.0	67.1%
Total Capitalization	**$631.7**	**100.0%**	$626.5	100.0%	$713.7	100.0%

*Debt ratios shown with redeemable preference stock included in debt for 1985 would be 39.0% of total capitalization, with equity being 61.0%.

Item 8. Consolidated Financial Statements and Supplementary Data

This section includes:
Statement of accounting policies
Consolidated statement of operations for the years ended December 31, 1987, 1986 and 1985
Consolidated balance sheet at December 31, 1987 and 1986
For the years ended December 31, 1987, 1986 and 1985:
  Consolidated statement of cash flows
  Consolidated statement of shareholders' equity
Notes to financial statements
Report of Certified Public Accountants

Statement of Accounting Policies

Koppers Company, Inc. and Subsidiaries

The major accounting policies of the Company are set forth below. The word "Company" as used herein includes consolidated entities as well as Koppers Company, Inc.

Principles of Consolidation—The consolidated statements include the accounts of the Company and all of its subsidiaries. All intercompany transactions have been eliminated.

Inventories—Inventories are valued at the lower of cost or market. Cost for approximately 56% and 58% of inventories for 1987 and 1986, respectively, is determined by the LIFO (last-in, first-out) method. Cost for the remainder of the inventories represents average costs or standard costs, which approximate actual on the FIFO (first-in, first-out) basis. Market is replacement cost for raw materials and net realizable value for work in process and finished goods.

Fixed Assets—Buildings, machinery and equipment are depreciated on the straight-line method over their useful lives. Timber and mineral properties are depleted on the basis of units produced.

When land, standing timber or property units are sold, the difference between selling price and cost, after recognition of accumulated depreciation and depletion, is reflected as Other Income.

Long-Term Contracts—Revenue on long-term construction contracts is accounted for on the percentage-of-completion basis; losses are recognized as soon as they are determined.

Pension Plans—The Company has pension plans covering substantially all employees. The Company contributes amounts into trust funds in accordance with ERISA requirements.

Investments—Companies owned 50% or less but more than 20% are accounted for by the equity method.

Earnings (Loss) Per Share—Earnings (loss) per share have been computed on the basis of the average number of common shares outstanding.

Consolidated Statement of Operations

Koppers Company, Inc. and Subsidiaries	1987	1986	1985
	Years ended December 31,		
	($ Thousands, except per share figures)		
Net sales	**$1,515,723**	$1,396,401	$1,400,166
Operating expenses:			
Cost of sales	**1,109,628**	1,029,008	1,125,011
Depreciation, depletion and amortization	**76,251**	70,526	66,373
Taxes, other than income taxes	**43,903**	40,176	39,630
Selling, research, general and administrative expenses	**150,340**	152,758	149,879
(Profit) loss on operations disposed of or closed (Notes 2 and 7)	**(3,234)**	(4,764)	32,564
Total operating expenses	**1,376,888**	1,287,704	1,413,457
Operating profit (loss)	**138,835**	108,697	(13,291)
Other income (expense):			
Provision for environmental and warranty expenses (Note 7)	**(17,752)**	(3,644)	(28,620)
Profit on sales of capital assets, primarily timberlands	**411**	1,138	17,482
Profit (loss) on sale of investments (Note 2)	**(550)**	3,103	2,798
Equity in earnings (losses) of affiliates (dividends received: 1987—$2,007; 1986—$2,072; 1985—$4,590)	**1,537**	4,539	(438)
Interest income	**3,198**	10,097	2,288
Miscellaneous	**(699)**	(249)	(4,242)
Total other income (expense)	**(13,855)**	14,984	(10,732)
Income (loss) before interest expense and provision (benefit) for income taxes	**124,980**	123,681	(24,023)
Interest expense	**11,175**	21,402	23,673
Income (loss) from continuing operations before provision (benefit) for income taxes	**113,805**	102,279	(47,696)
Provision (benefit) for income taxes (Note 8)	**43,587**	39,059	(17,693)
Income (loss) from continuing operations	**$ 70,218**	$ 63,220	$ (30,003)
Discontinued operations (Notes 7 and 11):			
Income (loss) from discontinued operations [less applicable income tax provision (benefit): 1987—$(39,615); 1985—$1,085]	**(59,388)**	—	(2,460)
Loss on disposal of discontinued operations (less applicable income tax provision: 1985—$4,000)	**—**	—	(68,608)
Income (loss) before extraordinary items	**10,830**	63,220	(101,071)
Extraordinary items:			
Prepayment premium on retirement of 11.25% promissory notes (Note 4)	**—**	(6,807)	—
Utilization of operating loss carryforward (Note 8)	**—**	21,067	—
Net income (loss) for the year	**$ 10,830**	$ 77,480	$ (101,071)
Dividends on:			
Redeemable convertible preference stock	**—**	2,744	4,577
Cumulative preferred stock	**600**	600	600
Net income (loss) applicable to common stock	**$ 10,230**	$ 74,136	$ (106,248)
Average number of shares of common stock outstanding during year (in thousands)	**28,567**	28,606	28,574
Earnings (loss) per share of common stock:			
From continuing operations before extraordinary gain	**$ 2.44**	$ 2.09	$ (1.23)
From discontinued operations	**$ (2.08)**	$ —	$ (2.49)
Extraordinary gain	**$ —**	$ 0.50	$ —
Net earnings (loss)	**$ 0.36**	$ 2.59	$ (3.72)

(See accompanying statement of accounting policies and notes to financial statements.)

Consolidated Balance Sheet

Assets

Koppers Company, Inc. and Subsidiaries	December 31, 1987	1986*
	($ Thousands)	
Current assets:		
Cash, including short-term investments of $10,543 in 1987 and $61,819 in 1986	$ 20,217	$ 72,540
Accounts receivable, principally trade, less allowance for doubtful accounts of $8,682 in 1987 and $8,220 in 1986	189,340	183,845
Refundable federal income taxes	13,968	—
Inventories (Note 1):		
At cost—FIFO (first-in, first-out) basis:		
Product	89,252	93,130
Work in process	2,781	4,106
Raw materials and supplies	70,218	63,544
Total FIFO inventories	162,251	160,780
Less LIFO (last-in, first-out) reserve	(41,772)	(44,217)
Total LIFO inventories	120,479	116,563
Prepaid expenses, including deferred tax benefits of $37,907 in 1987 and $69,701 in 1986	44,072	67,920
Net assets of discontinued operations (Note 7)	85,364	65,389
Total current assets	473,440	506,257
Investments (Note 2):		
Affiliated companies, at equity	66,684	57,335
Others at cost	9,847	10,501
Total investments	76,531	67,836
Fixed assets, at cost:		
Buildings	102,402	100,286
Machinery and equipment	943,533	900,515
Gross buildings, machinery and equipment	1,045,935	1,000,801
Less accumulated depreciation and amortization	(653,701)	(626,821)
Net buildings, machinery and equipment	392,234	373,980
Depletable properties, less accumulated depletion of $12,202 in 1987 and $11,666 in 1986	41,127	43,817
Land	43,183	36,833
Net fixed assets	476,544	454,630
Other assets	48,371	38,499
Total assets	$1,074,886	$1,067,222

*Restated to conform with 1987 classifications.

(See accompanying statement of accounting policies and notes to financial statements.)

Consolidated Balance Sheet
Liabilities

Koppers Company, Inc. and Subsidiaries	December 31, 1987	1986*
	($ Thousands)	
Current liabilities:		
Accounts payable, principally trade	**$ 76,148**	$ 70,550
Accrued liabilities:		
Income taxes	**4,997**	23,992
Pensions (Note 3)	**2,313**	24,076
Insurance	**19,867**	20,295
Payroll and other compensation costs	**42,283**	42,871
Warranty reserves	**7,342**	11,832
Environmental reserves	**23,790**	23,954
Other accruals	**42,693**	45,354
Advance payments and amounts owed on contracts	**28,124**	4,963
Term debt due within one year (Note 4)	**13,430**	14,625
Total current liabilities	**260,987**	282,512
Term debt due after one year (Note 4)	**172,409**	117,737
Deferred compensation (Note 6)	**20,012**	17,551
Deferred income taxes	**30,781**	41,797
Long-term environmental reserves	**36,000**	37,152
Long-term benefit reserves	**68,371**	47,057
Other long-term liabilities	**40,452**	29,267
Total Liabilities	**629,012**	573,073

Shareholders' Equity

Cumulative preferred stock (not subject to mandatory redemption), $100 par value: authorized 300,000 shares; issued and outstanding 150,000 shares, 4% series	**15,000**	15,000
Common stock, $1.25 par value: authorized 60,000,000 shares; issued 29,887,583 and outstanding 28,090,139 shares in 1987; issued 29,887,510 and outstanding 29,020,746 shares in 1986	**37,359**	37,359
Less cost of treasury stock: 1,797,444 shares in 1987 and 866,764 shares in 1986 (Note 5)	**(56,430)**	(24,677)
Capital in excess of par value	**176,514**	176,631
Earnings retained in the business (Note 4)	**273,431**	289,836
Common shareholders' equity (Note 5)	**430,874**	479,149
Total shareholders' equity	**445,874**	494,149
Total liabilities and shareholders' equity	**$1,074,886**	$1,067,222

* Restated to conform with 1987 classifications.

(See accompanying statement of accounting policies and notes to financial statements.)

Consolidated Statement of Cash Flows

Koppers Company, Inc. and Subsidiaries

	1987	1986*	1985*
	Years ended December 31, ($ Thousands)		
Cash provided from (used in)			
Operations:			
Income (loss) from continuing operations before extraordinary items	**$ 70,218**	$ 63,220	$ (30,003)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	**76,251**	70,526	66,373
Deferred income taxes	**(11,016)**	4,508	597
Other noncurrent liabilities	**337**	(1,213)	25,101
Provision for operations disposed of or closed and decline in value of investments	**—**	4,558	23,712
Equity in income (losses) of affiliated companies, less dividends received	**(397)**	(1,636)	4,475
Other cash from operations	**591**	(901)	282
(Increase) decrease in working capital excluding cash and other financing activities:			
Accounts receivable	**(5,495)**	3,288	(38,671)
Refundable federal income taxes	**(13,968)**	—	10,347
Inventories	**(3,916)**	(3,899)	4,224
Prepaid expenses	**23,848**	(26,640)	(22,988)
Accounts payable	**5,598**	12,165	9,712
Accrued liabilities	**(49,088)**	22,754	83,614
Advance payments and amounts owed on contracts	**23,161**	(598)	6,172
	116,124	146,132	142,947
Utilization of net operating loss carryforward	**—**	21,067	—
Cash provided from continuing operations	**116,124**	167,199	142,947
Income (loss) from discontinued operations	**(59,388)**	—	(71,068)
Adjustments to reconcile net income to net cash provided by discontinued operations:			
Depreciation, depletion and amortization	**5,725**	11,414	16,189
Other deferred expenses	**—**	—	36,385
Net assets of discontinued operations	**4,969**	127,904	—
Cash provided (absorbed) from discontinued operations	**(48,694)**	139,318	(18,494)
Cash provided from operations	**67,430**	306,517	124,453
Investment activities:			
Capital investments	**(123,967)**	(190,726)	(110,569)
Book value of fixed assets and other noncurrent assets disposed of or sold	**24,907**	44,962	10,353
(Issuance) retirements of notes and other assets due after one year	**(17,232)**	22,244	4,843
Cash held for capital investments	**4,091**	2,316	(9,165)
Cash used in investment activities	**(112,201)**	(121,204)	(104,538)
Financing activities:			
Term debt issued (retired)	**53,477**	(109,179)	1,574
Common stock issued	**2**	34,104	—
Treasury stock issued (acquired)	**(31,872)**	(23,849)	92
Preference stock purchased	**—**	(45,127)	(2,575)
Dividends paid	**(29,126)**	(26,219)	(28,036)
Other financing activities	**(33)**	(280)	(198)
Cash used in financing activities	**(7,552)**	(170,550)	(29,143)
Increase (decrease) in cash	**$(52,323)**	$ 14,763	$ (9,228)
Beginning cash balance	**$ 72,540**	$ 57,777	$ 67,005
Ending cash balance	**$ 20,217**	$ 72,540	$ 57,777
Supplemental disclosure of cash flow information:			
Cash paid (refunded) during the year for:			
Interest	**$ 10,996**	$ 24,050	$ 24,308
Income taxes	**23,807**	18,806	(1,349)

*Restated to conform with 1987 classifications, which are in accordance with Financial Accounting Standard (FAS) 95, Statement of Cash Flows.

(See accompanying statement of accounting policies and notes to financial statements.)

Consolidated Statement of Shareholders' Equity

Koppers Company, Inc. and Subsidiaries

(Amounts in thousands, except shares and per share figures)	Cumulative Preferred Stock	Common Stock	Treasury Stock	Capital in Excess of Par Value	Foreign Currency Translation Adjustment	Earnings Retained in the Business	Total
Balance at December 31, 1984	$15,000	$35,764	$ (916)	$145,320	$(4,199)	$375,866	$566,835
Net loss for the year 1985	—	—	—	—	—	(101,071)	(101,071)
Cash dividends paid:							
On preference stock, $10.00 per share	—	—	—	—	—	(4,577)	(4,577)
On preferred stock, $4.00 per share	—	—	—	—	—	(600)	(600)
On common stock, $0.80 per share	—	—	—	—	—	(22,859)	(22,859)
Common stock issued from treasury to Employee Savings and Profit Sharing Plan	—	—	88	4	—	—	92
Redemption of 26,100 shares of preference stock (Note 5)	—	—	—	35	—	—	35
Foreign currency translation (Net of $189 in related income tax benefits)	—	—	—	—	(2,799)	—	(2,799)
Balance at December 31, 1985	$15,000	$35,764	$ (828)	$145,359	$(6,998)	$246,759	$435,056
Net income for the year 1986	—	—	—	—	—	77,480	77,480
Cash dividends paid:							
On preference stock, $10.00 per share	—	—	—	—	—	(2,744)	(2,744)
On preferred stock, $4.00 per share	—	—	—	—	—	(600)	(600)
On common stock, $0.80 per share	—	—	—	—	—	(22,875)	(22,875)
Common stock issued from treasury to Employee Savings and Profit Sharing Plan	—	—	8	3	—	—	11
Purchase of common stock for treasury (Note 5)	—	—	(22,973)	—	—	—	(22,973)
Recovery of common stock via escrow claim	—	—	(884)	—	—	—	(884)
Redemption of 430,444 shares of preference stock (Note 5)	—	—	—	(2,152)	—	—	(2,152)
Redemption of 8,456 shares of preference stock for common stock (Note 5)	—	35	—	921	—	—	956
Common stock issued:							
to Employee Savings Plan	—	2	—	35	—	—	37
to acquire MPM, Inc. (Note 2)	—	1,558	—	32,465	—	—	34,023
Foreign currency translation	—	—	—	—	(1,186)	—	(1,186)
Balance at December 31, 1986	$15,000	$37,359	$(24,677)	$176,631	$(8,184)	$298,020	$494,149
Net income for the year 1987	—	—	—	—	—	10,830	10,830
Cash dividends paid:							
On preferred stock, $4.00 per share	—	—	—	—	—	(600)	(600)
On common stock, $1.00 per share	—	—	—	—	—	(28,526)	(28,526)
Common stock issued from treasury:							
to Employee Savings and Profit Sharing Plan	—	—	3	1	—	—	4
to Stock Option Plan	—	—	234	(120)	—	—	114
Purchase of common stock for treasury (Note 5)	—	—	(31,990)	—	—	—	(31,990)
Common stock issued to Employee Savings Plan	—	—	—	2	—	—	2
Foreign currency translation	—	—	—	—	1,891	—	1,891
Balance at December 31, 1987	$15,000	$37,359	$(56,430)	$176,514	$(6,293)	$279,724	$445,874

(See accompanying statement of accounting policies and notes to financial statements.)

Notes to Financial Statements

December 31, 1987, 1986 and 1985

1. Inventories

During 1986 and 1985, inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of purchases in current years, the effect of which increased net earnings in 1986 and 1985 by approximately $1,574,000, or $0.06 per share, and $277,000, or $0.01 per share, respectively. There was no LIFO liquidation during 1987.

At December 31, 1987 and 1986, the net assets of discontinued operations included a LIFO reserve of $2,857,000 and $2,776,000, respectively.

2. Investments

The following describes activity related to the Company's significant investments.

Tarconord—In 1987, the Company invested $5,300,000 in exchange for a 50% ownership interest in Tarconord, a joint venture formed in Denmark to process tar and produce related products.

Western-Mobile, Inc. (WMI)—In 1986, the Company issued 1,246,859 shares of common stock, valued at $34,023,000, for the acquisition of the stock of MPM, Inc. (MPM). The Company contributed the stock of the MPM subsidiaries to WMI in exchange for a 50% ownership interest in WMI. WMI then purchased the stock of certain Construction Materials and Services Group subsidiaries for cash, resulting in a gain of $20,000,000 ($10,000,000 of which was recognized in 1986, and $10,000,000 of which is being deferred and amortized into income over the life of the assets acquired by WMI). The Company recognized equity losses from WMI of $249,000 in 1987, and income of $2,402,000 in 1986. The Company's investment in WMI at December 31, 1987, was $38,251,000.

Koppers Australia Pty. Ltd. (KAP)—The Company recognized equity income during the years ended December 31, 1987, 1986 and 1985 of $2,371,000, $3,178,000, and $3,309,000, respectively, on its 42.5% investment in KAP.

Following are combined financial summaries of the above equity investments for their respective fiscal years ended 1987 and 1986:

($ Millions)	1987	1986
Net sales	$240,213	$205,182
Gross profit	45,678	44,671
Net income	6,762	11,859
Koppers equity in earnings	$ 2,952	$ 5,580
Current assets	$ 91,800	$ 77,625
Total assets	251,341	225,255
Current liabilities	50,757	38,742
Net assets	127,965	109,711
Koppers share of net assets	$ 61,156	$ 50,683

Genex Corporation—The Company reduced its investment in Genex in 1986 through the sale of 656,000 common shares, resulting in a pretax gain of $1,382,000, or $995,000 after tax ($0.03 per share). The Company now accounts for Genex on the cost basis because of this reduction in the investment. During 1985, the Company sold common shares of Genex resulting in a pretax gain of $466,000, or $252,000 after tax ($0.01 per share). Equity losses during the years ended December 31, 1986 and 1985 were $154,000 and $4,836,000, respectively.

Other Investments—In 1987, the Company's venture capital subsidiary, Kopvenco, sold stock in investee companies resulting in a pretax gain of $1,276,000, or $842,000 after tax ($0.03 per share). The write-down of an investment in 1987 produced a pretax loss of $1,827,000, or $1,206,000 after tax ($0.04 per share). Stock sales in 1986 and 1985 resulted in pretax gains of $1,798,000 and $2,332,000, or after-tax gains of $1,295,000 ($0.05 per share) and $1,316,000 ($0.05 per share), respectively.

3. Retirement Plans

Company Plans—The Company implemented the provisions of Financial Accounting Standard (FAS) 87, "Employers' Accounting for Pensions," on January 1, 1987. As a result, 1987 after-tax earnings benefited by approximately $5,771,000, or $0.20 per share. Total pension expense in 1987 for continuing operations using an average rate of return of 9%, a 6% assumed level of annual compensation increases and an 8.5% factor to determine the actuarial present value of accumulated plan benefits was composed of the following:

($ Thousands)	
Service cost benefits earned during the period	$ 7,638
Interest cost on projected benefit obligation	29,234
Return on plan assets	(32,861)
Net amortization and deferral	(3,164)
Net periodic pension cost	$ 847

Pension expense for continuing operations was $14,294,000 and $15,880,000 in 1986 and 1985, respectively.

The following table sets forth the plans' funded status and amounts recognized on the Consolidated Balance Sheet at December 31, 1987:

($ Thousands)	
Actuarial present value of benefit obligations:	
Vested benefits	$369,414
Nonvested benefits	34,824
Accumulated benefit obligation	404,238
Effect of future salary increases	51,930
Projected benefit obligation	456,168
Plan assets at fair value	504,919
Plan assets in excess of projected benefit obligation	48,751
Unrecognized net assets at January 1, 1987	(72,685)
Unrecognized prior service cost	13,325
Unrecognized net gain	(8,290)
Accrued pension cost[1]	$(18,899)

(1) The current portion is $2,313,000. The remaining liability is included in long-term benefit reserves.

The Company historically funds the pension accrual in the subsequent year. In 1987, the Company contributed $20,336,000 to the Master Trust as payment of the 1986 liability. In 1988, the Company expects to contribute $12,973,000 for the 1987 funding provision.

The December 31, 1986, actuarial present value of accumulated plan benefit obligations, based on a discount rate of 8%, was $382,280,000 ($347,857,000 vested).

The net assets available for benefits amounted to $496,951,000. Unfunded prior service costs were amortized over periods up to 40 years.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health and life insurance benefits for retired employees. These benefits are provided through insurance contracts the premiums of which are based on the benefits paid during the year. The Company paid annual insurance premiums for these benefits totaling $4,619,000, $3,320,000 and $2,961,000 for 1987, 1986 and 1985, respectively.

Multiemployer Plans—In addition to the expense for the Company-sponsored plans, the Company had pension expense for full-time employees of $7,934,000, $8,873,000 and $7,033,000 in 1987, 1986 and 1985, respectively, for contributions to multiemployer plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and plan net assets of multiemployer plans is not determinable by the Company and is not included in the information above.

4. Term Debt

Term debt due after one year is shown below:

($ Thousands)	1987	1986
8.95% Promissory notes due $4,000 annually	$ 10,000	$ 14,000
6% Notes due $3,000 annually	14,000	17,000
Commercial paper and bank loans	56,000	—
Industrial development bonds and notes:		
8.25% Bonds due 1987-2002	27,600	29,500
5.875% Tax-exempt bonds due 1998-2017	16,350	16,350
5.9% and 6% Notes due 1987-1998	8,600	9,105
Variable rate notes due 1996-2010	14,900	14,900
Other	24,959	16,882
Total term debt	$172,409	$117,737

Additional Debt Information—As of December 31, 1987, commercial paper and bank loans of $56 million are reported as long-term debt since Koppers intends to finance that amount on a long-term basis either by refinancing through the existing revolving credit arrangements or by replacing them with other long-term agreements.

The Company has a revolving credit bank loan ageement, which provides for revolving credit loans up to $200,000,000 until October 24, 1990. Commitment fees of up to ¼ of 1% per annum are required on any unborrowed amounts. The agreement calls for interest at one of three options chosen by the Company, those being the prime rate or the certificate of deposit rate or the Eurorate, with factors up to ½ of 1% added to those rates. There were no borrowings under the revolving credit facility during 1987 or 1986.
During 1986, the 11.25% promissory notes due in 2000 were retired, with the repayment consisting of $93,500,000 of principal, $2,629,688 of accrued interest, and a 7.28% prepayment premium of $6,807,000, which was classified as an extraordinary item on the consolidated statement of operations.

The aggregate term debt maturity in the years 1988 through 1992, respectively, is $13,430,000, $17,951,000, $11,998,000, $9,417,000 and $9,311,000.

The Company's term debt agreements contain various restrictions as to dividend payments and incurrence of additional indebtedness. As of December 31, 1987, under the most restrictive provisions, $21,900,000 of consolidated earnings retained in the business was available for the payment of cash dividends, and the Company could incur additional indebtedness of $85,133,000.

Rent expense relative to operating leases was $35,582,000, $35,163,000 and $26,597,000 in 1987, 1986 and 1985, respectively.

5. Stock Activity

Redeemable Convertible Preference Stock—During 1986, the Company redeemed the remaining 438,900 outstanding shares of redeemable convertible preference stock for cash.

The Company repurchased 26,100 shares in 1985 as part of a repurchase program approved by the Board of Directors.

Common Stock Repurchase Plan—Late in 1986, the Company's Board of Directors approved the repurchase of up to 4,500,000 shares of outstanding common stock. In 1987 and 1986, 938,282 and 802,136 shares were purchased at a cost of $31,915,000 and $22,973,000, respectively, and accounted for as treasury stock.

Shareholder Rights Plan—In February, 1986, the Company's Board of Directors approved a rights plan. Shareholders received as a dividend one individual stock purchase right for each share of the Company's common stock. Each right will entitle shareholders to buy one one-hundredth of a newly issued share of Junior Participating Preference Stock at an exercise price of $75. The rights will be exercisable only if a person or group either acquires 20% or more of Koppers common stock or commences a tender offer for 30% or more. All rights are redeemable at the Company's discretion upon the occurrence of certain events at $0.05 per right and are no longer exercisable after March 11, 1995. The Company authorized 350,000 shares of Junior Participating Preference Stock with no par value.

6. Employee Compensation Plans

Deferred Compensation Plan—The Company has a Deferred Compensation Unit Plan for officers and other key employees. Operating expense has been charged with $5,581,000, $2,646,000 and $1,334,000 to provide for benefits accrued during 1987, 1986 and 1985, respectively.

Incentive Plan—The Executive Incentive Plan is based on established target award levels for each participant if certain Company performance and individual goals are met. The charge to operating expense was $2,466,000 in 1987 and $2,500,000 in 1986. Because of the Company's insufficient return on investment, there was no charge to operating expense in 1985.

Employee Savings Plan—The Company has an Employee Savings Plan for all eligible employees that conforms to Section 401(k) of the Internal Revenue Code. Under the plan, participating employees can elect to contribute up to 16% of their salaries with a regular Company matching contribution in Koppers common stock equivalent to 25% of the first 2% of the tax-saver contributions. The Company's contributions amounted to $499,000 in 1987, $494,000 in 1986 and $548,000 in 1985. The Company also makes annual supplemental contributions based upon its return on common shareholders' equity. The return on common equity was insufficient in 1987 and 1985; therefore, there was no charge to operating expense in either year. In 1986, the supplemental contribution expense was $3,400,000. In addition to the above, Koppers may make a discretionary supplemental contribution at the end of each Plan Year subject to Board approval. In 1987, the discretionary supplemental contribution expense was $1,600,000. There was no discretionary contribution made in 1986 or 1985.

Stock Option Plan—At the annual meeting held on April 28, 1986, the shareholders ratified the 1986 Stock Option Plan. The Plan provides for the award of stock options with a right to purchase an amount of common stock equal to the options awarded. Additionally, certain options have attached stock appreciation rights that may be exercised in lieu of the stock options, resulting in the holder receiving cash equal to the difference between the current value of the Company's common stock and the exercise price for the stock options established at the date of grant. The options become exercisable in installments commencing one year after the award date and expire if not exercised within 10 years from the date of grant. The compensation cost related to stock appreciation rights charged to operating expense was $384,000 in 1987, while there was no charge to operating expense in 1986.

The following table summarizes stock option activity:

	Shares	Price
Options outstanding January 1, 1986	—	—
Options granted	277,225	$23.375
Options canceled	—	—
Options exercised	—	—
Options outstanding December 31, 1986	**277,225**	**23.375**
Options granted	179,025	32.375
Options canceled	—	—
Options exercised	14,075	23.375
Options outstanding December 31, 1987	**442,175**	**23.375—32.375**

Options available for grant at December 31, 1987 and 1986 were 543,750 and 722,775, respectively.

7. Closed Operations and Disposals

Discontinued Operations—Late in 1987, the Company recognized a $59,388,000 after-tax loss ($2.08 per share) primarily due to the unfavorable settlement of the Inland Steel litigation over a construction contract dispute relating to a business sold in 1984. (See Note 11.) In 1986 there were no losses from discontinued operations.

During 1987, the Company concluded agreements for the sale of a significant portion of one of the two remaining business units (a component of Chemical and Allied Products) reserved for in 1985, which is in addition to the eight units sold in 1986. Prior-year agreements for sale included all those units within Engineered Metal Products operations and components of Chemical and Allied Products. In December 1985, net reserve provisions of $68,608,000 ($2.40 per share) were made for expected losses on these 10 disposals.

Net sales of the Discontinued Operations were $75,334,000, $299,475,000 and $419,535,000 for 1987, 1986 and 1985, respectively.

Other Operations Closed or Disposed of—In 1987, a loss of

$602,000, or $361,000 after tax ($0.01 per share), was realized by Construction Materials and Services for provisions related to plant closings. Also, a profit of $3,836,000, or $2,302,000 after tax ($0.08 per share), was realized by Chemical and Allied Products for provisions related to plant closings.

In 1986, certain subsidiaries of the Construction Materials and Services Group were sold to WMI. (See Note 2.) Also a loss of $2,722,000, or $1,470,000 after tax ($0.05 per share), was realized by Chemical and Allied Products for provisions related to plant closings.

In 1985, provisions for plant closings in Chemical and Allied Products resulted in a loss of $29,056,000, or $15,690,000 after tax ($0.55 per share). Additionally, $16,629,000 was provided for environmental expenses at plants currently operating, closed or disposed of in 1985.

In 1987, 1986 and 1985, provisions for environmental expenses at previously operated properties amounted to $5,752,000, or $3,451,000 after tax ($0.12 per share), and $3,075,000, or $1,660,000 after tax ($0.06 per share), and $28,620,000, or $15,455,000 after tax ($0.54 per share), respectively.

The effect on operations and the related profit or loss on operations disposed of or closed is shown in the table below:

Other Operations Closed or Disposed of ($ Thousands)	1987	1986	1985
Net sales	**$18,470**	$89,532	$204,558
Recurring operating expenses	**19,197**	76,617	198,204
Profit (loss) on disposal of net assets	**3,234**	4,764	(32,564)
Provision for environmental expenses	**0**	0	(16,629)
Operating profit (loss)	**$ 2,507**	$17,679	$(42,839)

8. Income Taxes

Income (loss) from continuing operations before provision (benefit) for income taxes and the components of income taxes are as follows:

($ Thousands)	1987	1986	1985
Income (loss) from continuing operations before provision (benefit) for income taxes:			
Domestic operations	**$106,372**	$ 96,175	$(55,797)
Foreign operations*	**7,433**	6,104	8,101
Total	**$113,805**	$102,279	$(47,696)
Income tax expense (benefit):			
Continuing operations	**$ 43,587**	$ 39,059	$(17,693)
Discontinued operations	**(39,615)**	—	5,085
Total	**$ 3,972**	$ 39,059	$(12,608)
Current:			
Federal	**$(16,942)**	$ 29,891	$ 1,893
Foreign	**1,455**	2,495	1,545
State	**4,140**	7,212	2,844
	(11,347)	39,598	6,282
Deferred:			
Federal	**15,313**	(21,606)	(18,816)
Foreign	**6**	—	(74)
	15,319	(21,606)	(18,890)
Provision in lieu of federal income taxes	**—**	21,067	—
Total income taxes (benefits)	**$ 3,972**	$ 39,059	$(12,608)

*Foreign operations income before the provision for income taxes includes equity income from foreign investments of $3,746, $5,095 and $6,249 for 1987, 1986 and 1985, respectively.

The components of deferred tax expense (benefits) and related tax effect are shown below:

($ Thousands)	1987	1986	1985
Excess (deficit) of tax over book depreciation	**$(3,458)**	$ 10,150	$ 10,709
Difference in book and tax expense recognition:			
—Environmental expenses	**3,686**	3,997	(9,009)
—Warranty expenses	**(932)**	2,339	2,224
—Pension funding	**4,852**	535	(1,057)
—Other	**(6,849)**	(2,554)	(3,436)
Difference in book and tax income recognition:			
—Construction contracts	**(1,421)**	(4,125)	5,226
—Inventory timing difference	**667**	1,030	(1,754)
—Genex basis difference	**—**	1,069	362
—Installment sales	**—**	(4,978)	5,949
Benefit of operating loss carryforwards used to reduce deferred tax liability	**—**	—	(20,350)
Provisions for operations discontinued, disposed of or closed	**20,194**	(27,521)	(4,239)
Other	**(1,420)**	(1,548)	(3,515)
Total deferred tax expense (benefit)	**$15,319**	$(21,606)	$(18,890)

The differences between the statutory and effective income tax (benefit) rates applicable to continuing operations are shown below:

	1987	1986	1985
Statutory tax rate:			
Federal	**40.0%**	46.0%	(46.0%)
State, net of federal tax benefit	**4.6%**	3.8%	3.2%
Current year loss carryforward	**—**	—	17.8%
Investment tax credit	**—**	(11.8%)	—
Nontaxable earnings of international sales corporations	**(0.6%)**	(1.1%)	(1.2%)
Effect of percentage over cost depletion	**(4.6%)**	(5.1%)	(8.6%)
Effect of lower statutory tax rate applicable to capital gains and equity investment transactions	**(1.9%)**	(3.0%)	—
Minimum tax on tax preference items	**—**	2.9%	—
Other—net	**0.8%**	6.5%	(2.3%)
Total tax rate	**38.3%**	38.2%	(37.1%)

The 1986 provision for income tax has been reduced by investment tax credits in the amount of $12,100,000. At December 31, 1987, the Company had, for financial reporting purposes, operating loss and tax credit carryovers that will reduce future income tax expense by $24,300,000. These carryovers will expire between 1992 and 2001.

For tax purposes, the Company has investment and foreign tax credit carryovers of $1,400,000 and $900,000, respectively, which are available to reduce future income taxes payable. The investment tax credit carryover will expire in 2002, and the foreign tax credit expires in 1992.

On December 30, 1987, the Financial Accounting Standards Board (FASB) issued FAS No. 96, which supersedes previous standards for accounting for income taxes. The Company must adopt this new standard no later than the year ending December 31, 1989. The effect of this new standard on the Company's consolidated financial statements has not been determined.

9. Acquisitions

In 1987, the Company acquired three companies for $23,900,000 in cash. In 1986, four companies were acquired for $66,400,000 in cash. The acquisitions were accounted for using the purchase method of accounting, and results of operations have been included from the respective dates of these acquisitions. The following unaudited summary, prepared on a pro forma basis, combines the consolidated results of operations of the Company for the years ending December 31, 1987, 1986 and 1985 with the preacquisition earnings of these acquisitions:

	1987	1986	1985
Net sales	**$1,592,127,000**	$1,551,177,000	$1,494,471,000
Income (loss) from continuing operations	**$ 72,013,000**	$ 65,960,000	(25,835,000)
Net (loss) income	**$ 12,625,000**	$ 80,220,000	(96,903,000)
Earnings (loss) per share of common stock from continuing operations	**$2.50**	$2.19	($1.09)
Net (loss) earnings per share	**$0.42**	$2.69	($3.57)

10. Operations by Business Segments

The Company operates principally in two business segments. Financial information about each segment is provided in the table on the following page.

Because of immateriality, intersegment sales along with revenues and identifiable assets from foreign operations are not disclosed.

11. Litigation

On August 7, 1981, Inland Steel Corporation filed an action against the Company in Lake Superior Court, East Chicago, Indiana, alleging that negligence, fraud and breach of contract in construction of a coke oven battery and blast furnace by the Company at Inland's Indiana Harbor Works had caused Inland damages in the amount of $100 million. The Company counterclaimed to recover $17 million still unpaid by Inland on the contract for construction of the coke oven battery and blast furnace. A verdict was rendered on February 21, 1984 for Inland on its claims in the amount of $74 million and for the Company on its counterclaim in the amount of $10 million, for a net verdict in favor of Inland in the amount of $64 million, plus post-judgment interest. The judgment was affirmed by the Court of Appeals of Indiana, and the Supreme Court of Indiana refused to review the affirmance. The Inland claim was settled in the fourth quarter of 1987 for cash and an agreement to supply coke in 1988.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Note 10: Operations by Business Segments

($ Thousands)

Year ended December 31, 1987:	Construction Materials and Services	Chemical and Allied Products	Misc.	Consolidated
Net sales from continuing operations	$901,144	$606,236	$ 8,343	$1,515,723
Operating profit (loss) before general corporate overhead	$113,296	$ 50,524	$ (93)	$ 163,727
Other income (expense)	3,356	(21,548)	2,800	(15,392)
Equity in earnings (loss) of affiliates	800	2,368	(1,631)	1,537
Operating income	$117,452	$ 31,344	$ 1,076	$ 149,872
General corporate overhead				24,892
Interest expense				11,175
Income from continuing operations before provision for income taxes				$ 113,805
Identifiable assets as of December 31, 1987	$533,312	$336,216	$31,980	$ 901,508
General corporate assets				88,014
Net assets of discontinued operations				85,364
Total assets				$1,074,886
Depreciation, depletion and amortization	$ 42,699	$ 29,623	$ 1,278	$ 73,600
Depreciation and amortization of general corporate assets				2,651
				$ 76,251
Capital expenditures	$ 75,885	$ 42,085	$ 5,997	$ 123,967
Research and development				$ 15,824
Year ended December 31, 1986:*				
Net sales from continuing operations	$804,144	$588,879	$ 3,378	$1,396,401
Operating profit (loss) before general corporate overhead	$ 98,909	$ 39,646	$(1,090)	$ 137,465
Other income	2,171	(3,174)	11,448	10,445
Equity in earnings (loss) of affiliates	4,240	3,032	(2,733)	4,539
Operating income	$105,320	$ 39,504	$ 7,625	$ 152,449
General corporate overhead				28,768
Interest expense				21,402
Income from continuing operations before provision for income taxes				$ 102,279
Identifiable assets as of December 31, 1986	$508,227	$341,513	$33,652	$ 883,392
General corporate assets				118,441
Net assets of discontinued operations				65,389
Total assets				$1,067,222
Depreciation, depletion and amortization	$ 39,295	$ 28,673	$ 350	$ 68,318
Depreciation and amortization of general corporate assets				2,208
				$ 70,526
Capital expenditures	$144,968	$ 33,505	$12,253	$ 190,726
Research and Development				$ 16,747
Year ended December 31, 1985:				
Net sales from continuing operations	$777,418	$618,612	$ 4,136	$1,400,166
Operating profit (loss) before general corporate overhead	$ 62,580	$(45,085)	$(2,038)	$ 15,457
Other income (expense) (Note 7)	5,736	(19,958)	3,928	(10,294)
Equity in earnings (loss) of affiliates	3,205	3,412	(7,055)	(438)
Operating income (loss)	$ 71,521	$(61,631)	$(5,165)	$ 4,725
General corporate overhead				28,748
Interest expense				23,673
Loss from continuing operations before provision for income taxes				$ (47,696)
Identifiable assets as of December 31, 1985	$408,642	$373,179	$30,784	$ 812,605
General corporate assets				99,339
Net assets of discontinued operations				154,109
Total assets				$1,066,053
Depreciation, depletion and amortization	$ 35,233	$ 28,786	$ —	$ 64,019
Depreciation and amortization of general corporate assets				2,354
				$ 66,373
Capital expenditures	$ 53,729	$ 33,781	$ 6,284	$ 93,794
Research and development				$ 16,268

*Restated to conform with 1987 classifications.

Report of Certified Public Accountants

Arthur Young & Company
Certified Public Accountants

The Board of Directors and Shareholders
Koppers Company, Inc.:

We have examined the consolidated financial statements of Koppers Company, Inc. and subsidiaries listed in the accompanying Index to Consolidated Financial Statements. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements listed in the accompanying Index to Consolidated Financial Statements present fairly the consolidated financial position of Koppers Company, Inc. and subsidiaries at December 31, 1987 and 1986, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles applied on a consistent basis during the period, except for the change, with which we concur, in the method of accounting for pension costs as described in Note 3 to the financial statements.

Arthur Young & Company

2400 Koppers Building
Pittsburgh, Pennsylvania 15219
January 25, 1988

Item 10. Directors and Executive Officers of the Registrant

Koppers Board of Directors and Executive Officers

As of February 29, 1988.

(Date in parentheses indicates year this person joined Koppers.)

Corporate Officers

Charles R. Pullin 64 (1946)
Chairman of the Board and Chief Executive Officer since 1982; formerly Vice Chairman of the Board since 1981 and President and Chief Operating Officer—Road Materials Group.

Glen C. Tenley 60 (1955)
President and Chief Operating Officer since 1986; formerly Vice President and General Manager—Tar and Wood Products Sector since 1984 and Vice President and General Manager—Foundry and Industrial Supply Division since 1980.

Burnett G. Bartley, Jr. 63 (1949)
Executive Vice President and General Manager—Construction Materials and Services since 1984; formerly Deputy Chairman.

Donald H. Cuozzo 54 (1968)
Vice President—Legal Services Group, General Counsel and Secretary since 1985; formerly Assistant General Counsel since 1985 and Assistant Secretary since 1976.

Lester L. Murray 60 (1975)
Vice President—Technology Services and Business Development, since 1987 and President of Kopvenco since 1986; formerly Vice President and General Manager—Engineered Metal Products Group since 1983.

Thomas M. St. Clair 52 (1958)
Vice President—Financial Services Group and Treasurer and Chief Financial Officer since 1984; formerly Vice President—Finance since 1984, Vice President and Assistant to the Chairman since 1983 and President—Engineered Metal Products Group.

Corporate Staff Officers

J. Roger Beidler 52 (1960)
Vice President—Communications Group since 1985; formerly Vice President—Investor Relations since 1980.

Fitzhugh L. Brown 55 (1962)
Vice President since 1987 and Comptroller since 1978.

Dr. Donald J. McGraw 44 (1982)
Vice President—Science and Technology since 1988; formerly Vice President—Occupational Health and Safety since 1985; formerly Corporate Medical Director since 1982.

Raymond R. Wingard 57 (1952)
Vice President—Administrative Services Group since 1985; formerly Vice President and Manager—Marketing Services and Corporate Growth Planning since 1980.

Construction Materials and Services

Frederick C. Moore 54 (1970)
Vice President and General Manager—Eastern Region since 1983; formerly Vice President—Road Materials Group.

David E. Branch 60 (1954)
Vice President and General Manager—Western Region since 1988; formerly President—South Coast Asphalt Company, a subsidiary of Sully-Miller Contracting Company.

R. Kenneth MacGregor 65 (1978)
Vice President and Chairman and Chief Executive Officer—Sully-Miller Contracting Company since 1988; formerly Vice President and Manager—West Coast Operations since 1982 and President and General Manager—Sully-Miller Contracting Company.

Robert A. Cruise 57 (1973)
President—Koppers International Canada Ltd., a wholly owned subsidiary since 1969.

Chemical and Allied Products

James A. Harris 53 (1965)
Vice President and General Manager—Building Products Sector since 1986; formerly Vice President—Planning Services Group since 1985; formerly Vice President and General Manager—Engineering and Construction Group since 1981.

Dr. Alonzo Wm. Lawrence 50 (1976)
Vice President and General Manager—Chemical Systems Sector since 1984; formerly Vice President—Science and Technology since 1981.

Robert K. Wagner 56 (1953)
Vice President and General Manager—Tar and Wood Products Sector since 1986; formerly Vice President and General Manager—Treated Wood Products Division since 1978.

Brooks C. Wilson 54 (1965)
Managing Director—Koppers Australia Pty. Ltd.

Other Officers

Jay A. Best 54 (1956)
Vice President and Manager—Traffic and Transportation Department since 1978.

Richard C. Hawkins 47 (1971)
Vice President and Manager—Human Resources Department since 1985; formerly with National Intergroup, Inc. from 1980 to 1985; formerly Manager—Selection and Placement for Koppers since 1971.

Dr. Andrew C. Middleton 39 (1978)
President—Keystone Environmental Resources since 1986; formerly Vice President—Environmental Resources since 1986.

Robert R. Moran 63 (1947)
Vice President—Purchasing Department since 1982; formerly Manager—Raw Materials.

In the following tables are set forth as to each of the four nominees for election as Class I directors, and as to each of the continuing Class II and Class III directors, his or her age and principal occupation and business experience, the period during which each has served as a director of Koppers and the number of shares of Koppers Common Stock beneficially owned by each on February 29, 1988.

NOMINEES FOR ELECTION AS CLASS I DIRECTORS

For Three-Year Terms Expiring in 1991

Name; Age; Principal Occupation; Principal Business of Employer; Business Experience; and Other Business Affiliations(1)	Served as Director to date from	Common Stock Beneficially Owned Directly or Indirectly on February 29, 1988(2)
Charles F. Barber—71 Retired April 28, 1982 as Chairman and Chief Executive Officer of ASARCO Incorporated (production of nonferrous metals and non-metallic minerals). A director of The Continental Corporation, Unisys Corporation, Min Ven, Inc., The Lehman Corporation, Lehman Investors Fund, Inc., Lehman Capital Fund, Inc., Lehman Management Money Market Funds, Inc., Lehman Management Government Funds, Inc., and Lehman Management Tax Free Funds, Inc.	September 28, 1981	1,000
Fletcher L. Byrom—69 Retired April 26, 1982 as Chairman of the Board of Directors of Koppers. A director of ASARCO Incorporated, The Lehman Corporation, Lehman Investors, Fund, Inc., Lehman Capital Fund, Inc., North American Philips Corp., Ralston Purina Company, Advisory Director of Mellon Bank Corporation, Chemical Bank International Advisory Board, Unilever PLC & N.V. and Director and President of Micasu Corporation.	December 19, 1960	510 (7)
Richard M. Cyert—66 President and Trustee of Carnegie-Mellon University (education). Also, a director of Allegheny International, Inc., American Standard, Inc., Copperweld Corporation, The First Boston Corporation, H.J. Heinz Co., and Strategic Planning Associates.	January 31, 1972	400
William H. Knoell—63 Chairman, Chief Executive Officer and Director of Cyclops Industries (basic and specialty steels and fabricated steel products; industrial and commercial construction). Also, a director of Duquesne Light Company.	April 27, 1981	600

CLASS II DIRECTORS WHOSE TERMS EXPIRE IN 1989

Name; Age; Principal Occupation; Principal Business of Employer; Business Experience; and Other Business Affiliations(1)	Served as Director to date from	Common Stock Beneficially Owned Directly or Indirectly on February 29, 1988(2)
Anthony J. A. Bryan—65 Chairman and Chief Executive Officer of Copperweld Corporation (manufactures welded and seamless tubing, bimetallic rod, wire and strand). From 1977 until 1981, also served as President of Copperweld Corporation. Also, a director of Allegheny International, Inc., Chrysler Corporation, Federal Express Company, Hamilton Oil Company, Imetal, and PNC Financial Corp.	April 30, 1984	2,000
Andrew W. Mathieson—59 Executive Vice President of Richard K. Mellon and Sons (investment management). Also, a director of General Re Corporation, General Reinsurance Corporation (Europe), Mellon Bank, N.A. (5) and Mellon Bank Corporation.	June 28, 1965	1,477 (6)

Romesh Wadhwani—40 Chairman and Chief Executive Officer of American Cimflex Corporation (manufacturer of software-intensive, proprietary products and systems for computer integrated manufacturing). Chairman and Director of Instaplan Corporation and Chairman of Datatrak Systems, Inc.	April 28, 1986	600
Glen C. Tenley—60 President and Chief Operating Officer of Koppers Company, Inc. From 1984 to 1986 Vice President and General Manager—Tar and Wood Products Sector. From 1980 to 1984 Vice President and General Manager—Foundry and Industrial Supply Division.	July 28, 1986	8,052 (4)

CLASS III DIRECTORS WHOSE TERMS EXPIRE IN 1990

Name; Age; Principal Occupation; Principal Business of Employer; Business Experience; and Other Business Affiliations(1)	Served as Director to date from	Common Stock Beneficially Owned Directly or Indirectly on February 29, 1988(2)
Evelyn Berezin—62 Director of CIGNA Corporation, and DNA Plant Technology Corporation. Until September 1987 was President of Greenhouse Management Corporation, a subsidiary of Rand Capital Corp. (venture capital investment). Also, until December 1987 was a Director of ALYX Medical Systems.	April 28, 1980	500
Daniel M. Galbreath—59 President of John W. Galbreath & Co. (real estate development). Also, a director of Churchill Downs Incorporated, Ohio Bell/Ameritech and Borden Chemical and Plastics Limited Partnership. Also, Chairman of the Board of Galbreath-Ruffin Corporation and Member of the Board of Federal Reserve Bank of Cleveland.	April 30, 1984	500
Charles R. Pullin—64 Chairman of the Board of Directors and Chief Executive Officer of Koppers. From 1981 until 1982 Vice Chairman of the Board of Directors of Koppers. From 1978 until 1981 President (Chief Operating Officer) of Koppers Construction Materials and Services Group. Also, a director of Pittsburgh National Bank (3) and PNC Financial Corp.	February 23, 1981	14,226 (4)
Edward Donley—66 A Director and Chairman of the Executive Committee of the Board of Directors of Air Products and Chemicals, Inc. Also, Chairman of the Executive Committee and Director of the U.S. Chamber of Commerce. Director of American Standard Inc., Mellon Bank Corporation, Mellon Bank, N.A., Pennsylvania Power & Light Company and Cooper Tire & Rubber Company.	October 27, 1986	1,000

(1) In its normal course of business, Koppers is a seller to and a purchaser from several of the companies for which Koppers directors serve as directors and/or executive officers. The annual magnitude of the aggregate transactions varies, but in 1987 was not material to the annual sales of any of the companies with which the above directors are associated. All such sales and purchases were made in the ordinary course of business and at competitive prices and terms.

(2) The shares shown in the tables as owned by the directors in no case exceed 0.1% of the total outstanding shares of Koppers.

(3) Pittsburgh National Bank is Trustee for the Employee Savings Plan of Koppers Company, Inc. and Subsidiaries and Koppers was engaged in various other banking transactions with Pittsburgh National Bank in 1987 for which Pittsburgh National Bank received fees. Fees paid to Pittsburgh National Bank are competitive and the terms of such transactions

were comparable to those obtainable from similar institutions. Koppers expects that these or similar arrangements will be continued.

(4) Includes shares held under Koppers Employee Savings Plan and shares which said directors have the right to acquire beneficial ownership of within 60 days through the exercise of options under Koppers 1986 Stock Option Plan.

(5) During 1987, Koppers obtained various banking and pension management services from Mellon Bank, N.A. for which Mellon received fees. Fees paid to Mellon are competitive and the terms of such transactions were comparable to those obtainable from similar institutions. Koppers expects that these or similar arrangements will be continued.

(6) Does not include 81,928 shares (.3%) of Koppers Common Stock held in two trusts of which Mr. Mathieson is a co-trustee with others, including Mellon Bank, N.A. Mr. Mathieson has no direct beneficial interest in such shares although, as a co-trustee, he shares voting and investment power with respect to these shares.

(7) Does not include 3,975 shares owned by Micasu Corp., a corporation in which Mr. Byrom owns 70% of the voting stock.

Item 11. Executive Compensation

EXECUTIVE COMPENSATION

Cash Compensation

The following table shows the cash compensation of each of the five most highly compensated executive officers of Koppers and the cash compensation of all executive officers as a group for services performed during 1987 in all capacities for Koppers and its subsidiaries.

(A) Name of Individual or Number of Persons in Group	(B) Capacities in Which Served	(C) Cash Compensation(1)
Charles R. Pullin	Chairman of the Board of Directors (Chief Executive Officer)	$ 582,673
Glen C. Tenley	President	$ 391,404
Burnett G. Bartley, Jr.	Executive Vice President	$ 323,370
Thomas M. St. Clair	Vice President, Treasurer and Chief Financial Officer	$ 237,650
Lester L. Murray	Vice President	$ 222,454
All executive officers (including the foregoing) as a Group of 18.		$4,041,095

(1) Includes payments made to participants in Koppers 1979 Performance Share Plan, described hereafter, pursuant to the dividend equivalents feature of the Plan, payments made pursuant to Koppers 1987 Incentive Plan for certain officers and key employees, and payments accrued pursuant to various bonus plans for executive officers who would not have been eligible for the Incentive Plan in 1987. Bonus plans are adopted yearly by each of Koppers operating groups and are based on the accomplishment of group profit objectives and the achievement of individual performance objectives. The bonus plans are designed to provide incentive and competitive compensation, in addition to salary, to those key employees who contribute to the growth and profitability of Koppers. An Incentive Plan for 1988 will be submitted at the Company's March Board of Directors' meeting to the Directors for their approval. Said Plan will cover certain officers and key employees and awards under the Plan will be subject to the prior review by the Compensation Committee of the Board of Directors of 1988 company-wide operations and the attainment of personal objectives.

Director Compensation

Directors not otherwise employed by Koppers are currently paid an annual fee of $15,000 and, in addition, $750 for attendance at each meeting of the Board of Directors and each committee of the Board but not more than $1,500 for all meetings held in any single day. The Chairman of each committee of the Board is also paid an annual fee of $1,500. On June 29, 1981 the Board of Directors adopted a deferred compensation plan which allows each director to elect to defer payment of compensation until retirement, at which time payment will be made as elected in a lump sum or in five annual installments.

Employee Savings Plan

Koppers maintains an Employee Savings Plan, available to all eligible employees of Koppers, its participating subsidiaries and eligible employees of the joint venture between Koppers and Redland USA Holdings, Inc. upon the completion of a one year period of employment. The Plan provides a systematic savings program with alternative investment choices which permits a participant to make regular monthly contributions of up to 16% of base compensation in tax deferred savings. Koppers makes regular monthly matching contributions equal to 25% of the first 2% of a Plan participant's tax deferred contribution, and may make annual supplemental contributions which, based on the return on Koppers common stockholders equity, may range from zero to 70% of a participant's first 6% of tax deferred contributions, and may make discretionary supplemental contributions. A discretionary supplemental company contribution for the 1987 Plan Year was made in the amount of $1,600,000. Participants contributions are delivered to the trustee (currently Pittsburgh National Bank) for investment by the trustee in one or more of the following funds as directed by the participant: (i) a fund composed of Koppers Common Stock; (ii) an index fund designed to closely approximate the composite rate of return of the Standard and Poors composite 500 standard index; (iii) a guaranteed income contract with Metropolitan Life Insurance Company which provides that funds will earn interest at an annual compounded rate of not less than 10.7% for the period ending December 31, 1988; and (iv) towards the purchase of life insurance contracts. Koppers regular matching contributions made to the Plan and earnings thereon, are immediately "vested" when made. Annual supplemental contributions and earnings thereon are not vested until two full years after the end of the year for which they were made. In-service withdrawals of such regular matching contributions and/or vested annual supplemental contributions are not permitted unless the participant is at least age 59½ as of the effective date of the withdrawal or in case of extreme financial hardship. If a participant's employment is terminated due to retirement, disability retirement, death or involuntary termination without cause, all Company contributions would become non-forfeitable and eligible for withdrawal. However, if a participant's employment is terminated for any reason other than those stated above, Koppers' regular contributions would be available for withdrawal. In such case, only those annual supplemental Company contributions that have been in the Plan for two full Plan Years after the Plan Year for which they were made would become non-forfeitable and available for withdrawal. The Plan is intended to encourage employee savings and investment in Koppers Common Stock. The Plan generally provides for voting of Koppers Common Stock by the trustee as directed by participants (to whom proxy materials are distributed). Most executive officers of Koppers are participants in the Plan. Koppers contributions to the Employee Savings Plan with regard to 1987 compensation were as follows: C. R. Pullin—$7,492; G. C. Tenley—$5,571; B. G. Bartley,—Jr.—$4,643; T. M. St. Clair—$3,559; L. L. Murray—$3,350; all executive officers as a group—$59,947; and all participants—$2,098,964. (These amounts include the 1987 discretionary supplemental company contribution earlier described.)

Due to certain restrictive provisions of the Tax Reform Act of 1986, the Plan was amended to eliminate the ability of participants to make after-tax savings to the Plan, effective January 1, 1987.

The Plan was also amended, effective as of January 1, 1983, to enable Koppers to make tax credit contributions to the Plan based on a percentage of all compensation (excluding deferred compensation and other distributions which receive special tax benefits) paid to employees who are eligible to participate in the Plan for the years 1983, 1984, 1985, 1986 and 1987. The Tax Reform Act of 1986 requires Koppers to discontinue tax credit contributions effective at the end of the 1986 Plan Year. Participants accounts are 100% vested and are not eligible for in-service withdrawals. Tax credit contributions are held in Koppers Common Stock by the trustee of the Plan and allocated in an equal amount for each employee who is eligible to participate in the plan and who is employed on the last day of the taxable year for which the contributions are made. Tax credit contributions allocated to plan participants are distributed upon termination of employment in cash, unless an election is made to take the distribution in shares of Koppers Common Stock. With respect to the 1986 Plan Year $690,270 was allocated to the 5,367 eligible employees with a maximum benefit for any officer equal to $128. Participants are not allowed to make withdrawals of the tax credit contributions until they retire or otherwise terminate employment with Koppers. Prior to the adoption of the tax credit plan in 1984, Koppers made contributions to an employee stock ownership plan (the —TRASOP") which also provided eligible employees with ownership of Koppers Common Stock. This Plan was merged into the Employee Savings Plan effective October 1, 1985. Participants are not permitted to make withdrawals of the "TRASOP" contributions until they retire or otherwise terminate employment with Koppers.

Pension Plan

All executive officers of Koppers are covered by Koppers non-contributory pension plan for salaried employees. Directors who have not served as employees are not eligible to receive retirement benefits from Koppers. Salaried employees of Koppers, its participating subsidiaries and employees of the joint venture between Koppers and Redland USA Holdings, Inc. who have one year of service are entitled to participate in the plan and to receive certain defined benefits for death or retirement. Annual Normal Retirement benefits are computed at the rate of 1% of Terminal Salary not in excess of $7,800 (1¼% for years of credited service prior to 1970), plus 1¾% of Terminal Salary in excess of $7,800 multiplied by the employee's years of

Credited Service prior to January 1, 1983. For service from January 1, 1983 benefits are computed at the rate of 1% of Terminal Salary not in excess of $16,000 plus 1¾% of Terminal Salary in excess of $16,000 multiplied by the years of Credited Service from January 1, 1983. A participant's Terminal Salary equals the average annual amount of compensation (which includes basic Annual Salary defined as of each January 1, one-half of the total amount of incentive payments and bonuses, sales commissions paid, and overtime payments) for the five (5) consecutive years in the ten (10) years of Credited Service prior to retirement affording the highest such average or during all years of Credited Service if less than five (5) years. As of December 31, 1987, the number of years of Credited Service for each of the individuals named in the cash compensation table was as follows: C. R. Pullin—33.75; G. C. Tenley—32.5; B. G. Bartley, Jr.—38.42; T. M. St. Clair—29.33; and L. L. Murray—31.75. The following table contains approximate retirement benefits payable to employees in higher salary classifications, including any employee who is an officer or director, assuming retirement at age 65, payments made on the straight-line annuity basis, election of no co-annuitant option and payment by Koppers out of its general funds of any amount which is in excess of the maximum amount permitted to be paid under the Employee Retirement Income Security Act of 1974, as amended, from the pension trust. The Board has adopted a resolution limiting the amount which Koppers may pay out of its general funds to an amount not in excess of 100% of the amount permitted to be paid from the pension trust.

Estimated Annual Retirement Benefits Under the Salaried Pension Plan

Average Annual Earnings Credited for Retirement Benefits	Years of Credited Service at Retirement					
	20	25	30	35	40	45
$100,000	$ 33,571	$ 42,126	$ 50,681	$ 59,236	$ 67,791	$ 76,346
150,000	51,071	64,001	76,931	89,861	102,791	115,721
200,000	68,571	85,876	103,181	120,486	137,791	155,096
250,000	86,071	107,751	129,431	151,111	172,791	194,471
300,000	103,571	129,626	155,681	181,736	207,791	233,846
350,000	121,071	151,501	181,931	212,361	242,791	273,221
400,000	138,571	173,376	208,181	242,986	277,791	312,596

The information contained in the above table is as of December 31, 1987 and is based on the assumption that the pension plan will be continued in its present form.

Long Term Disability Plan of Koppers Company, Inc. and Subsidiaries for Salaried Employees

Effective January 1, 1985, the Pension Plan was amended by removing the disability retirement provision. In its place, the Company adopted a non-contributory, Long Term Disability Plan for salaried employees. Eligibility for participation is one year of employment. All executive officers of Koppers are covered under the Plan. Directors who have not served as employees are not eligible to participate in the Plan. Eligible salaried employees* who are continuously disabled for five (5) months or more and in receipt of a Primary Social Security Disability Award, will generally receive annual benefits based upon 50% of Terminal Salary* minus 50% of the Primary Social Security Disability Award. If the disability continues until age 65, the recipient would then receive a Normal Retirement* benefit from the Salary Pension Plan. Termination of disability benefits would occur if the recipient is found to be no longer in receipt of a Social Security Disability Award or death, whichever first occurs.

*See definitions in the "Pension Plan" description.

Deferred Compensation Unit Plan

Koppers Deferred Compensation Unit Plan was approved by the stockholders on March 26, 1956 and is designed to improve long-term returns to Koppers stockholders by enabling Koppers to attract and retain employees of outstanding competence and by promoting the stockholder point of view among key employees. Under this plan deferred compensation units not exceeding 1,000,000 may be awarded to officers and other key employees by an administrative committee composed of at least three directors of Koppers who are not eligible to participate, but not more than 40,000 units may be awarded to any one person. Each unit is equivalent to one share of Koppers Common Stock except that no stock is issued, the holders of the units have no right to vote, and each unit draws dividends whenever a dividend is declared and payable on Koppers Common Stock. Participants' accounts (except when the participant elects to have the dividends credited to his or her account in cash), are credited with a number of dividend units equal to the amount of dividends the participants would have received if each unit and dividend unit in his or her account were a share of Koppers Common Stock divided by the closing market price of Koppers Common Stock on the dividend record date. Each participant (or his or her beneficiary in case of death) is entitled upon termination of employment by reason of death, retirement or disability to have his or her account credited on such termination date with an amount equal to the aggregate fair market value on such date (or at the option of the participant, on a selected value date) of the number of shares of Common Stock which is equal to the number of units in his or her account, minus the aggregate fair market value of such shares at the time such units were credited to his or her account, and to have the dividend units in his or her account converted into dollars at the fair market value of Koppers Common Stock on that date. On April 29, 1985, the stockholders approved an amendment and restatement of the Deferred Compensation Unit Plan which provides that with respect to any participant whose date of termination of employment ("Termination Date") is on or after May 1, 1985 that (i) units awarded on or after May 1, 1985 to such participant shall have a value on the date of award ("Award Date") equal to the average of the closing prices of Koppers Common Stock on the New York Stock Exchange ("Closing Price") on the trading days during one full year immediately prior to the Award Date; (ii) units and dividend units of such participant shall have a value as of the Termination Date equal to the highest of the annual averages of the Closing Prices for each of the three years immediately preceding the Termination Date; (iii) such participant's account will be revalued on each of the first, second and third anniversaries of such participant's Termination Date based on the average annual Closing Prices during each of such years, and any appreciation in the value of units and dividend units between such Termination Date and such anniversaries (or, if the Plan is terminated prior to the third anniversary, the value, if higher, as of such Plan Termination Date) be paid to such participant; (iv) if the Plan is terminated, such participant's units and dividend units will be valued as of the Plan Termination Date at such value as the Board of Directors determines by reference to either the Closing Price on the Plan Termination Date or the highest Closing Price during the 90 trading days immediately prior to the Plan Termination Date; and (v) such participant's ability to elect to have his or her units and dividend units valued after his or her Termination Date is eliminated. However, payment to each participant will continue to be made, at the participant's option over a five or ten year period. As a condition to the award of units, a participant must agree to remain in the employ of Koppers (subject to the right of Koppers to terminate his or her employment at any time) for five years after the date of such award, or until retirement prior to the expiration of such five year period. Approximately 249 employees of Koppers were participants in the Deferred Compensation Unit Plan during 1987. In 1987, deferred compensation units were awarded as follows: C. R. Pullin—0, G. C. Tenley—7,600, B. G. Bartley, Jr.—5,000, T. M. St. Clair—4,000, L. L. Murray—3,000; all executive officers as a group—52,900 units; all employees—254,625 units; the aggregate dividend credits allocated to C. R. Pullin, G. C. Tenley, B. G. Bartley, Jr., T. M. St. Clair, L. L. Murray, and such groups in 1987 were $60,249, $26,760, $59,334, $33,710, $22,020, $421,593, and $924,778, respectively.

1979 Performance Share Plan

The 1979 Performance Share Plan, which was approved by Koppers stockholders on April 30, 1979, permits the grant of up to 500,000 performance shares to key employees of Koppers by the Compensation Committee of the Board of Directors. The Plan is designed to increase returns to stockholders by providing long-term incentives in the form of stock ownership to such key employees who are believed to have an opportunity to influence significantly Koppers long-term growth. Any performance shares which are forfeited by employees may be awarded again but no performance shares may be granted after December 31, 1988. The performance shares granted become earned, upon conclusion of the applicable performance period, only to the extent that Koppers growth in earnings per share of Koppers Common Stock during such period reaches certain levels specified by the Compensation Committee of the Board, none of whose members are eligible to receive performance shares. During the performance period, a participant receives cash equal in value to the dividends he or she would have received if each performance share were a share of Koppers Common Stock. If the performance goals are attained, in whole or in part, the number of performance shares earned by a participant are to be paid by delivering (a) a certificate for that number of shares of Koppers Common Stock which is equal to the number of performance shares earned, and (b) cash equal to the fair market value of the number of shares of Koppers Common Stock so delivered. If the performance goals are not attained, no award will be paid for the period to which such goals relate. The following annual payments were made pursuant to the dividend equivalents feature of the Plan in 1987 at an annual dividend rate of $1.00 in 1987: C. R. Pullin—$3,500; G. C. Tenley—$1,400; B. G. Bartley, Jr.—$1,700; T. M. St. Clair—$1,400; and L. L. Murray—$1,200. The following annual payments were also made by Koppers pursuant to the dividend equivalents feature of the Plan during 1987: all executive officers as a group—$21,900; and all employees—$146,105.

1986 Stock Option Plan

Koppers' 1986 Stock Option Plan providing for the granting of incentive stock options, nonqualified stock options and stock appreciation rights to officers (including directors who also are officers) and other key employees, was approved by the stockholders on April 28, 1986. The Plan is administered by the Compensation Committee of the Board of Directors of Koppers ("Committee") which is composed entirely of directors who are not eligible to participate in the Plan. Subject to the adjustments provided in the Plan, the aggregate number of shares of the common stock of Koppers for which options may be granted under the Plan is 1,000,000 shares.

Subject to the provisions of the Plan, the Committee determines the persons to whom options shall be awarded and the number of shares to be covered by each option. The Committee has the authority, in its discretion, to grant "incentive stock options" within the meaning of Section 422A of the Internal Revenue Code or to grant "nonqualified stock options" (options which do not qualify under Section 422A of the Internal Revenue Code) or to grant both types of options. Furthermore, the Committee may include a stock appreciation right in connection with a stock option, either at the time of grant or by subsequent amendment.

The Committee establishes the option price at the time an option is granted at such amount as the Committee determines, except that with respect to incentive stock options such option price can not be less than 100% of the fair market value of such shares on the day such option is granted. The option price ofeach share purchased pursuant to an option must be paid in full at the time of purchase. Such price shall be payable in cash, or at the discretion of the Committee, by delivering to Koppers of other shares of common stock of Koppers owned by the optionee. Shares delivered to Koppers in payment of the option price shall be valued at the fair market value of the common stock of Koppers on the day preceding the date of the exercise of the option. A stock appreciation right (SAR) entitles the optionee to surrender to Koppers the related option, or any portion thereof, and receive from Koppers in exchange therefor an amount equal to the excess of the fair market value of one share of the common stock of Koppers on the day preceding the surrender of such option over the option price per share times the number of shares called for by the option or portion thereof, which is surrendered. The Committee has the right to determine that Koppers' obligation to any optionee exercising a SAR shall be paid in cash, or partly in cash and partly in shares.

During 1987, options for an aggregate of 179,025 shares of Koppers common stock were granted having an average per share exercise price of $32.375. Of the 179,025 shares of Koppers common stock subject to options granted during 1987, an aggregate of 89,513 shares were in tandem with SARs. Of the 442,175 options outstanding under the Plan, Directors and Executive Officers held as of December 31, 1987 options to purchase 211,700 shares under the Plan, representing approximately 48% of the outstanding options under the Plan at that date. As of December 31, 1987, 88,736 stock options were exercisable within 60 days.

The table below shows information with respect to options and SARs granted, and the exercise of options and SARs, during 1987 for each person whose compensation is reported by name and for all persons who served as executive officers during 1987 as a group:

	For the Period January 1, 1987—December 31, 1987					
Name/Group	Number of Options Granted	Average Option Price Per Share (1)	Number of SARs Granted in Tandem With Options	Number of SARs not Granted in Tandem With Options	Average Price of SARs not Granted in Tandem With Options	Net Value Realized Upon Exercise of Options/ SARs (2)
Charles R. Pullin	20,000	32.375	10,000	—	—	—
Glen C. Tenley	9,500	32.375	4,750	—	—	—
Burnett G. Bartley, Jr.	7,000	32.375	3,500	—	—	—
Thomas M. St. Clair	5,000	32.375	2,500	—	—	—
Lester L. Murray	3,500	32.375	1,750	—	—	—
All executive officers (including the foregoing) as a Group (18)	81,000	32.375	40,500	—	—	—

(1) In all cases, option prices were at least 100 percent of market value ondates of grant.

(2) In 1987, Mr. Tenley exercised nonqualified stock options in respect of 4,000 shares of common stock. On the date of exercise, the fair makret value of the shares of common stock acquired by Mr. Tenley upon the exercise of the option exceeded the exercise price of such option by $. Under the Code, Mr. Tenley is not required to report such amount as taxable income until the expiration of six months from the date of exercise, unless Mr. Tenley files an election under Section 83(b) of the Code to accelerate the taxation of the gain. If no such election is filed, the actual amount subject to federal income tax shall be determined based upon the fair market value of such shares of common stock on the date such six month period expires.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Principal Stockholders and Management

The directors and officers of Koppers as a group (28 persons) owned beneficially 129,320 shares, or approximately .5%, of Koppers Common Stock at February 29, 1988, excluding the shares as to which Mr. Mathieson shares voting and investment power as a co-trustee of trusts referred to in footnote 6 to the above tables.

Based upon information set forth in a Schedule 13G filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and received by Koppers on February 8, 1988, Equitable Life Assurance Society of the United States and its two subsidiaries, Alliance Capital Management Corporation and Wood, Struthers & Winthrop Management are the beneficial owner of 1,861,150 shares of Koppers Common Stock, or 6.6% of such shares outstanding as of February 29, 1988.

Item 13. Certain Relationships and Related Transactions

See Item 10.

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) (1) The following financial statements included in Koppers Annual Report to Stockholders for the year ended December 31, 1987 are included herein.

—Report of Certified Public Accountants

—Statement of Accounting Policies

—Consolidated Statement of Operations for the years ended December 31, 1987, December 31, 1986, and December 31, 1985

—Consolidated Balance Sheet as of December 31, 1987, and December 31, 1986

—Consolidated Statement of Cash Flows for the years ended December 31, 1987, December 31, 1986, and December 31, 1985

—Consolidated Statement of Stockholders' Equity for the years ended December 31, 1987, December 31, 1986, and December 31, 1985

—Notes to Consolidated Financial Statements

(2) Schedules for the three years ended December 31, 1987.

Schedule Number	Schedule Title
V	Property, Plant and Equipment
VI	Accumulated Depreciation of Property, Plant and Equipment
VIII	Valuation and Qualifying Accounts and Reserves
IX	Short-Term Borrowings
X	Supplementary Income Statement Information

Schedules I, II, III, IV, VII, XI, XII, XIII, and XIV are not given, as the subject matter thereof is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the financial statements or the notes thereto.

(3) Exhibits required to be filed by Item 601 of Regulation S-K are listed below and are filed as part hereof. Documents not designated as being incorporated herein by reference are filed herewith. The paragraph numbers correspond to the exhibit numbers designated in Item 601 of Regulation S-K.

1–3.1 Koppers Certificate of Incorporation, as amended, and the Certificate of Resolution, dated December 16, 1980, setting forth certain terms of Koppers $10 convertible preference stock, filed as exhibits 4.1 and 4.2 to Koppers Registration Statement No. 2-70174 and incorporated herein by this reference.

2–3.2 Certificate of Amendment to Koppers Certificate of Incorporation, dated May 1, 1984, filed as Exhibit 3.2 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by reference.

3–3.3 Certificate of Amendment to Koppers Certificate of Incorporation, dated April 28, 1987.

4–3.3 Koppers By-Laws as amended to December 14, 1987.

5–10.1 Koppers Restated Deferred Compensation Unit Plan, filed as Exhibit 10.2 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by reference.

6–10.2 Koppers Deferred Compensation Plan for Directors, filed as Exhibit 10.3 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by this reference.

7–10.3 Koppers 1986 Stock Option Plan, filed as Exhibit 10.3 to Koppers Annual Report and Form 10-K for the year ended December 31, 1986 and incorporated herein by reference.

8–10.4 Koppers 1979 Performance Share Plan, filed as Exhibit 10.5 to Koppers Annual Report and Form 10-K for the year ended December 31, 1984 and incorporated herein by reference.

9–10.5 Koppers 1988 Executive Incentive Plan. An Executive Incentive Plan for 1988 for certain officers and other key employees will be submitted to Koppers Board of Directors at their March 1988 Board of Directors meeting. Said plan will provide that each plan participant will be assigned a target award level, and he or she will receive an incentive payment if Company and individual performance criteria are met. The Chairman will recommend to the Compensation Committee of the Board of Directors the distribution of such portion of the Plan fund as he deems appropriate; or if he so determines, he may recommend that no awards be made for performance during the Plan year. Upon appropriate review of the Company's performance during the Plan year, the Compensation Committee shall act upon the Chairman's recommendations. Any award to the Chairman shall be determined by the Compensation Committee of the Board of Directors.

10–22 Listed below are the Koppers subsidiaries whose accounts are included in its consolidated financial statements. Koppers has 46 other subsidiaries, which are not named here because all of them, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Subsidiary and Jurisdiction of Incorporation

Associated Asphalt Products Co.—Ga.
Cherokee Crushed Stone, Inc.—Del.
DHH Investments, Inc.—Wash.
  Acme Concrete Company—Wash.
  Yakima Concrete and Asphalt Company—Wash.
  Cunningham Sand and Gravel Co.—Wash.
Eastern Rock Products, Inc.—N.Y.
Echols Brothers, Inc.—Del.
Fairfield Bridge Company, Inc.—Del.
France Stone Company—Ohio
The General Crushed Stone Co.—Del.
  Chester Carriers, Inc.—Del.
  Easton Mack Truck Sales, Inc.—Pa.
  Reed Paving, Inc.—N.Y.
  The Stone Man, Inc.—Del.
Sim J. Harris Co.—Del.
Herbert R. Imbt, Inc.—Pa.
  Keystone Pavement and Construction Company, Inc.—Pa.
  Southern Arizona Paving and Construction Company—Ariz.
Holland Contracting Co.—Ga.
Ivy Steel & Wire Company, Inc.—Del.
  Davidson Mineral Properties, Inc.—Del.
    Reeves Construction Co.—Ga.
    Meadow Steel Products, Inc.—Del.
Kaiser Sand & Gravel Co.—Del.
The Kentucky Stone Co.—Ky.
Keystone Environmental Resources, Inc.—Del.
Koppers International Canada Ltd.—Canada
Lycoming Silica Sand Co.—Pa.
Pettit Paint Company, Inc.—N.J.
Sloan Construction Co., Inc.—S.C.
Sully-Miller Contracting Co.—Calif.
  Kern Rock Company—Calif.
  P&K Materials, Inc.—Calif.
  South Coast Asphalt Products Co.—Calif.
  Southern Pacific Milling Co.—Calif.
Nello L. Teer Co.—Del.
  Comfort Engineers, Inc.—N.C.
  Guest Associates, Inc.—N.C.
  Nello L. Teer International, Inc.—Del.
Thiem Corporation—Del.
Western-Mobile, Inc.—Del. (50% equity investment)

11–24 Consent of Arthur Young & Company, Certified Public Accountants

Copies of the exhibits listed above will be furnished upon request to holders or beneficial holders of any class of Koppers stock, subject to payment in advance of the cost of reproducing the exhibits requested.

(b) The only Form 8-K filed by Koppers during the fourth quarter of 1987 was filed on November 30, 1987. That report related to the fact that Koppers would take an after-tax charge estimated at $63 million in the fourth quarter of 1987 relating to the Engineering and Construction business sold by Koppers in 1984.

SIGNATURES REQUIRED FOR FORM 10-K

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Koppers has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on March 29, 1988.

KOPPERS COMPANY, INC.
(Registrant)

By /s/ THOMAS M. ST. CLAIR
Thomas M. St. Clair, *Vice President and Chief Financial Officer*

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

Signature	Capacity		Date
/s/ CHARLES R. PULLIN Charles R. Pullin	Chairman of the Board of Directors and Chief Executive Officer		March 29, 1988
/s/ GLEN C. TENLEY Glen C. Tenley	Director, President and Chief Operating Officer		March 29, 1988
/s/ FITZHUGH L. BROWN Fitzhugh L. Brown	Vice President and Comptroller		March 29, 1988
Charles F. Barber	Director		
Evelyn Berezin	Director		
Anthony J. A. Bryan	Director		
Fletcher L. Byrom	Director		
Dr. Richard M. Cyert	Director	By /s/ DONALD H. CUOZZO Donald H. Cuozzo *Attorney-in-Fact*	March 29, 1988
Edward Donley	Director		
Daniel M. Galbreath	Director		
William H. Knoell	Director		
Dr. Romesh Wadhwani	Director		

Exhibit No. 24 Consents of Experts and Counsel

CONSENT OF CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference with respect to the financial statements and schedules of Koppers Company, Inc. included in the Form 10-K for the year ended December 31, 1987 in the Registration Statements (Forms S-8, Numbers 2-89784 and 33-6107) pertaining to the Employee Savings Plan and 1986 Stock Option Plan of Koppers Company, Inc. and in the related Prospectus of our Report dated January 25, 1988 included in the 1987 Annual Report to Stockholders of Koppers Company, Inc.

ARTHUR YOUNG & COMPANY

Arthur Young & Company

Pittsburgh, Pennsylvania

Koppers Company, Inc.
and Consolidated Subsidiaries

Schedule V—Property, Plant and Equipment
For the Years Ended December 31, 1987, 1986 and 1985

Classification	Balance at beginning of year	Additions at cost	Retirements or sales(1)	Transfers and other additions (deductions)	Balance at close of year
			($ Thousands)		
1987					
Land	$ 36,833	$ 4,843	$ 329	$1,836	$ 43,183
Buildings	100,286	5,333	4,812	1,595	102,402
Machinery and equipment	900,515	96,564	57,751	4,205	943,533
Depletable mineral properties	48,358	5,723	3,134	24	50,971
Depletable timber properties	7,125	1,468	6,235	—	2,358
Total	$1,093,117	$113,931	$ 72,261	$7,660	$1,142,447
1986					
Land	$ 36,693	$ 4,084	$ 4,007	$ 63	$ 36,833
Buildings	101,410	11,609	12,295	(438)	100,286
Machinery and equipment	872,595	99,754	72,329	495	900,515
Depletable mineral properties	47,665	18,904	18,211	—	48,358
Depletable timber properties	7,008	2,270	2,153	—	7,125
Total	$1,065,371	$136,621	$108,995	$ 120	$1,093,117
1985					
Land	$ 51,307	$ 2,028	$ 16,607	$ (35)	$ 36,693
Buildings	136,039	4,178	38,522	(285)	101,410
Machinery and equipment	1,005,451	94,692	227,102	(446)	872,595
Depletable mineral properties	82,150	3,749	38,234	—	47,665
Depletable timber properties	14,998	1,650	9,640	—	7,008
Total	$1,289,945	$106,297	$330,105	$ (766)	$1,065,371

(1) Includes $64,856 in 1987, $70,344 in 1986, and $14,705 in 1985 from operations disposed of or closed. Also, included in 1985 is a $300,921 transfer of net assets of discontinued operations.

Koppers Company, Inc.
and Consolidated Subsidiaries

Schedule VI—Accumulated Depreciation, Depletion and Amortization
For the Years Ended December 31, 1987, 1986 and 1985

Description	Balance at beginning of year	Additions charged to income	Retirements(2)	Other additions(3)	Balance at close of year
			($ Thousands)		
1987					
Depreciation and amortization	$626,821	$69,705	$ 43,777	$ 952	$653,701
Depletion	11,666	3,826	3,284	(6)	12,202
Total	$638,487	$73,531	$ 47,061	$ 946	$665,903
1986					
Depreciation and amortization	$610,408	$66,754	$ 50,659	$ 318	$626,821
Depletion	18,700	3,454	10,426	(62)	11,666
Total	$629,108	$70,208	$ 61,085	$ 256	$638,487
1985(1)					
Depreciation and amortization	$666,128	$78,074	$175,587	$41,793	$610,408
Depletion	16,565	3,591	12,573	11,117	18,700
Total	$682,693	$81,665	$188,160	$52,910	$629,108

(1) Includes provision relating to both continuing and discontinued operations.

(2) Includes $40,543 in 1987, $34,123 in 1986, and $9,798 in 1985 from operations disposed of or closed. Also, included in 1985 is a $173,016 transfer to Net Assets of Discontinued Operations.

(3) Includes $2,745 in 1987, $4,558 in 1986, and $53,277 in 1985 of valuation reserves for operation closed or disposed.

Koppers Company, Inc.
and Consolidated Subsidiaries

Schedule VIII—Valuation and Qualifying Accounts
For the Years Ended December 31, 1987, 1986 and 1985

Description	Balance at beginning of year	Additions charged to income	Deductions(2)	Balance at close of year
		($ Thousands)		
1987				
Allowance for doubtful accounts	$ 8,220	$1,636	$1,174	$ 8,682
Allowance for doubtful notes receivable	4,145	—	4,145	—
Allowance for decline in value of investment	2,770	—	—	2,770
	$15,135	$1,636	$5,319	$11,452
1986				
Allowance for doubtful accounts	$ 6,509	$4,951	$3,240	$ 8,220
Allowance for doubtful notes receivable	4,567	—	422	4,145
Allowance for decline in value of investment	2,770	—	—	2,770
	$13,846	$4,951	$3,662	$15,135
1985(1)				
Allowance for doubtful accounts	$ 5,453	$3,354	$2,298	$ 6,509
Allowance for doubtful notes receivable	3,872	695	—	4,567
Allowance for decline in value of investment	2,049	721	—	2,770
	$11,374	$4,770	$2,298	$13,846

(1) Includes provision relating to both continuing and discontinued operations.

(2) Accounts written off, less recoveries. Included in 1985 is a $459 transfer to net assets of discontinued operations.

Koppers Company, Inc.
and Consolidated Subsidiaries

Schedule IX—Short-Term Borrowing
For the Years Ended December 31, 1987, 1986 and 1985

Category of Short-Term Borrowings	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period(1)	Weighted average interest rate during the period(1)
			($ Thousands)		
1987					
Amounts payable to banks	$1,150(2)	17.0%	$35,000	$ 4,206	8.9%
Commercial paper	—	—	$40,000	$11,440	7.1%
1986					
Amounts payable to banks	$1,286(2)	10.8%	$ 1,307	$ 1,146	12.1%
Commercial paper	—	—	—	—	
1985					
Amounts payable to banks	$1,307(2)	13.5%	$ 2,221	$ 1,208	14.5%
Commercial paper	—	—	$59,750	$19,610	8.2%

(1) The average amount outstanding for each period was computed by using a daily average during the year. The weighted average interest rate for each period was computed by weighting the effective interest rate over the year.

(2) Included in term debt due within one year.

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

DIVISION OF SOLID WASTE
REVIEWED BY A. M.
DATE 9/22/89
COMMENTS sent to
EPA

Beazer

SEP - 5 1989

Via Certified Mail
Return Receipt Requested

August 30, 1989

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ______________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Mississippi

PLANT NAME: Grenada

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Boiler Ash Landfarm	11/30/87	$188,969	$707,940
Surface Impoundment	6/8/88	$689,159	$887,250
Sprayfield	6/10/88	$ 15,440	N/A

Note: Beazer Materials and Services, Inc. does not agree that the "sprayfield" is a regulated hazardous waste management unit, requiring financial assurance for closure. This cost estimate is being included at the direction of MDNR.

CALCULATIONS:

Surface Impoundment and sprayfield closure costs are in 1988 dollars.

Boiler Ash Landfarm closure plan reflects 1987 dollars; this estimate must be inflated to 1988 dollars.

- ($188,969 + $707,940) (1.0298) (see note) = $923,637

* 1988 estimate is
- ($923,637)+($689,159)+($887,250)+($15,440) = $2,515,486

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Beazer

Letter From Chief Financial Officer

August 28, 1989

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

Re: Financial Assurance Documents

Dear Sir or Madam:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265.

The firm identified is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265:

Grenada Plant
Koppers Company, Inc.
P. O. Box 160
Grenada, Mississippi 38960
MSD 007027543

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following:

NONE

Writer's Direct Dial ______________

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care or liability coverage is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Facility and ID Number	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Grenada Plant Koppers Company, Inc. P. O. Box 160 Grenada, Mississippi MSD 007027543	$ 899,199	$ 1,616,287	$ 2,515,486

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

NONE

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Mangagement Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

Facility and ID Number	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$ 12,087,398	$ 18,798,056	$ 30,885,454

4. The firm identified owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test test or any other financial assurance mechanisms specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   NONE

5. The firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by Mississippi Hazardous Waste Management Regulations Part 144.62 are shown for each facility:

   NONE

This firm is not required to file a Form 10 K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$	30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
3.	Sum of lines 1 and 2.	$	48,885,454
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure and/or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$	461,954,000
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

August 28, 1989

I hereby certify that the wording of this letter is identical to the wording specified in the Mississippi Hazardous Waste Management Regulation 264.151(g) as such regulations were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
Mississippi Department of Natural Resources:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and Subpart H, Parts 264 and 265 of the Mississippi Hazardous Waste Management Regulations, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

ATTACHMENT A

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
MONTGOMERY PLANT P.O. BOX 510 1451 LOUISVILLE STREET MONTGOMERY, AL 36101 ALD 004009403	$ 13,203.00	$	$ 13,203.00
WOODWARD COKE PLANT KOPPERS DRIVE DOLOMITE, AL 35061 ALD 000771949	$ 33,218.00	$ 60,243.00	$ 93,461.00
WOODWARD TAR PLANT 1835 KOPPERS DRIVE DOLOMITE, AL 35061 ALD 085765808	$ 134,909.00	$ 142,350.00	$ 277,259.00
LITTLE ROCK PLANT P. O. BOX 3231 NORTH LITTLE ROCK, AR 72117 ARD 006344824	$ 463,930.00	$ 2,208,300.00	$ 2,672,230.00
COMMERCE PLANT P. O. BOX 22066 LOS ANGELES, CA 90022 CAD 004937793	$ 18,852.00	$	$ 18,852.00
FEATHER RIVER PLANT P. O. BOX 351 OROVILLE, CA 95965 CAD 009112087	$ 2,521,653.00	$ 65,461.00	$ 2,587,114.00
FONTANA PLANT P. O. BOX 489 FONTANA, CA 92335 CAD 073568677	$ 0.00	$	$ 0.00
OXNARD PLANT 5980 ARCTURUS AVENUE OXNARD, CA 93003 CAD 087163267	$ 0.00	$	$ 0.00
DENVER PLANT 465 WEST 56TH AVENUE DENVER, CO 80216 COD 007077175	$ 190,576.00	$ 1,244,575.00	$ 1,435,151.00

A T T A C H M E N T A

FACILITY LOCATION	COST ESTIMATES		
	1988 CLOSURE	1988 POST CLOSURE	TOTAL CO
GAINESVILLE PLANT P. O. BOX 1067 GAINESVILLE, FL 32602 FLD 004057535	$ 14,869.00	$	$ 14,869.
CONLEY PLANT 1579 KOPPERS ROAD CONLEY, GA 30027 GAD 004009403	$ 31,111.00	$	$ 31,111.
MAUI PLANT P. O. BOX 1650 MAUI, HI 96732 HID 059475210	$ 9,670.00	$	$ 9,670.
CARBONDALE PLANT P. O. BOX 271 CARBONDALE, IL 62901 ILD 000819946	$ 1,097,403.00	$ 4,817,910.00	$ 5,915,313.0
CHICAGO PLANT 3900 S. LARAMIE AVENUE CICERO STATION CHICAGO, IL 60650 ILD 005164611	$ 113,279.00	$	$ 113,279.0
GALESBURG PLANT P. O. BOX 1191 GALESBURGH, IL 61401 ILD 990817991	$ 6,690.00	$	$ 6,690.0
VALPARAISO PLANT P. O. BOX 104 VALPARAISO, IN 62901 IND 000781609	$ 10,746.00	$	$ 10,746.0
GUTHRIE PLANT P. O. BOX 8 GUTHRIE, KY 42234 KYD 006383392	$ 91,854.00	$	$ 91,854.0
GRENADA PLANT BOX 8057 GRENADA, MS 38960 MSD 007027543	$ 899,199.00	$ 1,616,287.00	$ 2,515,486.0

ATTACHMENT A

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COS
KANSAS CITY PLANT P. O. BOX 8057 KANSAS CITY, MO 64129 MOD 007146517	$ 31,967.00	$	$ 31,967.0
NEWARK PLANT 480 FRELINGHUYSEN AVENUE NEWARK, NJ 07114 NJD 002149789	$ 110,000.00	$	$ 110,000.0
PORT NEWARK PLANT MARITIME & TYLER STREETS PORT NEWARK, NJ 07114 NJD 000542282	$ 24,297.00	$	$ 24,297.0
ORRVILLE PRODUCT DEVELOPMENT P. O. BOX 905 ORRVILLE, OH 44667 OHD 068911494	$ 39,348.00	$	$ 39,348.0
PARR - WEST 5151 DENISON AVENUE CLEVELAND, OH 44102 OHD 060431947	$ 5,353.00	$	$ 5,353.00
YOUNGSTOWN PLANT P. O. BOX 1137 YOUNGSTOWN, OH 44501 OHD 004198784	$ 385,909.00	$	$ 385,909.00
BRIDGEVILLE PLANT P. O. BOX 219 BRIDGEVILLE, PA 15017 PAD	$ 71,991.00	$	$ 71,991.00
SCIENCE & TECHNOLOGY CENTER 440 COLLEGE PARK DRIVE MONROEVILLE, PA 15146 PAD 082245754	$ 6,047.00	$	$ 6,047.00
SUSQUEHANNA PLANT P. O. BOX 189 MONTGOMERY, PA 17752 PAD 056723265	$ 229,234.00	$	$ 229,234.00
VERONA RESEARCH FACILITY 15 PLUM STREET VERONA, PA 15147 PAD 980554950	$ 8,883.00	$	$ 8,883.00

ATTACHMENT A

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COS
FLORENCE PLANT P. O. BOX 1725 FLORENCE, SC 29503 SCD 003353026	$ 1,228,075.00	$ 1,485,660.00	$ 2,713,735.0
HOUSTON TAR PLANT P. O. BOX 96150 HOUSTON, TX 77015 TXD 008089021	$ 114,066.00	$	$ 114,066.0
HOUSTON WOOD PLANT P. O. BOX 16220 HOUSTON, TX 77222 TXD 020802393	$ 5,502.00	$	$ 5,502.0
RICHMOND PLANT 4005 CHARLES CITY ROAD RICHMOND, VA 23231 VAD 00312977	$	$ 1,126,710.00	$ 1,126,710.0
ROANOKE PLANT P. O. BOX 791 SALEM, VA 24153 VAD 003125770	$ 753,161.00	$ 708,502.00	$ 1,461,663.0
COLLIERS LANDFILL P. O. BOX M FOLLANSBEE, WV 26037 WVD 550010144	$ 2,198,560.00	$ 1,399,004.00	$ 3,597,564.00
FOLLANSBEE PLANT P. O. BOX M FOLLANSBEE, WV 26037 WVD 004336749	$ 258,496.00	$ 1,338,288.00	$ 1,596,784.00
GREEN SPRING PLANT P. O. BOX 98 GREEN SPRING, WV 26722 WVD 003080959	$ 142,590.00	$	$ 142,590.00
SUPERIOR PLANT P. O. BOX 397 SUPERIOR, WI 54880 WID 006179493	$ 822,757.00	$ 2,584,766.00	$ 3,407,523.00

TOTAL CLOSURE COST - ATTACHMENT A : $ 12,087,398.00

TOTAL POST CLOSURE COST - ATTACHMENT A : $ 18,798,056.00

TOTAL COSTS : $ 30,885,454.00

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

P 094 398 754
Via Certified Mail
Return Receipt Requested

August 30, 1989

Director
Division of Waste Management
Natural Resources and Environmental
Protection Cabinet
Department of Environmental Protection
Frankfort, Kentucky 40601

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ______________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Kentucky

PLANT NAME: Guthrie

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Surface Impoundment	4/5/88	$ 86,340	N/A
Container Storage Facility	9/11/86	$ 5,218	N/A

NOTE: Although this financial assurance demonstration as submitted includes the wood treating wastewater treatment impoundment at the Guthrie facility which currently is in the process of closure, BM&S and KII maintain and reassert their position that the surface impoundment will be "clean closed" as provided in applicable federal and Kentucky regulations, thereby obviating the need to demonstrate financial responsibility for post-closure care. Nothing contained in this financial demonstration shall be an admission in any forum whatsoever that these surface impoundments are subject to post-closure care requirements.

CALCULATIONS:

Surface impoundment closure plan reflects 1988 dollars

Container storage facility closure plan reflects 1986 dollars; this estimate must be inflated to 1988 dollars.

- For 1987: ($5,218) (1.0261) = $5,354 (see note)

- For 1988: ($5,354) (1.0298) = $5,514

* 1988 estimate = ($86,340) + ($5,514) = $91,854

Note: Inflation factors are per RCRA Hotline

Letter from Chief Financial Officer (to Demonstrate Liability Coverage or to Demonstrate Both Liability Coverage and Assurance of Closure or Post-Closure Care)

Director
Division of Waste Management
Natural Resources and Environmental Protection Cabinet
Department for Environmental Protection
Frankfort, Kentucky 40601

Dear Director:

I am the chief financial officer of *(firm's name and address)*

Beazer Materials and Services, Inc.
(formerly Koppers Company, Inc.)
436 Seventh Avenue
Pittsburgh, PA 15219

This letter is in support of the use of the financial test to demonstrate financial responsibility coverage,

____
(insert "and closure and/or post-closure care" if applicable)

as specified in 401 KAR 34:080 through 401 KAR 34:176 and 401 KAR 35:080 through 401 KAR 35:130.

(Fill out the following paragraph regarding facilities and liability coverage. If there are no facilities that belong in a particular paragraph, write "None" in the space indicated. For each facility, include its EPA Identification Number, name, and address.)

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated
(insert "sudden" or "nonsudden" or "both sudden and nonsudden")

through the financial test as specified in 401 KAR 34:080 through 401 KAR 34:176 and 401 KAR 35:080 through 401 KAR 35:130:

(Note: Complete these blanks if you are demonstrating only *liability coverage. Owner/operators demonstrating liability coverage* and *closure or post-closure costs should not complete this section but complete paragraphs 1 through 5.)*

____________________ ____________________
____________________ ____________________
____________________ ____________________
____________________ ____________________

The firm identified above guarantees, through the corporate guarantee specified in 401 KAR 34:080 through 401 KAR 34:176 and 401 KAR 35:080 through 401 KAR 35:130, liability coverage for

____

(insert "sudden" or "nonsudden" or "both sudden and nonsudden")

accidental occurrences at the following facilities owned or operated by the following subsidiaries of the firm:

______________________ ______________________

______________________ ______________________

______________________ ______________________

______________________ ______________________

(If you are using the financial test to demonstrate coverage of both liability and closure and post-closure care, fill in the following five paragraphs and schedules regarding facilities and associated closure and post-closure cost estimates. If there are no facilities that belong in a particular paragraph, write "None" in the space indicated. For each facility, include its EPA Identification Number, name, address, and current closure and/or post-closure cost estimates. Identify each cost estimate as to whether it is for closure or post-closure care.)

1. The firm identified above owns or operates the following facilities in Kentucky for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in 401 KAR 34:080 through 401 KAR 34:176 and 401 KAR 35:080 through 401 KAR 35:130. The current closure and/or post-closure cost estimates covered by this test are shown for each facility in Schedule 1 which is attached.
2. The firm identified above guarantees, through the corporate guarantee specified in 401 KAR 34:080 through 401 KAR 34:176 and 401 KAR 35:080 through 401 KAR 35:130, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility in Schedule 2 which is attached.
3. In States other than Kentucky, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in 401 KAR 34:080 through 401 KAR 34:176 and 401 KAR 35:080 through 401 KAR 35:130. The current closure or post-closure cost estimates covered by such a test are shown for each facility in Schedule 3 which is attached.
4. The firm identified above owns or operates the following hazardous waste sites or facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated to Kentucky, EPA or any State through the financial test or any other financial assurance mechanism specified in 401 KAR 34:080 through 401 KAR 34:176 and 401 KAR 35:080 through 401 KAR 35:130 or equivalent or substantially equivalent state mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility in Schedule 4 which is attached.
5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by 40 CFR Part 144.62 and 401 KAR 35:270 are shown for each facility in schedule 5 which is attached.

This firm is not required to file a form 10K with the Securities and Exchange Com-
(insert "is required" or "is not required")
mission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on ______________ *(month, day)*. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988 *(date)*.

... only for the liability requirements.)

Part A. Liability Coverage for Accidental Occurrences

(Fill in Alternative I if the criteria of Section 6(1)(a) of 401 KAR 34:120 or Section 6(1)(a) of 401 KAR 35:120 are used. Fill in Alternative II if the criteria of Section 6(1)(b) of 401 KAR 34:120 or Section 6(1)(b) of 401 KAR 35:120 are used.)

Alternative I

1. Amount of annual aggregate liability coverage to be demonstrated: $ ______________

*2. Current assets $ ______________

*3. Current liabilities $ ______________

*4. Net working capital *(line 2 minus line 3)* $ ______________

*5. Tangible net worth $ ______________

*6. If less than ninety (90) percent of assets are located in the United States, give total United States assets

$ ______________

*7. Ten (10) percent of equity $ ______________

(Answer yes or no to questions 8 through 13.)

8. Is line 1 less than line 7. If the answer is no, the test fails. ______________

9. Is line 5 at least $10 million? ______________

10. Is line 4 at least six (6) times line 1? ______________

11. Is line 5 at least six (6) times line 1? ______________

*12. Are at least ninety (90) percent of assets located in the United States? If not complete line 13.

____

13. Is line 6 at least six (6) times line 1? ______________

Alternative II

1. Amount of annual aggregate liability coverage to be demonstrated: $ ______________

2. Current bond rating of most recent issuance and name of rating service ______________

3. Date of issuance of bond ______________

4. Date of maturity of bond ____________________

*5. Tangible net worth $ ______________________________

*6. Total assets in United States *(required only if less than ninety (90) percent of assets are located in the United States)* $ ______________________________

*7. Ten (10) percent of equity $ ______________________________

(Answer yes or no to the questions 8 through 12.)

8. Is line 1 less than line 7. If the answer is no, the test fails. ____________________

9. Is line 5 at least $10 million? ____________________

10. Is line 5 at least six (6) times line 1? ____________________

*11. Are at least ninety (90) percent of assets located in the United States? If not complete line 12.

____

12. Is line 6 at least six (6) times line 1? ____________________

(Fill in Part B if you are using the financial test to demonstrate assurance of both liability coverage and closure or post-closure care.)

Part B. Closure or Post-Closure Care and Liability Coverage

(Fill in Alternative I if the criteria of Section 8(1)(a) of 401 KAR 34:090 or Section 8(1)(a) of 401 KAR 34:100 and Section 6(1)(a) of 401 KAR 34:120 are used or if the criteria of Section 7(1)(a) of 401 KAR 35:090 or Section 7(1)(a) or 401 KAR 35:100 and Section 6(1)(a) of 401 KAR 35:120 are used. Fill in Alternative II if the criteria of Section 8(1)(b) of 401 KAR 34:090 or Section 8(1)(b) of 401 KAR 34:100 and Section 6(1)(b) of 401 KAR 34:120 are used or if the criteria of Section 7(1)(b) of 401 KAR 35:090 or Section 7(1)(b) of 401 KAR 35:100 and Section 6(1)(b) of 401 KAR 35:120 are used.)

Alternative I

1. Sum of current closure and post-closure cost estimates *(total of all cost estimates listed above)* $ ____________________

2. Amount of annual aggregate liability coverage to be demonstrated $ ____________________

3. Sum of lines 1 and 2 $ ____________________

*4. Total liabilities *(if any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6)* $ ____________________

*5. Tangible net worth $ ____________________

*6. Net worth $ ____________________

*7. Current assets $ ____________________

*8. Current liabilities $ ____________________

9. Net working capital *(line 7 minus line 8)* $ ____________________

*10. The sum of net income plus depreciation, depletion, and amortization $ ____________________

*11. Total assets in United States *(required only if less than ninety (90) percent of assets are located in the United States.)* $ ____________________

*12. Ten (10) percent of equity $ ____________________

(Answer yes or no to questions 13 through 21.)

13. Is line 2 less than line 12? If the answer is no, the test fails for liability coverage *(Complete form DEP-6035F for closure and post closure only).* ____________________

14. Is line 5 at least $10 million? ____________________

15. Is line 5 at least six (6) times line 3? ____________________

16. Is line 9 at least six (6) times line 3? ____________________

*17. Are at least ninety (90) percent of assets located in the United States? If not, complete line 18.

____

18. Is line 11 at least six (6) times line 3? ____________________

19. Is line 4 divided by line 6 less than 2.0? ____________________

20. Is line 10 divided by line 4 greater than 0.1? ____________________

21. Is line 7 divided by line 8 greater than 1.5? ____________________

Alternative II

1. Sum of current closure and post-closure cost estimates *(total of all cost estimates listed above)* $ 30,885,454.

2. Amount of annual aggregate liability coverage to be demonstrated $ 18,000,000.

3. Sum of lines 1 and 2 $ 48,885,454.

4. Current bond rating of most recent issuance and name of rating service Moody's - Baa

5. Date of issuance of bond November 18, 1977

6. Date of maturity of bond August 1, 2007

*7. Tangible net worth *(if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)* $ 461,954,000

*8. Total assets in the United States *(required only if less than ninety (90) percent of assets are located in United States.)* $ Not Applicable

*9. Ten (10) percent of equity $ 46,195,400.

(Answer yes or no to questions 10 through 14.)

10. Is line 1 less than line 9? If not, test fails for liability coverage. *(Complete form DEP-6035F for closure and/or post-closure.)* Yes

11. Is line 7 at least $10 million? Yes

12. Is line 7 at least six (6) times line 3? Yes

*13. Are at least ninety (90) percent of assets located in the United States? If not complete line 14. Yes

14. Is line 8 at least six (6) times line 3? Not Applicable

I hereby certify that the wording of this letter is identical to the wording specified in 401 KAR 34:162 as such regulations were constituted on the date shown immediately below.

Signature: GR Johannes AM

Name *(typed)*: George R. Johannes

Title *(typed)*: Executive Vice President and Chief Financial Officer

Date *(typed)*: August 28, 1989

DEP-6035G

(Note: Attach (1) a copy of the independent CPA's report on examination of the year-end financial statements and (2) the special report from the independent CPA to the owner/operator stating that he has compared the data in this letter to the year-end financial statements and, he has no reason to adjust the data. See 401 KAR 34:090 Section 8(3)(b) & (c); 401 KAR 34:100 Section 8(3)(b) & (c); 401-KAR 34:120 Section 6(3)(b) & (c); 401 KAR 35:090 Section 7 (3)(b) & (c); 401 KAR 35:100 Section 7 (3)(b) & (c); and 401 KAR 35:120 Section 6(3)(b) & (c). Note: Use of this form required by 401 KAR 34:162.)

STATE OF KENTUCKY

S C H E D U L E 1

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COS
GUTHRIE PLANT P. O. BOX 8 GUTHRIE, KY 42234 KYD 006383392	$ 91,854.00	$	$ 91,854.0

TOTAL CLOSURE COST SCHEDULE 1	$ 91,854.00
TOTAL POST CLOSURE COST SCHEDULE 1	$ 0.00
TOTAL COSTS	$ 91,854.00

STATE OF KENTUCKY

S C H E D U L E 2

NONE

STATE OF KENTUCKY

SCHEDULE 3

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COS
MONTGOMERY PLANT P.O. BOX 510 1451 LOUISVILLE STREET MONTGOMERY, AL 36101 ALD 004009403	$ 13,203.00	$ 0.00	$ 13,203.0
WOODWARD COKE PLANT KOPPERS DRIVE DOLOMITE, AL 35061 ALD 000771949	$ 33,218.00	$ 60,243.00	$ 93,461.0
WOODARD TAR PLANT 1835 KOPPERS DRIVE DOLOMITE, AL 35061 ALD 085765808	$ 134,909.00	$ 142,350.00	$ 277,259.0
LITTLE ROCK PLANT P. O. BOX 22066 NORTH LITTLE ROCK, AR 72117 ARD 006344824	$ 463,930.00	$ 2,208,300.00	$ 2,672,230.0
COMMERCE PLANT P. O. BOX 22066 LOS ANGELES, CA 90022 CAD 004937793	$ 18,852.00	$	$ 18,852.0
FEATHER RIVER PLANT P. O. BOX 351 OROVILLE, CA 95965 CAD 009112087	$ 2,521,653.00	$ 65,461.00	$ 2,587,114.0
FONTANA PLANT P. O. BOX 489 FONTANA, CA 92335 CAD 073568677	$ 0.00	$ 0.00	$ 0.00
OXNARD PLANT 5980 ARCTURUS AVENUE OXNARD, CA 93003 CAD 087163267	$ 0.00	$	$ 0.00
DENVER PLANT 465 WEST 56TH AVENUE DENVER, CO 80216 COD 007077175	$ 190,576.00	$ 1,244,575.00	$ 1,435,151.00

STATE OF KENTUCKY

SCHEDULE 3

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COS
GAINESVILLE PLANT P. O. BOX 1067 GAINESVILLE, FL 32602 FLD 004057535	$ 14,869.00	$	$ 14,869.0
CONLEY PLANT 1579 KOPPERS ROAD CONLEY, GA 30027 GAD 004009403	$ 31,111.00	$	$ 31,111.0
MAUI PLANT P. O. BOX 1650 MAUI, HI 96732 HID 059475210	$ 9,670.00	$	$ 9,670.0
CARBONDALE PLANT P. O. BOX 271 CARBONDALE, IL 62901 ILD 000819946	$ 1,097,403.00	$ 4,817,910.00	$ 5,915,313.0
CHICAGO PLANT 3900 S. LARAMIE AVENUE CICERO STATION CHICAGO, IL 60650 ILD 005164611	$ 113,279.00	$	$ 113,279.0
GALESBURG PLANT P. O. BOX 1191 GALESBURGH, IL 61401 ILD 990817991	$ 6,690.00	$	$ 6,690.0
VALPARAISO PLANT P. O. BOX 104 VALPARAISO, IN 62901 IND 000781609	$ 10,746.00	$	$ 10,746.0
GRENADA PLANT BOX 8057 GRENADA, MS 38960 MSD 007027543	$ 899,199.00	$ 1,616,287.00	$ 2,515,486.0
KANSAS CITY PLANT P. O. BOX 8057 KANSAS CITY, MO 64129 MOD 007146517	$ 31,967.00	$	$ 31,967.0

STATE OF KENTUCKY

SCHEDULE 3

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
NEWARK PLANT 480 FRELINGHUYSEN AVENUE NEWARK, NJ 07114 NJD 002149789	$ 110,000.00	$	$ 110,000.00
PORT NEWARK PLANT MARITIME & TYLER STREETS PORT NEWARK, NJ 07114 NJD 000542282	$ 24,297.00	$	$ 24,297.00
ORRVILLE PRODUCT DEVELOPMENT P. O. BOX 905 ORRVILLE, OH 44667 OHD 068911494	$ 39,348.00	$	$ 39,348.00
PARR - WEST 5151 DENISON AVENUE CLEVELAND, OH 44102 OHD 060431947	$ 5,353.00	$	$ 5,353.00
YOUNGSTOWN PLANT P. O. BOX 1137 YOUNGSTOWN, OH 44501 OHD 004198784	$ 385,909.00	$	$ 385,909.00
BRIDGEVILLE PLANT P. O. BOX 219 BRIDGEVILLE, PA 15017 PAD 063764898	$ 71,991.00	$	$ 71,991.00
SCIENCE & TECHNOLOGY CENTER 440 COLLEGE PARK DRIVE MONROEVILLE, PA 15146 PAD 082245754	$ 6,047.00	$	$ 6,047.00
SUSQUEHANNA PLANT P. O. BOX 189 MONTGOMERY, PA 17752 PAD 056723265	$ 229,234.00	$	$ 229,234.00
VERONA RESEARCH FACILITY 15 PLUM STREET VERONA, PA 15147 PAD 980554950	$ 8,883.00	$	$ 8,883.00
FLORENCE PLANT P. O. BOX 1725 FLORENCE, SC 29503 SCD 003353026	$ 1,228,075.00	$ 1,485,660.00	$ 2,713,735.00

STATE OF KENTUCKY

SCHEDULE 3

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
HOUSTON TAR PLANT P. O. BOX 96150 HOUSTON, TX 77015 TXD 008089021	$ 114,066.00	$	$ 114,066.00
HOUSTON WOOD PLANT P. O. BOX 16220 HOUSTON, TX 77222 TXD 020802393	$ 5,502.00	$	$ 5,502.00
RICHMOND PLANT 4005 CHARLES CITY ROAD RICHMOND, VA 23231 VAD 00312977	$	$ 1,126,710.00	$ 1,126,710.00
ROANOKE PLANT P. O. BOX 791 SALEM, VA 24153 VAD 003125770	$ 753,161.00	$ 708,502.00	$ 1,461,663.00
COLLIERS LANDFILL P. O. BOX M FOLLANSBEE, WV 26037 WVD 550010144	$ 2,198,560.00	$ 1,399,004.00	$ 3,597,564.00
FOLLANSBEE PLANT P. O. BOX M FOLLANSBEE, WV 26037 WVD 004336749	$ 258,496.00	$ 1,338,288	$ 1,596,784.00
GREEN SPRING PLANT P. O. BOX 98 GREEN SPRING, WV 26722 WVD 003080959	$ 142,590.00	$	$ 142,590.00
SUPERIOR PLANT P. O. BOX 397 SUPERIOR, WI 54880 WID 006179493	$ 822,757.00	$ 2,584,766.00	$ 3,407,523.00

TOTAL CLOSURE COST - ATTACHMENT A : $ 11,995,544.00

TOTAL POST CLOSURE COST - ATTACHMENT A : $ 18,798,056.00

TOTAL COSTS : $ 30,793,600.00

STATE OF KENTUCKY

S C H E D U L E 4

NONE

STATE OF KENTUCKY

S C H E D U L E 5

NONE

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219
Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH
Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
Kentucky Division of Waste Management:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Kentucky Department of Environmental Protection Regulation 401 KAR Chapters 34 and 35, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Pittsburgh, Pennsylvania
August 28, 1989

Peat Marwick Main & Co.

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

August 30, 1989

VIA CERTIFIED MAIL
RETURN RECEIPT
REQUESTED

John W. Narramore, Chief
Special Services Section
Land Division
Department of Environmental Management
1751 Cong.-W. L. Dickinson Drive
Montgomery, AL 36130

Re: Resubmittal of Beazer Materials & Services, Inc.'s Financial Assurance Documentation for the Year Ending June 30, 1988

Dear Mr. Narramore:

This letter is in response to your letter to J. R. Batchelder of Koppers Industries, Inc. dated July 19, 1989. In accordance with your letter and verbal agreement of August 4, 1989 to provide Koppers Industries, Inc. ("KII") and Beazer Materials & Services, Inc. ("BM&S") with an extension until August 31, 1989 for submittal of revised Part A forms, enclosed please find a revised Part A form for each KII facility located in Alabama and our revised 1988 financial documentation. As indicated in Billie S. Nolan's letter to you dated August 29, 1989 and iterated in the enclosure from the U. S. Environmental Protection Agency Region IV ("EPA Region IV") dated August 25, 1989 forwarded with Ms. Nolan's letter, EPA Region IV has determined that:

> both KII and BM&S are operators of each [RCRA] facility. Therefore, KII and BM&S should submit amended Part A Permit Applications showing their current status. However, because both KII and BM&S are considered operators, BM&S may demonstrate financial responsibility at each facility.

Therefore, BM&S is electing to assume financial responsibility for its Alabama RCRA facilities. In addition, enclosed please find a revised Notification of Hazardous Waste Activity form for each Alabama facility.

The following discussion is provided for purposes of clarification. There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc. ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS

Writer's Direct Dial ______________

Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to BM&S. As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for final year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988 on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989. Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

In the course of reevaluating our 1988 financial assurance documentation, we discovered that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988 and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, you should keep in mind that BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989 and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

RSV/cr
Enclosures

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Alabama

PLANT NAME: Montgomery

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	12/19/84	$11,663	N/A
Surface Impoundment	9/7/87 (1)	N/A (2)	N/A (3)

(1) Post-closure permit application.
(2) The unit was certified clean closed by ADEM in January 1984
(3) Post closure cost estimates were not on file as of 6/30/88 as described in following.

C-4 Post Closure Cost Estimate-Section 270.14(b)(16) requires that any facility which does not remove all hazardous waste upon closure comply with 264.144 (Post Closure Care Estimate). As certified by Mr. Cox of ADEM in his letter of January 1984, all hazardous waste was removed upon closure of the surface impoundments. Therefore, 270.14(b)(16) is not applicable.

C-5 Financial Assurance Mechanism for Post Closure-Section 264.145 requires that owners of closed units which still contain hazardous wastes provide financial assurance of Post Closure Care. This is applicable only to units which leave hazardous wastes upon closure. Consequently, this section is not applicable.

CALCULATIONS:

Container Storage Facility closure plan reflects 1984 dollars; this estimate must be inflated to 1988 dollars:

- For 1985: ($11,663) (1.0376) = $12,102(see note)
- For 1986: ($12,102) (1.0325) = $12,495
- For 1987: ($12,495) (1.0261) = $12,821
- For 1988: ($12,821) (1.0298) = $13,203

* 1988 estimate is $13,203

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Alabama

PLANT NAME: Woodward Coke

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
3 Waste Piles	11/1987	$ 32,257	$1950/year for 30 years or $58,500

CALCULATIONS:

Closure plan reflects 1987 dollars; this estimate must be inflated to 1988 dollars.

For 1988: (32,257) (1.0298) = $33,218 Closure Costs
(58,500) (1.0298) = $60,243 Post-Closure Cost

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET FOR FISCAL YEAR ENDING JUNE 30, 1988

STATE: Alabama

PLANT NAME: Woodward Tar

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Oxidation Field	4/27/87	$39,215(1986)	$4,350(1985) yr./30-yrs. or $130,500
Waste Pile (Tank car Cleaning Area)	4/3/86	$75,000(1982)	0

CALCULATIONS:

The closure plans for the oxidation field are in 1986 dollars; this estimate must be inflated to 1988 dollars:

For 1987: (39,215) (1.0261) = $40,239
1988: (40,239) (1.0298) = $41,438

The post closure cost estimate is in 1985 dollars; this estimate must be inflated to 1988 dollars.

For 1986: (4,350) (1.0325) = $4,491
1987: (4,491) (1.0261) = $4,608
1988: (4,608) (1.0298) = $4,745 x 30 yrs. = $142,350.

The closure plans for the waste pile reflect 1982 dollars; this estimate must be inflated to 1988 dollars.

For 1983: (75,000) (1.0602) = $79,515
1984: (79,515) (1.0384) = 82,568
1985: (82,568) (1.0376) = 85,673
1986: (85,673) (1.0325) = 88,457
1987: (88,457) (1.0261) = 90,766
1988: (90,766) (1.0298) = 93,471

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Beazer

Letter from Chief Financial Officer

August 28, 1989

Bernard E. Cox, Jr., Chief
Hazardous Waste Branch
Alabama Department of Environmental
Management
Land Division
1751 Federal Drive
Montgomery, Alabama 36130

Dear Sir:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and financial assurance, as specified in ADEM Admin. Code R.335-14-5-.08 and 335-14-6-.08.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrence is being demonstrated through the financial test specified in ADEM Admin. Code R.335-14-5-.08 and 335-14-6-.08:

Woodward Coke Plant
Koppers Drive
Dolomite, Alabama 35061
ALD 000771949

Woodward Tar Plant
1835 Koppers Drive
Dolomite, Alabama 35061
ALD 085765808

Montgomery Plant
P.O. Box 510
1451 Louisville Street
Montgomery, Alabama 36101
ALD 004009403

The firm identified above guarantees, throught the corporate guarantee specified in ADEM Admin. Code R.335-14-5-.08 and 335-14-6-.08, liability coverage for both sudden and nonsudden accidental occurrences at the following facilities owned or operated by the following subsidiaries of the firm:

None.

Writer's Direct Dial ____________

August 28, 1989

1. The firm identified above owns or operates the following facilities for which financial assurance for closure and post-closure costs is demonstrated through the financial test specified in ADEM Admin. Code R.335-14-5-.08 and 335-14-6-.08. The current cost estimates covered by the test are shown for each facility.

Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
	Current Estimates		
Montgomery Plant P. O. Box 510 1451 Louisville Street Montogmery, Alabama 36101 ALD 004009403	$ 13,203	$ 0	$ 13,203
Woodward Coke Plant Koppers Drive Dolomite, Alabama 35061 ALD 000771949	$ 33,218	$ 60,243	$ 93,461
Woodward Tar Plant 1835 Koppers Drive Dolomite, Alabama 35061 ALD 085765808	$ 134,909	$ 142.350	$ 277,259

2. The firm identified above guarantees, through the corporate guarantee specified in ADEM Admin. Code R.335-14-5-.08 and 335-14-6-.08, the closure and post-closure care at the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

NONE

August 28, 1989

3. In states outside of Alabama, where U.S. EPA or some designated authority is administering financial responsibility requirements, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure and post-closure costs at the following facilities through a financial test and/or corporate guarantee substantially equivalent to the ones specified in ADEM Admin. Code R.335-14-5-.08 and 335-14-6-.08. The current cost estimates covered by such a test or guarantee are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A (Includes Alabama)	$ 12,087,398	$ 18,798,056	$ 30,885,454

4. The firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure and post-closure costs is not demonstrated through the financial test or any other financial assurance mechanism specified in ADEM Admin. Code R.335-14-5-.08 and 335-14-6-.08 or equivalent or substantially equivalent Federal or State mechanism. The current cost estimates not covered by such financial assurance are shown for each facility:

NONE

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of the owner or operator ends on June 30. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statement for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$	30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
3.	Sum of lines 1 and 2.	$	48,885,454
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure and/or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$	461,954,000
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

August 28, 1989

I hereby certify that the wording of this letter is identical to the wording specified in ADEM Admin. Code subparagraph 335-14-5-.08 (12) (g) as such rules were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219
Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH
Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
Alabama Department of Environmental Management -
Land Division:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and Division 14, Chapters 14-5-.08 and 14-6-.08 of the ADEM Administrative Code, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Please print or type with ELITE type (12 characters per inch) in the unshaded areas only

Form Approved. OMB No. 2050-0028. Expires 10-30-91
GSA No. 0246-EPA-OT

United States Environmental Protection Agency
Washington, DC 20460

EPA

Notification of Hazardous Waste Activity

Please refer to the *Instructions for Filing Notification* before completing this form. The information requested here is required by law *(Section 3010 of the Resource Conservation and Recovery Act).*

For Official Use Only

Comments

C C

Installation's EPA ID Number: C F — T/A C 1

Approved | Date Received (yr. mo. day)

I. Name of Installation

KOPPERS INDUSTRIES INC ORGANICS PLANT

II. Installation Mailing Address

Street or P.O. Box: C 3 — 1835 KOPPERS DRIVE

City or Town: C 4 — DOLOMITE | State: AL | ZIP Code: 35023

III. Location of Installation

Street or Route Number: C 5 — 1835 KOPPERS DRIVE

City or Town: C 6 — DOLOMITE | State: AL | ZIP Code: 35023

IV. Installation Contact

Name and Title *(last, first, and job title)*: C 2 — MORRIS JERRY PLT MGR

Phone Number *(area code and number)*: 205 744 9660

V. Ownership

A. Name of Installation's Legal Owner: C R — KOPPERS INDUSTRIES INC

B. Type of Ownership *(enter code)*: P

VI. Type of Regulated Waste Activity *(Mark 'X' in the appropriate boxes. Refer to instructions.)*

A. Hazardous Waste Activity

- ☒ 1a. Generator
- ☐ 1b. Less than 1,000 kg/mo.
- ☐ 2. Transporter
- ☐ 3. Treater/Storer/Disposer
- ☐ 4. Underground Injection
- ☐ 5. Market or Burn Hazardous Waste Fuel *(enter 'X' and mark appropriate boxes below)*
  - ☐ a. Generator Marketing to Burner
  - ☐ b. Other Marketer
  - ☐ c. Burner

B. Used Oil Fuel Activities

- ☐ 6. Off-Specification Used Oil Fuel
  - ☐ a. Generator Marketing to Burner
  - ☐ b. Other Marketer
  - ☐ c. Burner
- ☐ 7. Specification Used Oil Fuel Marketer *(or On site Burner)* Who First Claims the Oil Meets the Specification

VII. Waste Fuel Burning: Type of Combustion Device *(enter 'X' in all appropriate boxes to indicate type of combustion device(s) in which hazardous waste fuel or off-specification used oil fuel is burned. See instructions for definitions of combustion devices.)*

☐ A. Utility Boiler ☐ B. Industrial Boiler ☐ C. Industrial Furnace

VIII. Mode of Transportation *(transporters only - enter 'X' in the appropriate box(es)*

☐ A. Air ☐ B. Rail ☐ C. Highway ☐ D. Water ☐ E. Other *(specify)*

IX. First or Subsequent Notification

Mark 'X' in the appropriate box to indicate whether this is your installation's first notification of hazardous waste activity or a subsequent notification. If this is not your first notification, enter your installation's EPA ID Number in the space provided below.

☐ A. First Notification ☒ B. Subsequent Notification *(complete item C)*

C. Installation's EPA ID Number: A L D 0 8 [illegible]

ID - For Official Use Only		
C W	T/A	C
		1

X. Description of Hazardous Wastes *(continued from front)*

A. Hazardous Wastes from Nonspecific Sources. Enter the four-digit number from 40 CFR Part 261.31 for each listed hazardous waste from nonspecific sources your installation handles. Use additional sheets if necessary.

1	2	3	4	5	6
7	**8**	**9**	**10**	**11**	**12**

B. Hazardous Wastes from Specific Sources. Enter the four-digit number from 40 CFR Part 261.32 for each listed hazardous waste from specific sources your installation handles. Use additional sheets if necessary.

13	14	15	16	17	18
K 0 3 5					
19	**20**	**21**	**22**	**23**	**24**
25	**26**	**27**	**28**	**29**	**30**

C. Commercial Chemical Product Hazardous Wastes. Enter the four-digit number 40 CFR Part 261.33 for each chemical substance your installation handles which may be hazardous waste. Use additional sheets if necessary.

31	32	33	34	35	36
U 0 5 1					
37	**38**	**39**	**40**	**41**	**42**
43	**44**	**45**	**46**	**47**	**48**

D. Listed Infectious Wastes. Enter the four-digit number 40 CFR Part 261.34 for each hazardous waste from hospitals, veterinary hospitals, or medical and research laboratories your installation handles. Use additional sheets if necessary.

49	50	51	52	53	54

E. Characteristics of Nonlisted Hazardous Wastes. Mark 'X' in the boxes corresponding to the characteristics of nonlisted hazardous wastes your installation handles. *(See 40 CFR Parts 261.21 - 261.24)*

☐ 1. Ignitable *(D001)* ☐ 2. Corrosive *(D002)* ☐ 3. Reactive *(D003)* ☐ 4. Toxic *(D000)*

XI. Certification

I certify under penalty of law that I have personally examined and am familiar with the information submitted in this and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment.

Signature	Name and Official Title *(type or print)*	Date Signed
J R Batchelder	J. R. Batchelder Vice Presidnet Environmental	8/31/89

Estimated burden: Public reporting burden for this collection of information is estimated to be 3 hours, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Chief, Information Policy Branch, PM-223, U.S. Environmental Protection Agency, 401 M St., S.W., Washington, D.C. 20460; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

Please print or type in the unshaded areas only (fill–in areas are spaced for elite type, i.e., 12 characters/inch).

Form Approved OMB No. 158-R0175

FORM 1 GENERAL — EPA — U.S. ENVIRONMENTAL PROTECTION AGENCY

GENERAL INFORMATION

Consolidated Permits Program
(Read the "General Instructions" before starting.)

I. EPA I.D. NUMBER

F ALD085765808

LABEL ITEMS

I. EPA I.D. NUMBER

III. FACILITY NAME

V. FACILITY MAILING ADDRESS

VI. FACILITY LOCATION

PLEASE PLACE LABEL IN THIS SPACE

GENERAL INSTRUCTIONS

If a preprinted label has been provided, a[ffix] it in the designated space. Review the info[rm]ation carefully; if any of it is incorrect, c[ross] through it and enter the correct data in [the] appropriate fill–in area below. Also, if an[y of] the preprinted data is absent *(the area to [the] left of the label space lists the informa[tion] that should appear)*, please provide it in [the] proper fill–in area(s) below. If the labe[l is] complete and correct, you need not comp[lete] Items I, III, V, and VI *(except VI-B w[hich] must be completed regardless)*. Complete [all] Items if no label has been provided. Refe[r to] the instructions for detailed item desc[rip]tions and for the legal authorizations u[nder] which this data is collected.

II. POLLUTANT CHARACTERISTICS

INSTRUCTIONS: Complete A through J to determine whether you need to submit any permit application forms to the EPA. If you answer "yes" to any questions, you must submit this form and the supplemental form listed in the parenthesis following the question. Mark "X" in the box in the third column if the supplemental form is attached. If you answer "no" to each question, you need not submit any of these forms. You may answer "no" if your activity is excluded from permit requirements; see Section C of the instructions. See also, Section D of the instructions for definitions of bold–faced terms.

SPECIFIC QUESTIONS	YES	NO	FORM ATTACHED
A. Is this facility a publicly owned treatment works which results in a discharge to waters of the U.S.? (FORM 2A)		X	
B. Does or will this facility *(either existing or proposed)* include a concentrated animal feeding operation or aquatic animal production facility which results in a discharge to waters of the U.S.? (FORM 2B)		X	
C. Is this a facility which currently results in discharges to waters of the U.S. other than those described in A or B above? (FORM 2C)	X		
D. Is this a proposed facility *(other than those described in A or B above)* which will result in a discharge to waters of the U.S.? (FORM 2D)		X	
E. Does or will this facility treat, store, or dispose of hazardous wastes? (FORM 3)	X		X
F. Do you or will you inject at this facility industrial or municipal effluent below the lowermost stratum containing, within one quarter mile of the well bore, underground sources of drinking water? (FORM 4)		X	
G. Do you or will you inject at this facility any produced water or other fluids which are brought to the surface in connection with conventional oil or natural gas production, inject fluids used for enhanced recovery of oil or natural gas, or inject fluids for storage of liquid hydrocarbons? (FORM 4)		X	
H. Do you or will you inject at this facility fluids for special processes such as mining of sulfur by the Frasch process, solution mining of minerals, in situ combustion of fossil fuel, or recovery of geothermal energy? (FORM 4)		X	
I. Is this facility a proposed stationary source which is one of the 28 industrial categories listed in the instructions and which will potentially emit 100 tons per year of any air pollutant regulated under the Clean Air Act and may affect or be located in an attainment area? (FORM 5)		X	
J. Is this facility a proposed stationary source which is NOT one of the 28 industrial categories listed in the instructions and which will potentially emit 250 tons per year of any air pollutant regulated under the Clean Air Act and may affect or be located in an attainment area? (FORM 5)		X	

III. NAME OF FACILITY

1 SKIP Koppers Industries Inc.

IV. FACILITY CONTACT

A. NAME & TITLE (last, first, & title)	B. PHONE (area code & no.)
2 Morris Jerry Plant Manager	205 744 9660

V. FACILITY MAILING ADDRESS

A. STREET OR P.O. BOX

3 PO Box 100

B. CITY OR TOWN	C. STATE	D. ZIP CODE
4 Dolomite	AL	35061

VI. FACILITY LOCATION

A. STREET, ROUTE NO. OR OTHER SPECIFIC IDENTIFIER

5 1835 Koppers Drive

B. COUNTY NAME

Jefferson

C. CITY OR TOWN	D. STATE	E. ZIP CODE	F. COUNTY CODE (if known)
6 Dolomite	AL	35023	

EPA Form 3510-1 (6-80)

CONTINUE ON REVERS[E]

CONTINUED FROM THE FRONT

VII. SIC CODES (4-digit, in order of priority)

A. FIRST	B. SECOND
C 7 — 2865 (specify) Coal tar products	C 7 — 2952 (specify) Roofing products
C. THIRD	D. FOURTH
C 7 — (specify)	C 7 — (specify)

VIII. OPERATOR INFORMATION

A. NAME: C 8 — See Attached

B. Is the name listed in Item VIII-A also the owner? ☐ YES ☐ NO

C. STATUS OF OPERATOR (Enter the appropriate letter into the answer box; if "Other", specify.)
F = FEDERAL
S = STATE
P = PRIVATE
M = PUBLIC (other than federal or state)
O = OTHER (specify)

(specify) See Attached

D. PHONE (area code & no.): C A — See Attached

E. STREET OR P.O. BOX: See Attached

F. CITY OR TOWN: C B — See Attached

G. STATE

H. ZIP CODE

IX. INDIAN LAND

Is the facility located on Indian lands?
☐ YES ☒ NO

X. EXISTING ENVIRONMENTAL PERMITS

A. NPDES (Discharges to Surface Water)	D. PSD (Air Emissions from Proposed Sources)
9 N — AL0003221	9 P — N/A
B. UIC (Underground Injection of Fluids)	E. OTHER (specify)
9 U — N/A	9 — Air — (specify) See attachment Exhibit A
C. RCRA (Hazardous Wastes)	E. OTHER (specify)
9 R — Interim status	9 — N/A — (specify)

XI. MAP

Attach to this application a topographic map of the area extending to at least one mile beyond property bounderies. The map must show the outline of the facility, the location of each of its existing and proposed intake and discharge structures, each of its hazardous waste treatment, storage, or disposal facilities, and each well where it injects fluids underground. Include all springs, rivers and other surface water bodies in the map area. See instructions for precise requirements.

XII. NATURE OF BUSINESS (provide a brief description)

Coal tar is distilled yielding pitch, coal distillates, and roofing materials.

XIII. CERTIFICATION (see instructions)

I certify under penalty of law that I have personally examined and am familiar with the information submitted in this application and all attachments and that, based on my inquiry of those persons immediately responsible for obtaining the information contained in the application, I believe that the information is true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment.

A. NAME & OFFICIAL TITLE (type or print)	B. SIGNATURE	C. DATE SIGNED
J. R. Batchelder, Vice President and Mgr. Environmental and Technical	JR Batchelder	8/30/89

COMMENTS FOR OFFICIAL USE ONLY

C

Operator #1

OPERATOR INFORMATION

A. NAME	B. Is the name listed in Item VIII-A also the owner?
Koppers Industries, Inc.	[X] YES [ ] NO

C. STATUS OF OPERATOR (Enter the appropriate letter into the answer box; if "Other", specify.)			D. PHONE (area code & no.)
F = FEDERAL M = PUBLIC (other than federal or state) S = STATE O = OTHER (specify) P = PRIVATE	P	(specify)	A 412 227 2612

E. STREET OR P.O. BOX
436 Seventh Avenue

F. CITY OR TOWN	G. STATE	H. ZIP CODE	IX. INDIAN LAND
Pittsburgh	PA	15219	Is the facility located on Indian lands? [ ] YES [X] NO

Operator #2

OPERATOR INFORMATION

A. NAME	B. Is the name listed in Item VIII-A also the owner?
Beazer Materials and Services, Inc.	[ ] YES [X] NO

C. STATUS OF OPERATOR (Enter the appropriate letter into the answer box; if "Other", specify.)			D. PHONE (area code & no.)
F = FEDERAL M = PUBLIC (other than federal or state) S = STATE O = OTHER (specify) P = PRIVATE	P	(specify)	A 412 227 2690

E. STREET OR P.O. BOX
436 Seventh Avenue

F. CITY OR TOWN	G. STATE	H. ZIP CODE	IX. INDIAN LAND
Pittsburgh	PA	15219	Is the facility located on Indian lands? [ ] YES [X] NO

(fill—in areas are spaced for elite type, i.e., 12 characters/inch).

Form Approved OMB No. 158-S80004

FORM 3 RCRA

U.S. ENVIRONMENTAL PROTECTION AGENCY

HAZARDOUS WASTE PERMIT APPLICATION

Consolidated Permits Program

(This information is required under Section 3005 of RCRA.)

I. EPA I.D. NUMBER

S													T/A
F	A	L	D	0	8	5	7	6	5	8	0	8	

FOR OFFICIAL USE ONLY

APPLICATION APPROVED	DATE RECEIVED (yr., mo., & day)	COMMENTS

II. FIRST OR REVISED APPLICATION

Place an "X" in the appropriate box in A or B below *(mark one box only)* to indicate whether this is the first application you are submitting for your facility or revised application. If this is your first application and you already know your facility's EPA I.D. Number, or if this is a revised application, enter your facility' EPA I.D. Number in Item I above.

A. FIRST APPLICATION *(place an "X" below and provide the appropriate date)*

☐ 1. EXISTING FACILITY *(See instructions for definition of "existing" facility. Complete item below.)*

☐ 2. NEW FACILITY *(Complete item below.)*

C 8 — YR. / MO. / DAY — FOR EXISTING FACILITIES, PROVIDE THE DATE *(yr., mo., & day)* OPERATION BEGAN OR THE DATE CONSTRUCTION COMMENCED *(use the boxes to the left)*

YR. / MO. / DAY — FOR NEW FACILITII PROVIDE THE DATE *(yr., mo., & day)* OPEI TION BEGAN OR IS EXPECTED TO BEGI

B. REVISED APPLICATION *(place an "X" below and complete Item I above)*

☒ 1. FACILITY HAS INTERIM STATUS

☐ 2. FACILITY HAS A RCRA PERMIT

III. PROCESSES — CODES AND DESIGN CAPACITIES

A. PROCESS CODE — Enter the code from the list of process codes below that best describes each process to be used at the facility. Ten lines are provided for entering codes. If more lines are needed, enter the code*(s)* in the space provided. If a process will be used that is not included in the list of codes below, the describe the process *(including its design capacity)* in the space provided on the form *(Item III-C)*.

B. PROCESS DESIGN CAPACITY — For each code entered in column A enter the capacity of the process.

1. AMOUNT — Enter the amount.
2. UNIT OF MEASURE — For each amount entered in column B(1), enter the code from the list of unit measure codes below that describes the unit of measure used. Only the units of measure that are listed below should be used.

PROCESS	PROCESS CODE	APPROPRIATE UNITS OF MEASURE FOR PROCESS DESIGN CAPACITY
Storage:		
CONTAINER *(barrel, drum, etc.)*	S01	GALLONS OR LITERS
TANK	S02	GALLONS OR LITERS
WASTE PILE	S03	CUBIC YARDS OR CUBIC METERS
SURFACE IMPOUNDMENT	S04	GALLONS OR LITERS
Disposal:		
INJECTION WELL	D79	GALLONS OR LITERS
LANDFILL	D80	ACRE-FEET *(the volume that would cover one acre to a depth of one foot)* OR HECTARE-METER
LAND APPLICATION	D81	ACRES OR HECTARES
OCEAN DISPOSAL	D82	GALLONS PER DAY OR LITERS PER DAY
SURFACE IMPOUNDMENT	D83	GALLONS OR LITERS
Treatment:		
TANK	T01	GALLONS PER DAY OR LITERS PER DAY
SURFACE IMPOUNDMENT	T02	GALLONS PER DAY OR LITERS PER DAY
INCINERATOR	T03	TONS PER HOUR OR METRIC TONS PER HOUR; GALLONS PER HOUR OR LITERS PER HOUR
OTHER *(Use for physical, chemical, thermal or biological treatment processes not occurring in tanks, surface impoundments or incinerators. Describe the processes in the space provided; Item III-C.)*	T04	GALLONS PER DAY OR LITERS PER DAY

UNIT OF MEASURE	UNIT OF MEASURE CODE
GALLONS	G
LITERS	L
CUBIC YARDS	Y
CUBIC METERS	C
GALLONS PER DAY	U
LITERS PER DAY	V
TONS PER HOUR	D
METRIC TONS PER HOUR	W
GALLONS PER HOUR	E
LITERS PER HOUR	H
ACRE-FEET	A
HECTARE-METER	F
ACRES	B
HECTARES	Q

EXAMPLE FOR COMPLETING ITEM III *(shown in line numbers X-1 and X-2 below)*: A facility has two storage tanks, one tank can hold 200 gallons and the other can hold 400 gallons. The facility also has an incinerator that can burn up to 20 gallons per hour.

S		T/A	C
C	DUP		1

LINE NUMBER	A. PROCESS CODE (from list above)	B. PROCESS DESIGN CAPACITY 1. AMOUNT (specify)	2. UNIT OF MEASURE (enter code)	FOR OFFICIAL USE ONLY
X-1	S 0 2	600	G	
X-2	T 0 3	20	E	
1	S 0 3	75	Y	
2	T 0 4	Approximately 23	B	
3				
4				
5				
6				
7				
8				
9				
10				

Continued from the front.

III. PROCESSES (continued)

C. SPACE FOR ADDITIONAL PROCESS CODES OR FOR DESCRIBING OTHER PROCESSES (code "T04"). FOR EACH PROCESS ENTERED HERE INCLUDE DESIGN CAPACITY.

N/A

IV. DESCRIPTION OF HAZARDOUS WASTES

A. EPA HAZARDOUS WASTE NUMBER – Enter the four–digit number from 40 CFR, Subpart D for each listed hazardous waste you will handle. If you handle hazardous wastes which are not listed in 40 CFR, Subpart D, enter the four–digit number(s) from 40 CFR, Subpart C that describes the characteristics and/or the toxic contaminants of those hazardous wastes.

B. ESTIMATED ANNUAL QUANTITY – For each listed waste entered in column A estimate the quantity of that waste that will be handled on an annual basis. For each characteristic or toxic contaminant entered in column A estimate the total annual quantity of all the non–listed waste(s) that will be handled which possess that characteristic or contaminant.

C. UNIT OF MEASURE – For each quantity entered in column B enter the unit of measure code. Units of measure which must be used and the appropriate codes are:

ENGLISH UNIT OF MEASURE	CODE	METRIC UNIT OF MEASURE	CODE
POUNDS	P	KILOGRAMS	K
TONS	T	METRIC TONS	M

If facility records use any other unit of measure for quantity, the units of measure must be converted into one of the required units of measure taking into account the appropriate density or specific gravity of the waste.

D. PROCESSES

1. PROCESS CODES:
For listed hazardous waste: For each listed hazardous waste entered in column A select the code(s) from the list of process codes contained in Item III to indicate how the waste will be stored, treated, and/or disposed of at the facility.
For non–listed hazardous wastes: For each characteristic or toxic contaminant entered in column A, select the code(s) from the list of process codes contained in Item III to indicate all the processes that will be used to store, treat, and/or dispose of all the non–listed hazardous wastes that possess that characteristic or toxic contaminant.
Note: Four spaces are provided for entering process codes. If more are needed: (1) Enter the first three as described above; (2) Enter "000" in the extreme right box of Item IV-D(1); and (3) Enter in the space provided on page 4, the line number and the additional code(s).

2. PROCESS DESCRIPTION: If a code is not listed for a process that will be used, describe the process in the space provided on the form.

NOTE: HAZARDOUS WASTES DESCRIBED BY MORE THAN ONE EPA HAZARDOUS WASTE NUMBER – Hazardous wastes that can be described by more than one EPA Hazardous Waste Number shall be described on the form as follows:

1. Select one of the EPA Hazardous Waste Numbers and enter it in column A. On the same line complete columns B,C, and D by estimating the total annual quantity of the waste and describing all the processes to be used to treat, store, and/or dispose of the waste.
2. In column A of the next line enter the other EPA Hazardous Waste Number that can be used to describe the waste. In column D(2) on that line enter "included with above" and make no other entries on that line.
3. Repeat step 2 for each other EPA Hazardous Waste Number that can be used to describe the hazardous waste.

EXAMPLE FOR COMPLETING ITEM IV (*shown in line numbers X-1, X-2, X-3, and X-4 below*) – A facility will treat and dispose of an estimated 900 pounds per year of chrome shavings from leather tanning and finishing operation. In addition, the facility will treat and dispose of three non–listed wastes. Two wastes are corrosive only and there will be an estimated 200 pounds per year of each waste. The other waste is corrosive and ignitable and there will be an estimated 100 pounds per year of that waste. Treatment will be in an incinerator and disposal will be in a landfill.

LINE NO.	A. EPA HAZARD. WASTE NO (enter code)	B. ESTIMATED ANNUAL QUANTITY OF WASTE	C. UNIT OF MEASURE (enter code)	D. PROCESSES 1. PROCESS CODES (enter)				D. PROCESSES 2. PROCESS DESCRIPTION (if a code is not entered in D(1))
X-1	K 0 5 4	900	P	T 0 3	D 8 0			
X-2	D 0 0 2	400	P	T 0 3	D 8 0			
X-3	D 0 0 1	100	P	T 0 3	D 8 0			
X-4	D 0 0 2							included with above

CONTINUE ON PAGE 3

Continued from page 2.
NOTE: Photocopy this page before completing if you have more than 26 wastes to list.

Form Approved OMB No. 158-S80004

EPA I.D. NUMBER (enter from page 1)	T/A	C	FOR OFFICIAL USE ONLY		T/A	C	
W A L D 0 8 5 7 6 5 8 0 8		1	W	DUP		2	DUP

IV. DESCRIPTION OF HAZARDOUS WASTES (continued)

LINE NO.	A. EPA HAZARD. WASTE NO. (enter code)	B. ESTIMATED ANNUAL QUANTITY OF WASTE	C. UNIT OF MEASURE (enter code)	D. PROCESSES 1. PROCESS CODES (enter)	D. PROCESSES 2. PROCESS DESCRIPTION (if a code is not entered in D(1))
1		N/A	G	S 0 3	Unit was closed in 1980 and certified closed in 1988(Exhibi
2		0	P	T 0 4	The spray field is not an operational unit. A closure/post
3					closure plan was approved by ADE on 12/1/88 (Exhibit C).
4					The sprayfield was the subject o the attached Consent Order
5					(Exhibit D). Beazer Materials and Services, I
6					does not agree that the sprayfie is a RCRA regulated unit requiri
7					inclusion on the Part A; however this unit is being included to
8					correspond with the approved closure plan.
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					

EPA Form 3510-3 (6-80)

CONTINUE ON REVEF

(enter "A", "B", "C", etc. behind the "3" to identify photocopied pages) ntinued from the front.

. DESCRIPTION OF HAZARDOUS WASTES *(continued)*

. USE THIS SPACE TO LIST ADDITIONAL PROCESS CODES FROM ITEM D(1) ON PAGE 3.

EPA I.D. NO. *(enter from page 1)*

												T/A C
A	L	D	0	8	5	7	6	5	8	0	8	16

FACIFACILITY DRAWING

Fill existing facilities must include in the space provided on page 5 a scale drawing of the facility *(see instructions for more detail).*

I. PHOTOGRAPHS

All existing facilities must include photographs *(aerial or ground–level)* that clearly delineate all existing structures; existing storage, treatment and disposal areas; and sites of future storage, treatment or disposal areas *(see instructions for more detail).*

II. FACILITY GEOGRAPHIC LOCATION

LATITUDE *(degrees, minutes, & seconds)*	LONGITUDE *(degrees, minutes, & seconds)*
33 27 018	086 57 048

III. FACILITY OWNER

☐ A. If the facility owner is also the facility operator as listed in Section VIII on Form 1, "General Information", place an "X" in the box to the left and skip to Section IX below.

B. If the facility owner is not the facility operator as listed in Section VIII on Form 1, complete the following items:

1. NAME OF FACILITY'S LEGAL OWNER	2. PHONE NO. *(area code & no.)*
Koppers Industries, Inc.	412-227-2000

3. STREET OR P.O. BOX		4. CITY OR TOWN	5. ST.	6. ZIP CODE
436 Seventh Avenue	G	Pittsburgh	PA	15219

X. OWNER CERTIFICATION

certify under penalty of law that I have personally examined and am familiar with the information submitted in this and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment.

A. NAME *(print or type)*	B. SIGNATURE	C. DATE SIGNED
. R. Batchelder, Vice Pres. & Mgr. Environmental and Technical	JR Batchelder	8/30/89

X. OPERATOR CERTIFICATION

certify under penalty of law that I have personally examined and am familiar with the information submitted in this and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment.

A. NAME *(print or type)*	B. SIGNATURE	C. DATE SIGNED
Bill M. Blundon, Vice Pres., Secretary & General Counsel, BM&S	Joel M Blundon	8/30/89
J.R.Batchelder, Vice Pres., KII	JR Batchelder	8/30/89

'A Form 3510-3 (6-80)

CONTINUE ON PAGE 5

Continued from page 4.

Form Approved OMB No. 158-S80004

V. FACILITY DRAWING *(see page 4)*

EXHIBIT A

KEYSTONE
ENVIRONMENTAL RESOURCES, INC.

Phone: 412/227-2694 436 Seventh Avenue, Suite 1940, Pittsburgh, PA 15219 Fax: 412/227-2436

December 20, 1988

CERTIFIED MAIL
RETURN RECEIPT
REQUESTED

Mr. Robert Ferguson
Jefferson County Department of Health
Air Pollution Control Program
1400 Sixth Avenue
Birmingham, AL 35233

Dear Mr. Ferguson:

Please be advised that, effective December 28, 1988, the assets at the Koppers Company, Inc. Woodward Tar plant located at 1835 Koppers Drive, Dolomite, Alabama are scheduled to be sold by Koppers Company, Inc. to Koppers Industries, Inc. The address of Koppers Industries, Inc. will be 436 Seventh Avenue, Pittsburgh, PA 15219.

It is hereby requested that, as of December 28, 1988, the following air permits be transferred to Koppers Industries, Inc.:

4-07-0480-8601	4-07-0480-8602	4-07-0480-3445
4-07-0480-8801	4-07-0480-3501	4-07-0480-3301
4-07-0480-3449	4-07-0480-3450	4-07-0480-3451
4-07-0480-3452	4-07-0480-3453	4-07-0480-3454
4-07-0480-3400	4-07-0480-3401	4-07-0480-3402
4-07-0480-3403	4-07-0480-3404	4-07-0480-3405
4-07-0480-3406	4-07-0480-3407	4-07-0480-3408
4-07-0480-3409	4-07-0480-3410	4-07-0480-3411
4-07-0480-3412	4-07-0480-3413	4-07-0480-3414
4-07-0480-3415		

Should there be any questions or additional information required, please contact me at 412-227-2207.

Sincerely,

Jordan M. Dern
Senior Program Manager
Koppers Industrial & Foundry Products

JMD/cr

cc: J. Batchelder
B. Magee
G. Edwards
L. Flaherty
J. Morris

EXHIBIT B

KEYSTONE
ENVIRONMENTAL RESOURCES, INC.

Phone: 412/825-9600 3000 Tech Center Dr., Monroeville, PA 15146 Fax: 412/825-9699

May 24, 1989

Beazer Materials and Services, Inc.
436 Seventh Avenue
Pittsburgh, PA 15219

ATTN: Bob Hamilton

Dear Bob:

After having reviewed the appropriate documentation and drawings on the closure of the former waste pile storage pad at the Koppers Company, Inc., Woodward Organics Plant in Dolomite, Alabama, and after interviewing Mr. Jerry Morris, the Plant Manager of the heretofore mentioned plant, I, Charles Brush, P.E., being a Registered Professional Engineer in the State of Alabama, do hereby certify that to the best of my knowledge, information, and belief, the former waste pile storage pad has been closed in accordance with the closure plan as approved by the Alabama Department of Environmental Management on July 18, 1988.

Charles P. Brush

244 Questend Avenue
Pittsburgh, PA 15228
412/227-2610
Date: May 24, 1989
P.E. Number: 15938

ALABAMA REGISTERED NO. 15938 PROFESSIONAL ENGINEER CHARLES P. BRUSH

EXHIBIT C

ADEM

RECEIVED
DEC 0 9 1988
KEYSTONE ENVIRONMENTAL RESOURCES, INC.

pvt 86-11 D

ALABAMA GREAT SEAL

ALABAMA
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

Leigh Pegues, Director

1751 Cong. W. L. Dickinson Drive
Montgomery, AL 36130
205/271-7700

Field Offices:

Unit 806, Building 8
225 Oxmoor Circle
Birmingham, AL 35209
205/942-6168

P.O. Box 953
Decatur, AL 35602
205/353-1713

2204 Perimeter Road
Mobile, AL 36615
205/479-2336

Guy Hunt
Governor

December 1, 1988

CERTIFIED MAIL NO. P 702 332 416
RETURN RECEIPT REQUESTED

Mr. Jordan Dern
Senior Program Manager
Keystone Environmental Resources, Inc.
436 Seventh Avenue, Suite 1940
Pittsburgh, PA 15219

Dear Mr. Dern:

RE: Revised Closure/Post-Closure Care Plan for the Oxidation Fields Submitted September 1988
Koppers Organics, Inc.
EPA ID No. ALD 085 765 808

The Alabama Department of Environmental Management (ADEM) has completed the review of the revised closure/post-closure care plan dated September 1988 for the oxidation fields at the Koppers Organics Plant located in Dolomite, Alabama. Based on that review we have determined that your revised plan satisfactorily addresses the deficiencies present in the original plan and the first revised plan. The effective date for the approval is September 30, 1988 as shown on the attached approval form.

This letter constitutes transmittal of the approval of the above mentioned closure/post-closure plan. Koppers has also demonstrated that biodegradation of the waste constituents in the oxidation fields will occur in three (3) years or less. Therefore, the proposed closure period of three (3) years is granted. As specified by Rule 335-14-6-.07(4)(a) of the ADEM Administrative Code, closure activities must begin within ninety (90) days from the date of closure plan approval.

If you have any questions concerning the above, feel free to contact Mr. Mark Behel at (205) 271-7735.

Sincerely,

Sue R. Robertson

Sue R. Robertson, Chief
Land Division

SRR/MB:dm
Attachment
cc: Ms. Beverly Foster
EPA, Region IV
Mr. Ronald O'Toole
Keystone Environmental Resources, Inc.
Mr. Robert J. Morris
Koppers Organics

EXHIBIT D

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION IV

IN THE MATTER OF: KOPPERS COMPANY, INC. Woodward Tar Plant 1835 Koppers Lane Dolomite, Alabama 35061 EPA ID No. ALD 085 765 808	)))))))))	Resource Conservation and Recovery Act Section 3008(a)(1) 42 U.S.C. 6928(A)(1) Docket No. : 85-45-R

CONSENT AGREEMENT AND FINAL ORDER

A Complaint and Compliance Order was issued to the above Respondent pursuant to Section 3008(a)(1) of the Resource Conservation and Recovery act (RCRA), as amended, 42 U.S.C. Section 6928(a)(1), and pursuant to the Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties and the Revocation or Suspension of Permits found at 40 C.F.R. Part 22. the Complainant is the Director, Waste Management Division, Region IV, United States Environmental Protection Agency ("EPA"). The Respondent is the former Koppers Company, Inc., now Beazer Materials and Services, Inc. ("Respondent"), a corporation formerly doing business at 1835 Koppers Lane in Dolomite, Alabama.

EPA and Respondent have conferred for the purpose of settlement pursuant to 40 C.F.R. Section 22.18, and desire to settle this action. Accordingly, before any testimony has been taken, upon the pleadings and without any admission of violation or any adjudication of any issue of fact or law, (including the applicability of RCRA requirements to Respondent's operations), Respondent hereby agrees to comply with the terms of this Consent Agreement and Final Order.

PRELIMINARY STATEMENTS

1. Respondent has been served with a copy of the Complaint and Compliance Order together with a Notice of Opportunity for Hearing in this matter and has filed an Answer pursuant to 40 C.F.R. 22.15.

2. For purposes of this Consent Agreement and Final Order only, Respondent admits that the Regional Administrator has jurisdiction over this matter pursuant to Section 3008 of RCRA, as amended, 42 U.S.C. Section 6928.

3. At the time that the above-referenced Complaint was filed, Respondent was a corporation doing business in the State of Alabama and was a person as defined in Section 1004(15) of RCRA, as amended, 42 U.S.C. Section 6903(15).

4. At the time that the above-referenced Complaint was filed, Respondent owned and operated a hazardous waste management facility located at 1835 Koppers Lane in Dolomite, Alabama, which was used for the treatment, storage or disposal of hazardous waste as those terms are defined in Section 1004 of RCRA, as amended, 42 U.S.C. Section 6903.

5. Respondent submitted to EPA, in a timely manner, a notification of hazardous waste activity and Part A of its hazardous waste permit application for the above facility, thereby achieving interim status under Section 3005(e) of RCRA, 42 U.S.C. Section 6925(e).

6. Complainant alleges that Respondent failed to comply with certain requirements of RCRA.

7. Complainant acknowledges that Respondent has come into compliance with the technical requirements of RCRA which were at issue in the Complaint.

8. Complainant acknowledges that, subsequent to the filing

of the above-referenced Complaint, Respondent submitted to the Alabama Department of Environmental Management ("ADEM") a closure plan for the oxidation field at issue and that, on or about December 1, 1988, ADEM approved such closure plan. Complainant further acknowledges that it has reviewed said closure plan and concurs with ADEM's approval thereof.

9. Respondent neither admits nor denies liability in connection with the matters addressed by the Complaint.

10. Respondent agrees to the entry of the following Final Order in this proceeding and waives its right to a hearing on the allegations of the Complaint filed herein.

11. Respondent consents to the payment of the civil penalty stated in this Final Order.

12. The parties agree that settlement of this matter is in the public interest and fully complies with the applicable requirements of RCRA. Compliance with the terms of this Consent Agreement and Final Order fully resolves all issues and controversies as described in the allegations of the Complaint, provided that Respondent complies with the terms of its closure plan which was approved by ADEM on December 1, 1988.

13. Except in the event that it determines that implementation of the approved closure plan would constitute an imminent and substantial threat to human health or the environment, Complainant agrees that the terms and conditions of the closure plan are in compliance with the applicable requirements of RCRA.

FINAL ORDER

Based upon the foregoing stipulations, the parties agree to the entry of the following Final Order in this matter:

Within ten (10) business days of the receipt of this Order, Respondent shall pay a civil penalty in the amount of Twenty-two Thousand Dollars ($22,000).

Payment shall be made by cashier's or certified check payable to the Treasurer, United States of America, and tendered to the U.S. Environmental Protection Agency, P. O. Box 100142, Atlanta, Georgia 30384.

Respondent shall provide a copy of the check to:

Regional Hearing Clerk
United States Environmental Protection
Agency, Region IV
345 Courtland Street, N.E.
Atlanta, Georgia 30365

If such check is not received within said 10 business days, interest will begin to accrue at the current U.S. Treasury Rate.

EFFECTIVE DATE

The effective date of this Consent Agreement and Final Order shall be the date it is approved by the Regional Administrator.

Agreed to this 28th day of March, 1989.

Jill M. Blundon
Vice President, General Counsel and
Secretary
Beazer Materials and Services, Inc.
(formerly Koppers Company, Inc.)

Agreed to this 30th day of March, 1989.

Patrick M Tobin

PATRICK M. TOBIN, Director
Waste Management Division
U.S. Environmental Protection Agency
Region IV

It being Agreed, it is So Ordered this 30th day of March, 1989.

Acting for Patrick M Tobin

Greer C. Tidwell
Regional Administrator

CERTIFICATE OF SERVICE

I hereby certify that the original of the foregoing Consent Agreement and Final Order was filed with the Regional Hearing Clerk, U.S. EPA Region IV, by hand delivery; true and correct copies were served on the following:

The Honorable Thomas B. Yost
Administrative Law Judge
U.S. Environmental Protection Agency
345 Courtland St., N.E.
Atlanta, Georgia 30365
(by hand delivery)

and by U.S. Mail, postage pre-paid:

Stanley M. Spracker, Esquire
Weil, Gotshal & Manges
1615 L Street, N.W.
Suite 700
Washington, D.C. 20036

Billie Norton, Esquire
Koppers Company, Inc.
Room 1400
Koppers Building
436 Seventh Avenue
Pittsburgh, Pennsylvania 15219

Dated this 30th day of March, 1989.

Dianna Bacon

Dianna Bacon
Clerk Typist
Hazardous Waste Law Branch

Continued from page 4.

V. FACILITY DRAWING *(see page 4)*

Please print or type with ELITE type (12 characters per inch) in the unshaded areas only

Form Approved. OMB No. 2050-0028. Expires 10-30-91
GSA No. 0246-EPA-OT

EPA

United States Environmental Protection Agency
Washington, DC 20460

Notification of Hazardous Waste Activity

Please refer to the *Instructions for Filing Notification* before completing this form. The information requested here is required by law *(Section 3010 of the Resource Conservation and Recovery Act)*.

For Official Use Only

Comments

C C

Installation's EPA ID Number — C F — T/A C 1

Approved | Date Received (yr. mo. day)

I. Name of Installation

KOPPERS INDUSTRIES INC (COKE PLANT)

II. Installation Mailing Address

Street or P.O. Box: C 3 PO BOX 648

City or Town: C 4 DOLOMITE — State: AL — ZIP Code: 35061

III. Location of Installation

Street or Route Number: C 5 2134 KOPPERS DRIVE

City or Town: C 6 DOLOMITE — State: AL — ZIP Code: 35061

IV. Installation Contact

Name and Title *(last, first, and job title)*: C 2 TUGGLE SPENCER PLT MGR

Phone Number *(area code and number)*: 205 744 5653

V. Ownership

A. Name of Installation's Legal Owner: C R KOPPERS INDUSTRIES INC

B. Type of Ownership *(enter code)*: P

VI. Type of Regulated Waste Activity *(Mark 'X' in the appropriate boxes. Refer to instructions.)*

A. Hazardous Waste Activity

- [X] 1a. Generator
- [ ] 1b. Less than 1,000 kg/mo.
- [ ] 2. Transporter
- [ ] 3. Treater/Storer/Disposer
- [ ] 4. Underground Injection
- [ ] 5. Market or Burn Hazardous Waste Fuel *(enter 'X' and mark appropriate boxes below)*
  - [ ] a. Generator Marketing to Burner
  - [ ] b. Other Marketer
  - [ ] c. Burner

B. Used Oil Fuel Activities

- [ ] 6. Off-Specification Used Oil Fuel
  - [ ] a. Generator Marketing to Burner
  - [ ] b. Other Marketer
  - [ ] c. Burner
- [ ] 7. Specification Used Oil Fuel Marketer *(or On site Burner)* Who First Claims the Oil Meets the Specification

VII. Waste Fuel Burning: Type of Combustion Device *(enter 'X' in all appropriate boxes to indicate type of combustion device(s) in which hazardous waste fuel or off-specification used oil fuel is burned. See instructions for definitions of combustion devices.)*

- [ ] A. Utility Boiler
- [ ] B. Industrial Boiler
- [ ] C. Industrial Furnace

VIII. Mode of Transportation *(transporters only – enter 'X' in the appropriate box(es)*

- [ ] A. Air
- [ ] B. Rail
- [ ] C. Highway
- [ ] D. Water
- [ ] E. Other *(specify)*

IX. First or Subsequent Notification

Mark 'X' in the appropriate box to indicate whether this is your installation's first notification of hazardous waste activity or a subsequent notification. If this is not your first notification, enter your installation's EPA ID Number in the space provided below.

- [ ] A. First Notification
- [X] B. Subsequent Notification *(complete item C)*

C. Installation's EPA ID Number: ALD000771949

EPA Form 8700-12 (Rev. 10-88) Previous edition is obsolete

ID - For Official Use Only
C W		T/A C 1

X. Description of Hazardous Wastes *(continued from front)*

A. Hazardous Wastes from Nonspecific Sources. Enter the four-digit number from 40 CFR Part 261.31 for each listed hazardous waste from nonspecific sources your installation handles. Use additional sheets if necessary.

1	2	3	4	5	6
7	8	9	10	11	12

B. Hazardous Wastes from Specific Sources. Enter the four-digit number from 40 CFR Part 261.32 for each listed hazardous waste from specific sources your installation handles. Use additional sheets if necessary.

13	14	15	16	17	18
K 0 8 7					
19	20	21	22	23	24
25	26	27	28	29	30

C. Commercial Chemical Product Hazardous Wastes. Enter the four-digit number 40 CFR Part 261.33 for each chemical substance your installation handles which may be hazardous waste. Use additional sheets if necessary.

31	32	33	34	35	36
37	38	39	40	41	42
43	44	45	46	47	48

D. Listed Infectious Wastes. Enter the four-digit number 40 CFR Part 261.34 for each hazardous waste from hospitals, veterinary hospitals, or medical and research laboratories your installation handles. Use additional sheets if necessary.

49	50	51	52	53	54

E. Characteristics of Nonlisted Hazardous Wastes. Mark 'X' in the boxes corresponding to the characteristics of nonlisted hazardous wastes your installation handles. *(See 40 CFR Parts 261.21 - 261.24)*

☐ 1. Ignitable *(D001)* ☐ 2. Corrosive *(D002)* ☐ 3. Reactive *(D003)* ☐ 4. Toxic *(D000)*

XI. Certification

I certify under penalty of law that I have personally examined and am familiar with the information submitted in this and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment.

Signature	Name and Official Title *(type or print)*	Date Signed
J R Batchelder	J. R. Batchelder, Vice President Environmental	8/30/89

Estimated burden: Public reporting burden for this collection of information is estimated to be 3 hours, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Chief, Information Policy Branch, PM-223, U.S. Environmental Protection Agency, 401 M St., S.W., Washington, D.C. 20460; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

(fill-in areas are spaced for elite type, i.e., 12 characters/inch). Form Approved OMB No. 158-R0175

FORM 1 GENERAL | EPA | U.S. ENVIRONMENTAL PROTECTION AGENCY
GENERAL INFORMATION
Consolidated Permits Program
(Read the "General Instructions" before starting.)

I. EPA I.D. NUMBER
F ALD000771949

LABEL ITEMS
I. EPA I.D. NUMBER
III. FACILITY NAME
V. FACILITY MAILING ADDRESS
VI. FACILITY LOCATION

PLEASE PLACE LABEL IN THIS SPACE

GENERAL INSTRUCTIONS
If a preprinted label has been provided, aff[ix] it in the designated space. Review the infor[m]ation carefully; if any of it is incorrect, cro[ss] through it and enter the correct data in th[e] appropriate fill-in area below. Also, if any [of] the preprinted data is absent *(the area to th[e] left of the label space lists the informatio[n] that should appear)*, please provide it in th[e] proper fill-in area(s) below. If the label [is] complete and correct, you need not comple[te] Items I, III, V, and VI *(except VI-B whic[h] must be completed regardless)*. Complete a[ll] items if no label has been provided. Refer t[o] the instructions for detailed item descri[p]tions and for the legal authorizations und[er] which this data is collected.

II. POLLUTANT CHARACTERISTICS

INSTRUCTIONS: Complete A through J to determine whether you need to submit any permit application forms to the EPA. If you answer "yes" to any questions, you must submit this form and the supplemental form listed in the parenthesis following the question. Mark "X" in the box in the third column if the supplemental form is attached. If you answer "no" to each question, you need not submit any of these forms. You may answer "no" if your activity is excluded from permit requirements; see Section C of the instructions. See also, Section D of the instructions for definitions of bold-faced terms.

SPECIFIC QUESTIONS	YES	NO	FORM ATTACHED
A. Is this facility a publicly owned treatment works which results in a discharge to waters of the U.S.? (FORM 2A)		X	
B. Does or will this facility *(either existing or proposed)* include a concentrated animal feeding operation or aquatic animal production facility which results in a discharge to waters of the U.S.? (FORM 2B)		X	
C. Is this a facility which currently results in discharges to waters of the U.S. other than those described in A or B above? (FORM 2C)	X		
D. Is this a proposed facility *(other than those described in A or B above)* which will result in a discharge to waters of the U.S.? (FORM 2D)		X	
E. Does or will this facility treat, store, or dispose of hazardous wastes? (FORM 3)	X		X
F. Do you or will you inject at this facility industrial or municipal effluent below the lowermost stratum containing, within one quarter mile of the well bore, underground sources of drinking water? (FORM 4)		X	
G. Do you or will you inject at this facility any produced water or other fluids which are brought to the surface in connection with conventional oil or natural gas production, inject fluids used for enhanced recovery of oil or natural gas, or inject fluids for storage of liquid hydrocarbons? (FORM 4)		X	
H. Do you or will you inject at this facility fluids for special processes such as mining of sulfur by the Frasch process, solution mining of minerals, in situ combustion of fossil fuel, or recovery of geothermal energy? (FORM 4)		X	
I. Is this facility a proposed stationary source which is one of the 28 industrial categories listed in the instructions and which will potentially emit 100 tons per year of any air pollutant regulated under the Clean Air Act and may affect or be located in an attainment area? (FORM 5)		X	
J. Is this facility a proposed stationary source which is NOT one of the 28 industrial categories listed in the instructions and which will potentially emit 250 tons per year of any air pollutant regulated under the Clean Air Act and may affect or be located in an attainment area? (FORM 5)		X	

III. NAME OF FACILITY
1 SKIP Koppers Industries Inc.

IV. FACILITY CONTACT
A. NAME & TITLE (last, first, & title)	B. PHONE (area code & no.)
2 Tuggle Spencer Plant Manager	205 744 5653

V. FACILITY MAILING ADDRESS
A. STREET OR P.O. BOX
3 PO Box 648

B. CITY OR TOWN	C. STATE	D. ZIP CODE
4 Dolomite	AL	35061

VI. FACILITY LOCATION
A. STREET, ROUTE NO. OR OTHER SPECIFIC IDENTIFIER
5 2134 Koppers Drive

B. COUNTY NAME
Jefferson

C. CITY OR TOWN	D. STATE	E. ZIP CODE	F. COUNTY CODE (if known)
6 Dolomite	AL	35061	

NTINUED FROM THE FRONT

I. SIC CODES *(4-digit, in order of priority)*

		(specify)
A. FIRST	3312	Coke making
B. SECOND	7	
C. THIRD		
D. FOURTH	7	

III. OPERATOR INFORMATION

A. NAME: See Attached

B. Is the name listed in Item VIII-A also the owner? ☐ YES ☐ NO

C. STATUS OF OPERATOR *(Enter the appropriate letter into the answer box; if "Other", specify.)*

F = FEDERAL
S = STATE
P = PRIVATE
M = PUBLIC *(other than federal or state)*
O = OTHER *(specify)*

(specify) See Attached

D. PHONE *(area code & no.)*: A See Attached

E. STREET OR P.O. BOX: See Attached

F. CITY OR TOWN:

G. STATE:

H. ZIP CODE:

IX. INDIAN LAND

Is the facility located on Indian lands? ☐ YES ☒ NO

. EXISTING ENVIRONMENTAL PERMITS

Permit	Code	Number	(specify)
A. NPDES *(Discharges to Surface Water)*	N	AL0000680	
B. UIC *(Underground Injection of Fluids)*	U	N/A	
C. RCRA *(Hazardous Wastes)*	R	Interim Status	
D. PSD *(Air Emissions from Proposed Sources)*	9 P	N/A	
E. OTHER *(specify)*	9	Air	See Attached List (Exhibit A)
E. OTHER *(specify)*	9	N/A	

I. MAP

Attach to this application a topographic map of the area extending to at least one mile beyond property bounderies. The map must show the outline of the facility, the location of each of its existing and proposed intake and discharge structures, each of its hazardous waste treatment, storage, or disposal facilities, and each well where it injects fluids underground. Include all springs, rivers and other surface water bodies in the map area. See instructions for precise requirements.

II. NATURE OF BUSINESS *(provide a brief description)*

Carbonization of coal in by-product coke ovens.

III. CERTIFICATION *(see instructions)*

I certify under penalty of law that I have personally examined and am familiar with the information submitted in this application and all attachments and that, based on my inquiry of those persons immediately responsible for obtaining the information contained in the application, I believe that the information is true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment.

A. NAME & OFFICIAL TITLE *(type or print)*: . R. Batchelder, Vice Pres. and Mgr. nvironmental and Technical, KII

B. SIGNATURE: J R Batchelder

C. DATE SIGNED: 8/30/89

COMMENTS FOR OFFICIAL USE ONLY

)perator #1

PERATOR INFORMATION

A. NAME

Koppers Industries Inc.

B. Is the name listed in Item VIII-A also the owner?

[X] YES [ ] NO

C. STATUS OF OPERATOR (Enter the appropriate letter into the answer box; if "Other", specify.)

FEDERAL M = PUBLIC (other than federal or state)
STATE O = OTHER (specify)
PRIVATE

P (specify)

D. PHONE (area code & no.)

A 412 227 2612

E. STREET OR P.O. BOX

436 Seventh Avenue

F. CITY OR TOWN

Pittsburgh

G. STATE PA

H. ZIP CODE 15219

IX. INDIAN LAND

Is the facility located on Indian lands?

[ ] YES [X] NO

Operator #2

OPERATOR INFORMATION

A. NAME

Beazer Materials and Services, Inc.

B. Is the name listed in Item VIII-A also the owner?

[ ] YES [X] NO

C. STATUS OF OPERATOR (Enter the appropriate letter into the answer box; if "Other", specify.)

= FEDERAL M = PUBLIC (other than federal or state)
= STATE O = OTHER (specify)
= PRIVATE

P (specify)

D. PHONE (area code & no.)

A 412 227 2690

E. STREET OR P.O. BOX

436 Seventh Avenue

F. CITY OR TOWN

Pittsburgh

G. STATE PA

H. ZIP CODE 15219

IX. INDIAN LAND

Is the facility located on Indian lands?

[ ] YES [X] NO

(fill-in areas are spaced for elite type, i.e., 12 characters/inch).

Form Approved OMB No. 158-S80004

FORM 3 RCRA

EPA

U.S. ENVIRONMENTAL PROTECTION AGENCY

HAZARDOUS WASTE PERMIT APPLICATION

Consolidated Permits Program

(This information is required under Section 3005 of RCRA.)

I. EPA I.D. NUMBER

F A L D 0 0 0 7 7 1 9 4 9

FOR OFFICIAL USE ONLY

APPLICATION APPROVED	DATE RECEIVED (yr., mo., & day)	COMMENTS

II. FIRST OR REVISED APPLICATION

Place an "X" in the appropriate box in A or B below *(mark one box only)* to indicate whether this is the first application you are submitting for your facility or revised application. If this is your first application and you already know your facility's EPA I.D. Number, or if this is a revised application, enter your facility's EPA I.D. Number in Item I above.

A. FIRST APPLICATION *(place an "X" below and provide the appropriate date)*

☐ 1. EXISTING FACILITY *(See instructions for definition of "existing" facility. Complete item below.)*

☐ 2. NEW FACILITY *(Complete item below.)*

C 8 | YR. | MO. | DAY | FOR EXISTING FACILITIES, PROVIDE THE DATE *(yr., mo., & day)* OPERATION BEGAN OR THE DATE CONSTRUCTION COMMENCED *(use the boxes to the left)*

YR. | MO. | DAY | FOR NEW FACILITIES, PROVIDE THE DATE *(yr., mo., & day)* OPERATION BEGAN OR IS EXPECTED TO BEGIN

B. REVISED APPLICATION *(place an "X" below and complete Item I above)*

☒ 1. FACILITY HAS INTERIM STATUS

☐ 2. FACILITY HAS A RCRA PERMIT

III. PROCESSES – CODES AND DESIGN CAPACITIES

A. **PROCESS CODE** – Enter the code from the list of process codes below that best describes each process to be used at the facility. Ten lines are provided for entering codes. If more lines are needed, enter the code(s) in the space provided. If a process will be used that is not included in the list of codes below, then describe the process *(including its design capacity)* in the space provided on the form *(Item III-C)*.

B. **PROCESS DESIGN CAPACITY** – For each code entered in column A enter the capacity of the process.
1. AMOUNT – Enter the amount.
2. UNIT OF MEASURE – For each amount entered in column B(1), enter the code from the list of unit measure codes below that describes the unit of measure used. Only the units of measure that are listed below should be used.

PROCESS	PROCESS CODE	APPROPRIATE UNITS OF MEASURE FOR PROCESS DESIGN CAPACITY
Storage:		
CONTAINER *(barrel, drum, etc.)*	S01	GALLONS OR LITERS
TANK	S02	GALLONS OR LITERS
WASTE PILE	S03	CUBIC YARDS OR CUBIC METERS
SURFACE IMPOUNDMENT	S04	GALLONS OR LITERS
Disposal:		
INJECTION WELL	D79	GALLONS OR LITERS
LANDFILL	D80	ACRE-FEET *(the volume that would cover one acre to a depth of one foot)* OR HECTARE-METER
LAND APPLICATION	D81	ACRES OR HECTARES
OCEAN DISPOSAL	D82	GALLONS PER DAY OR LITERS PER DAY
SURFACE IMPOUNDMENT	D83	GALLONS OR LITERS
Treatment:		
TANK	T01	GALLONS PER DAY OR LITERS PER DAY
SURFACE IMPOUNDMENT	T02	GALLONS PER DAY OR LITERS PER DAY
INCINERATOR	T03	TONS PER HOUR OR METRIC TONS PER HOUR; GALLONS PER HOUR OR LITERS PER HOUR
OTHER *(Use for physical, chemical, thermal or biological treatment processes not occurring in tanks, surface impoundments or incinerators. Describe the processes in the space provided; Item III-C.)*	T04	GALLONS PER DAY OR LITERS PER DAY

UNIT OF MEASURE	UNIT OF MEASURE CODE	UNIT OF MEASURE	UNIT OF MEASURE CODE	UNIT OF MEASURE	UNIT OF MEASURE CODE
GALLONS	G	LITERS PER DAY	V	ACRE-FEET	A
LITERS	L	TONS PER HOUR	D	HECTARE-METER	F
CUBIC YARDS	Y	METRIC TONS PER HOUR	W	ACRES	B
CUBIC METERS	C	GALLONS PER HOUR	E	HECTARES	Q
GALLONS PER DAY	U	LITERS PER HOUR	H		

EXAMPLE FOR COMPLETING ITEM III *(shown in line numbers X-1 and X-2 below)*: A facility has two storage tanks, one tank can hold 200 gallons and the other can hold 400 gallons. The facility also has an incinerator that can burn up to 20 gallons per hour.

C DUP T/A C 1

LINE NUMBER	A. PROCESS CODE (from list above)	B. PROCESS DESIGN CAPACITY 1. AMOUNT (specify)	2. UNIT OF MEASURE (enter code)	FOR OFFICIAL USE ONLY	LINE NUMBER	A. PROCESS CODE (from list above)	B. PROCESS DESIGN CAPACITY 1. AMOUNT	2. UNIT OF MEASURE (enter code)	FOR OFFICIAL USE ONLY
X-1	S 0 2	600	G		5				
X-2	T 0 3	20	E		6				
1	S 0 3	> 1000	Y		7				
2	S 0 3	UNK	Y		8				
3	S 0 3	UNK	Y		9				
4					10				

Continued from the front.

III. PROCESSES *(continued)*

C. SPACE FOR ADDITIONAL PROCESS CODES OR FOR DESCRIBING OTHER PROCESSES (*code "T04"*). FOR EACH PROCESS ENTERED HERE INCLUDE DESIGN CAPACITY.

N/A

IV. DESCRIPTION OF HAZARDOUS WASTES

A. EPA HAZARDOUS WASTE NUMBER — Enter the four-digit number from 40 CFR, Subpart D for each listed hazardous waste you will handle. If you handle hazardous wastes which are not listed in 40 CFR, Subpart D, enter the four-digit number*(s)* from 40 CFR, Subpart C that describes the characteristics and/or the toxic contaminants of those hazardous wastes.

B. ESTIMATED ANNUAL QUANTITY — For each listed waste entered in column A estimate the quantity of that waste that will be handled on an annual basis. For each characteristic or toxic contaminant entered in column A estimate the total annual quantity of all the non-listed waste*(s)* that will be handled which possess that characteristic or contaminant.

C. UNIT OF MEASURE — For each quantity entered in column B enter the unit of measure code. Units of measure which must be used and the appropriate codes are:

ENGLISH UNIT OF MEASURE	CODE	METRIC UNIT OF MEASURE	CODE
POUNDS	P	KILOGRAMS	K
TONS	T	METRIC TONS	M

If facility records use any other unit of measure for quantity, the units of measure must be converted into one of the required units of measure taking into account the appropriate density or specific gravity of the waste.

D. PROCESSES

1. PROCESS CODES:
   For listed hazardous waste: For each listed hazardous waste entered in column A select the code*(s)* from the list of process codes contained in Item III to indicate how the waste will be stored, treated, and/or disposed of at the facility.
   For non-listed hazardous wastes: For each characteristic or toxic contaminant entered in column A, select the code*(s)* from the list of process codes contained in Item III to indicate all the processes that will be used to store, treat, and/or dispose of all the non-listed hazardous wastes that possess that characteristic or toxic contaminant.
   Note: Four spaces are provided for entering process codes. If more are needed: (1) Enter the first three as described above; (2) Enter "000" in the extreme right box of Item IV-D(1); and (3) Enter in the space provided on page 4, the line number and the additional code*(s)*.

2. PROCESS DESCRIPTION: If a code is not listed for a process that will be used, describe the process in the space provided on the form.

NOTE: HAZARDOUS WASTES DESCRIBED BY MORE THAN ONE EPA HAZARDOUS WASTE NUMBER — Hazardous wastes that can be described by more than one EPA Hazardous Waste Number shall be described on the form as follows:

1. Select one of the EPA Hazardous Waste Numbers and enter it in column A. On the same line complete columns B,C, and D by estimating the total annual quantity of the waste and describing all the processes to be used to treat, store, and/or dispose of the waste.
2. In column A of the next line enter the other EPA Hazardous Waste Number that can be used to describe the waste. In column D(2) on that line enter "included with above" and make no other entries on that line.
3. Repeat step 2 for each other EPA Hazardous Waste Number that can be used to describe the hazardous waste.

EXAMPLE FOR COMPLETING ITEM IV *(shown in line numbers X-1, X-2, X-3, and X-4 below)* — A facility will treat and dispose of an estimated 900 pounds per year of chrome shavings from leather tanning and finishing operation. In addition, the facility will treat and dispose of three non-listed wastes. Two wastes are corrosive only and there will be an estimated 200 pounds per year of each waste. The other waste is corrosive and ignitable and there will be an estimated 100 pounds per year of that waste. Treatment will be in an incinerator and disposal will be in a landfill.

LINE NO.	A. EPA HAZARD. WASTE NO (enter code)	B. ESTIMATED ANNUAL QUANTITY OF WASTE	C. UNIT OF MEASURE (enter code)	D. PROCESSES 1. PROCESS CODES (enter)	D. PROCESSES 2. PROCESS DESCRIPTION (if a code is not entered in D(1))
X-1	K 0 5 4	900	P	T 0 3 D 8 0	
X-2	D 0 0 2	400	P	T 0 3 D 8 0	
X-3	D 0 0 1	100	P	T 0 3 D 8 0	
X-4	D 0 0 2				included with above

CONTINUE ON PAGE 3

(fill—in areas are spaced for elite type, i.e., 12 characters/inch).

Form Approved OMB No. 158-S80004

FORM 3 RCRA

EPA

U.S. ENVIRONMENTAL PROTECTION AGENCY

HAZARDOUS WASTE PERMIT APPLICATION

Consolidated Permits Program

(This information is required under Section 3005 of RCRA.)

I. EPA I.D. NUMBER

F A L D 0 0 0 7 7 1 9 4 9

FOR OFFICIAL USE ONLY

APPLICATION APPROVED	DATE RECEIVED (yr., mo., & day)	COMMENTS

II. FIRST OR REVISED APPLICATION

Place an "X" in the appropriate box in A or B below *(mark one box only)* to indicate whether this is the first application you are submitting for your facility o revised application. If this is your first application and you already know your facility's EPA I.D. Number, or if this is a revised application, enter your facility' EPA I.D. Number in Item I above.

A. FIRST APPLICATION *(place an "X" below and provide the appropriate date)*

☐ 1. EXISTING FACILITY *(See instructions for definition of "existing" facility. Complete item below.)*

C 8 | YR. | MO. | DAY | FOR EXISTING FACILITIES, PROVIDE THE DATE *(yr., mo., & day)* OPERATION BEGAN OR THE DATE CONSTRUCTION COMMENCED *(use the boxes to the left)*

☐ 2. NEW FACILITY *(Complete item below.)*

| YR. | MO. | DAY | FOR NEW FACILITI PROVIDE THE DATI *(yr., mo., & day)* OPEI TION BEGAN OR IS EXPECTED TO BEGI

B. REVISED APPLICATION *(place an "X" below and complete Item I above)*

☒ 1. FACILITY HAS INTERIM STATUS

☐ 2. FACILITY HAS A RCRA PERMIT

III. PROCESSES — CODES AND DESIGN CAPACITIES

A. PROCESS CODE — Enter the code from the list of process codes below that best describes each process to be used at the facility. Ten lines are provided for entering codes. If more lines are needed, enter the code(s) in the space provided. If a process will be used that is not included in the list of codes below, the describe the process *(including its design capacity)* in the space provided on the form *(Item III-C)*.

B. PROCESS DESIGN CAPACITY — For each code entered in column A enter the capacity of the process.
1. AMOUNT — Enter the amount.
2. UNIT OF MEASURE — For each amount entered in column B(1), enter the code from the list of unit measure codes below that describes the unit of measure used. Only the units of measure that are listed below should be used.

PROCESS	PROCESS CODE	APPROPRIATE UNITS OF MEASURE FOR PROCESS DESIGN CAPACITY
Storage:		
CONTAINER *(barrel, drum, etc.)*	S01	GALLONS OR LITERS
TANK	S02	GALLONS OR LITERS
WASTE PILE	S03	CUBIC YARDS OR CUBIC METERS
SURFACE IMPOUNDMENT	S04	GALLONS OR LITERS
Disposal:		
INJECTION WELL	D79	GALLONS OR LITERS
LANDFILL	D80	ACRE-FEET *(the volume that would cover one acre to a depth of one foot)* OR HECTARE-METER
LAND APPLICATION	D81	ACRES OR HECTARES
OCEAN DISPOSAL	D82	GALLONS PER DAY OR LITERS PER DAY
SURFACE IMPOUNDMENT	D83	GALLONS OR LITERS

PROCESS	PROCESS CODE	APPROPRIATE UNITS OF MEASURE FOR PROCESS DESIGN CAPACITY
Treatment:		
TANK	T01	GALLONS PER DAY OR LITERS PER DAY
SURFACE IMPOUNDMENT	T02	GALLONS PER DAY OR LITERS PER DAY
INCINERATOR	T03	TONS PER HOUR OR METRIC TONS PER HOUR; GALLONS PER HOUR OR LITERS PER HOUR
OTHER *(Use for physical, chemical, thermal or biological treatment processes not occurring in tanks, surface impoundments or incinerators. Describe the processes in the space provided; Item III-C.)*	T04	GALLONS PER DAY OR LITERS PER DAY

UNIT OF MEASURE	UNIT OF MEASURE CODE
GALLONS	G
LITERS	L
CUBIC YARDS	Y
CUBIC METERS	C
GALLONS PER DAY	U
LITERS PER DAY	V
TONS PER HOUR	D
METRIC TONS PER HOUR	W
GALLONS PER HOUR	E
LITERS PER HOUR	H
ACRE-FEET	A
HECTARE-METER	F
ACRES	B
HECTARES	Q

EXAMPLE FOR COMPLETING ITEM III *(shown in line numbers X-1 and X-2 below)*: A facility has two storage tanks, one tank can hold 200 gallons and the other can hold 400 gallons. The facility also has an incinerator that can burn up to 20 gallons per hour.

C | DUP | T/A | C 1

LINE NUMBER	A. PROCESS CODE (from list above)	B. PROCESS DESIGN CAPACITY 1. AMOUNT (specify)	2. UNIT OF MEASURE (enter code)	FOR OFFICIAL USE ONLY	LINE NUMBER	A. PROCESS CODE (from list above)	B. PROCESS DESIGN CAPACITY 1. AMOUNT	2. UNIT OF MEASURE (enter code)	FOR OFFICIAL USE ONLY
X-1	S 0 2	600	G		5				
X-2	T 0 3	20	E		6				
1	S 0 3	> 1000	Y		7				
2	S 0 3	UNK	Y		8				
3	S 0 3	UNK	Y		9				
4					10				

Continued from the front.

III. PROCESSES (continued)

C. SPACE FOR ADDITIONAL PROCESS CODES OR FOR DESCRIBING OTHER PROCESSES (code "T04"). FOR EACH PROCESS ENTERED HERE INCLUDE DESIGN CAPACITY.

N/A

IV. DESCRIPTION OF HAZARDOUS WASTES

A. EPA HAZARDOUS WASTE NUMBER — Enter the four–digit number from 40 CFR, Subpart D for each listed hazardous waste you will handle. If you handle hazardous wastes which are not listed in 40 CFR, Subpart D, enter the four–digit number(s) from 40 CFR, Subpart C that describes the characteristics and/or the toxic contaminants of those hazardous wastes.

B. ESTIMATED ANNUAL QUANTITY — For each listed waste entered in column A estimate the quantity of that waste that will be handled on an annual basis. For each characteristic or toxic contaminant entered in column A estimate the total annual quantity of all the non–listed waste(s) that will be handled which possess that characteristic or contaminant.

C. UNIT OF MEASURE — For each quantity entered in column B enter the unit of measure code. Units of measure which must be used and the appropriate codes are:

ENGLISH UNIT OF MEASURE	CODE	METRIC UNIT OF MEASURE	CODE
POUNDS	P	KILOGRAMS	K
TONS	T	METRIC TONS	M

If facility records use any other unit of measure for quantity, the units of measure must be converted into one of the required units of measure taking into account the appropriate density or specific gravity of the waste.

D. PROCESSES

1. PROCESS CODES:
   For listed hazardous waste: For each listed hazardous waste entered in column A select the code(s) from the list of process codes contained in Item III to indicate how the waste will be stored, treated, and/or disposed of at the facility.
   For non–listed hazardous wastes: For each characteristic or toxic contaminant entered in column A, select the code(s) from the list of process codes contained in Item III to indicate all the processes that will be used to store, treat, and/or dispose of all the non–listed hazardous wastes that possess that characteristic or toxic contaminant.
   Note: Four spaces are provided for entering process codes. If more are needed: (1) Enter the first three as described above; (2) Enter "000" in the extreme right box of Item IV-D(1); and (3) Enter in the space provided on page 4, the line number and the additional code(s).

2. PROCESS DESCRIPTION: If a code is not listed for a process that will be used, describe the process in the space provided on the form.

NOTE: HAZARDOUS WASTES DESCRIBED BY MORE THAN ONE EPA HAZARDOUS WASTE NUMBER — Hazardous wastes that can be described by more than one EPA Hazardous Waste Number shall be described on the form as follows:
1. Select one of the EPA Hazardous Waste Numbers and enter it in column A. On the same line complete columns B,C, and D by estimating the total annual quantity of the waste and describing all the processes to be used to treat, store, and/or dispose of the waste.
2. In column A of the next line enter the other EPA Hazardous Waste Number that can be used to describe the waste. In column D(2) on that line enter "included with above" and make no other entries on that line.
3. Repeat step 2 for each other EPA Hazardous Waste Number that can be used to describe the hazardous waste.

EXAMPLE FOR COMPLETING ITEM IV (shown in line numbers X-1, X-2, X-3, and X-4 below) — A facility will treat and dispose of an estimated 900 pounds per year of chrome shavings from leather tanning and finishing operation. In addition, the facility will treat and dispose of three non–listed wastes. Two wastes are corrosive only and there will be an estimated 200 pounds per year of each waste. The other waste is corrosive and ignitable and there will be an estimated 100 pounds per year of that waste. Treatment will be in an incinerator and disposal will be in a landfill.

LINE NO.	A. EPA HAZARD. WASTE NO (enter code)	B. ESTIMATED ANNUAL QUANTITY OF WASTE	C. UNIT OF MEASURE (enter code)	D. PROCESSES 1. PROCESS CODES (enter)				D. PROCESSES 2. PROCESS DESCRIPTION (if a code is not entered in D(1))
X-1	K 0 5 4	900	P	T 0 3	D 8 0			
X-2	D 0 0 2	400	P	T 0 3	D 8 0			
X-3	D 0 0 1	100	P	T 0 3	D 8 0			
X-4	D 0 0 2							included with above

ontinued from the front.

V. DESCRIPTION OF HAZARDOUS WASTES *(continued)*

E. USE THIS SPACE TO LIST ADDITIONAL PROCESS CODES FROM ITEM D(1) ON PAGE 3.

EPA I.D. NO. *(enter from page 1)*

												T/A C
A	L	D	0	0	0	7	7	1	9	4	9	16

. FACILITY DRAWING

ll existing facilities must include in the space provided on page 5 a scale drawing of the facility *(see instructions for more detail).*

I. PHOTOGRAPHS

All existing facilities must include photographs *(aerial or ground—level)* that clearly delineate all existing structures; existing storage, reatment and disposal areas; and sites of future storage, treatment or disposal areas *(see instructions for more detail).*

II. FACILITY GEOGRAPHIC LOCATION

LATITUDE *(degrees, minutes, & seconds)*	LONGITUDE *(degrees, minutes, & seconds)*

III. FACILITY OWNER

☐ A. If the facility owner is also the facility operator as listed in Section VIII on Form 1, "General Information", place an "X" in the box to the left and skip to Section IX below.

B. If the facility owner is not the facility operator as listed in Section VIII on Form 1, complete the following items:

1. NAME OF FACILITY'S LEGAL OWNER	2. PHONE NO. *(area code & no.)*
Koppers Industries, Inc.	412-227-2000

3. STREET OR P.O. BOX	C	4. CITY OR TOWN	5. ST.	6. ZIP CODE
436 Seventh Avenue	G	Pittsubrgh	PA	15219

X. OWNER CERTIFICATION

certify under penalty of law that I have personally examined and am familiar with the information submitted in this and all attached ocuments, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the ubmitted information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, cluding the possibility of fine and imprisonment.

. NAME *(print or type)*	B. SIGNATURE	C. DATE SIGNED
R. Batchelder, Vice Pres. & Mgr., nvironmental and Technical		8/30/89

. OPERATOR CERTIFICATION

certify under penalty of law that I have personally examined and am familiar with the information submitted in this and all attached ocuments, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the ubmitted information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, cluding the possibility of fine and imprisonment.

. NAME *(print or type)*	B. SIGNATURE	C. DATE SIGNED
R. Batchelder, Vice Pres., KII		8/30/89
ll M. Blundon, Vice Pres., BM&S		8/30/89

CONTINUE ON PAGE 5

Continued from page 4.

V. FACILITY DRAWING *(see page 4)*

EXHIBIT A

ALD 000771949
Form 1 Section X, E-Other Permits

August 16, 1989

Air permits issued by Jefferson County Health Department.

SOURCE	PERMIT NUMBER
Battery 5 Operations	4-07-0430-2703
Battery 2B Operations	4-07-0430-2713
Battery 4A Operations	4-07-0430-2715
Battery 4B Operations	4-07-0430-2716
Underfiring Stack for Batteries 4A and 4B	4-07-0430-3302
Battery 1A Stack	4-07-0430-3313
Battery 2B Stack	4-07-0430-3314
Battery 5 Stack	4-07-0430-3315
Underfiring Stack for #1 Battery	4-07-0430-3320
Battery 2A Stack	4-07-0430-3321
South Quench Tower	4-07-0430-3501
North Quench Tower	4-07-0430-3502
Boiler #16	4-07-0430-8506
Boiler #17	4-07-0430-8507
Push Control Car #1	4-07-0430-8601
Push Control Car #2	4-07-0430-8602
Battery #1 Charging Doors and Topside Emission Points	4-07-0430-8603

SOURCE	PERMIT NUMBER
Battery 2A Charging Doors and Topside Emission Points	4-07-0430-8604
Unleaded Gasoline Tank 2000 gal.	4-07-0430-8605
Naphthalene Recovery	4-07-0430-8701
By-Product Plant	4-07-0430-8702
South Push Control System	4-07-0430-8801
North Push Control System	4-07-0430-8802
Asphalt Patching Plant	4-07-0430-8901

86-109E

EXHIBIT B

MAR 15 1989

ADEM

ALABAMA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

ALABAMA GREAT SEAL

Guy Hunt
Governor

Leigh Pegues, Director

1751 Cong. W. L. Dickinson Drive
Montgomery, AL 36130
205/271-7700

Field Offices:

Unit 806, Building 8
225 Oxmoor Circle
Birmingham, AL 35209
205/942-6168

P.O. Box 953
Decatur, AL 35602
205/353-1713

2204 Perimeter Road
Mobile, AL 36615
205/479-2336

RECEIVED
MAR 11 1989
KEYSTONE ENVIRONMENTAL RESOURCES, INC.

March 7, 1989

Mr. David W. Carlysle
Koppers Coke Company, Inc.
2134 Koppers Drive
P.O. Drawer 648
Dolomite, AL 35061

Dear Mr. Carlysle:

RE: Certification of Closure
Koppers Coke Company, Inc.
EPA ID No. ALD 000 771 949

The Alabama Department of Environmental Management (ADEM) has received the certification of closure for the three (3) waste piles at the Koppers Coke plant located in Dolomite, Alabama, dated November 1, 1988, which includes certification by an Alabama Registered Professional Engineer. ADEM has also received corrections to the original certification from Robinson & Layton, Inc. dated January 13, 1989 and from Maynard, Cooper, Frierson & Gale, P.C. dated February 9, 1989. Upon examination of the certification, ADEM has determined that the units have been closed in accordance with the approved closure plan and with Rule 335-14-6-.07 of the ADEM Administrative Code. Since each unit has been closed as a landfill, post-closure care must be conducted in accordance with Rule 335-14-6-.07 of the ADEM Administrative Code until a permit for these activities has been issued.

If there are any questions concerning the above feel free to contact Mr. Mark Behel at (205) 271-7726.

Sincerely,

B. E. C.

Bernard E. Cox, Jr.
Chief, Hazardous Waste Branch
Land Division

BEC/MB:dm

c: Beverly Foster - USEPA, Region IV
Ronald O'Toole - Keystone Environmental Resources

cc: J. J. Batchelder
J. M. Helbling

Please print or type with ELITE type (12 characters per inch) in the unshaded areas only

Form Approved. OMB No. 2050-0028. Expires 10-30-91
GSA No. 0246-EPA-OT

EPA

United States Environmental Protection Agency
Washington, DC 20460

Notification of Hazardous Waste Activity

Please refer to the *Instructions for Filing Notification* before completing this form. The information requested here is required by law *(Section 3010 of the Resource Conservation and Recovery Act)*.

For Official Use Only

Comments

C

C

Installation's EPA ID Number — C F — T/A C 1

Approved

Date Received (yr. mo. day)

I. Name of Installation

KOPPERS INDUSTRIES INC.

II. Installation Mailing Address

Street or P.O. Box

C 3 — PO BOX 510

City or Town	State	ZIP Code
C 4 — MONTGOMERY	AL	36101

III. Location of Installation

Street or Route Number

C 5 — 1415 LOUISVILLE STREET

City or Town	State	ZIP Code
C 6 — MONTGOMERY	AL	36104

IV. Installation Contact

Name and Title *(last, first, and job title)*	Phone Number *(area code and number)*
C 2 — MEADOWS DOUG PLT MGR	205 834 5290

V. Ownership

A. Name of Installation's Legal Owner	B. Type of Ownership *(enter code)*
C R — KOPPERS INDUSTRIES INC	P

VI. Type of Regulated Waste Activity *(Mark 'X' in the appropriate boxes. Refer to instructions.)*

A. Hazardous Waste Activity

- [X] 1a. Generator
- [ ] 1b. Less than 1,000 kg/mo.
- [ ] 2. Transporter
- [ ] 3. Treater/Storer/Disposer
- [ ] 4. Underground Injection
- [X] 5. Market or Burn Hazardous Waste Fuel *(enter 'X' and mark appropriate boxes below)*
  - [X] a. Generator Marketing to Burner
  - [ ] b. Other Marketer
  - [ ] c. Burner

B. Used Oil Fuel Activities

- [ ] 6. Off-Specification Used Oil Fuel
  - [ ] a. Generator Marketing to Burner
  - [ ] b. Other Marketer
  - [ ] c. Burner
- [ ] 7. Specification Used Oil Fuel Marketer *(or On site Burner)* Who First Claims the Oil Meets the Specification

VII. Waste Fuel Burning: Type of Combustion Device *(enter 'X' in all appropriate boxes to indicate type of combustion device(s) in which hazardous waste fuel or off-specification used oil fuel is burned. See instructions for definitions of combustion devices.)*

- [ ] A. Utility Boiler
- [ ] B. Industrial Boiler
- [ ] C. Industrial Furnace

VIII. Mode of Transportation *(transporters only – enter 'X' in the appropriate box(es)*

- [ ] A. Air
- [ ] B. Rail
- [ ] C. Highway
- [ ] D. Water
- [ ] E. Other *(specify)*

IX. First or Subsequent Notification

Mark 'X' in the appropriate box to indicate whether this is your installation's first notification of hazardous waste activity or a subsequent notification. If this is not your first notification, enter your installation's EPA ID Number in the space provided below.

- [ ] A. First Notification
- [X] B. Subsequent Notification *(complete item C)*

C. Installation's EPA ID Number: ALD004009403

ID - For Official Use Only														
C													T/A	C
W														1

X. Description of Hazardous Wastes *(continued from front)*

A. Hazardous Wastes from Nonspecific Sources. Enter the four-digit number from 40 CFR Part 261.31 for each listed hazardous waste from nonspecific sources your installation handles. Use additional sheets if necessary.

1	2	3	4	5	6
D 0 0 4	D 0 0 7				
7	**8**	**9**	**10**	**11**	**12**

B. Hazardous Wastes from Specific Sources. Enter the four-digit number from 40 CFR Part 261.32 for each listed hazardous waste from specific sources your installation handles. Use additional sheets if necessary.

13	14	15	16	17	18
19	**20**	**21**	**22**	**23**	**24**
25	**26**	**27**	**28**	**29**	**30**

C. Commercial Chemical Product Hazardous Wastes. Enter the four-digit number 40 CFR Part 261.33 for each chemical substance your installation handles which may be hazardous waste. Use additional sheets if necessary.

31	32	33	34	35	36
37	**38**	**39**	**40**	**41**	**42**
43	**44**	**45**	**46**	**47**	**48**

D. Listed Infectious Wastes. Enter the four-digit number 40 CFR Part 261.34 for each hazardous waste from hospitals, veterinary hospitals, or medical and research laboratories your installation handles. Use additional sheets if necessary.

49	50	51	52	53	54

E. Characteristics of Nonlisted Hazardous Wastes. Mark 'X' in the boxes corresponding to the characteristics of nonlisted hazardous wastes your installation handles. *(See 40 CFR Parts 261.21 - 261.24)*

☐ 1. Ignitable *(D001)* ☐ 2. Corrosive *(D002)* ☐ 3. Reactive *(D003)* ☐ 4. Toxic *(D000)*

XI. Certification

I certify under penalty of law that I have personally examined and am familiar with the information submitted in this and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment.

Signature	Name and Official Title *(type or print)*	Date Signed
JRBatchelder	J. R. Batchelder Vice President Environmental	8/31/89

Estimated burden: Public reporting burden for this collection of information is estimated to be 3 hours, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Chief, Information Policy Branch, PM-223, U.S. Environmental Protection Agency, 401 M St., S.W., Washington, D.C. 20460; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

FORM 1 GENERAL

U.S. ENVIRONMENTAL PROTECTION AGENCY

GENERAL INFORMATION

Consolidated Permits Program

(Read the "General Instructions" before starting.)

I. EPA I.D. NUMBER: F ALD004009403

LABEL ITEMS

I. EPA I.D. NUMBER

III. FACILITY NAME

V. FACILITY MAILING ADDRESS

VI. FACILITY LOCATION

PLEASE PLACE LABEL IN THIS SPACE

GENERAL INSTRUCTIONS

If a preprinted label has been provided, affix it in the designated space. Review the information carefully; if any of it is incorrect, cross through it and enter the correct data in the appropriate fill—in area below. Also, if any of the preprinted data is absent *(the area to the left of the label space lists the information that should appear)*, please provide it in the proper fill—in area(s) below. If the label is complete and correct, you need not complete Items I, III, V, and VI *(except VI-B which must be completed regardless)*. Complete all items if no label has been provided. Refer to the instructions for detailed item descriptions and for the legal authorizations under which this data is collected.

II. POLLUTANT CHARACTERISTICS

INSTRUCTIONS: Complete A through J to determine whether you need to submit any permit application forms to the EPA. If you answer "yes" to any questions, you must submit this form and the supplemental form listed in the parenthesis following the question. Mark "X" in the box in the third column if the supplemental form is attached. If you answer "no" to each question, you need not submit any of these forms. You may answer "no" if your activity is excluded from permit requirements; see Section C of the instructions. See also, Section D of the instructions for definitions of bold—faced terms.

SPECIFIC QUESTIONS	YES	NO	FORM ATTACHED
A. Is this facility a publicly owned treatment works which results in a discharge to waters of the U.S.? (FORM 2A)		X	
B. Does or will this facility *(either existing or proposed)* include a concentrated animal feeding operation or aquatic animal production facility which results in a discharge to waters of the U.S.? (FORM 2B)		X	
C. Is this a facility which currently results in discharges to waters of the U.S. other than those described in A or B above? (FORM 2C)		X	
D. Is this a proposed facility *(other than those described in A or B above)* which will result in a discharge to waters of the U.S.? (FORM 2D)		X	
E. Does or will this facility treat, store, or dispose of hazardous wastes? (FORM 3)	X		X
F. Do you or will you inject at this facility industrial or municipal effluent below the lowermost stratum containing, within one quarter mile of the well bore, underground sources of drinking water? (FORM 4)		X	
G. Do you or will you inject at this facility any produced water or other fluids which are brought to the surface in connection with conventional oil or natural gas production, inject fluids used for enhanced recovery of oil or natural gas, or inject fluids for storage of liquid hydrocarbons? (FORM 4)		X	
H. Do you or will you inject at this facility fluids for special processes such as mining of sulfur by the Frasch process, solution mining of minerals, in situ combustion of fossil fuel, or recovery of geothermal energy? (FORM 4)		X	
I. Is this facility a proposed stationary source which is one of the 28 industrial categories listed in the instructions and which will potentially emit 100 tons per year of any air pollutant regulated under the Clean Air Act and may affect or be located in an attainment area? (FORM 5)		X	
J. Is this facility a proposed stationary source which is NOT one of the 28 industrial categories listed in the instructions and which will potentially emit 250 tons per year of any air pollutant regulated under the Clean Air Act and may affect or be located in an attainment area? (FORM 5)		X	

III. NAME OF FACILITY

1 SKIP Koppers Industries, Inc.

IV. FACILITY CONTACT

A. NAME & TITLE *(last, first, & title)*	B. PHONE *(area code & no.)*
Meadows Doug Plant Manager	205 834 5290

V. FACILITY MAILING ADDRESS

A. STREET OR P.O. BOX: PO Box 510

B. CITY OR TOWN	C. STATE	D. ZIP CODE
Montgomery	AL	36101

VI. FACILITY LOCATION

A. STREET, ROUTE NO. OR OTHER SPECIFIC IDENTIFIER: 1451 Louisville Street

B. COUNTY NAME: Montgomery

C. CITY OR TOWN	D. STATE	E. ZIP CODE	F. COUNTY CODE *(if known)*
Montgomery	AL	36104	

EPA Form 3510-1 (6-80)

CONTINUE ON REVERSE

NTINUED FROM THE FRONT

I. SIC CODES (4-digit, in order of priority)

A. FIRST	2491 (specify) Wood preserving	
B. SECOND	C 7	(specify) N/A
C. THIRD	(specify) N/A	
D. FOURTH	C 7	(specify) N/A

III. OPERATOR INFORMATION

A. NAME: See Attached

B. Is the name listed in Item VIII-A also the owner? ☐ YES ☐ NO

C. STATUS OF OPERATOR (Enter the appropriate letter into the answer box; if "Other", specify.)
F = FEDERAL
S = STATE
P = PRIVATE
M = PUBLIC (other than federal or state)
O = OTHER (specify)

(specify) See attached

D. PHONE (area code & no.): C A See Attached

E. STREET OR P.O. BOX: See Attached

F. CITY OR TOWN: See Attached

G. STATE

H. ZIP CODE

IX. INDIAN LAND

Is the facility located on Indian lands?
☐ YES ☒ NO

. EXISTING ENVIRONMENTAL PERMITS

A. NPDES (Discharges to Surface Water)	N N/A
B. UIC (Underground Injection of Fluids)	U N/A
C. RCRA (Hazardous Wastes)	R Interim Status
D. PSD (Air Emissions from Proposed Sources)	9 P N/A
E. OTHER (specify)	9 209-5014-X001 (specify) ADEM Air Permit
E. OTHER (specify)	9 N/A (specify) City of Montgomery, Industrial Wastewater Discharge P

I. MAP

Attach to this application a topographic map of the area extending to at least one mile beyond property bounderies. The map must show the outline of the facility, the location of each of its existing and proposed intake and discharge structures, each of its hazardous waste treatment, storage, or disposal facilities, and each well where it injects fluids underground. Include all springs, rivers and other surface water bodies in the map area. See instructions for precise requirements.

XII. NATURE OF BUSINESS (provide a brief description)

The plant preserves wood using chromated copper arsenate, creosote, and coal tar mixtures and pentachlorophenol mixed with petroleum products in pressure retorts.

XIII. CERTIFICATION (see instructions)

I certify under penalty of law that I have personally examined and am familiar with the information submitted in this application and all attachments and that, based on my inquiry of those persons immediately responsible for obtaining the information contained in the application, I believe that the information is true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment.

A. NAME & OFFICIAL TITLE (type or print): J. R. Batchelder, Vice Pres. & Manager Environmental and Technical

B. SIGNATURE: JRBatchelder

C. DATE SIGNED: 8/30/85

COMMENTS FOR OFFICIAL USE ONLY

C

Operator #1

ERATOR INFORMATION

A. NAME

Koppers Industries, Inc.

B. Is the name listed in Item VIII-A also the owner? [X] YES [ ] NO

C. STATUS OF OPERATOR (Enter the appropriate letter into the answer box; if "Other", specify.)

FEDERAL M = PUBLIC (other than federal or state)
STATE O = OTHER (specify)
PRIVATE

P (specify)

D. PHONE (area code & no.)

A 412 227 2612

E. STREET OR P.O. BOX

436 Seventh Avenue

F. CITY OR TOWN: Pittsburgh

G. STATE: PA

H. ZIP CODE: 15219

IX. INDIAN LAND

Is the facility located on Indian lands? [ ] YES [X] NO

Operator #2

OPERATOR INFORMATION

A. NAME

Beazer Materials and Services, Inc.

B. Is the name listed in Item VIII-A also the owner? [ ] YES [X] NO

C. STATUS OF OPERATOR (Enter the appropriate letter into the answer box; if "Other", specify.)

= FEDERAL M = PUBLIC (other than federal or state)
= STATE O = OTHER (specify)
= PRIVATE

P (specify)

D. PHONE (area code & no.)

A 412 227 2000

E. STREET OR P.O. BOX

436 Seventh Avenue

F. CITY OR TOWN: Pittsburgh

G. STATE: PA

H. ZIP CODE: 15219

IX. INDIAN LAND

Is the facility located on Indian lands? [ ] YES [X] NO

(fill–in areas are spaced for elite type, i.e., 12 characters/inch).

FORM 3 RCRA

U.S. ENVIRONMENTAL PROTECTION AGENCY
HAZARDOUS WASTE PERMIT APPLICATION
Consolidated Permits Program
(This information is required under Section 3005 of RCRA.)

I. EPA I.D. NUMBER

F A L D 0 0 4 0 0 9 4 0 3

FOR OFFICIAL USE ONLY

APPLICATION APPROVED	DATE RECEIVED (yr., mo., & day)	COMMENTS

II. FIRST OR REVISED APPLICATION

Place an "X" in the appropriate box in A or B below *(mark one box only)* to indicate whether this is the first application you are submitting for your facility or a revised application. If this is your first application and you already know your facility's EPA I.D. Number, or if this is a revised application, enter your facility's EPA I.D. Number in Item I above.

A. FIRST APPLICATION *(place an "X" below and provide the appropriate date)*

☐ 1. EXISTING FACILITY *(See instructions for definition of "existing" facility. Complete item below.)*

☐ 2. NEW FACILITY *(Complete item below.)*

C 8 | YR. | MO. | DAY | FOR EXISTING FACILITIES, PROVIDE THE DATE *(yr., mo., & day)* OPERATION BEGAN OR THE DATE CONSTRUCTION COMMENCED *(use the boxes to the left)*

| YR. | MO. | DAY | FOR NEW FACILITIES, PROVIDE THE DATE *(yr., mo., & day)* OPERATION BEGAN OR IS EXPECTED TO BEGIN

B. REVISED APPLICATION *(place an "X" below and complete Item I above)*

X 1. FACILITY HAS INTERIM STATUS

☐ 2. FACILITY HAS A RCRA PERMIT

III. PROCESSES – CODES AND DESIGN CAPACITIES

A. **PROCESS CODE** – Enter the code from the list of process codes below that best describes each process to be used at the facility. Ten lines are provided for entering codes. If more lines are needed, enter the code(s) in the space provided. If a process will be used that is not included in the list of codes below, then describe the process *(including its design capacity)* in the space provided on the form *(Item III-C)*.

B. **PROCESS DESIGN CAPACITY** – For each code entered in column A enter the capacity of the process.
1. AMOUNT – Enter the amount.
2. UNIT OF MEASURE – For each amount entered in column B(1), enter the code from the list of unit measure codes below that describes the unit of measure used. Only the units of measure that are listed below should be used.

PROCESS	PROCESS CODE	APPROPRIATE UNITS OF MEASURE FOR PROCESS DESIGN CAPACITY
Storage:		
CONTAINER *(barrel, drum, etc.)*	S01	GALLONS OR LITERS
TANK	S02	GALLONS OR LITERS
WASTE PILE	S03	CUBIC YARDS OR CUBIC METERS
SURFACE IMPOUNDMENT	S04	GALLONS OR LITERS
Disposal:		
INJECTION WELL	D79	GALLONS OR LITERS
LANDFILL	D80	ACRE-FEET *(the volume that would cover one acre to a depth of one foot)* OR HECTARE-METER
LAND APPLICATION	D81	ACRES OR HECTARES
OCEAN DISPOSAL	D82	GALLONS PER DAY OR LITERS PER DAY
SURFACE IMPOUNDMENT	D83	GALLONS OR LITERS
Treatment:		
TANK	T01	GALLONS PER DAY OR LITERS PER DAY
SURFACE IMPOUNDMENT	T02	GALLONS PER DAY OR LITERS PER DAY
INCINERATOR	T03	TONS PER HOUR OR METRIC TONS PER HOUR; GALLONS PER HOUR OR LITERS PER HOUR
OTHER *(Use for physical, chemical, thermal or biological treatment processes not occurring in tanks, surface impoundments or incinerators. Describe the processes in the space provided; Item III-C.)*	T04	GALLONS PER DAY OR LITERS PER DAY

UNIT OF MEASURE	UNIT OF MEASURE CODE	UNIT OF MEASURE	UNIT OF MEASURE CODE	UNIT OF MEASURE	UNIT OF MEASURE CODE
GALLONS	G	LITERS PER DAY	V	ACRE-FEET	A
LITERS	L	TONS PER HOUR	D	HECTARE-METER	F
CUBIC YARDS	Y	METRIC TONS PER HOUR	W	ACRES	B
CUBIC METERS	C	GALLONS PER HOUR	E	HECTARES	Q
GALLONS PER DAY	U	LITERS PER HOUR	H		

EXAMPLE FOR COMPLETING ITEM III *(shown in line numbers X-1 and X-2 below)*: A facility has two storage tanks, one tank can hold 200 gallons and the other can hold 400 gallons. The facility also has an incinerator that can burn up to 20 gallons per hour.

C | DUP | T/A | C 1

LINE NUMBER	A. PROCESS CODE (from list above)	B. PROCESS DESIGN CAPACITY 1. AMOUNT (specify)	2. UNIT OF MEASURE (enter code)	FOR OFFICIAL USE ONLY	LINE NUMBER	A. PROCESS CODE (from list above)	B. PROCESS DESIGN CAPACITY 1. AMOUNT	2. UNIT OF MEASURE (enter code)	FOR OFFICIAL USE ONLY
X-1	S 0 2	600	G		5				
X-2	T 0 3	20	E		6				
1	S 0 1	5000	G		7				
2					8				
3					9				
4					10				

ontinued from the front.

I. PROCESSES (continued)

SPACE FOR ADDITIONAL PROCESS CODES OR FOR DESCRIBING OTHER PROCESSES (code "T04"). FOR EACH PROCESS ENTERED HERE INCLUDE DESIGN CAPACITY.

N/A

V. DESCRIPTION OF HAZARDOUS WASTES

. EPA HAZARDOUS WASTE NUMBER — Enter the four-digit number from 40 CFR, Subpart D for each listed hazardous waste you will handle. If you handle hazardous wastes which are not listed in 40 CFR, Subpart D, enter the four-digit number(s) from 40 CFR, Subpart C that describes the characteristics and/or the toxic contaminants of those hazardous wastes.

. ESTIMATED ANNUAL QUANTITY — For each listed waste entered in column A estimate the quantity of that waste that will be handled on an annual basis. For each characteristic or toxic contaminant entered in column A estimate the total annual quantity of all the non-listed waste(s) that will be handled which possess that characteristic or contaminant.

. UNIT OF MEASURE — For each quantity entered in column B enter the unit of measure code. Units of measure which must be used and the appropriate codes are:

ENGLISH UNIT OF MEASURE	CODE	METRIC UNIT OF MEASURE	CODE
POUNDS	P	KILOGRAMS	K
TONS	T	METRIC TONS	M

If facility records use any other unit of measure for quantity, the units of measure must be converted into one of the required units of measure taking into account the appropriate density or specific gravity of the waste.

. PROCESSES

1. PROCESS CODES:
   For listed hazardous waste: For each listed hazardous waste entered in column A select the code(s) from the list of process codes contained in Item III to indicate how the waste will be stored, treated, and/or disposed of at the facility.
   For non-listed hazardous wastes: For each characteristic or toxic contaminant entered in column A, select the code(s) from the list of process codes contained in Item III to indicate all the processes that will be used to store, treat, and/or dispose of all the non-listed hazardous wastes that possess that characteristic or toxic contaminant.
   Note: Four spaces are provided for entering process codes. If more are needed: (1) Enter the first three as described above; (2) Enter "000" in the extreme right box of Item IV-D(1); and (3) Enter in the space provided on page 4, the line number and the additional code(s).

2. PROCESS DESCRIPTION: If a code is not listed for a process that will be used, describe the process in the space provided on the form.

IOTE: HAZARDOUS WASTES DESCRIBED BY MORE THAN ONE EPA HAZARDOUS WASTE NUMBER — Hazardous wastes that can be described by more than one EPA Hazardous Waste Number shall be described on the form as follows:

1. Select one of the EPA Hazardous Waste Numbers and enter it in column A. On the same line complete columns B,C, and D by estimating the total annual quantity of the waste and describing all the processes to be used to treat, store, and/or dispose of the waste.
2. In column A of the next line enter the other EPA Hazardous Waste Number that can be used to describe the waste. In column D(2) on that line enter "included with above" and make no other entries on that line.
3. Repeat step 2 for each other EPA Hazardous Waste Number that can be used to describe the hazardous waste.

XAMPLE FOR COMPLETING ITEM IV (shown in line numbers X-1, X-2, X-3, and X-4 below) — A facility will treat and dispose of an estimated 900 pounds er year of chrome shavings from leather tanning and finishing operation. In addition, the facility will treat and dispose of three non-listed wastes. Two wastes re corrosive only and there will be an estimated 200 pounds per year of each waste. The other waste is corrosive and ignitable and there will be an estimated 00 pounds per year of that waste. Treatment will be in an incinerator and disposal will be in a landfill.

LINE NO.	A. EPA HAZARD. WASTE NO (enter code)	B. ESTIMATED ANNUAL QUANTITY OF WASTE	C. UNIT OF MEASURE (enter code)	D. PROCESSES 1. PROCESS CODES (enter)	D. PROCESSES 2. PROCESS DESCRIPTION (if a code is not entered in D(1))
X-1	K 0 5 4	900	P	T 0 3 D 8 0	
X-2	D 0 0 2	400	P	T 0 3 D 8 0	
X-3	D 0 0 1	100	P	T 0 3 D 8 0	
X-4	D 0 0 2				included with above

CONTINUE ON PAGE 3

Continued from page 2.
NOTE: Photocopy this page before completing if you have more than 26 wastes to list.

Form Approved OMB No. 158-S80004

EPA I.D. NUMBER (enter from page 1): W A L D 0 0 4 0 0 9 4 0 3 | T/A | C: 1

FOR OFFICIAL USE ONLY: W | DUP | T/A | C: 2 | DUP

IV. DESCRIPTION OF HAZARDOUS WASTES (continued)

LINE NO.	A. EPA HAZARD. WASTE NO. (enter code)	B. ESTIMATED ANNUAL QUANTITY OF WASTE	C. UNIT OF MEASURE (enter code)	D. PROCESSES 1. PROCESS CODES (enter)	D. PROCESSES 2. PROCESS DESCRIPTION (if a code is not entered in D(1))
1	U 0 5 1	See remarks		S 0 1	CSF is currently undergoing closu Wastes generated will be in
2					conjunction with closure activit:
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					

tinued from the front.

DESCRIPTION OF HAZARDOUS WASTES *(continued)*

USE THIS SPACE TO LIST ADDITIONAL PROCESS CODES FROM ITEM D(1) ON PAGE 3.

N/A

EPA I.D. NO. *(enter from page 1)*

A L D 0 0 4 0 0 7 4 0 3 | T/A C | 16

FACILITY DRAWING

ll existing facilities must include in the space provided on page 5 a scale drawing of the facility *(see instructions for more detail).*

I. PHOTOGRAPHS

ll existing facilities must include photographs *(aerial or ground—level)* that clearly delineate all existing structures; existing storage, reatment and disposal areas; and sites of future storage, treatment or disposal areas *(see instructions for more detail).*

II. FACILITY GEOGRAPHIC LOCATION

LATITUDE *(degrees, minutes, & seconds)*	LONGITUDE *(degrees, minutes, & seconds)*
32 24 000	086 19 030

III. FACILITY OWNER

☐ A. If the facility owner is also the facility operator as listed in Section VIII on Form 1, "General Information", place an "X" in the box to the left and skip to Section IX below.

B. If the facility owner is not the facility operator as listed in Section VIII on Form 1, complete the following items:

1. NAME OF FACILITY'S LEGAL OWNER	2. PHONE NO. *(area code & no.)*
Koppers Industries Inc.	412-227-2000

3. STREET OR P.O. BOX	4. CITY OR TOWN	5. ST.	6. ZIP CODE
436 Seventh Avenue	G Pittsburgh	PA	15219

X. OWNER CERTIFICATION

certify under penalty of law that I have personally examined and am familiar with the information submitted in this and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the ubmitted information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, ncluding the possibility of fine and imprisonment.

A. NAME *(print or type)*	B. SIGNATURE	C. DATE SIGNED
.R. Batchelder, Vice Pres. & Mgr. Environmental and Technical	J R Batchelder	8/31/89

X. OPERATOR CERTIFICATION

certify under penalty of law that I have personally examined and am familiar with the information submitted in this and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the ubmitted information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, ncluding the possibility of fine and imprisonment.

A. NAME *(print or type)*	B. SIGNATURE	C. DATE SIGNED
.R. Batchelder, Vice Pres., KII	J R Batchelder	8/30/89
ill M. Blundon, Vice Pres., BM&S	Joe M Blundon	8/30/89

CONTINUE ON PAGE 5

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

P 094 398 746
Via Certified Mail
Return Receipt Requested

August 30, 1989

Chief Counsel, Legal Section
Department of Pollution Control & Ecology
8001 National Drive
P. O. Box 9583
Little Rock, Arkansas 72209

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ______________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
<u>Assurance Documentation for the Year Ending June 30, 1988</u>

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Arkansas

PLANT NAME: North Little Rock

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Surface Impoundment	4/2/88	$463,930	$2,208,300

CALCULATIONS:

Latest closure plan costs reflected 1988 dollars; total cost for financial assurance

= ($463,930) + ($2,208,300) = $2,672,230

* 1988 estimate is $2,672,230

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Letter From Chief Financial Officer

August 28, 1989

Chief Counsel, Legal Section
Department of Pollution Control & Ecology
8001 National Drive
P. O. Box 9583
Little Rock, Arkansas 72209

Dear Sir or Madam:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265:

Little Rock Plant
P.O. Box 3231
N. Little Rock, Arkansas 72117
ARD 006344824

The firm identified above guarantees, through the guarantee specified in Subpart H of 40 CFR Parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following facilities owned or operated by the following:

NONE

Writer's Direct Dial ____________

August 28, 1989

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care or liability coverage is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
Little Rock Plant P.O. Box 3231 N. Little Rock, Ar 72117 ARD 006344824	$ 463,930	$ 2,208,300	$ 2,672,230

2. The firm identified above guarantees, through the guarantee specified in Subpart H of 40 CFR Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

   NONE

3. In states where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$ 12,084,398.00	$ 18,798,056.00	$ 30,885,454.00

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:

   NONE

This firm is not required to file a Form 10 K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$	30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
3.	Sum of lines 1 and 2.	$	48,885,454
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure and/or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$	461,954,000
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

August 28, 1989

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(g) as such regulations were constituted on the date shown immediately below.

G R Johannes   EM

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219
Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH
Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
Arkansas Department Of Pollution Control and Ecology:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and the Regulations of the Arkansas Department of Pollution Control and Ecology, where applicable, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Director
Toxic Substance Control Division
California Department of Health Services
714744 P. Street
P.O. Box 942732
Sacramento, California 94234-7320

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ________________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneoulsy reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

As discussed at length in the enclosed letter from Billie S. Nolan to Caroline Cabias of the Department of Health Services dated October 14, 1988, (mailed as exhibit A), it is our belief that the Fontana Plant has never generated, stored, treated or disposed of hazardous waste. Operations at this facility ceased in 1986 and the facility was demolished. Therefore, we have not included closure and post-closure costs for the Fontana Plant within our revised 1988 financial assurance documentation. In addition, it is our understanding that the only hazardous waste process at the Oxnard Plant was determined by U.S. EPA Region IX to be exempt from the hazardous waste regulations under 40 CFR 264.1(g)(5) and (6). This is confirmed by the enclosed letter from Mark Urbassik, Manager, Environmental Regulatory Programs, Koppers, to Harry Seraydarian, Director, Toxics and Waste Management Division, U.S. EPA Region IX, dated September 26, 1983, (mailed as Exhibit B), and response thereto from William D. Wilson, Chief, Technical Assessment Section, U.S. EPA, Region IX, to Mr. Urbassik dated October 6, 1983, (mailed as Exhibit C). Therefore, we have not included closure and post-closure costs for the Oxnard Plant within our revised 1988 financial assurance documentation.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

KOPPERS

RECEIVED
OCT 18 REC'D
ENVIRONMENTAL RESOURCES

October 14, 1988

Caroline Cabias
Chief Hazardous Waste
Management Section
Toxic Substances Control Division
Department of Health Services
714/744 P Street
Sacramento, CA 95814

Re: Report of Violation - Koppers Company
Commerce Plant, Los Angeles, CA
EPA ID No. CAD004937793
Oxnard Plant, Oxnard, CA
EPA ID No. CAD087163267
Cal-Richmond Plant, Richmond, CA
EPA ID No. CAD043242718
Feather River Plant, Oroville, CA
EPA ID No. CAD009112087
Ontario Plant, Guasti, CA
EPA ID No. CAD000617324
Fontana Plant, Fontana, CA
EPA ID No. CAD073568677

Dear Ms. Cabias:

This letter is written in response to the recent Report of Violation which you sent to Terence P. Kirchner regarding the above-captioned facilities. In your Report of Violation, you allege that your office's June 3, 1988 review of the financial responsibility file for the six (6) listed facilities has disclosed certain errors in Koppers' liability coverage. The Report then directs Koppers to submit (1) a new letter from the chief financial officer showing the correct closure cost estimates and liability amounts for each facility, (2) a new Alternate I form and (3) a new letter from our accounting service substantiating the new financial test.

Due to the recent change in ownership of Koppers Company, Inc., Koppers' fiscal year end has been changed to June 30. A complete audit of Koppers' accounts is in progress as a result of this change and is expected to be finished by

EXHIBIT A

late October or early November. As soon as the audit is completed, the revised financial assurance and liability documents will be forwarded to your department for review; subject, however, to the following exceptions.

Without admitting the validity of any of the allegations contained in the Report of Violation, Koppers would like to take this opportunity to restate its position regarding the applicability of the financial assurance requirements to the Fontana and Ontario plants. As set forth below, we do not believe we must demonstrate financial assurance for either facility.

As you correctly noted in your Report of Violation, we do not believe that the Fontana Plant is a hazardous waste treatment, storage or disposal unit. As early as May 13, 1983, we submitted a request for a hazardous waste facility exemption for the Fontana Plant to John Hinton at California's Department of Health Services. In that request we indicate that the facility does not store wastes for 90 days nor are hazardous wastes treated or disposed of at the Fontana facility. Koppers had submitted a RCRA Part A permit application in November of 1980 as a "protective filing" in the event we had to store hazardous waste at the Fontana Plant. We submitted a revised RCRA Part A application to the Department in August of 1985 to reflect the fact that we did not store hazardous waste at the Fontana facility. In 1986, operations were terminated at the plant and the facility was demolished. Unfortunately, to date, we have not received a response to our 1983 request for for an exemption. In order to resolve the the present Report of Violation, the Department of Health Services must make a determination upon our request as soon as possible. Koppers does not intend to continue to comply with inapplicable financial assurance requirements indefinitely.

In regard to the Ontario Plant, Koppers does not agree with the statement in the Report of Violation that approximately $50,000 is needed to complete closure. Koppers fully completed closure in late 1987 pursuant to an approved closure plan. The Department of Health Services acknowledged receipt of Ontario's closure report on January 21, 1988. However, in its acknowledgement, the Department indicated that due to a staffing shortage, it had not even begun its review. Further, Koppers was advised that the status of the facility will not change until we receive a written determination from the Department. According to

Section 76013 of Title 22 of California's Code of Regulations, the Department is required to notify the owner or operator of release from financial assurance requirements for closure costs within sixty days of receipt. The Department has not complied with Section 76013. Koppers considers the Department's position that we must continue to comply indefinitely with the financial assurance requirement to be arbitrary and capricious and without basis in law.

Please arrange to have the Department conduct the necessary reviews as expeditiously as possible. If you have any questions, you may call me at (412) 227-2515.

Sincerely,

Billie S. Nolan

Billie S. Nolan, Esq.

cc: Terence P. Kirchner
Mike Helbling
Dave Kerschner
Shannon Craig
Neil Gleberman
Ray Ohlis
James Batchelder
Bob Hamilton

Koppers Company, Inc., Environmental Resources
Pittsburgh, PA 15219, Telephone 4[illegible]27-2000

file

Organic Materials Group

KOPPERS

September 26, 1983

Mr. Harry Seraydarian, Director
Toxics and Waste Management Division
U. S. Environmental Protection Agency
Region IX
215 Fremont Street
San Francisco, California 94105

Dear Mr. Seraydarian:

Please find enclosed the revised Part A Application for the hazardous waste operations at the Oxnard, California facility of Koppers Company, Inc., (U.S. EPA I.D. # CAD 087163267). This revised Part A is being submitted as required by Section IV of the RCRA Consent Agreement and Final Order, Docket No. 9-83-RCRA 15.

You will note that on this revised Part A, we have no longer listed storage in tanks or containers as hazardous waste operations at the plant. We have decided to remove all wastes from the plant within 90 days of generation, and thus we are not required to obtain storage permits.

On September 26, 1983, I received a telephone call from Mr. Paul Blais concerning this application. He informed me that we may qualify for an exemption from the hazardous waste regulations under 40 CFR 264.1 (g)(6). I believe we may qualify under 40 CFR 264.1 (g)(5) as well. To aid the Agency in making a decision concerning these two exemption provisions, a general description of the facility used to neutralize follows The wastewater from the process is collected and sent to the neutralization tank. The tank is covered and the vent from it is tied into the fume incinerator at the plant. Neutralization takes place in the tank.

If you or your staff have any questions concerning this application, please call me on (412) 227-2870.

Sincerely,

Mark Urbassik

Mark Urbassik, Manager
Environmental Regulatory Programs

MU/s
enc.
cc: C. Dorsey
L. Flaherty
N. Fahnoe
T. Smith

EXHIBIT B

Writer's Direct Dial Number ______________

X

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
215 Fremont Street
San Francisco, Ca. 94105

RECEIVED
OCT 11 1983
ENVIRONMENTAL RESOURCES
OMG

October 6, 1983

Mark Urbassik, Manager
Environmental Regulatory Programs
1201 Koppers Building
Koppers Company, Inc.
Pittsburgh, PA 15219

Re: Oxnard Facility (EPA ID No. CAD087163267)

Dear Mr. Urbassik:

Thank you for your September 26, 1983 submission of a revised Part A permit application for the referenced facility. According to your letter, the only hazardous waste process at the site is neutralization of corrosive waste in a tank. This process is excluded from interim status and final permitting requirements. As such, you are not operating a RCRA regulated treatment facility, and I am returning the documents which you submitted. If you conduct regulated hazardous waste activities in the future, you must obtain a finally effective RCRA permit prior to commencement of those activities.

Sincerely yours,

William D. Wilson

William D. Wilson
Chief, Technical Assessment Section

cc: Nestor Acedera - DOHS, LA
Norman Fahnoe-Koppers, Oxnard

EXHIBIT C

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: California

PLANT NAME: Commerce

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	1985	$17,279	N/A

CALCULATIONS:

The Closure cost is in 1985 dollars; this estimate must be inflated to 1988 dollars:

For 1986: (17,279) (1.0325) = $17,841
1987: (17,841) (1.0261) = $18,306
1988: (18,306) (1.0298) = $18,852

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: California

PLANT NAME: Orrville, Feather River Plant

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facilities	11/8/85	$ 10,000	N/A
Surface Impoundment	11/8/85	$2,300,280	N/A
Sprayfields	11/8/85	$ 1,000	$60,000

Note: Beazer Materials and Services, Inc. does not agree that the "sprayfields" are regulated hazardous waste management units, requiring financial assurance for closure. These cost estimates are being included at the direction of DHS.

CALCULATIONS:

All closure plans reflect 1985 dollars; these estimates must be inflated to 1988 dollars.

Container Storage Facilities:
- For 1986: ($10,000)(1.0325) = $10,325 (see note)
- For 1987: ($10,325)(1.0261) = $10,594
- For 1988: ($10,594)(1.0298) = $10,910

Surface Impoundment:
- For 1986: ($2,300,280)(1.0325) = $2,375,039 (see note)
- For 1987: ($2,375,039)(1.0261) = $2,437,028
- For 1988: ($2,437,028)(1.0298) = $2,509,651

Sprayfield Closure:
- For 1986: ($1,000)(1.0325) = $1,033 (see note)
- For 1987: ($1,033)(1.0261) = $1,060
- For 1988: ($1,060)(1.0298) = $1,092

Sprayfields Post-Closure:
- For 1986: ($60,000)(1.0325) = $61,950 (see note)
- For 1987: ($61,950)(1.0261) = $63,567
- For 1988: ($63,567)(1.0298) = $65,461

* 1988 estimate is-
  ($10,910)+($2,509,651)+($1,092)+($65,461) $2,587,114

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

August 28, 1989

Director
Toxic Substance Control Division
California Department of Health Services
714744 P. Street
P.O. Box 942732
Sacramento, California 94234-7320

Attn: RCRA Financial Requirements

Dear Director:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test and/or corporate guarantee to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Division 30, Title 22, California Code of Regulations.

1. The corporation identified above guarantees, through the financial test and/or corporate guarantee as specified in Section 67030. Division 30, Title 22, California Code of Regulations, liability coverage for sudden and/or non-sudden accidental occurrences for the following facilities owned or operated by its subsidiaries. The amount of liability coverage covered by this test is shown for each facility:

	Aggregate Liability Coverage		
Facility and ID Number	Sudden	Non-Sudden	Total
Commerce Plant P. O. Box 22066 Los Angeles, Ca 90022 CAD 004937793	$ 2,000,000	$ 0	$ 2,000,000
Feather River Plant P. O. Box 351 Oroville, Ca 95965 CAD 009112087	$ 2,000,000	$ 6,000,000	$ 8,000,000
Fontana Plant P. O. Box 489 Fontana, Ca 92335 CAD 073568677	$ 0	$ 0	$ 0

Writer's Direct Dial ______________

August 28, 1989

Facility and ID Number	Aggregate Liability Coverage Sudden	Non-Sudden	Total
Oxnard Plant 5980 Arcturus Avenue Oxnard, Ca 93003 CAD 087163267	$ 0	$ 0	$ 0

Total Aggregate Liability Costs for California: $ 10,000,000

Total Aggregate Liability Costs for Other States: $ 8,000,000
(See Attachment A for State Listings)

2. The corporation identified above guarantees, through the financial test and/or corporate guarantee as specified in Section 67009 and 67021, Division 30, Title 22, California Code of Regulations, the closure and/or post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure and/or post-closure care so guaranteed are shown for each facility:

Facilty and ID Number	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Commerce Plant P. O. Box 22066 Los Angeles, Ca 90022 CAD 004937793	$ 18,852	$	$ 18,852
Feather River Plant P. O. Box 351 Oroville, Ca 95965 CAD 009112087	$ 2,521,653	$ 65,461	$ 2,587,114
Fontana Plant P. O. Box 489 Fontana, Ca 92335 CAD 073568677	$ 0	$ 0	$ 0
Oxnard Plant 5980 Arcturus Avenue Oxnard, Ca 93003 CAD 087163267	$ 0	$ 0	$ 0

August 28, 1989

	Current Estimates		
Facilty and ID Number	Closure Cost	Post-Closure Cost	Total Cost
Total Costs for California:	$ 2,540,505.00	$ 65,461.00	$ 2,605,966.00
Total Costs for Other States:	$ 9,546,893.00	$ 18,732,595.00	$ 28,279,488.00

(See Attachment A for Listing)

3. The corporation identified above owns or operates the following facilities for which financial assurance for liability coverage and/or closure or post-closure care is not demonstrated through this financial test and corporate guarantee or through any other financial assurance mechanism as specified in Division 30, Title 22, California Code of Regulations. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   NONE

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on June 30. The figures for the following items marked with an asterisk are derived from this corporation's, owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988, using either Alternative I or Alternative II.

August 28, 1989

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates.)	$	30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
3.	Sum of lines 1 and 2.	$	48,885,454
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure and post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line).	$	461,954,000
*8.	Total assets in the U.S. (required only if less than 90 percent of assets are located in the U.S.)	$	Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 percent of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

August 28, 1989

I hereby certify that this letter is worded as specified by the Department of Health Services and is being executed in accordance with the requirements of Article 17, Title 22, California Code of Regulations.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachemnt

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219
Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH
Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
California Department of Health Services - Toxic Substance Control Division:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and Division 30, Title 22, California Code of Regulations, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Florida Department of Environmental
Regulation
Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, FL 32301

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ________________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Florida

PLANT NAME: Gainesville

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage	11/11/85	$13,629	N/A

CALCULATIONS:

Closure plan reflects 1985 dollars; this estimate must be inflated to 1988 dollars.

- For 1986: ($13,629) (1.0325) = $14,072 (see note)

- For 1987: ($14,072) (1.0261) = $14,439

- For 1988: ($14,439) (1.0298) = $14,869

* 1988 estimate is $14,869

Note: Inflation factors are per RCRA Hotline

STATE OF FLORIDA

HAZARDOUS WASTE FACILITY LETTER FROM CHIEF FINANCIAL OFFICER TO DEMONSTRATE LIABILITY COVERAGE OR TO DEMONSTRATE BOTH LIABILITY COVERAGE AND ASSURANCE OF CLOSURE OR POST-CLOSURE CARE

Dale Twachtmann, Secretary
Florida Department of Environmental Regulation
Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

I am the chief financial officer of Beazer Materials and Services, Inc. (formerly Koppers Company, Inc.) [Owner's or Operator's Name and Address] 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219.

This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care [insert "and closure and/or post-closure care" if applicable] as specified in Subpart H of 40 CFR Parts 264 and 265, as adopted by reference in Section 17-30.180, Florida Administrative Code (F.A.C.).

[Fill out the following paragraphs regarding facilities and liability coverage. If there are no facilities that belong in a particular paragraph, write "None" in the space indicated. For each facility, include its EPA/DER Identification Number, name, and address].

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden [insert "sudden" or "nonsudden" or "both sudden and nonsudden" accidental occurrences] is being demonstrated to the State of Florida through the financial test specified in Subpart H of 40 CFR Parts 264 and 265, as adopted by reference in Section 17-30.180, F.A.C.:

Gainesville Plant
P. O. Box 1067
Gainesville, Florida 32602
FLD 004057535

The firm identified above guarantees, through the corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265 liability coverage for both sudden and non-sudden [insert "sudden" or "nonsudden" or "both sudden and nonsudden"] accidental ocurrences at the following facilities owned or operated by the following subsidiaries of the firm:

NONE

4. In States other than Florida where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

See Attachment A-2.

5. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is **not** demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265, or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

NONE

6. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144 and/or Section 17-28.27(9), F.A.C. The current plugging and abandonment cost estimates as required by 40 CFR 144.62 and/or Section 17-28.27(9), F.A.C. are shown for each facility:

NONE

ALTERNATIVE II

1.	Amount of annual aggregate liability coverage to be demonstrated	$______
*2.	Current bond rating of most recent issuance and name of rating service	______
3.	Date of issuance of bond	______
4.	Date of maturity of bond	______
*5.	Tangible net worth	$______
*6.	Total assets in U.S. (required only if less than 90% of assets are located in the U.S.)	$______

		YES	NO
7.	Is line 5 at least $10 million?	___	___
8.	Is line 5 at least 6 times line 1?	___	___
*9.	Are at least 90% of assets located in the U.S.? If not, complete line 10.	___	___
10.	Is line 6 at least 6 times line 1?	___	___

[Fill in part B if you are using the financial test to demonstrate assurance of both liability coverage and closure or post-closure care.]

Part B. Closure or Post-Closure Care and Liability Coverage

[Fill in Alternative I if the criteria of paragraphs (f)(1)(i) of §§264.143 or 264.145 and (f)(1)(i) of §264.147, as adopted by reference in Section 17-30.180, F.A.C., are used or if the criteria of paragraphs (e)(1)(i) of §§265.143 or 265.145 and (f)(1)(i) of §265.147, as adopted by reference in Section 17-30.180, F.A.C., are used. Fill in Alternative II if the criteria of paragraphs (f)(1)(ii) of §§264.143 or 264.145 and (f)(1)(ii) of §264.147, as adopted by reference in Section 17-30.180, F.A.C., are used or if the criteria of paragraphs (e)(1)(ii) of §§265.143 or 265.145 and (f)(1)(ii) of §265.147, as adopted by reference in Section 17-30.180, F.A.C., are used.]

ALTERNATIVE I

1.	Sum of current closure and post-closure cost estimates [total of all cost estimates listed above]	$______
2.	Amount of annual aggregate liability coverage to be demonstrated	$______
3.	Sum of lines 1 and 2	$______

6.	Date of maturity of bond	August 1, 2007
*7.	Tangible net worth (if any portion of the closure and post-closure cost estimates is included in "total liabilities" on your financial statements, you may add the amount of that portion to this line)	$ 461,954,000
*8.	Total assets in the U.S. (required only if less than 90 percent of assets are located in the U.S.)	$ Not Applicable

		YES	NO
9.	Is line 7 at least $10 million?	X	
10.	Is line 7 at least 6 times line 3?	X	
*11.	Are at least 90% of assets located in the U.S.? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3?	N/A	

I hereby certify that the wording of this letter is substantially identical to the wording specified in 40 CFR 264.151(g), as adopted by reference in Section 17-30.180, F.A.C., as such regulations were constituted on the date shown immediately below except for the references to the State of Florida, the F.A.C. and the FDER Secretary.

G R Johannes
[Signature]

George R. Johannes
[Type Name]

Executive Vice President and Chief Financial Officer
[Type Title]

August 28, 1989
[Date]

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219
Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH
Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
Florida Department of Environmental Regulation:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and the Florida Administrative Code Section 17-30.180, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

STATE OF FLORIDA

A T T A C H M E N T   A - 1

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	 1988 POST CLOSURE	 TOTAL COS
COMMERCE PLANT P. O. BOX 22066 LOS ANGELES, CA 90022 CAD 004937793	$ 18,852.00	$	$ 18,852.0
FEATHER RIVER PLANT P. O. BOX 351 OROVILLE, CA 95965 CAD 009112087	$ 2,521,653.00	$ 65,461.00	$ 2,587,114.0
FONTANA PLANT P. O. BOX 489 FONTANA, CA 92335 CAD 073568677	$ 0.00	$ 0.00	$ 0.0
OXNARD PLANT 5980 ARCTURUS AVENUE OXNARD, CA 93003 CAD 087163267	$ 0.00	$ 0.00	$ 0.0
MAUI PLANT P. O. BOX 1650 MAUI, HI 96732 HID 059475210	$ 9,670.00	$	$ 9,670.0
ORRVILLE PRODUCT DEVELOPMENT P. O. BOX 905 ORRVILLE, OH 44667 OHD 068911494	$ 39,348.00	$	$ 39,348.0
PARR - WEST 5151 DENISON AVENUE CLEVELAND, OH 44102 OHD 060431947	$ 5,353.00	$	$ 5,353.0

STATE OF FLORIDA

A T T A C H M E N T A - 1

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
YOUNGSTOWN PLANT P. O. BOX 1137 YOUNGSTOWN, OH 44501 OHD 004198784	$ 385,909.00	$	$ 385,909.00

Total Closure Cost for Attachment A-1	$ 2,980,785.00
Total Post Closure Cost for Attachment A-1	$ 65,461.00
Total Costs	$ 3,046,246.00

STATE OF FLORIDA

A T T A C H M E N T A - 2

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
MONTGOMERY PLANT P.O. BOX 510 1451 LOUISVILLE STREET MONTGOMERY, AL 36101 ALD 004009403	$ 13,203.00	$	$ 13,203.00
WOODWARD COKE PLANT KOPPERS DRIVE DOLOMITE, AL 35061 ALD 000771949	$ 33,218.00	$ 60,243.00	$ 93,461.00
WOODWARD TAR PLANT 1835 KOPPERS DRIVE DOLOMITE, AL 35061 ALD 085765808	$ 134,909.00	$ 142,350.00	$ 277,259.00
LITTLE ROCK PLANT P. O. BOX 22066 NORTH LITTLE ROCK, AR 72117 ARD 006344824	$ 463,930.00	$ 2,208,300.00	$ 2,672,230.00
DENVER PLANT 465 WEST 56TH AVENUE DENVER, CO 80216 COD 007077175	$ 190,576.00	$ 1,244,575.00	$ 1,435,151.00
CONLEY PLANT 1579 KOPPERS ROAD CONLEY, GA 30027 GAD 004009403	$ 31,111.00	$	$ 31,111.00
CARBONDALE PLANT P. O. BOX 271 CARBONDALE, IL 62901 ILD 000819946	$ 1,097,403.00	$ 4,817,910.00	$ 5,915,313.00
CHICAGO PLANT 3900 S. LARAMIE AVENUE CICERO STATION CHICAGO, IL 60650 ILD 005164611	$ 113,279.00	$	$ 113,279.00
GALESBURG PLANT P. O. BOX 1191 GALESBURGH, IL 61401 ILD 990817991	$ 6,690.00	$	$ 6,690.00

STATE OF FLORIDA

A T T A C H M E N T   A - 2

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
VALPARAISO PLANT P. O. BOX 104 VALPARAISO, IN 62901 IND 000781609	$ 10,746.00	$	$ 10,746.00
GUTHRIE PLANT P. O. BOX 8 GUTHRIE, KY 42234 KYD 006383392	$ 91,854.00	$	$ 91,854.00
GRENADA PLANT BOX 8057 GRENADA, MS 38960 MSD 007027543	$ 899,199.00	$ 1,616,287.00	$ 2,515,486.00
KANSAS CITY PLANT P. O. BOX 8057 KANSAS CITY, MO 64129 MOD 007146517	$ 31,967.00	$	$ 31,967.00
NEWARK PLANT 480 FRELINGHUYSEN AVENUE NEWARK, NJ 07114 NJD 002149789	$ 110,000.00	$	$ 110,000.00
PORT NEWARK PLANT MARITIME & TYLER STREETS PORT NEWARK, NJ 07114 NJD 000542282	$ 24,297.00	$	$ 24,297.00
BRIDGEVILLE PLANT P. O. BOX 219 BRIDGEVILLE, PA 15017 PAD 063764898	$ 71,991.00	$	$ 71,991.00
SCIENCE & TECHNOLOGY CENTER 440 COLLEGE PARK DRIVE MONROEVILLE, PA 15146 PAD 082245754	$ 6,047.00	$	$ 6,047.00
SUSQUEHANNA PLANT P. O. BOX 189 MONTGOMERY, PA 17752 PAD 056723265	$ 229,234.00	$	$ 229,234.00
VERONA RESEARCH FACILITY 15 PLUM STREET VERONA, PA 15147 PAD 980554950	$ 8,883.00	$	$ 8,883.00

STATE OF FLORIDA

A T T A C H M E N T   A - 2

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COS
FLORENCE PLANT P. O. BOX 1725 FLORENCE, SC 29503 SCD 003353026	$ 1,228,075.00	$ 1,485,660.00	$ 2,713,735.0
HOUSTON TAR PLANT P. O. BOX 96150 HOUSTON, TX 77015 TXD 008089021	$ 114,066.00	$	$ 114,066.0
HOUSTON WOOD PLANT P. O. BOX 16220 HOUSTON, TX 77222 TXD 020802393	$ 5,502.00	$	$ 5,502.0
RICHMOND PLANT 4005 CHARLES CITY ROAD RICHMOND, VA 23231 VAD 00312977	$	$ 1,126,710.00	$ 1,126,710.0
ROANOKE PLANT P. O. BOX 791 SALEM, VA 24153 VAD 003125770	$ 753,161.00	$ 708,502.00	$ 1,461,663.0
COLLIERS LANDFILL P. O. BOX M FOLLANSBEE, WV 26037 WVD 550010144	$ 2,198,560.00	$ 1,399,004.00	$ 3,597,564.0
FOLLANSBEE PLANT P. O. BOX M FOLLANSBEE, WV 26037 WVD 004336749	$ 258,496.00	$ 1,338,288.00	$ 1,596,784.0
GREEN SPRING PLANT P. O. BOX 98 GREEN SPRING, WV 26722 WVD 003080959	$ 142,590.00	$	$ 142,590.0
SUPERIOR PLANT P. O. BOX 397 SUPERIOR, WI 54880 WID 006179493	$ 822,757.00	$ 2,584,766.00	$ 3,407,523.0

TOTAL CLOSURE COST FOR ATTACHMENT A-2:	$ 9,091,744.00
TOTAL POST CLOSURE COST FOR ATTACHMENT A-2:	$ 18,732,595.00
TOTAL COSTS :	$ 27,824,339.00

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Director
Illinois Environmental Protection Agency
2200 Churchill Road
P.O. Box 19276
Springfield, IL 62794-9276

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ______________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Voppe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Illinois

PLANT NAME: Carbondale

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Surface Impoundment	6/10/88	$995,656	$4,817,910
Waste Piles	4/85	$ 79,106	N/A
Sprayfield	6/10/88	$ 15,440	N/A

Note: Beazer Materials and Services, Inc. does not agree that the "waste piles" or "sprayfield" are regulated hazardous waste management units, requiring financial assurance for closure. These cost estimates are being included at the direction of IEPA.

CALCULATIONS:

Surface impoundment closure plan reflects 1988 dollars.

Sprayfield closure plan reflects 1988 dollars.

Waste piles closure plan reflects 1985 dollars; this estimate must be inflated to 1988 dollars.

- For 1986: ($79,106) (1.0325) = $81,677 (see note)
- For 1987: ($81,677) (1.0261) = $83,809
- For 1988: ($83,809) (1.0298) = $86,307

*1988 estimate is-

($995,656)+($4,817,910)+($15,440)+($86,307) = $5,915,313

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Illinois

PLANT NAME: Chicago

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	5/1/88	$ 63,250	0
Incineration System	5/1/88	17,595	0
DAF Tank	5/1/88	32,434	0
		$113,279	

CALCULATIONS:

Closure cost is in 1988 dollars. No adjustment is necessary.

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Illinois

PLANT NAME: Galesburg

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	1982	$ 5,368	N/A

CALCULATIONS:

Closure plan reflects 1982 dollars; this estimate must be inflated to 1988 dollars.

- For 1983: ($5,368) (1.0602) = $ 5,691 (see note)
- For 1984: ($5,691) (1.0384) = $ 5,910
- For 1985: ($5,910) (1.0376) = $ 6,132
- For 1986: ($6,132) (1.0325) = $ 6,331
- For 1987: ($6,331) (1.0261) = $ 6,496
- For 1988: ($6,496) (1.0298) = $ 6,690

* 1988 estimate is $6,690

Note: Inflation factors are per RCRA Hotline

LETTER FROM CHIEF FINANCIAL OFFICER

(To demonstrate liability coverage and/or to demonstrate both liability coverage and assurance of closure and/or post-closure care.)

Director
Illinois Environmental Protection Agency
2200 Churchill Road
P.O. Box 19276
Springfield, Illinois 62794-9276

Dear Sir or Madam:

I am the chief financial officer of Beazer Materials & Services, Inc. (formerly Koppers Company, Inc.).
(1)

This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and assurance of
(2)
closure and post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265 and/or Subpart H of 35 Illinois
(3)
Administrative Code Parts 724 and 725.

The firm identified above is the owner or operator of the following facilities for which liability coverage for sudden and non-sudden
(4)
accidental occurrences is being demonstrated through the financial test specified in Subpart H of Illinois Administrative Code 724 and 725.

Please attach a separate page if more space is needed for all facilities.

USEPA I.D. No. ILD 000819946
(5)
Name Koppers Company, Inc.-Carbondale Plant
Address Post Office Box 271
City Carbondale, IL 62901

Continued on Attachment B

This firm identified above guarantees, through the corporate guarantee specified in Subpart H of 35 Illinois Administrative Code 724 and 725, liability coverage for sudden and non-sudden accidental occurences at the following facilities owned or operated
(6)
by the following subsidiaries of the firm:

USEPA I.D. No. NONE
(5)
Name
Address
City

USEPA I.D. No.
(5)
Name
Address
City

The Agency is authorized to require, pursuant to Illinois Revised Statutes 1983, Chapter 111 1/2, Paragraphs 1021(d) and 1021.1, that this information be submitted to the Agency by any person conducting a waste disposal operation. Failure to provide this information or falsification of this information may result in a civil penalty of not to exceed $10,000 and an additional civil penalty not to exceed $1,000 per day of violation, and a fine not to exceed $1,000 and imprisonment up to one year. This form has been approved by the Forms Management Center.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure and/or post-closure care is demonstrated through the financial test specified in Subpart H of 35 Ill. Adm. Code Parts 724 and 725. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

(Please attach a separate page if more space is needed for all facilities.)

		Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
USEPA I.D. No. (5)	ILD 000819946			
Name	Koppers Company, Inc.-Carbondale Plant			
Address	Post Office Box 271	1,097,403	4,817,910	5,915,313
City	Carbondale, IL 62901			
USEPA I.D. No.	ILD 005164611			
Name	Koppers Company, Inc.-Chicago Plant			
Address	3900 S. Laramie Avenue, Cicero Station	113,279	0	113,279
City	Chicago, IL 60650			

Continued on Attachment B

2. The firm identified above guarantees, through the corporate guarantee specified in Subpart H of 35 Ill. Adm. Code Parts 724 and 725, the closure and/or post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for closure or post-closure care so guaranteed are shown for each facility:

Please attach a separate page if more space is needed for all facilities.

NONE

		Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
USEPA I.D. No. (5)				
Name				
Address				
City				
USEPA I.D. No.				
Name				
Address				
City				

3. In states where IEPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

Please attach a separate page if more space is needed for all facilities.

		Closure Amount (6)	Post-Closure Amount (7)	Closure and Post-Closure Amounts (8)
USEPA I.D. No. (5)				
Name	SEE ATTACHMENT A			
Address				
City				

Part B. Closure or Post-Closure Care and Liability Coverage (See Instructions 14 and 15)

Alternative I

1. Sum of current closure and post-closure cost estimates (total of *all* cost estimates listed above) .... $________

2. Amount of annual aggregate liability coverage to be demonstrated .... $________

3. Sum of lines 1 and 2 .... $________

*4. Total liabilities (if any portion of your closure or post-closure cost estimates is included in your total liabilities, you may deduct that portion from this line and add that amount to lines 5 and 6) .... $________

*5. Tangible net worth .... $________

*6. Net worth .... $________

*7. Current assets .... $________

*8. Current liabilities .... $________

9. Net working capital (line 7 minus line 8) .... $________

*10. The sum of net income plus depreciation, depletion, and amortization .... $________

*11. Total assets in U.S. (required only if less than 90% of assets are located in the U.S.) .... $________

		Yes	No
12.	Is line 5 at least $10 million?	____	____
13.	Is line 5 at least 6 times line 3?	____	____
14.	Is line 9 at least 6 times line 3?	____	____
*15.	Are at least 90% of assets located in the U.S.? If not, complete line 16.	____	____
16.	Is line 11 at least 6 times line 3?	____	____
17.	Is line 4 divided by line 6 less than 2.0?	____	____
18.	Is line 10 divided by line 4 greater than 0.1?	____	____
19.	Is line 7 divided by line 8 greater than 1.5?	____	____

Signature

Typed name

Title

Date

Part A. Liability Coverage for Accidental Occurrences (See Instruction 12 and (13)

Alternative I

1.	Amount of annual aggregate liability coverage to be demonstrated	$______
*2.	Current assets	$______
*3.	Current liabilities	$______
4.	Net working capital (line 2 minus line 3)	$______
*5.	Tangible net worth	$______
*6.	If less than 90% of assets are located in the U.S., give total U.S. assets	$______

		Yes / No
7.	Is line 5 at least $10 million?	____/____
8.	Is line 4 at least 6 times line 1?	____/____
9.	Is line 5 at least 6 times line 1?	____/____
*10.	Are at least 90% of assets located in the U.S.? If not, complete line 11.	____/____
11.	Is line 6 at least 6 times line 1?	____/____

Signature

Typed name

Title

Date

Part A. Liability Coverage for Accidental Occurrences (See Instruction 12 and (13)

Alternative II

1.	Amount of annual aggregate liability coverage to be demonstrated	$______
2.	Current bond rating of most recent issuance and name of rating service	______
3.	Date of issuance of bond	______
4.	Date of maturity of bond	______
*5.	Tangible net worth	$______
*6.	Total assets in U.S. (required only if less than 90% of assets are located in U.S.)	$______

		Yes / No
7.	Is line 5 at least $10 million?	____/____
8.	Is line 5 at least 6 times line 1?	____/____
*9.	Are at least 90% of assets located in the U.S.? If not, complete line 10.	____/____
10.	Is line 6 at least 6 times line 1?	____/____

Signature

Typed name

Title

Date

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219
Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH
Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
Illinois Environmental Protection Agency - Division of Land Pollution Control:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and Subpart H of 35 Illinois Administrative Code Parts 724 and 725, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

STATE OF ILLINOIS

A T T A C H M E N T   A

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
MONTGOMERY PLANT P.O. BOX 510 1451 LOUISVILLE STREET MONTGOMERY, AL 36101 ALD 004009403	$ 13,203.00	$	$ 13,203.00
WOODWARD COKE PLANT KOPPERS DRIVE DOLOMITE, AL 35061 ALD 000771949	$ 33,218.00	$ 60,243.00	$ 93,461.00
WOODWARD TAR PLANT 1835 KOPPERS DRIVE DOLOMITE, AL 35061 ALD 085765808	$ 134,909.00	$ 142,350.00	$ 277,259.00
LITTLE ROCK PLANT P. O. BOX 22066 NORTH LITTLE ROCK, AR 72117 ARD 006344824	$ 463,930.00	$ 2,208,300.00	$ 2,672,230.00
COMMERCE PLANT P. O. BOX 22066 LOS ANGELES, CA 90022 CAD 004937793	$ 18,852.00	$	$ 18,852.00
FEATHER RIVER PLANT P. O. BOX 351 OROVILLE, CA 95965 CAD 009112087	$ 2,521,653.00	$ 65,461.00	$ 2,587,114.00
FONTANA PLANT P. O. BOX 489 FONTANA, CA 92335 CAD 073568677	$ 0.00	$ 0.00	$ 0.00
OXNARD PLANT 5980 ARCTURUS AVENUE OXNARD, CA 93003 CAD 087163267	$ 0.00	$ 0.00	$ 0.00
DENVER PLANT 465 WEST 56TH AVENUE DENVER, CO 80216 COD 007077175	$ 190,576.00	$ 1,244,575	$ 1,435,151.00
GAINESVILLE PLANT P. O. BOX 1067 GAINESVILLE, FL 32602 FLD 004057535	$ 14,869.00	$	$ 14,869.00

STATE OF ILLINOIS

A T T A C H M E N T   A

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
CONLEY PLANT 1579 KOPPERS ROAD CONLEY, GA 30027 GAD 004009403	$ 31,111.00	$	$ 31,111.00
MAUI PLANT P. O. BOX 1650 MAUI, HI 96732 HID 059475210	$ 9,670.00	$	$ 9,670.00
VALPARAISO PLANT P. O. BOX 104 VALPARAISO, IN 62901 IND 000781609	$ 10,746.00	$	$ 10,746.00
GUTHRIE PLANT P. O. BOX 8 GUTHRIE, KY 42234 KYD 006383392	$ 91,854.00	$	$ 91,854.00
GRENADA PLANT BOX 8057 GRENADA, MS 38960 MSD 007027543	$ 899,199.00	$ 1,616,287.00	$ 2,515,486.00
KANSAS CITY PLANT P. O. BOX 8057 KANSAS CITY, MO 64129 MOD 007146517	$ 31,967.00	$	$ 31,967.00
NEWARK PLANT 480 FRELINGHUYSEN AVENUE NEWARK, NJ 07114 NJD 002149789	$ 110,000.00	$	$ 110,000.00
PORT NEWARK PLANT MARITIME & TYLER STREETS PORT NEWARK, NJ 07114 NJD 000542282	$ 24,297.00	$	$ 24,297.00
ORRVILLE PRODUCT DEVELOPMENT P. O. BOX 905 ORRVILLE, OH 44667 OHD 068911494	$ 39,348.00	$	$ 39,348.00

STATE OF ILLINOIS

ATTACHMENT A

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
PARR - WEST 5151 DENISON AVENUE CLEVELAND, OH 44102 OHD 060431947	$ 5,353.00	$	$ 5,353.00
YOUNGSTOWN PLANT P. O. BOX 1137 YOUNGSTOWN, OH 44501 OHD 004198784	$ 385,909.00	$	$ 385,909.00
BRIDGEVILLE PLANT P. O. BOX 219 BRIDGEVILLE, PA 15017 PAD 063764898	$ 71,991.00	$	$ 71,991.00
SCIENCE & TECHNOLOGY CENTER 440 COLLEGE PARK DRIVE MONROEVILLE, PA 15146 PAD 082245754	$ 6,047.00	$	$ 6,047.00
SUSQUEHANNA PLANT P. O. BOX 189 MONTGOMERY, PA 17752 PAD 056723265	$ 229,234.00	$	$ 229,234.00
VERONA RESEARCH FACILITY 15 PLUM STREET VERONA, PA 15147 PAD 980554950	$ 8,883.00	$	$ 8,883.00
FLORENCE PLANT P. O. BOX 1725 FLORENCE, S.C. 29503 SCD 003353026	$ 1,228,075.00	$ 1,485,660.00	$ 2,713,735.00
HOUSTON TAR PLANT P. O. BOX 96150 HOUSTON, TX 77015 TXD 008089021	$ 114,066.00	$	$ 114,066.00
HOUSTON WOOD PLANT P. O. BOX 16220 HOUSTON, TX 77222 TXD 020802393	$ 5,502.00	$	$ 5,502.00

STATE OF ILLINOIS

A T T A C H M E N T A

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
RICHMOND PLANT 4005 CHARLES CITY ROAD RICHMOND, VA 23231 VAD 00312977	$	$ 1,126,710.00	$ 1,126,710.00
ROANOKE PLANT P. O. BOX 791 SALEM, VA 24153 VAD 003125770	$ 753,161.00	$ 708,502.00	$ 1,461,663.00
COLLIERS LANDFILL P. O. BOX M FOLLANSBEE, WV 26037 WVD 550010144	$ 2,198,560.00	$ 1,399,004.00	$ 3,597,564.00
FOLLANSBEE PLANT P. O. BOX M FOLLANSBEE, WV 26037 WVD 004336749	$ 258,496.00	$ 1,338,288	$ 1,596,784.00
GREEN SPRING PLANT P. O. BOX 98 GREEN SPRING, WV 26722 WVD 003080959	$ 142,590.00	$	$ 142,590.00
SUPERIOR PLANT P. O. BOX 397 SUPERIOR, WI 54880 WID 006179493	$ 822,757.00	$ 2,584,766.00	$ 3,407,523.00

TOTAL CLOSURE COST	- ATTACHMENT A	$ 10,836,808.00
TOTAL POST CLOSURE COST	- ATTACHMENT A	$ 13,980,146.00
TOTAL COSTS :	- ATTACHMENT A	$ 24,850,172.00

STATE OF ILLINOIS

A T T A C H M E N T B

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
CHICAGO PLANT 3900 S. LARAMIE AVENUE CICERO STATION CHICAGO, IL 60650 ILD 005164611	$ 113,279.00	$	$ 113,279.00
GALESBURG PLANT P. O. BOX 1191 GALESBURGH, IL 61401 ILD 990817991	$ 6,690.00	$	$ 6,690.00

TOTAL CLOSURE COST	- ATTACHMENT B	$ 119,969.00
TOTAL POST CLOSURE COST	- ATTACHMENT B	$ 0.00
TOTAL COSTS	- ATTACHMENT B	$ 119,969.00

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Department of Environmental Resources
Bureau of Waste Management
Division of Compliance and Monitoring
P.O. Box 2063, 7th Floor
Harrisburg, Pa 17120

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
<u>Assurance Documentation for the Year Ending June 30, 1988</u>

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ____________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Pennsylvania

PLANT NAME: Bridgeville

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Area Indoor Waste Pile Roll Off Boxes	12/22/85	$65,985	0

CALCULATIONS:

Closure plan reflects 1985 dollars; this estimate must be inflated to 1988 dollars.

For 1986: (65,985)(1.0325) = $ 68,130
For 1987: (68,130)(1.0261) = $ 69,908
For 1988: (69,908)(1.0298) = $ 71,991

*1988 estimate is $71,991.

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Pennsylvania

PLANT NAME: Monroeville Research Center

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	9/21/84	$ 5,342	0

CALCULATIONS:

Closure plan reflects 1984 dollars; this estimate must be inflated to 1988 dollars.

For 1985: (5342) (1.0376) = $5,543
For 1986: (5543) (1.0325) = $5,723
For 1987: (5723) (1.0261) = $5,872
For 1988: (5872) (1.0298) = $6,047

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Pennsylvania

PLANT NAME: Susquehanna, Montgomery, PA

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Surface Impoundment	10/1/87	$211,640	N/A
Container Storage	9/24/87	3,425	N/A
Sprayfield	6/10/88	7,760	N/A

Note: Beazer Materials and Services, Inc. does not agree that the "sprayfield" is a regulated hazardous waste management unit, requiring financial assurance for closure. This cost estimate is being included at the direction of PA DER.

CALCULATIONS:

The sprayfield closure plan reflects 1988 dollars.

The surface impoundment closure plan reflects 1987 dollars; this estimate must be inflated to 1988 dollars.

- For 1988: ($211,640) (1.0298) = $217,947 (see note)

The container storage facility closure plan reflects 1987 dollars; this estimate must be inflated to 1988 dollars.

- For 1988: ($3,425) (1.0298) = $3,527

* 1988 estimate = ($7,760) + ($217,947) + ($3,527) = $229,234

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Pennsylvania

PLANT NAME: Verona

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	9/21/84	$ 7,847	0

CALCULATIONS:

Closure plan reflects 1984 dollars; this estimate must be inflated to 1988 dollars.

For 1985: (7847) (1.0376) = $8,142
For 1986: (8142) (1.0325) = $8,407
For 1987: (8407) (1.0261) = $8,626
For 1988: (8626) (1.0298) = $8,883

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Richard L. Shank, Ph.D
Director
Ohio EPA - DSHWM
361 East Broad Street
Columbus, Ohio 43216

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ____________

August 30, 1989

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Ohio

PLANT NAME: Orrville

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	11/13/86	$37,237	

CALCULATIONS:

Closure plan reflects 1986 dollars; this must be inflated to 1988 dollars.

- For 1987: ($37,237) (1.0261) = $38,209

- For 1988: ($38,209) (1,0298) = $39,348

*1988 estimate is $39,348

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Ohio

PLANT NAME: Parr-West

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	5/28/87	$ 5,198	0

CALCULATIONS:

Closure plan reflects 1987 dollars; this estimate must be inflated to 1988 dollars.

For 1988: (5198) (1.0298) = $ 5,353

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Ohio

PLANT NAME: Youngstown

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Process/Solvent Sump	April 1987	$ 100,150	0
Stormwater Retention Pond	March 1987	255,978	0
Waste Pile	April 1986	18,028	0

Note: This revised financial assurance demonstration includes a stormwater retention pond and a below grade concrete tank which are being closed "as though" they are RCRA units pursuant to a Consent Agreement and Final Order with Region V of the US EPA. Notwithstanding this fact, Beazer Materials and Services, Inc. maintains and reasserts its position that these units are not "hazardous waste management units" as those terms are defined in RCRA. Nothing contained in this financial demonstration shall be an admission, in any forum whatsoever, that these two units are hazardous waste management units.

CALCULATIONS:

Closure plan reflects 1987 dollars; this estimate must be inflated to 1988 dollars.

For 1988:	Process/Solvent Sump	(100,150)(1.0298)=	$103,134
	Stormwater Retention Pond	(255,978)(1.0298)=	$263,606
		Sub-Total	$366,740
For 1987:	Waste Pile	(18,028)(1.0325)=	$ 18,614
1988:	Waste Pile	(18,614)(1.0298)=	$ 19,169
		Total =	$385,909

Note: Inflation factors are per RCRA Hotline

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
Ohio EPA - DSHWM:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and the Ohio Administrative Code, Title 3745, Chapters 55-40 through 55-51 and 66-40 through 66-48, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Beazer

Letter from Chief Financial Officer (to demonstrate liability coverage or to demonstrate both liability coverage and assurance of closure or post-closure care).

August 28, 1989

Richard L. Shank, Ph.D
Director
Ohio EPA - DSHWM
361 East Broad Street
Columbus, Ohio 43216

Dear Sir:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post closure care as specified in Chapters 3745-55 and 3745-66 of the Administrative Code.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Chapters 3745-55 and 3745-66 of the Administrative Code:

Orrville Product Development
P.O. Box 905
Orrville, Ohio 44667
OHD 068911494

Thiem (Parr - West)
5151 Denison Avenue
Cleveland, Ohio 44102
OHD 060431947

Youngstown Plant
P.O. Box 1137
Youngstown, Ohio 44501
OHD 004198784

Writer's Direct Dial ______________

August 28, 1989

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Chapters 3745-55 or 3745-66 of the Administrative Code. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
Orrville Product Development P.O. Box 905 Orrville, Ohio 44667 OHD 068911494	$ 39,348.00	$ 0.00	$ 39,348.00
Thiem (Parr - West) 5151 Denison Avenue Cleveland, Ohio 44102 OHD 060431947	$ 5,353.00	$ 0.00	$ 5,353.00
Youngstown Plant P.O. Box 1137 Youngstown, Ohio 44501 OHD 004198784	$ 385,909.00	0.00	$ 385,909.00

2. The owner or operator identified above guarantees, through the corporate guarantee specified in Chapters 3745-55 and 3745-66 of the Administrative Code, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

NONE

3. In States where U.S. EPA or a State so authorized is administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this owner or operator is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Chapters 3745-55 and 3745-66 of the Administrative Code. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$ 12,087,398.00	$ 18,798,056.00	$ 30,885,454.00

4. The owner or operator identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated to the director through the financial test or any other financial assurance mechanism specified in Chapters 3745-55 or 3745-66 of the Administrative Code. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

NONE

This owner or operator is not required to file a Form 10 K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on June 30. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART B. Closure and Post-Closure Car and Liability Coverage

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$	30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
3.	Sum of lines 1 and 2.	$	48,885,454
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$	461,954,000
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

August 28, 1989

I hereby certify that
the wording of this letter is identical to the wording specified in paragraph (G) of rule 3745-55-51 of the Administrative Code as such regulations were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Chief
Bureau of Solid and Hazardous Waste Management
South Carolina Department of Health and
Environmental Control
2600 Bull Street
Columbia, South Carolina 29201

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ______________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: South Carolina

PLANT NAME: Florence

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	9/87	$ 24,466	N/A
Surface Impoundment	4/25/88	$1,187,440	$1,485,660
Sprayfield	6/10/88	$ 15,440	N/A

Note: Beazer Materials and Services, Inc. does not agree that the "sprayfield" is a regulated hazardous waste management unit, requiring financial assurance for closure. The cost estimate is being included at the direction of SCDHEC.

CALCULATIONS:

Container Storage Facility closure plan reflects 1987 dollars; this estimate must be inflated to 1988 dollars.

- ($24,466) (1.0298) = $25,195 (see note)

Surface Impoundment closure plan reflects 1988 dollars.

* 1988 estimate is
- ($25,195)+($1,187,440)+($1,485,660)+($15,440) = $2,713,735

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Letter from Chief Financial Officer

August 28, 1989

Chief
Bureau of Solid and Hazardous Waste Management
South Carolina Department of Health and
Environmental Control
2600 Bull Street
Columbia, South Carolina 29201

Dear Sir or Madam:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of this firm's use of the financial test to demonstrate financial assurance for closure/post-closure care and liability coverage, as specified in Subpart H of Federal Regulations 40 CFR Parts 264 and 265 by the South Carolina Department of Health and Environmental Control.

1. This firm is the owner or operator of the following facilities which are located in the state of South Carolina and for which financial assurance for closure and/or post-closure care is demonstrated through the financial test specified in Federal Regulations Subpart H of 40 CFR Section 264.143(f), 264.145(f), 265.143(e), and 265.145(e). The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
Florence Plant P. O. Box 1725 Florence, S. C. 29503 SCD 003353026	$ 1,228,075	$ 1,485,660	$ 2,713,735

Writer's Direct Dial ____________

2. This firm guarantees, through the corporate guarantee specified in Federal Regulations Subpart H of 40 CFR Section 264.143(f), 264.145(f), 265.143(e), and 265.145(e), the closure or post-closure care of the following facilities which are located in the state of South Carolina and which are owned or operated by subsidiaries of this firm. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

   NONE

3. In states outside of South Carolina, where the United States Environmental Protection Agency or some designated authority is administering financial responsibility requirements, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure and/or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Federal Regulations Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure estimates covered by such a test or guarantee are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$ 12,087,398	$ 18,798,056	$ 30,885,454

4. The firm identified above is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of Federal Regulations 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   NONE

This firm is not required to file a form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates shown in the four paragraphs above.)	$ 30,885,454
2.	Current bond rating of most recent issuance of this firm and name of rating service	Moody's - Baa
3.	Date of issuance of bond	November 18, 1977
4.	Date of maturity of bond	August 1, 2007
*5.	Tangible net worth (if any portion of the closure and post-closure cost estimates is included in "total Liabilities" on your firm's financial statements, you may add the amount of that portion to this line)	$ 461,954,000
*6.	Total assets in the U.S. (required only if less than 90 % of firm's assets are located in the U.S.)	$ Not Applicable

		YES	NO
7.	Is line 5 at least $10 million ?	X	
8.	Is line 5 at least 6 times line 1 ?	X	
*9.	Are at least 90 % of firm's assets located in the U.S. ? If not, complete line 10.	X	
10.	Is line 6 at least 6 times line 1 ?	Not Applicable	

August 28, 1989

I hereby certify that the wording of this letter is substantially identical to the wording specified in Federal Regulation 40 CFR 264.151(f).

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
South Carolina Department of Health and Environmental Control:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and South Carolina Code of Regulations, Rules 61-79.264 Subpart H and 61-79.265 Subpart H, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Executive Director
Texas Department of Water Resources
P. O. Box 13087
Capitol Station
Austin, Texas 78711

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
<u>Assurance Documentation for the Year Ending June 30, 1988</u>

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ______________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Texas

PLANT NAME: Houston Tar

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Surface Impoundment	1986	107,948	N/A

CALCULATIONS:

Surface impoundment closure plan reflects 1986 dollars; this estimate must be inflated to 1988 dollars.

- For 1987: ($107,948) (1.0261) = $110,765 (see note)
- For 1988: ($110,765) (1.0298) = $114,066

*1988 estimate is $114,066

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Texas

PLANT NAME: Houston Wood (Hardy Street)

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	1988	$5,502	N/A

CALCULATIONS:

Container storage facility closure plan reflects 1988 dollars.

*1988 estimate is $5,502

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Letter From Chief Financial Officer

August 28, 1989

Executive Director
Texas Department of Water Resources
P. O. Box 13087
Capitol Station
Austin, Texas 78711

Dear Sir or Madam:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265:

Houston Tar Plant
P.O. Box 96150
Houston, Texas 77015
TXD 008089021

Houston Wood Plant
P. O. Box 16220
Houston, Texas 77222
TXD 020802393
TWC Reg No. 30419

The firm identified above guarantees, through the corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following facilities owned or operated by the following:

NONE

Writer's Direct Dial ____________

August 28, 1989

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care or liability coverage is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
Houston Tar Plant P.O. Box 96150 Houston, Tx 77015 TXD 008089021	$ 114,066	$	$ 114,066
Houston Wood Plant P. O. Box 16220 Houston, Texas 77222 TXD 020802393	$ 5,502	$	5,502

2. The firm identified above guarantees, through the guarantee specified in Subpart H of 40 CFR Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

NONE

3. In states where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$ 12,087,398.00	$ 18,798,056.00	$ 30,885,454.00

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:

   NONE

This owner or operator is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$	30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
3.	Sum of lines 1 and 2.	$	48,885,454
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure and/or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$	461,954,000
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

August 28, 1989

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(g) as such regulations were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
Texas Department of Water resources - Hazardous and Solid Waste Division:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and Texas Administrative Code Title 31, Chapter 335.152(a)(6) and 335.112(a)(7), the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Mr. Paul Didier
State of Wisconsin
Department of Natural Resources
Bureau of Solid Waste Management
101 S. Webster Street
GEF II
P. O. Box 7921
Madison, Wisconsin 53707

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ______________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Wisconsin

PLANT NAME: Superior

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	4/27/87	$ 26,180	N/A
Surface Impoundment	8/27/87	$757,775 (1)	$2,509,969 (2)
Sprayfield	6/10/88	$ 15,440	N/A

(1) Revised 11/9/87
(2) Based on $83,665.63 estimate for 30 years

Note: Beazer Materials and Services, Inc. does not agree that the "sprayfield" is a regulated hazardous waste management unit, requiring financial assurance for closure. The cost estimate is being included at the direction of WDNR.

CALCULATIONS:

Closure plans for the container storage facility and surface impoundment reflect 1987 dollars and these estimates must be inflated to 1988 dollars.

- Container Storage Facility - ($26,180 (1.0298) = $26,960 (see note)

- Surface Impoundment-($757,775 + $2,509,969)(1.0298) = $3,365,123

* 1988 estimate is-
($26,960) + ($3,365,123) + ($15,440)=$3,407,523

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

August 28, 1989

Mr. Paul Didier
State of Wisconsin
Department of Natural Resources
Bureau of Solid Waste Management
101 S. Webster Street
GEF II
P. O. Box 7921
Madison, Wisconsin 53707

Dear Mr. Didier:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage as specified in Section NR 181.42 (11) (i).

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Section NR 181.42 (11) (i), Wis. Adm. Code.

Superior Plant
P.O. Box 397
Superior, Wisconsin 54880
WID 006179493

This owner or operator is not required to file a Form 10 K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on June 30. The figures for the following items marked with an asterisk are derived from this owner or operator's independently audited, year-end financial statements for the latest completed fiscal year ended June 30, 1988.

Writer's Direct Dial ____________

August 28, 1989

LIABILITY COVERAGE FOR ACCIDENTAL OCCURRENCES

ALTERNATIVE I

1.	Amount of annual aggregate liability coverage to be demonstrated.	$	______
*2.	Current assets	$	______
*3.	Current liabilities	$	______
4.	Net working capital (line 2 minus line 3)	$	______
*5.	Tangible Net Worth	$	______
*6.	If less than 90 % of assets are located in the U.S., give total U.S. assets	$	______

		YES	NO
7.	Is line 5 at least $10 million?		
8.	Is line 4 at least 6 times line 1 ?		
9.	Is line 5 at least 6 times line 1 ?		
*10.	Are at least 90 % of assets located in the U.S. ? If not, complete line 11.		
11.	Is line 6 at least 6 times line 1 ?		

ALTERNATIVE II

1.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
2.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
3.	Date of issuance of bond		November 18, 1977
4.	Date of maturity of bond		August 1, 2007
*5.	Tangible net worth	$	461,954,000
*6.	Total Assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not Applicable

		YES	NO
7.	Is line 5 at least $10 million ?	X	
8.	Is line 5 at least 6 times line 1 ?	X	
9.	Are at least 90 % of assets located in the U.S.? If not, complete line 10.	X	
10.	Is line 6 at least 6 times line 1 ?	Not Applicable	

I hereby certify that the wording of this letter is identical to the wording specified in Section NR 181.42 (11) (i) 4.a., Wis. Adm. Code, as such regulations were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

ATTACHMENT A

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
MONTGOMERY PLANT P.O. BOX 510 1451 LOUISVILLE STREET MONTGOMERY, AL 36101 ALD 004009403	$ 13,203.00	$	$ 13,203.00
WOODWARD COKE PLANT KOPPERS DRIVE DOLOMITE, AL 35061 ALD 000771949	$ 33,218.00	$ 60,243.00	$ 93,461.00
WOODWARD TAR PLANT 1835 KOPPERS DRIVE DOLOMITE, AL 35061 ALD 085765808	$ 134,909.00	$ 142,350.00	$ 277,259.00
LITTLE ROCK PLANT P. O. BOX 3231 NORTH LITTLE ROCK, AR 72117 ARD 006344824	$ 463,930.00	$ 2,208,300.00	$ 2,672,230.00
COMMERCE PLANT P. O. BOX 22066 LOS ANGELES, CA 90022 CAD 004937793	$ 18,852.00	$	$ 18,852.00
FEATHER RIVER PLANT P. O. BOX 351 OROVILLE, CA 95965 CAD 009112087	$ 2,521,653.00	$ 65,461.00	$ 2,587,114.00
FONTANA PLANT P. O. BOX 489 FONTANA, CA 92335 CAD 073568677	$ 0.00	$	$ 0.00
OXNARD PLANT 5980 ARCTURUS AVENUE OXNARD, CA 93003 CAD 087163267	$ 0.00	$	$ 0.00
DENVER PLANT 465 WEST 56TH AVENUE DENVER, CO 80216 COD 007077175	$ 190,576.00	$ 1,244,575.00	$ 1,435,151.00

A T T A C H M E N T A

FACILITY LOCATION	1988 CLOSURE	1988 POST CLOSURE	TOTAL COS[T]
	COST ESTIMATES		
GAINESVILLE PLANT P. O. BOX 1067 GAINESVILLE, FL 32602 FLD 004057535	$ 14,869.00	$	$ 14,869.(
CONLEY PLANT 1579 KOPPERS ROAD CONLEY, GA 30027 GAD 004009403	$ 31,111.00	$	$ 31,111.(
MAUI PLANT P. O. BOX 1650 MAUI, HI 96732 HID 059475210	$ 9,670.00	$	$ 9,670.(
CARBONDALE PLANT P. O. BOX 271 CARBONDALE, IL 62901 ILD 000819946	$ 1,097,403.00	$ 4,817,910.00	$ 5,915,313.(
CHICAGO PLANT 3900 S. LARAMIE AVENUE CICERO STATION CHICAGO, IL 60650 ILD 005164611	$ 113,279.00	$	$ 113,279.(
GALESBURG PLANT P. O. BOX 1191 GALESBURGH, IL 61401 ILD 990817991	$ 6,690.00	$	$ 6,690.0
VALPARAISO PLANT P. O. BOX 104 VALPARAISO, IN 62901 IND 000781609	$ 10,746.00	$	$ 10,746.0
GUTHRIE PLANT P. O. BOX 8 GUTHRIE, KY 42234 KYD 006383392	$ 91,854.00	$	$ 91,854.0
GRENADA PLANT BOX 8057 GRENADA, MS 38960 MSD 007027543	$ 899,199.00	$ 1,616,287.00	$ 2,515,486.0

ATTACHMENT A

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
KANSAS CITY PLANT P. O. BOX 8057 KANSAS CITY, MO 64129 MOD 007146517	$ 31,967.00	$	$ 31,967.00
NEWARK PLANT 480 FRELINGHUYSEN AVENUE NEWARK, NJ 07114 NJD 002149789	$ 110,000.00	$	$ 110,000.00
PORT NEWARK PLANT MARITIME & TYLER STREETS PORT NEWARK, NJ 07114 NJD 000542282	$ 24,297.00	$	$ 24,297.00
ORRVILLE PRODUCT DEVELOPMENT P. O. BOX 905 ORRVILLE, OH 44667 OHD 068911494	$ 39,348.00	$	$ 39,348.00
PARR - WEST 5151 DENISON AVENUE CLEVELAND, OH 44102 OHD 060431947	$ 5,353.00	$	$ 5,353.00
YOUNGSTOWN PLANT P. O. BOX 1137 YOUNGSTOWN, OH 44501 OHD 004198784	$ 385,909.00	$	$ 385,909.00
BRIDGEVILLE PLANT P. O. BOX 219 BRIDGEVILLE, PA 15017 PAD	$ 71,991.00	$	$ 71,991.00
SCIENCE & TECHNOLOGY CENTER 440 COLLEGE PARK DRIVE MONROEVILLE, PA 15146 PAD 082245754	$ 6,047.00	$	$ 6,047.00
SUSQUEHANNA PLANT P. O. BOX 189 MONTGOMERY, PA 17752 PAD 056723265	$ 229,234.00	$	$ 229,234.00
VERONA RESEARCH FACILITY 15 PLUM STREET VERONA, PA 15147 PAD 980554950	$ 8,883.00	$	$ 8,883.00

A T T A C H M E N T A

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COS
FLORENCE PLANT P. O. BOX 1725 FLORENCE, SC 29503 SCD 003353026	$ 1,228,075.00	$ 1,485,660.00	$ 2,713,735.0
HOUSTON TAR PLANT P. O. BOX 96150 HOUSTON, TX 77015 TXD 008089021	$ 114,066.00	$	$ 114,066.0
HOUSTON WOOD PLANT P. O. BOX 16220 HOUSTON, TX 77222 TXD 020802393	$ 5,502.00	$	$ 5,502.0
RICHMOND PLANT 4005 CHARLES CITY ROAD RICHMOND, VA 23231 VAD 00312977	$	$ 1,126,710.00	$ 1,126,710.0
ROANOKE PLANT P. O. BOX 791 SALEM, VA 24153 VAD 003125770	$ 753,161.00	$ 708,502.00	$ 1,461,663.0
COLLIERS LANDFILL P. O. BOX M FOLLANSBEE, WV 26037 WVD 550010144	$ 2,198,560.00	$ 1,399,004.00	$ 3,597,564.0
FOLLANSBEE PLANT P. O. BOX M FOLLANSBEE, WV 26037 WVD 004336749	$ 258,496.00	$ 1,338,288.00	$ 1,596,784.0
GREEN SPRING PLANT P. O. BOX 98 GREEN SPRING, WV 26722 WVD 003080959	$ 142,590.00	$	$ 142,590.0
SUPERIOR PLANT P. O. BOX 397 SUPERIOR, WI 54880 WID 006179493	$ 822,757.00	$ 2,584,766.00	$ 3,407,523.0

TOTAL CLOSURE COST - ATTACHMENT A : $ 12,087,398.00

TOTAL POST CLOSURE COST - ATTACHMENT A : $ 18,798,056.00

TOTAL COSTS : $ 30,885,454.00

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219
Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH
Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
State of Wisconsin Department of Natural Resources:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Wisconsin Administration Code Regulations, Section NR 181.42, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating liability coverage. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Pittsburgh, Pennsylvania
August 28, 1989

Peat Marwick Main & Co.

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Secretary
Department of Natural Resources
1800 Greenbriar Street
Charleston, West Virginia 25311

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ________________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: West Virginia

PLANT NAME: Colliers Landfill

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Landfill	1987	$2,709,377	$1,358,520
Erosion & Sed. Control		3,188	
Well Capping		8,750	
Waste Stabilization		562,500	
		$ 574,438	
		$2,134,939	

CALCULATIONS:

Landfill reflects 1987 dollars; this estimate must be inflated to 1988 dollars.

For 1988: ($574,438) (1.0298) = $591,556 (Completed before 6/30/88 See Attachments)

(2,134,939) (1.0298) = $2,198,560

(1,358,520) (1.0298) = $1,399,004

1988 Estimate: $2,198,560 + $1,399,004 = $3,597,564

Note: Inflation factors are per RCRA Hotline

Completed. 6/30/88

COLLIERS LANDFILL CLOSURE PLAN
COST ESTIMATE (REV 3, 4/7/87)
CLAY CAP w/ PARTIAL SLURRY WALL

ITEM	DESCRIPTION		UNIT	QUANTITY	UNIT COST($)	ITEM COST($)	15% 1%
1.	DIVERSION DITCH		FT.	2750	15	41250	
2.	EROSION & SEDIMENTATION CONTROL (SILT FENCE)	($3188)	FT.	850	3	2550	+ 383 + 255
3.	MINE SPOIL EXCAVATION & BACKFILL		CU. YD	91000	5	455000	
4.	GRADING		ACRES	14	4000	56000	
5.	SLURRY WALL		SQ. FT	63000	5	315000	
6.	WELL CAPPING	($8,750)	EA	14	500	7000	+ 1050 + 700
7.	CLAY FILL		CU. YD.	19000	15	285000	
8.	VEGETATED COVER		CU. YD.	33900	6.5	220350	
9.	DECONTAMINATION OF EQUIPMENT		LUMP SUM	1	5000	5000	
10.	SAND DRAINAGE LAYER		CU. YD.	12300	11.5	141450	
11.	REVEGETATION & FERTILIZATION		ACRES	14	2000	28000	
12.	A. WELL INSTALLATION (DRILLING & MATERIAL)		EA	600	70	42000	
	B. WELL INSTALLATION (GAI SUPERVISION)		HRS	160	60	9600	
13.	WASTE STABLILIZATION	($562,500)	CU. YD.	9000	50	450000	+ 67,500 + 45000
14.	FILTER FABRIC		SQ. YD.	36800	2	73600	
15.	PERSONNEL PROTECTION & DECONTAMINATION		LUMP SUM	1	10000	10000	
16.	ENGINEERING		PERCENT	10		214180	
				SUBTOTAL		2355980	
			CONTINGENCY	15%		353397	

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: West Virginia

PLANT NAME: Follansbee

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Two Aeration Units	5/26/88	$258,496	$1,338,288

NOTE: Notwithstanding the fact that this revised financial assurance demonstration includes two wastewater aeration basins at the Follansbee Plant, Beazer Materials and Services, Inc. ("BM&S") and Koppers Industries, Inc. ("KII") maintain and reassert their position that these aeration basins are not "hazardous waste management units" as those terms are defined in RCRA. This position, which is currently in litigation before the Administrator of EPA, is based on our belief that the aeration basins are "tanks" pursuant to applicable federal and West Virginia regulations and, therefore, are exempt from RCRA permitting. Nothing contained in this financial demonstration shall be an admission, in any forum whatsoever, that these tanks are hazardous waste management units.

CALCULATIONS:

Closure plan reflects 1988 dollars; no inflation adjustment is necessary.

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: West Virginia

PLANT NAME: Green Spring

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Surface Impoundment	6/6/88	$120,430	N/A
Container Storage Facility	1/88	$ 6,720	N/A
Sprayfield	6/10/88	$ 15,440	N/A

Note: Beazer Materials and Services, Inc. does not agree that the "sprayfield" is a regulated hazardous waste management unit, requiring financial assurance for closure. This cost estimate is being included at the direction of WV DNR.

CALCULATIONS:

The cost estimates in the closure plans for all units reflect 1988 dollars.

* 1988 estimate = ($120,430) + ($6,720) + ($15,440) = $142,590

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Letter From Chief Financial Officer

August 28, 1989

Secretary
Department of Natural Resources
1800 Greenbriar Street
Charleston, West Virginia 25311

Dear Sir or Madam:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265:

See Attachment A

The firm identified above guarantees, through the corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following facilities owned or operated by the following:

NONE

Writer's Direct Dial ____________

March 10, 1989

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care or liability coverage is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
Colliers Landfill P.O. Box M Follansbee, WV 26037 WVD 980707178	$ 2,198,560	$ 1,399,004	$ 3,597,564
Follansbee Plant P. O. Box M Follansbee, WV 26037 WVD 004336749	$ 258,496	$ 1,338,288	$ 1,596,784
Green Spring Plant P. O. Box 98 Green Spring, WV 26722 WVD 003080959	$ 142,590	$ 0	$ 142,590

2. The firm identified above guarantees, through the guarantee specified in Subpart H of 40 CFR Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

NONE

August 28, 1989

3. In states where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$ 12,087,398.00	$ 18,798,056.00	$ 30,885,454.00

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:

NONE

This firm is not required to file a Form 10 K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$	30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
3.	Sum of lines 1 and 2.	$	48,885,454
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure and/or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$	461,954,000
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

August 28, 1989

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(g) as such regulations were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219
Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH
Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
West Virginia Department of Natural Resources:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and West Virginia Code of State Regulations, Title 47, Series 35, Section 8.1.6, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Executive Director
Department of Waste Management
11th Floor, Monroe Building
101 North 14th Street
Richmond, Virginia 23219

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
<u>Assurance Documentation for the Year Ending June 30, 1988</u>

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ______________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Virginia

PLANT NAME: Richmond

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Surface Impoundment	June 1988 (revised)	N/A (completed)	$1,126,710

CALCULATIONS:

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Virginia

PLANT NAME: Roanoke

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	3/2/87	$ 13,517	N/A
Surface Impoundment	5/18/88	$723,801(1)	$708,502(1)
Sprayfield	6/10/88	$15,440	N/A

(1) Costs are from 3/2/87 estimates inflated by 1.0298 (see note at bottom of page) for 5/18/88 submittal.

Note: Beazer Materials and Services, Inc. does not agree that the "sprayfield" is a regulated hazardous waste management unit, requiring financial assurance for closure. This cost estimate is being included at the direction of VDWM.

CALCULATIONS:

Container Storage Facility closure plan reflects 1987 dollars; this estimate must be inflated for 1988 dollars.

- ($13,517) (1.0298) = $13,920 (see note)

* 1988 estimate is-
($13,920)+($723,801)+($708,502)+($15,440) = $1,461,663

Note: Inflation factors are per RCRA Hotline

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
Virginia Department of Health:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and Sections 9.7 and 10.7 of the Virginia Hazardous Waste Management Regulations, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Letter From Chief Financial Officer

August 28, 1989

Executive Director
Department of Waste Management
11th Floor, Monroe Building
101 North 14th Street
Richmond, Virginia 23219

Dear Sir:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Sections 9.7. and 10.7. of the Virginia Hazardous Waste Management Regulations (VHWMR).

The firm indicated is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Sections 9.7. and 10.7 of the VHWMR:

Richmond Plant
4005 Charles City Road
Richmond, Virginia 23231
VAD 003121977

Roanoke Plant
P. O. Box 791
Salem, Virginia 24153
VAD 003125770

The firm identified above guarantees, through the corporate guarantee specified in Sections 9.7. and 10.7. liability coverage for both sudden and non-sudden accidental occurrances at the following facilities owned or operated by the following subsidiaries of the firm:

NONE

Writer's Direct Dial ____________

August 28, 1989

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Sections 9.7. and 10.7. of the VHWMR. The current closure and/or post-closure cost estimates are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
Richmond Plant 4005 Charles City Road Richmond, Va 23231 VAD 003121977	$ 0	$ 1,126,710	$ 1,126,710
Roanoke Plant P. O. Box 791 Salem, Va 24153 VAD 003125770	$ 753,161	$ 708,502	$ 1,461,663

2. The firm identified above guarantees, through the corporate guarantee specified in Sections 9.7. and 10.7. of VHWMR, the closure and/or post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

NONE

3. In states where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this firm is demonstrating financial assurance for the closure and/or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

NONE

4. In states where EPA is administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, the firm is demonstrating financial assurance for the closure and/or post-closure care of the following facilities through the use of the financial test specified in those Subparts. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$ 12,087,398.00	$ 18,798,056.00	$ 30,885,454.00

5. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanisms specified in Sections 9.7. and 10.7., VHWMR, Subpart H of 40 CFR Parts 264 and 265, or equivalent or substantially equivalent mechanisms established by other states. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

NONE

6. The firm is an owner or operator of the following UIC facilities located outside Virginia for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:

NONE

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$	30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
3.	Sum of lines 1 and 2.	$	48,885,454
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$	461,954,000
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

August 28, 1989

I hereby certify that the wording of this letter is identical to the wording specified in sections 9.7.K.7 or 10.7.K.6. the Virginia Hazardous Waste Management Regulations as such regulations were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Via Certified Mail
Return Receipt Requested

August 30, 1989

Commissioner of the Indiana Department
of Environmental Management
State of Indiana
P. O. Box 6015
105 South Meridian Street
Indianapolis, Indiana 46206-6015

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ____________

August 30, 1989

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpé, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Indiana

PLANT NAME: Valparaiso

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	5/20/88	$ 10,746	N/A

CALCULATIONS:

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Letter from Chief Financial Officer (to demonstate both liability coverage and assurance of closure or post-closure care).

August 28, 1989

Commissioner of the Indiana Department
of Environmental Management
State of Indiana
P. O. Box 6015
105 South Meridian Street
Indianapolis, Indiana 46206-6015

Dear Ms. Prosser:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post closure care as specified in 329 IAC 3-22 or 329 IAC 3-47.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in 329 IAC 3-22 or 329 IAC 3-47:

Valparaiso Plant
P.O. Box 104
Valparaiso, Indiana 62901
IND 000781609

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in 329 IAC 3-22 or 329 IAC 3-47. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
Valparaiso Plant P.O. Box 104 Valparaiso, In 62901 IND 000781609	$ 10,746.00	$ 0	$ 10,746.00

Writer's Direct Dial ____________

2. The owner or operator identified above guarantees, through the corporate guarantee specified in 329 IAC 3-22 or 329 IAC 3-47, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

NONE

3. This firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test specified in 329 IAC 3-22 or 329 IAC 3-47. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$ 12,087,398.00	$ 18,798,056.00	$ 30,885,454.00

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

NONE

This firm is not required to file a Form 10 K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on June 30. The figures for the following items marked with an asterisk (*) are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$	30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
3.	Sum of lines 1 and 2.	$	48,885,454
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure and/or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$	461,954,000
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

August 28, 1989

I hereby certify that the wording of this letter is identical to the wording specified in 329 IAC 3-22-32 as such rule was constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219
Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH
Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
State of Indiana Land Pollution Control Division - Environmental Management Board:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and 329 Indiana Administrative Code Sections 3-22 and 3-47, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

U.S. Environmental Protection Agency
RCRA Programs Branch
215 Fremont Street
San Francisco, California 94105

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ______________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Hawaii

PLANT NAME: Maui

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	10/3/86	$ 9,158	0

CALCULATIONS:

Closure plan reflects 1986 dollars; this estimate must be inflated to 1988 dollars.

- for 1987: (9,158) (1.0261) = $ 9,397
- for 1988: (9,397) (1.0298) = $ 9,670

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

August 28, 1989

Regional Administrator
U.S. Environmental Protection Agency
RCRA Programs Branch
215 Fremont Street
San Francisco, California 94105

Dear Sir or Madam:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265:

Maui Plant
P. O. Box 1650
Maui, Hi 96732
HID 059475210

The firm identified above guarantees, through the guarantee specified in Subpart H of 40 CFR Parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following facilities owned or operated by the following:

NONE

Writer's Direct Dial ______________

August 28, 1989

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care or liability coverage is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

Facility and ID Number	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Maui Plant P. O. Box 1650 Maui, Hawaii 96732 HID 059475210	$ 9,670	$ 0	$ 9,670

2. The firm identified above guarantees, through the guarantee specified in Subpart H of 40 CFR Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

NONE

3. In states where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

Facility and ID Number	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
See Attachment A	$ 12,087,398	$ 18,798,056	$ 30,885,454

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   NONE

This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under Part 144. The current closure cost estimates as required by Part 144.62 are shown for each facility:

NONE.

This firm is not required to file a Form 10 K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$	30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
3.	Sum of lines 1 and 2.	$	48,885,454
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure and/or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$	461,954,000
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

August 28, 1989

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(g) as such regulations were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
U.S. Environment Protection Agency - RCRA Programs Branch:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and specific state regulations, where applicable, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Mr. J. Leonard Ledbetter, Director
Georgia Department of Natural Resources
Environmental Protection Division
205 Butler Street S. E.
Atlanta, Georgia 30334

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ____________

Re: Resubmittal of Beezer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Letter From Chief Financial Officer

August 28, 1989

Mr. J. Leonard Ledbetter, Director
Georgia Department of Natural Resources
Environmental Protection Division
205 Butler Street S. E.
Atlanta, Georgia 30334

Dear Sir:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in paragraph 391-3-11-.05 of the Rules of the Department of Natural Resources, Environmental Protection Division.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in paragraph 391-3-11-.05 and/or Subpart H of 40 CFR Parts 264 and 265:

Conley Plant
1579 Koppers Road
Conley, Georgia 3027
GAD 000821934

Also see Attachment A

Writer's Direct Dial ____________

August 28, 1989

The firm identified above guarantees, through the corporate guarantee specified in paragraph 391-3-11.05 and/or Subpart H of 40 CFR Parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following facilities owned or operated by the following subsidiaries of the firm:

NONE

1. The firm identified above owns or operates the following facilities which are located in the State of Georgia and for which financial assurance for closure and/or post-closure care is demonstrated through the financial test specified in paragraph 391-3-11-.05. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

   Conley Plant
   1579 Koppers Road
   Conley, Georgia 3027
   GAD 000821934

   Closure Cost - $ 31,111.00

   Post-Closure Cost - $ 0.00

2. The firm identified above guarantees, through the corporate guarantee specified in paragraph 391-3-11-.05, the closure and/or post-closure care of the following facilities which are located in the State of Georgia and which are owned or operated by its subsidiaries. The current cost estimates for the closure and/or post-closure care so guaranteed are shown for each facility:

   NONE

3. In states outside of Georgia, where EPA or some designated authority is administering the financial responsibility requirements, this firm is demonstrating financial assurance for the closure and/or post-closure care of the following facilities through the financial test or corporate guarantee specified in Subpart H of 40 CFR Parts 264 and 265 or through a test which is equivalent or substantially equivalent to it. The current closure and/or post-closure cost estimates covered by such a test or guarantee are shown for each facility:

   See Attachment A (Includes Georgia)

   Closure Costs _ $ 12,087,398

   Post-Closure Costs - $ 18,798,056

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure and, if a disposal facility, post-closure care, is <u>not</u> demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   NONE

5. This firm is the owner or operator of th following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:

   NONE

The total of the current cost estimates for closure and/or post-closure care, listed in the five numbered paragraphs above, is $26,735,542. To the best of my knowledge, this figure is sufficient to execute the closure plans and to perform post-closure care responsibilities for all the facilities listed in paragraphs 1. through 5. above.

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART B. CLOSURE AND/OR POST-CLOSURE CARE AND LIABILITY COVERAGE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates shown in the five numbered paragraphs)	$ 30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$ 18,000,000
3.	Sum of lines 1 and 2.	$ 48,885,454
4.	Current bond rating of most recent issuance and name of rating service	Moody's - Baa
5.	Date of issuance of bond	November 18, 1977
6.	Date of maturity of bond	August 1, 2007
*7.	Tangible net worth (if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$ 461,954,000
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$ Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

August 28, 1989

I hereby certify that the wording of this letter is substantially the same as the wording specified in paragraph 391-3-11-.05 of the Rules of the Georgia Department of Natural Resources, Environmental Protection Division.

G R Johannes

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Georgia

PLANT NAME: Conley

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	1985	$27,785	N/A

CALCULATIONS:

Container storage pad reflects 1985 dollars; this estimate must be inflated to 1988 dollars:

- For 1986: ($27,785) (1.0325) = $28,688

- For 1987: ($28,688) (1.0531) = $30,211

- For 1988: ($30,211) (1.0298) = $31,111

* 1988 estimate is $31,111

Note: Inflation factors are per RCRA Hotline

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
Georgia Department of Natural Resources Environmental Protection Division:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and Title 391, Article 3, Chapter 11, Paragraph 5 of the Rules and Regulations of the State of Georgia, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Colorado Department of Health, Hazardous
Materials and Waste Management Division
4210 East 11th Avenue
Denver, Colorado 80220

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
<u>Assurance Documentation for the Year Ending June 30, 1988</u>

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ______________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Colorado

PLANT NAME: Denver

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Surface Impoundment	9/87	$173,165	$1,208,560
Container Storage Facility	6/25/86	$ 11,593	N/A

CALCULATIONS:

Surface impoundment closure plan reflects 1987 dollars; this must be inflated to 1988 dollars.

- For 1988: ($173,165) (1.0298) + ($1,208,560) (1.0298)
  ($178,325)+($1,244,575)=$1,422,900 (see note)

Container storage facility closure plan reflects 1986 dollars; this must be inflated to 1988 dollars.

- For 1987: ($11,593) (1.0261) = $11,896 (see note)
- For 1988: ($11,896) (1.0298) = $12,251

* 1988 estimate - ($1,422,900) + ($12,251) = $1,435,151

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Letter from Chief Financial Officer (to demonstate both closure and/or post-closure care assurance and liability coverage).

August 28, 1989

Colorado Department of Health, Hazardous
Materials and Waste Management Division
4210 East 11th Avenue
Denver, Colorado 80220

Dear Sir or Madam:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for closure and/or post-closure care assurance and liability coverage as specified in Sections 266.14 and/or 266.16 of the Colorado Hazardous Waste Regulations, C.R.S. 1973, as amended.

1. The owner or operator identified above owns or operates the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in Section 266.14 of the Colorado Hazardous Waste Regulations, C.R.S. 1973, as amended. The current closure and/or post-closure cost estimates covered by the test are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
See Attachment A (Includes Colorado)	$ 12,084,398.00	$ 18,798,056.00	$ 30,885,454.00

2. The owner or operator and/or guarantor identified above guarantees, through the corporate guarantee specified in Section 266.14 of the Colorado Hazardous Waste Regulations, C.R.S. 1973, as amended, the closure and post-closure care of the following facilities owned or operated by its subsidiaries. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

NONE

Writer's Direct Dial ____________

3. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under Part 144. The current closure cost estimates as required by Part 144.62 are shown for each facility:

NONE.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test specified in Section 266.16 of the Colorado Hazardous Waste Regulations, C.R.S. 1973, as amended.

Denver Plant
5601 Fox Street
Denver, Colorado 80216
COD 007077175

This owner or operator is not required to file a Form 10-K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on June 30. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART A. CLOSURE OR POST-CLOSURE CARE AND LIABILITY COVERAGE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$ 30,885,454
2.	Current Senior Debt Rating and name of rating service	Moody's - Baa (Rating upgraded to Aaa on March 8, 1989)
3.	Date of issuance	November 18, 1977
4.	Date of maturity	August 1, 2007

I hereby certify that the wording of this letter is identical to the wording specified in Section 266.18(i) of the Colorado Hazardous Waste Regulations, C.R.S 1973, as amended, as such regulations were constituted on the date shown immediately below.

GR Johannes EMM

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachment

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219
Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH
Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
U.S. Environment Protection Agency - RCRA Programs Branch:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and specific state regulations, where applicable, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Frederick A. Brunner, Director
Missouri Departmento of Natural Resources
P. O. Box 176
Jefferson City, Missouri 65102

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ______________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: Missouri

PLANT NAME: Kansas City

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	1985	$ 29,300	N/A

CALCULATIONS:

Closure plan reflects 1985 dollars; this must be inflated to 1988 dollars.

- For 1986: ($29,300) (1.0325) = $30,252
- For 1987: ($30,252) (1.0261) = $31,042
- For 1988: ($31,042) (1.0298) = $31,967

* 1988 estimate is $31,967

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Letter From the Chief Financial Officer

August 28, 1989

Frederick A. Brunner, Director
Missouri Departmento of Natural Resources
P. O. Box 176
Jefferson City, Missouri 65102

Dear Sir:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of 40 CFR Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and non-sudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265:

See Attachments 1 and 2

The firm identified above guarantees, through the guarantee specified in Subpart H of 40 CFR Parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following facilities owned or operated by the following:

NONE

1. The firm identified above owns or operates the following facilities for which financial assurance for closure and post-closure care or liability coverage is demonstrated through the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Facility and ID Number	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
See Attachment 1	$ 2,980,785	$ 65,461	$ 3,046,246

Writer's Direct Dial ____________

2. The firm identified above guarantees, through the guarantee specified in Subpart H of 40 CFR Parts 264 and 265, the closure and post-closure care of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

   NONE

3. In states where EPA is not administering the financial requirements of Subpart H of 40 CFR Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of 40 CFR Parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
See Attachment 2	$ 9,106,613	$ 18,732,595	$ 27,839,208

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to the EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   NONE

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility:

   NONE

This firm is not required to file a Form 10 K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

August 28, 1989

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$	30,885,454
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	18,000,000
3.	Sum of lines 1 and 2.	$	48,885,454
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Baa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure and/or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$	461,954,000
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not.Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

STATE OF MISSOURI

ATTACHMENT 1

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
COMMERCE PLANT P. O. BOX 22066 LOS ANGELES, CA 90022 CAD 004937793	$ 18,852.00	$	$ 18,852.00
FEATHER RIVER PLANT P. O. BOX 351 OROVILLE, CA 95965 CAD 009112087	$ 2,521,653.00	$ 65,461.00	$ 2,587,114.00
FONTANA PLANT P. O. BOX 489 FONTANA, CA 92335 CAD 073568677	$ 0.00	$ 0.00	$ 0.00
OXNARD PLANT 5980 ARCTURUS AVENUE OXNARD, CA 93003 CAD 087163267	$ 0.00	$ 0.00	$ 0.00
MAUI PLANT P. O. BOX 1650 MAUI, HI 96732 HID 059475210	$ 9,670.00	$	$ 9,670.00
ORRVILLE PRODUCT DEVELOPMENT P. O. BOX 905 ORRVILLE, OH 44667 OHD 068911494	$ 39,348.00	$	$ 39,348.00
PARR - WEST 5151 DENISON AVENUE CLEVELAND, OH 44102 OHD 060431947	$ 5,353.00	$	$ 5,353.00
YOUNGSTOWN PLANT P. O. BOX 1137 YOUNGSTOWN, OH 44501 OHD 004198784	$ 385,909.00	$	$ 385,909.00

Total Closure Cost for Attachment 1	$ 2,980,785.00
Total Post Closure Cost for Attachment 1	$ 65,461.00
Total Costs for Attachment 1	$ 3,046,246.00

STATE OF MISSOURI

ATTACHMENT 2

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	 1988 POST CLOSURE	 TOTAL COST
MONTGOMERY PLANT P.O. BOX 510 1451 LOUISVILLE STREET MONTGOMERY, AL 36101 ALD 004009403	$ 13,203.00	$	$ 13,203.00
WOODWARD COKE PLANT KOPPERS DRIVE DOLOMITE, AL 35061 ALD 000771949	$ 33,218.00	$ 60,243.00	$ 93,461.00
WOODWARD TAR PLANT 1835 KOPPERS DRIVE DOLOMITE, AL 35061 ALD 085765808	$ 134,909.00	$ 142,350.00	$ 277,259.00
LITTLE ROCK PLANT P. O. BOX 22066 NORTH LITTLE ROCK, AR 72117 ARD 006344824	$ 463,930.00	$ 2,208,300.00	$ 2,672,230.00
DENVER PLANT 465 WEST 56TH AVENUE DENVER, CO 80216 COD 007077175	$ 190,576.00	$ 1,244,575.00	$ 1,435,151.00
GAINESVILLE PLANT P. O. BOX 1067 GAINESVILLE, FL 32602 FLD 004057535	$ 14,869.00	$	$ 14,869.00
CONLEY PLANT 1579 KOPPERS ROAD CONLEY, GA 30027 GAD 004009403	$ 31,111.00	$	$ 31,111.00
CARBONDALE PLANT P. O. BOX 271 CARBONDALE, IL 62901 ILD 000819946	$ 1,097,403.00	$ 4,817,910.00	$ 5,915,313.00
CHICAGO PLANT 3900 S. LARAMIE AVENUE CICERO STATION CHICAGO, IL 60650 ILD 005164611	$ 113,279.00	$	$ 113,279.00
GALESBURG PLANT P. O. BOX 1191 GALESBURGH, IL 61401 ILD 990817991	$ 6,690.00	$	$ 6,690.00

STATE OF MISSOURI

A T T A C H M E N T 2

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
VALPARAISO PLANT P. O. BOX 104 VALPARAISO, IN 62901 IND 000781609	$ 10,746.00	$	$ 10,746.00
GUTHRIE PLANT P. O. BOX 8 GUTHRIE, KY 42234 KYD 006383392	$ 91,854.00	$	$ 91,854.00
GRENADA PLANT BOX 8057 GRENADA, MS 38960 MSD 007027543	$ 899,199.00	$ 1,616,287.00	$ 2,515,486.00
KANSAS CITY PLANT P. O. BOX 8057 KANSAS CITY, MO 64129 MOD 007146517	$ 31,967.00	$	$ 31,967.00
NEWARK PLANT 480 FRELINGHUYSEN AVENUE NEWARK, NJ 07114 NJD 002149789	$ 110,000.00	$	$ 110,000.00
PORT NEWARK PLANT MARITIME & TYLER STREETS PORT NEWARK, NJ 07114 NJD 000542282	$ 24,297.00	$	$ 24,297.00
BRIDGEVILLE PLANT P. O. BOX 219 BRIDGEVILLE, PA 15017 PAD 063764898	$ 71,991.00	$	$ 71,991.00
SCIENCE & TECHNOLOGY CENTER 440 COLLEGE PARK DRIVE MONROEVILLE, PA 15146 PAD 082245754	$ 6,047.00	$	$ 6,047.00
SUSQUEHANNA PLANT P. O. BOX 189 MONTGOMERY, PA 17752 PAD 056723265	$ 229,234.00	$	$ 229,234.00
VERONA RESEARCH FACILITY 15 PLUM STREET VERONA, PA 15147 PAD 980554950	$ 8,883.00	$	$ 8,883.00

STATE OF MISSOURI

ATTACHMENT 2

FACILITY LOCATION	COST ESTIMATES 1988 CLOSURE	1988 POST CLOSURE	TOTAL COST
FLORENCE PLANT P. O. BOX 1725 FLORENCE, S.C. 29503 SCD 003353026	$ 1,228,075.00	$ 1,485,660.00	$ 2,713,735.00
HOUSTON TAR PLANT P. O. BOX 96150 HOUSTON, TX 77015 TXD 008089021	$ 114,066.00	$	$ 114,066.00
HOUSTON WOOD PLANT P. O. BOX 16220 HOUSTON, TX 77222 TXD 020802393	$ 5,502.00	$	$ 5,502.00
RICHMOND PLANT 4005 CHARLES CITY ROAD RICHMOND, VA 23231 VAD 003121977	$	$ 1,126,710.00	$ 1,126,710.00
ROANOKE PLANT P. O. BOX 791 SALEM, VA 24153 VAD 003125770	$ 753,161.00	$ 708,502.00	$ 1,461,663.00
COLLIERS LANDFILL P. O. BOX M FOLLANSBEE, WV 26037 WVD 550010144	$ 2,198,560.00	$ 1,399,004.00	$ 3,597,564.00
FOLLANSBEE PLANT P. O. BOX M FOLLANSBEE, WV 26037 WVD 004336749	$ 258,496.00	$ 1,338,288.00	$ 1,596,784.00
GREEN SPRING PLANT P. O. BOX 98 GREEN SPRING, WV 26722 WVD 003080959	$ 142,590.00	$	$ 142,590.00
SUPERIOR PLANT P. O. BOX 397 SUPERIOR, WI 54880 WID 006179493	$ 822,757.00	$ 2,584,766.00	$ 3,407,523.00

Total Closure Costs for Attachment 2 : $ 9,106,613.00

Total Post Closure Costs for Attachment 2: $ 18,732,595.00

Total Costs for Attachment 2: $ 27,839,208.00

August 28, 1989

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(g) as such regulations were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

Attachments

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
Missouri Department of Natural Resources:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and Title 10, Division 25, Chapters 7.264 and 7.265 of the Missouri Code of State Regulations, the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
August 28, 1989

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
Environmental Services
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2950

Beazer

Via Certified Mail
Return Receipt Requested

August 30, 1989

Mr. Ernest J. Kuhlwein, Jr., Chief
Department of Environmental Protection
Bureau of Hazardous Waste Engineering
State of New Jersey
CN 028
701 East State Street
Trenton, New Jersey 08625

Re: Resubmittal of Beazer Materials & Services, Inc. Financial Assurance Documentation for the Year Ending June 30, 1988

Dear Sir/Madam:

Because various questions have been raised by specific state agencies throughout the country regarding our financial assurance documentation for the fiscal year ending June 30, 1988, we have revised and are resubmitting our 1988 financial documentation. We hope that this submittal will clarify any remaining concerns that you may have. As a practical matter, because of all the changes that have occurred during the past year, we can understand why some of the state agencies were confused by our most recent financial assurance submittal.

The following discussion is provided for purposes of clarification.

There was a change in the ownership of Koppers Company, Inc. during 1988. As of June 30, 1988, BNS Acquisitions, Inc ("BNS Acquisitions"), a Delaware corporation and an indirect wholly-owned subsidiary of Beazer PLC, acquired indirectly more than 90% of the outstanding common stock of Koppers Company, Inc. ("Koppers"). On November 14, 1988, BNS Acquisitions acquired indirectly the balance of the common shares. On January 20, 1989, BNS Acquisitions merged into Koppers and on January 26, 1989, the name "Koppers" was changed to Beazer Materials and Services, Inc. ("BM&S"). As you will recall, Koppers' fiscal year ended December 31 and Koppers last financial assurance submission was for fiscal year ending December 31, 1987. However, as a result of this acquisition, Koppers fiscal year end was changed to June 30. Therefore, Koppers was required to file its financial assurance documents for the fiscal year ending June 30, 1988, on or before September 28, 1988. Because financial information based upon a complete audit of the new company was not available until March 6, 1989, Koppers obtained the appropriate extensions of time and filed its financial assurance for the fiscal year ending June 30, 1988 on March 15, 1989.

Writer's Direct Dial ____________

Re: Resubmittal of Beazer Materials & Services, Inc. Financial
Assurance Documentation for the Year Ending June 30, 1988

We discovered, in the course of reevaluating our 1988 financial assurance documentation, that, in some cases, the 1988 documentation may have erroneously reflected closure and/or post-closure costs that were expended, as well as updated closure and/or post-closure costs in plans submitted and/or approved, between June 30, 1988, and March, 1989. The enclosed financial assurance documentation is based on the actual closure and/or post-closure costs as of June 30, 1988, and these cost estimates have been adjusted for inflation to reflect 1988 dollars. We have also enclosed a detailed worksheet for each facility. These worksheets list the actual closure and/or post-closure costs as of June 30, 1988 (not as of March, 1989) that are contained in pending or approved closure and/or post-closure plans. The worksheets also include our inflation adjustment calculations.

While reviewing the enclosed documentation, state agencies should keep in mind the BM&S will be filing its financial assurance documentation for the fiscal year ending June 30, 1989, on or before September 28, 1989. This submittal will reflect current, inflated closure and/or post-closure costs as of June 30, 1989, and also will contain updated detailed worksheets as discussed above.

If you have any questions regarding the enclosed documents, please call me at (412) 227-2821.

Sincerely yours,

Russell S. Vorpe, Supervisor
Claims Management
Environmental Services

cc: J. R. Finney, II - U.S. EPA, Region IV
The following state agencies:

Alabama, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Missouri, Mississippi, New Jersey, Pennsylvania, Ohio, South Carolina, Texas, Virginia, West Virginia, Wisconsin

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: New Jersey

PLANT NAME: Newark

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	3/88	$110,000	N/A

CALCULATIONS:

Closure plan reflects 1988 dollars.

Note: Inflation factors are per RCRA Hotline

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1988

STATE: New Jersey

PLANT NAME: Port Newark

INFORMATION BASE:

Unit	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Container Storage Facility	2/20/85	$ 22,270	N/A

CALCULATIONS:

Closure plan reflects 1985 dollars; this estimate must be inflated to 1988 dollars.

- For 1986: ($22,270) (1.0325) = $22,994 (see note)
- For 1987: ($22,994) (1.0261) = $23,594
- For 1988: ($23,594) (1.0298) = $24,297

* 1988 estimate is $24,297

Note: Inflation factors are per RCRA Hotline

Beazer Materials and Services, Inc.
A Member of THE BEAZER GROUP
436 Seventh Avenue, Pittsburgh, PA 15219
Phone: 412-227-2500 Fax: 412-227-2042

Letter from Chief Financial Officer (to demonstrate liability coverage).

August 28, 1989

Mr. Ernest J. Kuhlwein, Jr., Chief
Department of Environmental Protection
Bureau of Hazardous Waste Engineering
State of New Jersey
CN 028
701 East State Street
Trenton, New Jersey 08625

Dear Mr. Kuhlwein:

I am the chief financial officer of Beazer Materials and Services, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage, as specified in N.J.A.C. 7:26-9.1 et seq.

The owner or operator identified above is the owner or operator of the following facilities for which liability coverage is being demonstrated through the financial test as specified in N.J.A.C. 7:26-9.1 et seq.

Newark Plant
P.O. Box 2669
South Street Station
Newark, New Jersey 07114
NJD 002149789

Port Newark Plant
Maritime & Tyler
Port Newark, New Jersey 07114
NJD 000542282

The owner or operator is not required to file a Form 10 K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this owner or operator ends on June 30. The figures for the following items marked with an asterisk are derived from this owner's or operator's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1988.

Writer's Direct Dial ______________

August 28, 1989

ALTERNATIVE II

1.	Amount of annual aggregate liability coverage to be demonstrated.	$ 18,000,000
2.	Current bond rating of most recent issuance and name of rating service	Moody's - Baa
3.	Date of issuance of bond	November 18, 1977
4.	Date of maturity of bond	August 1, 2007
*5.	Tangible net worth	$ 461,954,000
*6.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$ Not Applicable

		YES	NO
7.	Is line 5 at least $10 million ?	X	
8.	Is line 5 at least 6 times line 1 ?	X	
*9.	Are at least 90 % of assets located in the U. s. ? If not, complete line 10.	X	
10.	Is line 6 at least 6 times line 1 ?	Not Applicable	

August 28, 1989

I hereby certify that the wording of this letter is identical to the wording specified in N.J.A.C. 7:26-9 (Appendix A), as such regulations were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

August 28, 1989

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc. and
State of New Jersey Department of Environmental Protection:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988, (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended and have issued our report thereon dated October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989. BNS Acquisitions, Inc. and Subsidiary, through a merger and name change subsequent to June 30, 1988, is now called Beazer Materials and Services, Inc.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

Pursuant to the provisions of the New Jersey Administrative Code Regulations Section 7:26-9.1 et seq., the chief financial officer, George R. Johannes, has prepared a letter dated August 28, 1989, demonstrating liability coverage. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end financial statements. We have compared such financial data identified with an asterisk to the Company's consolidated financial statements as of June 30, 1988, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned August 28, 1989, letter should be adjusted. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

Pittsburgh, Pennsylvania
August 28, 1989

Peat Marwick Main & Co.

KPMG Peat Marwick

Certified Public Accountants

BNS ACQUISITIONS, INC. AND SUBSIDIARY
Consolidated Balance Sheet and Consolidated
Statement of Shareholders' Equity as of
June 30, 1988 (Inception of Operations)

and

KOPPERS COMPANY, INC. AND SUBSIDIARIES
(PREDECESSOR COMPANY)
Consolidated Statements of Operations,
Cash Flows and Shareholders' Equity for
the Six-Month Period Ended June 30, 1988

(With Independent Auditors' Report Thereon)

KPMG Peat Marwick

The Board of Directors and Shareholders
BNS Acquisitions, Inc.
Page 2

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988 in conformity with generally accepted accounting principles. Further, in our opinion, the aforementioned consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company) and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary and Koppers Company, Inc. and Subsidiaries (Predecessor Company) referred to above present fairly, in all material respects, the results of their operations and their cash flows for the six-month period ended June 30, 1988 in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements of Koppers Company, Inc. and Subsidiaries (Predecessor Company) taken as a whole, present fairly, in all material respects, the information set forth therein.

Peat Marwick Main & Co.

PEAT MARWICK MAIN & CO.

Pittsburgh, Pennsylvania
October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989

BNS ACQUISITIONS, INC. AND SUBSIDIARY

Consolidated Balance Sheet

June 30, 1988

(In thousands, except share data)

Assets

Current assets:	
Cash, including short-term investments of $18,709 at approximately market	$ 29,581
Accounts receivable, principally trade, less allowance for doubtful receivables of $6,015	127,481
Notes and other receivables, less allowance for doubtful receivables of $2,742	30,003
Costs and estimated earnings in excess of billings on long-term contracts	25,958
Inventories (note 2)	65,610
Net assets of discontinued operations (note 6)	691,742
Other current assets	75,417
Total current assets	1,045,792
Property, plant and equipment (note 4)	2,641,708
Other assets	65,481
Total assets	$ 3,752,981

See accompanying notes to consolidated financial statements.

BNS ACQUISITIONS, INC. AND SUBSIDIARY

Consolidated Balance Sheet

June 30, 1988

(In thousands, except share data)

Liabilities and Shareholders' Equity

Current liabilities:	
Accounts payable, principally trade	$ 86,776
Income taxes payable	113,339
Payroll and employee benefits (note 5)	35,670
Stock option, deferred compensation and severance liabilities (note 9)	43,292
Environmental and warranty reserves	33,861
Betterment, merger and acquisition costs	56,226
Other current liabilities	65,357
Billings in excess of costs on long-term contracts	8,691
Long-term debt to be repaid with proceeds on sale of net assets of discontinued operations (note 8)	592,247
Total current liabilities	1,035,459
Long-term debt (note 8)	968,695
Deferred income taxes (note 7)	693,967
Long-term environmental and warranty reserves (note 10)	253,262
Long-term employee benefits	147,527
Long-term betterment, merger and acquisition costs	124,051
Other long-term liabilities	67,192
Total liabilities	3,290,153
Commitments and contingencies (notes 10 and 11)	
Minority interest in consolidated subsidiary	74,828
Shareholders' equity (note 11):	
Cumulative preferred stock, Series A, no par value, stated at liquidation value of $100,000 per share, 5,000 shares authorized, 2,410 shares issued and outstanding	241,000
Common stock, par value $1 per share, 10,000,000 shares authorized, 1,000 shares issued and outstanding	1
Stated capital in excess of par value of common stock	49,999
Additional contributed capital	97,000
Total shareholders' equity	388,000
Total liabilities and shareholders' equity	$ 3,752,981

See accompanying notes to consolidated financial statements.

KOPPERS COMPANY, INC. AND SUBSIDIARIES
(PREDECESSOR COMPANY)

Consolidated Statements of Operations

(In thousands, except per share data)

	Six-month periods ended June 30, 1988	Six-month periods ended June 30, 1987 (note 13) (Unaudited)
Net sales	$ 383,756	289,577
Operating expenses:		
Cost of sales	290,073	206,308
Depreciation, depletion and amortization	22,570	17,400
Taxes, other than income taxes	16,264	15,459
Selling, general and administrative expenses	107,126	26,832
Total operating expenses	436,033	265,999
Operating profit (loss)	(52,277)	23,578
Other income (expense):		
Provision for environmental and warranty expenses (note 10)	(12,071)	-
Tender offer response costs (note 1)	(30,284)	-
Profit on sales of capital assets (note 3)	10,855	1,158
Interest income	3,064	1,514
Interest expense	(5,700)	(3,324)
Miscellaneous	(12,074)	(5,001)
Total other expense	(46,210)	(5,653)
Income (loss) from continuing operations before provision for income taxes and extraordinary item	(98,487)	17,925
Provision for income taxes (note 7)	2,146	6,676
Income (loss) from continuing operations before extraordinary item	(100,633)	11,249
Discontinued operations (notes 6, 9, 10 and 13):		
Income (loss) from discontinued operations (less applicable income tax provisions of $1,187 and $6,254 in 1988 and 1987, respectively)	(221,278)	9,758
Net income (loss) before extraordinary item	(321,911)	21,007
Extraordinary item:		
Utilization of operating loss carryforward (note 13)	-	10,724
Net income (loss)	(321,911)	31,731

(Continued)

KOPPERS COMPANY, INC. AND SUBSIDIARIES
(PREDECESSOR COMPANY)

Consolidated Statements of Operations

(In thousands, except per share data)

	Six-month periods ended June 30, 1988	Six-month periods ended June 30, 1987 (note 13) (Unaudited)
Net income (loss)	$ (321,911)	31,731
Dividends on cumulative preferred stock	150	300
Net income (loss) applicable to common stock	$ (322,061)	31,431
Average number of shares of common stock outstanding during period	28,130	28,776
Net income (loss) per share of common stock (note 1):		
From continuing operations before extraordinary item	$ (3.58)	0.38
From discontinued operations	(7.87)	0.34
From extraordinary item	-	0.37
Net income (loss) applicable to common stock	$(11.45)	1.09

See accompanying notes to consolidated financial statements.

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Consolidated Statements of Shareholders' Equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988 (Inception of Operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the Six-Month Period Ended June 30, 1988

(In thousands, except share data)

	BNS Acquisitions, Inc. and Subsidiary				Koppers Company, Inc. and Subsidiaries (Predecessor Company)						
	Cumulative preferred stock	Common stock	Stated capital in excess of par value	Additional contributed capital	Cumulative preferred stock	Common stock	Treasury stock	Capital in excess of par value	Foreign currency translation adjustment	Earnings retained in the business	Total
Balance at December 31, 1987	$ -	-	-	-	15,000	37,359	(56,430)	176,514	(6,293)	279,724	445,874
Net loss for six-month period ended June 30, 1988	-	-	-	-	-	-	-	-	-	(321,911)	(321,911)
Cash dividends paid:											
On preferred stock, $1.00 per share	-	-	-	-	-	-	-	-	-	(150)	(150)
On common stock, $.30 per share	-	-	-	-	-	-	-	-	-	(8,437)	(8,437)
Common stock issued from Treasury:											
To Employee Savings and Profit Sharing Plan (53,644 shares)	-	-	-	-	-	-	1,694	(77)	-	-	1,617
To Stock Option plan (15,407 shares)	-	-	-	-	-	-	487	(339)	-	-	148
Purchase of common stock for Treasury (20,520 shares)	-	-	-	-	-	-	(656)	-	-	-	(656)
Recovery of common stock via escrow claim (1,154 shares)	-	-	-	-	-	-	(27)	26	-	-	(1)
Redemption of preferred stock	-	-	-	-	-	-	-	(142)	-	-	(142)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	3,741	-	3,741
Elimination of predecessor company capital stock accounts and pre-acquisition retained earnings	-	-	-	-	(15,000)	(37,359)	54,932	(175,982)	2,552	50,774	(120,083)
Initial capitalization:											
Common stock issued (1,000 shares) (note 11)	-	1	49,999	97,000	-	-	-	-	-	-	147,000
Preferred stock issued (2,410 shares) (note 11)	241,000	-	-	-	-	-	-	-	-	-	241,000
Balance at June 30, 1988	$ 241,000	1	49,999	97,000	-	-	-	-	-	-	388,000

See accompanying notes to consolidated financial statements.

KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Consolidated Statement of Shareholders' Equity for the Six-Month Period Ended June 30, 1987 (Unaudited)

(In thousands, except share data)

	Cumulative preferred stock	Common stock	Treasury stock	Capital in excess of par value	Foreign currency translation adjustment	Earnings retained in the business	Total
Balance at December 31, 1986	$ 15,000	37,359	(24,677)	176,631	(8,184)	298,020	494,149
Net income for six-month period ended June 30, 1987	-	-	-	-	-	31,731	31,731
Cash dividends paid:							
On preferred stock, $2.00 per share	-	-	-	-	-	(300)	(300)
On common stock, $.40 per share	-	-	-	-	-	(11,532)	(11,532)
Common stock issued from Treasury to Employee Savings and Profit Sharing Plan (118 shares)	-	-	3	3	-	-	6
Purchase of common stock for Treasury (428,605 shares)	-	-	(16,934)	-	-	-	(16,934)
Foreign currency translation adjustment	-	-	-	-	2,240	-	2,240
Balance at June 30, 1987	$ 15,000	37,359	(41,608)	176,634	(5,944)	317,919	499,360

See accompanying notes to consolidated financial statements.

KOPPERS COMPANY, INC. AND SUBSIDIARIES
(PREDECESSOR COMPANY)

Consolidated Statements of Cash Flows

(In thousands)

	Six-month periods ended June 30, 1988	Six-month periods ended June 30, 1987 (note 13) (Unaudited)
Cash flows from operating activities:		
Income (loss) from continuing operations before extraordinary item	$ (100,633)	11,249
Adjustments to reconcile income (loss) from continuing operations before extraordinary item and discontinued operations to net cash provided (used) by operating activities before extraordinary item and discontinued operations:		
Depreciation, depletion and amortization	22,570	17,400
Deferred income taxes	(44,567)	(13,819)
Environmental expenses	5,161	-
Claims and litigation	14,150	-
Other noncurrent liabilities	9,783	14,038
Provision for decline in value of investments	2,179	-
Equity in losses of affiliated companies	2,410	2,383
Other, net	1,897	887
(Increase) decrease in working capital excluding cash and other financing activities:		
Accounts receivable	15,116	(21,730)
Refundable federal income taxes	9,869	-
Inventories	74,653	(11,237)
Prepaid expenses	40,945	(1,772)
Accounts payable	10,118	3,699
Accrued liabilities	31,357	(38,521)
Advance payments and amounts owed on contracts	(19,433)	1,228
Net cash provided (used) by operating activities before extraordinary item and discontinued operations	75,575	(36,195)
Extraordinary item - utilization of operating loss carryforward	-	10,724
Net cash provided (used) by operating activities before discontinued operations	75,575	(25,471)

(Continued)

KOPPERS COMPANY, INC. AND SUBSIDIARIES
(PREDECESSOR COMPANY)

Consolidated Statements of Cash Flows

(In thousands)

	Six-month periods ended June 30, 1988	Six-month periods ended June 30, 1987 (note 13) (Unaudited)
Income (loss) from discontinued operations	$ (221,278)	9,758
Adjustments to reconcile income (loss) from discontinued operations to net cash provided (used) by discontinued operations:		
Depreciation, depletion and amortization	22,490	17,922
Environmental expenses	180,611	-
Provision for decline in value of investment	2,933	-
Equity in income of affiliated companies	(1,236)	(1,090)
Other deferred expenses	10,724	2,012
Net assets of discontinued operations	(123,295)	(3,162)
Net cash provided (used) by discontinued operations	(129,051)	25,440
Net cash used by operating activities	(53,476)	(31)
Cash flows from investment activities:		
Capital investments	(59,565)	(46,857)
Book value of fixed assets and other noncurrent assets disposed.of or sold	45,515	13,766
Dividends received	1,526	1,230
Retirements of notes and other assets due after one year	3,154	1,242
Cash held for capital investments	454	2,014
Net cash used by investing activities	(8,916)	(28,605)
Cash flows from financing activities:		
Term debt issued	71,125	16,604
Treasury stock issued (acquired)	966	(16,928)
Dividends paid	(8,587)	(11,832)
Other financing activities	43	(13)
Net cash provided (used) by financing activities	63,547	(12,169)
Net increase (decrease) in cash and cash equivalents	1,155	(40,805)
Beginning balance of cash and cash equivalents	20,217	72,540
Ending balance of cash and cash equivalents	$ 21,372	31,735
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 5,348	3,074
Income taxes	$ 3,294	19,641

See accompanying notes to consolidated financial statements.

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

June 30, 1988

(1) Acquisition, Basis of Presentation and Summary of Significant Accounting Policies

Acquisition

The capital stock of BNS Acquisitions, Inc. (the Company) is owned by Bright Aggregates, Inc. (Bright), a wholly owned indirect subsidiary of Beazer PLC (Beazer), and BNS Sub Inc., itself a wholly owned subsidiary of BNS Inc., a company 49% indirectly owned by Beazer, 46.1% indirectly owned by Shearson Lehman Hutton Holdings, Inc. (Shearson) and 4.9% indirectly owned by NatWest Investment Bank Limited (NIB) (a wholly owned subsidiary of National Westminster Bank PLC). Bright holds all shares of the Company's outstanding preferred stock, and BNS Sub Inc. holds all outstanding shares of the Company's common stock. On March 3, 1988, BNS Inc. commenced a cash tender offer for Koppers Company, Inc. (Koppers) outstanding common stock, $1.25 par value and cumulative preferred stock, $100 par value. On June 1, 1988, the Company, BNS Sub Inc., BNS Inc. and Koppers entered into an Agreement and Plan of Merger (the Merger Agreement) which provided for, among other things, an offer price by the Company of $61.00 per share of common stock and $107.75 per share of cumulative preferred stock. As of June 30, 1988, the Company had acquired approximately 96% of the common stock and approximately 85% of the cumulative preferred stock, with all remaining shares to be acquired on or before December 13, 1988 pursuant to the Merger Agreement.

The cost of the acquisition amounted to $1,730.7 million and included fees and expenses of $39.6 million. In addition, fees and expenses for debt issuance costs were incurred approximating $61.7 million. These fees and expenses include approximately $43.5 million to Shearson for acquisition and financing services and $4.3 million to NIB for acquisition services.

The acquisition was accounted for using the purchase method of accounting. The total purchase price was allocated to the assets acquired and liabilities assumed in accordance with generally accepted accounting principles as required by Accounting Principles Board Opinion No. 16. For financial reporting purposes, the acquisition is being accounted for as of June 30, 1988.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The fair values used in the accompanying consolidated balance sheet are based upon information which is currently available and which, in some instances, is preliminary. Once the Company has received all information that it has arranged to obtain and is known to be available or obtainable, there may be further restatements of assets acquired and liabilities assumed. It is expected that such information will be obtained and further restatements, if any, will be completed within one year from the consummation of the acquisition. Management believes such further restatements, if any, will not be significant.

For federal income tax purposes, the Company will elect under Section 338 of the Internal Revenue Code of 1986 not to increase the historical tax bases of the acquired assets and liabilities. Accordingly, increased expenses resulting from fair value adjustments made for accounting purposes as described previously will generally not provide a corresponding income tax deduction.

Costs incurred by Koppers in response to the tender offer of BNS Inc. amounted to approximately $30.3 million during the six-month period ended June 30, 1988. Such costs are comprised primarily of fees paid to Koppers' investment bankers, outside legal counsel and other advisors.

The Company was organized for purposes of the acquisition of Koppers and, prior to June 30, 1988, had no significant assets and did not engage in any activities other than those incidental to its formation and the acquisition of Koppers.

The consolidated balance sheet at June 30, 1988 includes the accounts of the Company and its majority owned subsidiary, Koppers, and reflects the allocation of the total purchase price to the assets acquired and liabilities assumed of Koppers. The consolidated statements of operations, cash flows and shareholders' equity for the six-month periods ended June 30, 1988 and June 30, 1987 (unaudited) and the related footnote disclosures are presented as they related to Koppers before its acquisition by the Company. Because of the allocation of the purchase price to the assets acquired and liabilities assumed of Koppers, these statements are not representative of the future operations of the Company and are not comparable to the Company's consolidated balance sheet at June 30, 1988. See note 12 for pro forma condensed consolidated statements of operations for the fiscal years ended June 30, 1988 and 1987 prepared assuming that the acquisition had occurred on July 1, 1986. The consolidated statement of shareholders' equity is presented for both the Company as of June 30, 1988 (inception of operations) and for Koppers for the six-month periods ended June 30, 1988 and June 30, 1987 (unaudited).

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

A summary of the Company's significant accounting policies follows:

Principles of Consolidation

Significant intercompany balances, transactions and stock holdings have been eliminated in the consolidation of the Company and its majority owned subsidiary, Koppers. Minority interest in consolidated subsidiary represents the interests of remaining Koppers public shareholders in the equity of Koppers. At June 30, 1988, 1,187,861 shares or 4% and 22,032 shares or 15% of total Koppers common and preferred shares, respectively, had not been tendered. The interest in the shares not owned by the Company is carried in the accompanying consolidated balance sheet at the common and preferred shares' respective tender offer prices.

Cash and Cash Equivalents

Items treated as cash and cash equivalents in the consolidated statement of cash flows include cash and short-term investments.

Inventories

Inventories are stated at cost, which is not in excess of market. Cost for product inventory is determined using a weighted average method, which approximates actual cost on the FIFO (First-In, First-Out) basis. Cost for raw materials and supplies is determined using the FIFO method. Market is replacement cost for raw materials and supplies and net realizable value for product inventory.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Renewals and betterments which substantially extend the useful life are capitalized. Maintenance and repairs are charged to expense.

Buildings, machinery and equipment are depreciated on the straight-line method over their estimated useful lives for financial statement purposes. Accelerated depreciation is used for federal income tax purposes. Mineral properties are depleted on the basis of units produced.

Long-Term Contracts

Revenue on long-term construction contracts is accounted for on the percentage-of-completion method; losses are recognized upon determination.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Pension Plans

The Company maintains several noncontributory defined benefit pension plans covering substantially all employees and accounts for such plans using the provisions of the Statement of Financial Accounting Standards No. 87 (SFAS No. 87), "Employers' Accounting for Pensions."

Postretirement Benefits

Postretirement healthcare and life insurance benefits, other than those recorded in the accompanying consolidated balance sheet, will be charged to expense when paid. A provision has been made in the accompanying consolidated statement of operations for postretirement benefits of discontinued operations.

Investments

Companies owned 50% or less but more than 20% are accounted for by the equity method. Companies owned 20% or less are accounted for by the cost method.

Income Taxes

The Company adopted as of the acquisition date the liability method of accounting for income taxes pursuant to Financial Accounting Standards Board Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes."

Deferred income taxes have been provided for temporary differences resulting from allocating the purchase price of the acquisition to historical assets and liabilities acquired at June 30, 1988. Deferred income taxes will be provided for differences between financial and income tax reporting for post-June 30, 1988 transactions.

For purposes of Koppers' consolidated statement of operations, income taxes are provided on pre-tax financial statement income adjusted for permanent differences. Deferred income tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. Investment tax credit is accounted for on the flow-through method.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Income (Loss) Per Share

Income (loss) per share is based on income (loss) applicable to common shareholders, divided by the weighted average number of common shares outstanding and common share equivalents. The loss per share for the six-month period ended June 30, 1988 does not include the assumed exercise of stock options, which are considered common stock equivalents, as the effect is antidilutive.

Discontinued Operations

The consolidated balance sheet and the consolidated statements of operations and cash flows are presented to report the results of discontinued operations separately from continuing operations. Amounts included in the notes to consolidated financial statements relate only to continuing operations unless otherwise noted.

(2) Inventories

Inventories at June 30, 1988 consist of the following:

	(In thousands)
Raw materials and supplies	$ 21,404
Product	44,206
	$ 65,610

All inventories valued on a LIFO basis are classified as discontinued operations. There is no LIFO inventory liquidation included in the net loss from discontinued operations.

(3) Investments

Western-Mobile, Inc. (WMI) - In June 1988, Koppers sold its 50% ownership interest in WMI resulting in a pretax loss of $87,000 or $57,000 after tax. Also, the unamortized deferred gain of $9,394,000, $6,152,000 aftertax, resulting from the 1986 sale of certain subsidiaries of WMI was recognized as income and is included in profit on sales of capital assets for the six-month period ended June 30, 1988.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(4) Property, Plant and Equipment

Property, plant and equipment at June 30, 1988 consist of the following:

	(In thousands)
Buildings	$ 52,196
Machinery and equipment	270,556
Total buildings, machinery and equipment	322,752
Land	252,772
Depletable mineral properties	2,066,184
Total property, plant and equipment	$ 2,641,708

Rent expense relative to operating leases was approximately $13,698,000 for the six-month period ended June 30, 1988. Future minimum annual lease payments are approximately as follows: $738,000, $648,000, $599,000, $538,000, $570,000 and $1,402,000 for the calendar years ending December 31, 1989, 1990, 1991, 1992, 1993 and 1994 and thereafter, respectively.

(5) Pension Plans and Other Postretirement Benefits

Pension Plans

The Company maintains several noncontributory defined benefit pension plans covering substantially all employees. Koppers' policy is generally to fund the amount required under the Employee Retirement Income Security Act of 1974 (ERISA). Historically, Koppers funds the pension accrual in the subsequent year. Benefits for the hourly plans are based on employee earnings and service with the Company, while benefits for the salary plan are based on Terminal Salary and Credited Service. Plan assets are composed primarily of corporate equity, debt and government securities and bank-pooled funds. Pursuant to SFAS No. 87, an asset or liability is recognized in the balance sheet when projected benefit obligations are less than or exceed the fair value of plan assets.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The funding status of the Company's plans and amounts recognized in the consolidated balance sheet at June 30, 1988 is as follows:

	Plans whose assets exceed accumulated benefits	Plans whose accumulated benefits exceed assets
	(In thousands)	
Actuarial present value of:		
Vested benefits	$ 76,175	349,692
Nonvested benefits	7,200	19,005
Accumulated benefit obligation	83,375	368,697
Effect of future salary increases	2,762	19,129
Projected benefit obligation	86,137	387,826
Plan assets at fair value	120,093	365,724
Prepaid pension cost (accrued pension liability)	$ 33,956	(22,102)

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations were 8.5% and 6.0%, respectively. The expected long-term rate of return on plan assets was 9.0%.

The net prepaid pension cost (accrued pension liability) is segregated between continuing and discontinued operations as follows:

	Continuing operations	Discontinued operations	Combined
		(In thousands)	
Hourly plans	$ 24,868	2,946	27,814
Salary plan	9,943	(25,903)	(15,960)
Net prepaid pension cost (accrued pension liability)	$ 34,811	(22,957)	11,854

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Net periodic pension cost for the six-month period ended June 30, 1988 for Koppers' continuing operations was composed of the following:

	(In thousands)
Service cost benefits earned during the period	$ 2,404
Interest cost on projected benefit obligation	8,698
Return on plan assets	(8,842)
Net amortization and deferral	(575)
Net periodic pension cost	$ 1,685

Multiemployer Plans

In addition to Company-sponsored plans, the Company contributes to several multiemployer plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and net plan assets of these multiemployer plans, by nature, is not determinable by the Company. The Company contributes periodically to the plans, and the contributions due and unpaid at June 30, 1988 are accrued as a component of the employee benefits liability. Koppers recorded approximately $3,836,000 of pension expense for the six-month period ended June 30, 1988 for contributions to the multiemployer plans.

Healthcare and Life Insurance Benefits

In addition to pension benefits, the Company provides postretirement healthcare and life insurance to certain employees generally through insurance companies whose premiums are primarily based upon benefits actually paid. Substantially all of the Company's employees may become eligible for these benefits if they reach normal retirement age while working for the Company. The Company has accrued approximately $94,806,000 at June 30, 1988 for such postretirement benefits. Koppers recorded in the six-month period ended June 30, 1988 approximately $2,609,000 of costs for such postretirement benefits.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(6) Closed Operations and Disposals

Discontinued Operations

In conjunction with the acquisition, the Company initiated a program to sell the majority of Koppers' businesses not related to the Construction Materials and Services Group. The businesses in the divestiture program include the Chemical and Allied Products Group consisting of the Tar and Wood Products, Chemical Systems and Building Products Sectors; Ivy Steel and Wire Company and Meadow Steel Products Co., Inc.; and the Woodward Coke facility. Additionally, in September 1988, the Company sold Kopvenco, Inc., a venture capital subsidiary, Keystone Environmental Resources, Inc., an environmental services subsidiary, and the Coatings Division for a total of approximately $40.6 million. The Company is currently engaged in negotiations with parties interested in purchasing the net assets or stock of businesses remaining in the divestiture program and would anticipate completing the process within eighteen months.

At June 30, 1988, the assets, liabilities and reserves associated with the discontinued operations and included in the accompanying consolidated balance sheet as net assets of discontinued operations are as follows:

	(In thousands)
Working capital:	
Cash and accounts receivable	$ 129,294
Inventories	123,766
Prepaid expenses	3,659
Accounts payable	(51,994)
Accrued liabilities	(90,149)
Total working capital	114,576
Noncurrent:	
Fixed assets	561,495
Investments	27,665
Long-term liabilities	(6,753)
Other	(5,241)
Total noncurrent	577,166
Net assets of discontinued operations	$ 691,742

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

In conjunction with the divestiture program, the Company will remain liable for costs arising from certain environmental matters, litigation and other claims involving the businesses that have been or will be divested and for which accruals have been established in the consolidated balance sheet.

As of June 30, 1988, net assets of discontinued operations include an accrual for anticipated losses from operations as the operations are projected to generate net losses through the anticipated dates of disposal. Net sales of the discontinued operations were approximately $450,042,000 for the six-month period ended June 30, 1988.

(7) Income Taxes

As of the date of the acquisition, the Company adopted the liability method of accounting for income taxes pursuant to Financial Accounting Standards Board Statement of Financial Accounting Standards No. 96 (SFAS No. 96), "Accounting for Income Taxes." Although SFAS No. 96 is effective for annual financial statements with fiscal years beginning after December 15, 1989, earlier application is permitted.

As disclosed in note 1, the Company has not increased the historical tax bases of the acquired assets and liabilities as a result of the acquisition. The types of differences between the tax bases of assets and liabilities and their financial reporting amounts that give rise to significant portions of deferred income tax liabilities or assets are: inventories, property, plant and equipment and depletable mineral properties; net assets of discontinued operations; accrued warranty, environmental and benefit reserves; and accrued preacquisition contingencies and merger expenses. Net operating loss carryforwards and tax credit carryforwards for tax purposes have been utilized in allocating the purchase price of the acquisition to assets and liabilities acquired.

As of June 30, 1988, the Company has a tax refund receivable of approximately $6,768,000, of which approximately $4,099,000 is classified as a current asset.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The loss from continuing operations of Koppers before provision for income taxes and the components of income tax expense are as follows:

	Six-month period ended June 30, 1988 (In thousands)
Loss from continuing operations before provision for income taxes:	
Domestic operations	$ (98,487)
Foreign operations	-
Total	$ (98,487)
Income tax expense:	
Continuing operations	2,146
Discontinued operations	1,187
Total	$ 3,333
Current:	
Federal	743
Foreign	1,359
State	1,231
	3,333
Deferred:	
Federal	-
Foreign	-
	-
Total income tax expense	$ 3,333

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The components of Koppers' deferred tax expense (benefit) and related tax effect are shown below:

	Six-month period ended June 30, 1988 (In thousands)
Excess of tax over book depreciation	$ 1,335
Difference in book and tax expense recognition:	
- Environmental expenses	(4,157)
- Deferred maintenance and repairs	4,032
Difference in book and tax income recognition:	
- Construction contract	(212)
- Inventory timing difference	(215)
Provisions for operations discontinued, disposed of or closed	(74,105)
Loss for which no benefit is available and other	73,322
Total deferred tax expense (benefit)	$ -

The difference between Koppers' statutory and effective income tax (benefit) rates applicable to continuing operations are shown below:

	Six-month period ended June 30, 1988
Statutory tax (benefit) rate:	
Federal	(34.0)%
State, net of federal tax benefit	1.8
Effect of percentage over cost depletion	(1.6)
Tax benefits not booked	36.0
Total tax rate	2.2 %

At June 30, 1988, Koppers had net operating loss carryforwards for tax purposes of approximately $70,000,000 available to offset future taxable income. This carryforward is scheduled to expire in various years through 2003.

(Continued)

(8) Long-Term Debt and Credit Arrangements

Long-term debt outstanding at June 30, 1988 is as follows:

		(In thousands)
8.95% Promissory notes due $4,000 annually	$	10,000
6.0% Notes due $3,000 annually		17,000
Commercial paper and lines of credit		96,000
Revolving credit bank loan		38,000
Industrial development bonds and notes:		
8.25% Bonds due 1988-2002		29,500
5.875% Tax-exempt bonds due 1998-2017		16,350
5.5% to 7% Notes due 1988-1998		17,641
Variable rate notes due 1996-2010		14,900
Senior subordinated promissory note		540,000
Term and revolving acquisition loan		766,205
Other		15,346
		1,560,942
Less estimated amounts to be repaid with proceeds on sale of net assets of discontinued operations		(592,247)
	$	968,695

At June 30, 1988, commercial paper and lines of credit and the short-term portion of long-term debt are classified as long-term debt as the Company has refinanced such amounts as well as all remaining debt with other long-term arrangements as discussed below.

Koppers has an unsecured revolving bank loan agreement which provides for revolving credit loans up to $200 million until October 24, 1990. Commitment fees of up to 1/4 of 1% per annum are required on any unborrowed amounts on the first $100 million and 1/8 of 1% per annum on the unborrowed amount of the second $100 million. Interest is paid, at the Company's option, at the prevailing prime interest rate, certificate of deposit rate or Eurorate with factors of up to 1/2 of 1% per annum added to these rates. Borrowings at June 30, 1988 under this facility were $38 million.

Koppers has line of credit arrangements with various banks that totaled approximately $130 million at June 30, 1988. The borrowings are under such terms as may be mutually agreed upon by the banks and the Company. Borrowings under these lines of credit plus commercial paper totaled $96 million at June 30, 1988. Unused lines of credit not reflected in the accompanying consolidated balance sheet totaled approximately $48 million at June 30, 1988.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Additionally, Koppers has unused letters of credit not reflected in the accompanying consolidated balance sheet which totaled approximately $81.6 million at June 30, 1988.

Term and Revolving Acquisition Loan

On June 16, 1988 the Company consummated acquisition loan agreements (margin credit facility) with a bank syndicate administered by Citibank and a promissory note with Shearson. These credit facilities are as follows:

Citibank - Margin Credit Facility

An $878.9 million margin credit facility was used to finance the purchase of common and preferred shares of Koppers. The margin credit facility is due and payable on the earlier of 180 days from the date of borrowing or the consummation of the merger. The Company has pledged as security for the margin credit facility all shares of Koppers owned by the Company or affiliates of the Company (except any shares that may be owned by Shearson or NIB or their affiliates). Interest is paid at a rate per annum equal to 1% above Citibank's base (prime) rate and is payable quarterly in arrears. Borrowings outstanding on the margin credit facility were approximately $766 million at June 30, 1988.

The Company is required to prepay the margin credit facility with all net cash proceeds from the sale of designated assets of Koppers, as defined in the agreement.

The margin credit facility contains covenants which require the Company to maintain those negative, affirmative and financial covenants customarily found in Citibank's loan agreements for applicable financing. The financial covenants include, among other things, the maintenance of a certain minimum net worth level. In addition, the Company may not incur or assume any additional debt, prepay or repurchase any subordinated debt, make capital expenditures, incur lease obligations, pay dividends or other distributions to shareholders or sell, lease or dispose of assets other than the designated assets beyond agreed upon limits or except as provided for in the agreement.

Commitment fees of 1/2 of 1% per annum are required on any unused portion of the total $1.26 billion merger credit facility, payable monthly.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Shearson-Senior Subordinated Promissory Note

On June 16, 1988, the Company also entered into a senior subordinated loan agreement with Shearson to provide financing in the form of a promissory note (the note) of up to $570 million. Proceeds of the note are to be used directly or indirectly for the purchase of shares of Koppers stock, to repay margin credit loans in respect to the acquisition of Koppers stock, to pay related fees, expenses and other acquisition costs and to pay interest on borrowings. The note is due and payable six months after issuance or if the merger occurs on or before such date, the later of twelve or fifteen months after the merger, depending on terms of written notice defined in the loan agreement. Interest on the note is at a rate per annum equal to the Citibank base rate, plus 5% through December 13, 1988, and 7% thereafter.

The loan agreement contains covenants which require the Company to make timely payment of taxes and other claims and which provide restrictions on the payment of dividends or other distributions on or the acquisition of capital stock of the Company and investments in other than affiliates or subsidiaries of the Company. In addition, the Company may not incur or assume any additional debt except as provided for in the loan agreement.

The note is subordinated to the payment in full, in cash, of all senior indebtedness (the margin credit facility). The note had an outstanding balance of $540 million at June 30, 1988.

Subsequent Debt Restructuring

On November 14, 1988, Koppers completed a new revolving credit facility of $400 million which replaced the $200 million revolving bank loan agreement and the $130 million line of credit arrangements described above and was used to repay substantially all of the remaining Koppers debt as well as provide working capital and other needs for Koppers. This revolving credit facility will be repaid with proceeds of the term loan and revolving credit facility discussed below.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Also, on November 14, 1988, Beazer entered into an underwritten commitment for a term loan and revolving credit facility (together, the Facilities) with a bank syndicate which provides financing up to $2.3 billion (a maximum 40% of which may be drawn down in Sterling equivalents thereof) to Beazer, Koppers and certain designated borrowing subsidiaries of Beazer. The Facilities will be used to repay and cancel the following existing credit arrangements:

- The Citibank margin credit facility and the Shearson senior subordinated promissory note of the Company (these two agreements were extended to June 13, 1989).

- The new revolving credit facility of Koppers.

- The Multiple Option and Revolving Loan Facilities of Beazer and certain other credit facilities of Beazer, the Company and their respective subsidiaries.

The term loan and the revolving credit facility are initially to be unsecured, however, the lenders may, at any time after the earlier to occur of (i) an event of default and (ii) June 30, 1989 (provided that aggregate net cash proceeds from the sale of designated assets at such time do not exceed $600 million), require Koppers to deliver documents necessary to create valid and perfected first-priority security interests on behalf of the lenders in any designated assets of Koppers (to be defined in the Facilities agreement) not previously sold. Such security shall be released, in the absence of a default, upon net cash proceeds from the sale of designated assets having in the aggregate exceeded $600 million.

In addition, on November 14, 1988, the common stock of the remaining Koppers shareholders was converted into the right to receive $61.00 per share.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(9) Employee Compensation Plans

Koppers had a Deferred Compensation Unit Plan for officers and other key employees and a Stock Option Plan for the award of options with a right to purchase stock equal to the options awarded. Both plans were terminated due to the acquisition. Koppers has recorded in its consolidated statement of operations for the six-month period ended June 30, 1988 approximately $68,554,000 of expense for deferred compensation and stock option plans of which $65,520,000 represents that portion of the expense which arose as a result of the acquisition. Approximately $46,547,000 of the $68,554,000 is included in continuing operations. At June 30, 1988, the Company had accrued approximately $20,405,000 and $14,018,000 for payment of remaining liabilities for the deferred compensation and stock option plans, respectively.

Incentive Plans - The Company has an Executive Incentive Plan which is based on established annual target award levels for key corporate staff employees if certain company performance and individual goals are attained. On June 1, 1988, the Company agreed that participants will earn bonuses with respect to 1988 based on comparable 1987 performance. As of June 30, 1988, the Company had accrued $1,500,000 which represents 50% of the anticipated payments to be earned under the plan in 1988. Koppers recorded approximately $555,000 of expense for the Executive Incentive Plan for the six-month period ended June 30, 1988.

Bonus plans are adopted each year by Koppers' operating groups and are based on the accomplishments of group profit objectives and the achievement of individual performance objectives. The bonus plans are designed to provide incentive and competitive compensation to those key employees who contribute to the growth and profitability of Koppers and who are not covered by the Executive Incentive Plan. At June 30, 1988, the accrual established for all Construction Materials and Services bonus plans was approximately $4,271,000. Koppers recorded approximately $3,356,000 of expense for the bonus plans for the six-month period ended June 30, 1988.

The Company has an Employee Savings Plan for all eligible employees that conforms to Section 401(k) of the Internal Revenue Code. Under the Plan, participating employees can elect to contribute up to 16% of their salaries with a regular Company matching contribution in cash equivalent to 25% of the first 2% of the tax-saver contributions. The Company may also make a discretionary contribution at the end of each Plan year subject to approval of the Company's Board of Directors. At June 30, 1988, the Company had accrued approximately $1,150,000 for anticipated discretionary contributions for 1988. For the six-month period ended June 30, 1988, Koppers recorded approximately $531,000 of expense for discretionary supplemental contributions.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

10) Commitments and Contingencies

The Company and its subsidiary are parties to a number of claims and lawsuits, arising out of the normal course of business, including product warranty claims; toxic tort claims; violation of governmental regulations, including environmental matters; and breach of agreements. These claims and lawsuits, some of which are covered in part by insurance, are being contested; certain of these actions purport to be class actions and involve multiple plaintiffs.

The Company has environmental liabilities caused by soil and groundwater contamination at currently and previously operated facilities and off-site waste disposal facilities. Certain of these facilities are the subject of environmental administrative proceedings by governmental agencies. Costs associated with these environmental liabilities usually include feasibility studies, remediation and treatment, and monitoring of the affected facility. Where these costs can be reasonably estimated, the Company has established accrued liabilities to cover the future expenditures. Since January 1, 1983, Koppers has spent approximately $159 million on compliance with environmental laws and regulations at operating facilities and investigations and remedial activities at previously operated facilities. At June 30, 1988, the Company had an accrued liability of approximately $248 million for such environmental costs. At June 30, 1988, the Company believes the environmental liability may be up to twice such accrual amount or more but cannot reasonably estimate the additional costs in excess of that recorded.

The Company also is party to numerous claims against it for product warranty, toxic tort and breach of agreement suits. As of June 30, 1988, these claims are at various stages of development. Appropriate liabilities are reflected in the consolidated balance sheet for potential losses where reasonably estimated, as a result of these claims, based on the opinion of management and, in part, on the advice of counsel. While it is not possible at this time to determine with certainty the ultimate outcome of all of the claims and lawsuits against the Company, in the opinion of management, the outcome of those claims currently unable of being reasonably estimated will not have a material adverse effect on the consolidated financial position of the Company.

(Continued)

(11) Shareholders' Equity

All shares of Series A Cumulative Preferred Stock (preferred stock) are held by Bright. The Company issued the preferred stock to Bright in exchange for 458,100 shares of Koppers common stock (valued at approximately $28 million) and approximately $213 million in cash received from Bright. The holder of preferred stock is entitled to received preferential and cumulative quarterly dividends, as and if declared by the Board, at an annual rate of $20,000 per share commencing October 1, 1988, except as prohibited by loan or other agreements, and is entitled to a preference in liquidation of $100,000 per share plus accrued but unpaid dividends. Dividends paid in amounts less than the total amount accrued shall be allocated pro rata among all shares outstanding. Accrued but unpaid dividends do not bear interest and the preferred shares do not have voting rights except as required by law.

The Company may, at its option, redeem at any time all or a portion of the outstanding shares of preferred stock at the optional redemption price of $100,000 per share plus accrued but unpaid dividends, except as prohibited by loan or other agreements.

In accordance with the Assignment and Assumption dated June 16, 1988 between the Company and BNS Sub Inc. (the assignment), the Company issued 999 shares of its common stock to BNS Sub Inc. in consideration of $97 million in cash and 1,636,000 shares of Koppers common stock contributed by BNS Sub Inc. to the Company. The Company had previously issued one share of its common stock to BNS Sub Inc. Fifty million dollars of the value of cash and common stock received pursuant to the assignment is recorded as stated capital, with the remainder recorded as additional contributed capital.

Pursuant to the Shearson note, the Company agreed to issue to Shearson, upon the contemplated merger of the Company into Koppers, a Warrant to purchase 10% of each class of the surviving company's outstanding equity securities (including issuances pursuant to the Warrant) for an aggregate cash exercise price of approximately $46 million. On November 14, 1988, the Company and Shearson agreed that the Company will cause Koppers to issue the Warrant on or before the date on which the Shearson note is prepaid or otherwise matures and the terms of the Warrant shall be appropriately adjusted to reflect changes in the contemplated circumstances since June 16, 1988. Also, on November 14, 1988, Beazer contributed $32 million in cash to the Company for the issuance of additional shares of preferred stock.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(12) Pro Forma Condensed Consolidated Statements of Operations (Unaudited)

The following pro forma condensed consolidated statements of operations for the fiscal years ended June 30, 1987 and 1988 (the "pro forma statements") have been prepared as if the acquisition, the Beazer term loan and revolving credit facility and the application of the estimated net proceeds there from had occurred at the beginning of such periods.

The pro forma statements adjust the historical unaudited consolidated statements of operations for the fiscal years ended June 30, 1987 and 1988 of Koppers Company, Inc. and Subsidiaries (Predecessor Company) on a continuing operations basis. Pro forma results for discontinued operations (see note 6) and extraordinary items have not been included in the pro forma statements. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable.

The pro forma statements do not purport to represent what the Company's results of operations would actually have been if such transactions had occurred at the beginning of the respective periods or to project the results of operations of the Company as of any future date or for any future period.

The acquisition was accounted for using the purchase method of accounting. Allocations of the purchase price have been determined based upon preliminary independent appraisals and other estimates of fair value and are subject to change. Differences between the amounts included herein and the final allocations are not expected to have a material effect on the pro forma statements.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The following assumptions have been used by the Company in preparing the pro forma statements (unaudited):

Pro Forma Adjustments	Increase/(decrease) in income (loss) from continuing operations Fiscal year ended June 30, 1988	1987
	(In thousands)	
(a) Additional depreciation and depletion expense on increased asset values	$ (30,295)	(29,154)
Depreciation expense reduction to reflect revised asset lives	13,032	13,032
Maintenance and repair expense reduction to reflect purchase price allocation accruals	34,941	34,941
Elimination of amortization of goodwill	63	(2,684)
Total cost of sales	17,741	16,135
(b) Depreciation expense reduction to reflect assets written off	1,337	1,337
Elimination of stock option and deferred compensation expense to reflect termination of plans as a result of the acquisition	51,842	5,136
Total selling, general and administrative expenses	53,179	6,473
(c) Decrease in interest expense to reflect payoff of Koppers' debt	8,931	10,312
Additional interest expense to reflect portion of Beazer term loan and revolving credit facility in connection with the acquisition of Koppers at an assumed interest rate of 10.5%	(112,000)	(116,000)
Total net interest	(103,069)	(105,688)
(d) Elimination of tender offer response costs	30,284	-
Total before income taxes	(1,865)	(83,080)
(e) Adjustment of income (taxes) benefit to reflect (taxes) benefit on net income (loss) of the pro forma condensed consolidated statement of operations	23,794	28,283
	$ 21,929	(54,797)

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The pro forma statements (unaudited) do not include the amortization of approximately $61,750,000 (excluding the impact of income tax benefits) of acquisition, financing, service and other fees, related to the acquisition, paid to Shearson, NIB and others. Approximately $23,045,000 of these fees will be charged to income during the fiscal year ending June 30, 1989, with the remainder being included as an accrual in net assets of discontinued operations in the consolidated balance sheet. The pro forma statements (unaudited) do not include a provision for dividends, at the annual rate of $20,000 per share, on the Series A Cumulative Preferred Stock of the Company; if declared by the Board of Directors of the Company, annual dividends would be $48,700,000.

BNS Acquisitions, Inc.
Pro Forma Condensed Consolidated
Statement of Operations
Fiscal Year Ended June 30, 1988
(Unaudited)
(In thousands, except share data)

	Koppers Co., Inc. and Subsidiaries historical (Predecessor Company)	Pro Forma adjustments	The Company pro forma
Net sales	$ 875,186	-	875,186
Cost of sales	718,681	(17,741)(a)	700,940
Gross profit	156,505	17,741	174,246
Selling, general and administrative expenses	140,212	(53,179)(b)	87,033
Operating income	16,293	70,920	87,213
Net interest	(4,463)	(103,069)(c)	(107,532)
Tender offer response costs	(30,284)	30,284 (d)	-
Provision for environmental expenses	(12,071)	-	(12,071)
Miscellaneous	3,758	-	3,758
Loss from continuing operations before income (taxes) benefit and extraordinary item	(26,767)	(1,865)	(28,632)
Income (taxes) benefit	(30,671)	23,794 (e)	(6,877)
Net loss from continuing operations before extraordinary item	$ (57,438)	21,929	(35,509)
Loss per common share, 1,000 shares outstanding			$ (35,509)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

BNS Acquisitions, Inc.
Pro Forma Condensed Consolidated
Statement of Operations
Fiscal Year Ended June 30, 1987
(Unaudited)
(In thousands, except share data)

	Koppers Co., Inc. and Subsidiaries historical (Predecessor Company)	Pro Forma adjustments	The Company pro forma
Net sales	$ 721,634	-	721,634
Cost of sales	568,808	(16,135)(a)	552,673
Gross profit	152,826	16,135	168,961
Selling, general and administrative expenses	60,390	(6,473)(b)	53,917
Operating income	92,436	22,608	115,044
Net interest	(1,572)	(105,688)(c)	(107,260)
Provision for environmental expenses	(553)	-	(553)
Miscellaneous	(1,108)	-	(1,108)
Income (loss) from continuing operations before income (taxes) benefit and extraordinary item	89,203	(83,080)	6,123
Income (taxes) benefit	(35,395)	28,283 (e)	(7,112)
Net income (loss) from continuing operations before extraordinary item	$ 53,808	(54,797)	(989)
Loss per common share, 1,000 shares outstanding			$ (989)

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(13) Unaudited Financial Information

The consolidated statements of operations, shareholders' equity and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period ended June 30, 1987 are unaudited and present continuing operations separately from discontinued operations on the basis described in note 6. In the opinion of management, these statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the results of operations and cash flows for the six-month period ended June 30, 1987.

The primary reasons for the difference between the expected and actual effective tax rates are state tax, net of federal tax benefit and effect of percentage over cost depletion.

The extraordinary gain recorded in the six-month period ended June 30, 1987 resulted from a tax benefit related to the utilization of net operating loss carryforwards.

KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Schedule V - Property, Plant and Equipment

Six-Month Period Ended June 30, 1988

(In thousands)

Classification	Balance at beginning of period	Additions at cost	Retirement or sales	Transfers and other additions (deductions)	Transfer to net assets of discontinued operations	Balance at close of period
Land	$ 43,183	8,738	56	(5,913)	9,790	36,162
Buildings	102,402	2,298	751	(444)	48,750	54,755
Machinery and equipment	943,533	43,147	14,197	2,531	479,553	495,461
Depletable mineral properties	50,971	78	6	917	-	51,960
Depletable timber properties	2,358	335	341	-	2,352	-
Total	$ 1,142,447	54,596	15,351	(2,909)	540,445	638,338

KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Schedule VI - Accumulated Depreciation, Depletion and Amortization

Six-Month Period Ended June 30, 1988

(In thousands)

Description	Balance at beginning of period	Additions charged to income	Retirements	Other additions (deductions)	Transfer to net assets of discontinued operations	Balance at close of period
Depreciation and amortization	$ 653,701	36,152	13,773	4,023	346,729	333,374
Depletion	12,202	1,480	183	(75)	1,908	11,516
Total	$ 665,903	37,632	13,956	3,948	348,637	344,890

KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Schedule VIII - Valuation and Qualifying Accounts

Six-Month Period Ended June 30, 1988

(In thousands)

Description	Balance at beginning of period	Additions charged to income	Other additions (retirements)	Transfer to net assets of discontinued operations	Balance at close of period
Allowance for doubtful accounts	$ 8,682	1,392	(2,235)	1,299	6,540
Allowance for doubtful notes receivable	-	9,456	1,625	-	11,081
Allowance for decline in value of investment	2,770	-	(321)	-	2,449
Total	$ 11,452	10,848	(931)	1,299	20,070

KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Schedule IX - Short-Term Borrowing

Six-Month Period Ended June 30, 1988

(In thousands)

Category of short-term borrowings	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period	Weighted average interest rate during the period
Amounts payable to banks	$ 92,500	8.89%	$ 98,500	$ 38,978	7.86%
Commercial paper	5,000	7.55	100,000	61,902	6.97

KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Schedule X - Supplementary Income Statement Information

Six-Month Period Ended June 30, 1988

(In thousands)

Item	Charged to expenses
Maintenance and repairs	$ 46,652
Taxes, other than payroll and income taxes	$ 5,193
Rents	$ 13,698
Research and development	$ -

September 25, 1989

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$	36,280,502
2.	Amount of annual aggregate liability coverage to be demonstrated.	$	28,000,000
3.	Sum of lines 1 and 2.	$	64,280,502
4.	Current bond rating of most recent issuance and name of rating service		Moody's - Aaa
5.	Date of issuance of bond		November 18, 1977
6.	Date of maturity of bond		August 1, 2007
*7.	Tangible net worth (if any portion of the closure and/or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$	465,555,283
*8.	Total assets in the U.S. (required only if less than 90 % of assets are located in the U.S.)	$	Not Applicable

		YES	NO
9.	Is line 7 at least $10 million ?	X	
10.	Is line 7 at least 6 times line 3 ?	X	
*11.	Are at least 90 % of assets located in the U.S. ? If not, complete line 12.	X	
12.	Is line 8 at least 6 times line 3 ?	Not Applicable	

September 25, 1989

I hereby certify that the wording of this letter is identical to the wording specified in the Mississippi Hazardous Waste Management Regulation 264.151(g) as such regulations were constituted on the date shown immediately below.

RGH

George R. Johannes
Executive Vice President and
Chief Financial Officer

September 25, 1989

Attachment

A T T A C H M E N T   A

FACILITY LOCATION	COST ESTIMATES 1989 CLOSURE	1989 POST-CLOSURE	TOTAL COST
MONTGOMERY PLANT P.O. BOX 510 1451 LOUISVILLE STREET MONTGOMERY, AL 36101 ALD 004009403	$ 16,935	$ 1,520,490	$ 1,537,425
WOODWARD COKE PLANT KOPPERS DRIVE DOLOMITE, AL 35061 ALD 000771949	$	$ 62,394	$ 62,394
WOODWARD TAR PLANT 1835 KOPPERS DRIVE DOLOMITE, AL 35061 ALD 085765808	$ 99,427	$ 492,475	$ 591,902
LITTLE ROCK PLANT P. O. BOX 3231 NORTH LITTLE ROCK, AR 72117 ARD 006344824	$ 480,493	$ 2,287,136	$ 2,767,629
FEATHER RIVER PLANT P. O. BOX 351 OROVILLE, CA 95965 CAD 009112087	$ 2,626,245	$ 67,798	$ 2,694,043
DENVER PLANT 465 WEST 56TH AVENUE DENVER, CO 80216 COD 007077175	$ 192,489	$ 1,289,006	$ 1,481,495
GAINESVILLE PLANT P. O. BOX 1067 GAINESVILLE, FL 32602 FLD 004057535	$ 15,400	$	$ 15,400
CARBONDALE PLANT P. O. BOX 271 CARBONDALE, IL 62901 ILD 000819946	$ 865,388	$ 5,254,950	$ 6,120,338

A T T A C H M E N T A

FACILITY LOCATION	COST ESTIMATES 1989 CLOSURE	 1989 POST-CLOSURE	 TOTAL COST
CHICAGO PLANT 3900 S. LARAMIE AVENUE CICERO STATION CHICAGO, IL 60650 ILD 005164611	$ 65,508	$	$ 65,508
GALESBURG PLANT P. O. BOX 1191 GALESBURGH, IL 61401 ILD 990817991	$ 6,929	$	$ 6,929
GUTHRIE PLANT P. O. BOX 8 GUTHRIE, KY 42234 KYD 006383392	$ 187,491	$ 2,889,292	$ 3,076,783
GRENADA PLANT BOX 8057 GRENADA, MS 38960 MSD 007027543	$ 915,309	$ 1,673,989	$ 2,589,298
KANSAS CITY PLANT P. O. BOX 8057 KANSAS CITY, MO 64129 MOD 007146517	$ 4,971	$	$ 4,971
NEWARK PLANT 480 FRELINGHUYSEN AVENUE NEWARK, NJ 07114 NJD 002149789	$ 113,927	$	$ 113,927
PORT NEWARK PLANT MARITIME & TYLER STREETS PORT NEWARK, NJ 07114 NJD 000542282	$ 4,190	$	$ 4,190
ORRVILLE PRODUCT DEVELOPMENT P. O. BOX 905 ORRVILLE, OH 44667 OHD 068911494	$ 23,996	$	$ 23,996

ATTACHMENT A

FACILITY LOCATION	COST ESTIMATES 1989 CLOSURE	1989 POST-CLOSURE	TOTAL COST
PARR - WEST 5151 DENISON AVENUE CLEVELAND, OH 44102 OHD 060431947	$ 19,363	$	$ 19,363
YOUNGSTOWN PLANT P. O. BOX 1137 YOUNGSTOWN, OH 44501 OHD 004198784	$ 180,361	$ 1,198,890	$ 1,379,251
BRIDGEVILLE PLANT P. O. BOX 219 BRIDGEVILLE, PA 15017 PAD	$ 74,561	$	$ 74,561
SCIENCE & TECHNOLOGY CENTER 440 COLLEGE PARK DRIVE MONROEVILLE, PA 15146 PAD 082245754	$ 15,836	$	$ 15,836
SUSQUEHANNA PLANT P. O. BOX 189 MONTGOMERY, PA 17752 PAD 056723265	$ 229,381	$	$ 229,381
VERONA RESEARCH FACILITY 15 PLUM STREET VERONA, PA 15147 PAD 980554950	$ 7,146	$	$ 7,146
FLORENCE PLANT P. O. BOX 1725 FLORENCE, SC 29503 SCD 003353026	$ 1,255,926	$ 1,538,698	$ 2,794,624
HOUSTON TAR PLANT P. O. BOX 96150 HOUSTON, TX 77015 TXD 008089021	$ 118,138	$	$ 118,138
HOUSTON WOOD PLANT P. O. BOX 16220 HOUSTON, TX 77222 TXD 020802393	$ 5,698	$	$ 5,698

ATTACHMENT A

FACILITY LOCATION	COST ESTIMATES 1989 CLOSURE	1989 POST-CLOSURE	TOTAL COST
RICHMOND PLANT 4005 CHARLES CITY ROAD RICHMOND, VA 23231 VAD 00312977	$	$ 1,050,240	$ 1,050,240
ROANOKE PLANT 4020 KOPPERS ROAD SALEM, VA 24153 VAD 003125770	$ 740,945	$ 733,797	$ 1,474,742
COLLIERS LANDFILL P. O. BOX M FOLLANSBEE, WV 26037 WVD 980707178	$ 1,207,688	$ 1,448,948	$ 2,656,636
FOLLANSBEE PLANT P. O. BOX M FOLLANSBEE, WV 26037 WVD 004336749	$ 267,724	$ 1,386,065	$ 1,653,789
GREEN SPRING PLANT P. O. BOX 98 GREEN SPRING, WV 26722 WVD 003080959	$ 131,689	$	$ 131,689
SUPERIOR PLANT P. O. BOX 397 SUPERIOR, WI 54880 WID 006179493	$ 836,138	$ 2,677,042	$ 3,513,180

TOTAL CLOSURE COST - ATTACHMENT A :	$ 10,709,292
TOTAL POST-CLOSURE COST - ATTACHMENT A :	$ 25,571,210
TOTAL COSTS :	$ 36,280,502

KPMG Peat Marwick

Peat Marwick Main & Co.
One Mellon Bank Center
Pittsburgh, PA 15219

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Independent Auditors' Report

The Board of Directors and Shareholders
Beazer Materials and Services, Inc. and
Mississippi Department of Natural Resources:

We have audited the accompanying consolidated balance sheet of Beazer Materials and Services, Inc. (formerly Koppers Company, Inc.) as of June 30, 1989, and have issued our report thereon dated September 13, 1989.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H of 40 CFR Parts 264 and 265 and Subpart H, Parts 264 and 265 of the Mississippi Hazardous Waste Management Regulations, the chief financial officer, George R. Johannes, has prepared the attached letter dated September 25, 1989, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end balance sheet. We have compared such financial data identified with an asterisk to financial data derived from the Company's consolidated balance sheet as of June 30, 1989, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the above mentioned September 25, 1989, letter should be adjusted. However, our audit was not directed primarily toward obtaining knowledge of the above mentioned financial data.

This report is intended solely for the information and use of the board of directors and management of Beazer Materials and Services, Inc. and Mississippi Department of Natural Resources and should not be used for any other purpose.

Peat Marwick Main & Co.

Pittsburgh, Pennsylvania
September 13, 1989, except as to the third and fourth paragraphs of the above which are as of September 25, 1989

KPMG Peat Marwick

Certified Public Accountants

BEAZER MATERIALS AND SERVICES, INC.

Consolidated Balance Sheet

June 30, 1989

(With Independent Auditors'
Report Thereon)

KPMG Peat Marwick

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Independent Auditors' Report

The Board of Directors and Shareholders
Beazer Materials and Services, Inc.:

We have audited the accompanying consolidated balance sheet of Beazer Materials and Services, Inc. (formerly Koppers Company, Inc.) as of June 30, 1989. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit of a balance sheet includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet. An audit of a balance sheet also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of Beazer Materials and Services, Inc. as of June 30, 1989, in conformity with generally accepted accounting principles.

Peat Marwick Main & Co.

September 13, 1989

BEAZER MATERIALS AND SERVICES, INC.

Consolidated Balance Sheet

June 30, 1989

(Dollars in thousands)

Assets

Current Assets:	
Cash	$ 2,558
Short-term investments at approximately market	778
Accounts Receivable, principally trade, less allowance for doubtful receivables of $7,267	133,093
Notes and other receivables, less allowance for doubtful accounts of $2,180 (note 6)	47,553
Costs and estimated earnings in excess of billings on long term contracts	24,473
Inventories (note 2)	69,290
Discontinued operations and assets held for disposition (note 5)	60,517
Other current assets, including current deferred tax benefits of $38,352	47,754
Total current assets	386,016
Property, plant and equipment, net (note 3)	3,069,377
Other assets	62,627
Total assets	$ 3,518,020

Liabilities and Shareholders' Equity

Current liabilities:	
Accounts payable, principally trade	$ 101,381
Payroll and employee benefits (note 4)	37,376
Income taxes payable	23,203
Accrued interest payable	33,698
Current portion of long-term debt (note 7)	58,696
Deferred compensation and severence liabilities (note 8)	10,315
Environmental and warranty reserves	57,005
Maintenance and other current liabilities	105,780
Billings in excess of costs on long-term contracts	6,386
Total current liabilities	433,840
Long-term debt (note 7)	923,851
Deferred income taxes, net (note 6)	742,202
Long-term environmental and warranty reserves (note 9)	501,569
Long-term employee benefits	107,799
Long-term maintenance and other liabilities	342,201
Total liabilities	3,051,462
Commitments and contingencies (notes 9 and 10)	—
Shareholders' Equity (note 10):	
Cumulative preferred stock, Series A, no par value, stated at liquidation value of $100,000 per share. 5,000 shares authorized, 2,730 shares issued and outstanding	273,000
Common stock, par value, $1; 5,000 shares authorized, 1,000 shares issued and outstanding	1
Stated capital in excess of par value of common stock	49,999
Additional contributed capital	97,000
Retained earnings	46,558
Total shareholders' equity	466,558
Total liabilities and shareholders' equity	$ 3,518,020

See accompanying notes to consolidated balance sheet.

BEAZER MATERIALS AND SERVICES, INC.

Notes to Consolidated Balance Sheet

June 30, 1989

(1) Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The capital stock of Beazer Materials and Services, Inc. (the Company) [formerly Koppers Company, Inc. (Koppers)] is owned indirectly by Beazer PLC (Beazer), a company registered in the United Kingdom.

The Company is successor to Koppers which was acquired by Beazer through BNS Acquisitions, Inc. (BNSA, Inc.) on June 16, 1988 via a cash tender offer of approximately $1,741 million, including $46.6 million of related fees and expenses. The acquisition was accounted for as a purchase, with the purchase price allocated to the assets and liabilities acquired based on their respective estimated fair values at the date of acquisition. Such allocations included estimates and other information which, in some instances, was preliminary. Estimates and other evaluations of fair value were finalized during fiscal year 1989 as a result of the Company receiving information that it had arranged to obtain or which was known to be available resulting, in certain cases, in adjustment of amounts initially allocated to the assets acquired and the liabilities assumed. For financial reporting purposes, the acquisition was accounted for as of June 30, 1988 and the accompanying consolidated balance sheet reflects the results of operations of the Company since that date.

BEAZER MATERIALS AND SERVICES, INC.

Notes to Consolidated Balance Sheet

June 30, 1989

BNSA, Inc. was organized for purposes of the acquisition of Koppers and, prior to June 30, 1988, had no significant assets and did not engage in any activities other than those incidental to its formation and the acquisition of Koppers. At June 30, 1988, BNSA, Inc. was 49% indirectly owned by Beazer, 46.1% indirectly owned by Shearson Lehman Hutton Holdings, Inc. (Shearson) and 4.9% indirectly owned by Nat West Investment Bank Limited (NIB). On January 20, 1989, Beazer acquired the remaining 51% combined equity interests of Shearson and NIB. Also on January 20, 1989, BNSA, Inc. merged with Koppers, (the merger) with Koppers surviving and subsequently changing its name to Beazer Materials and Services, Inc. According to the terms of the merger, the 2,730 shares of BNSA, Inc. Preferred Stock, Series A, no par value were converted into 2,730 shares of Beazer Materials and Services, Inc. Preferred Stock, Series A, no par value and the 1,000 shares of BNSA Inc.'s Common Stock, $1 par value were converted into 1,000 shares of Common Stock of Beazer Materials and Services, Inc.

For federal income tax purposes, the Company did not elect under Section 338 of the Internal Revenue Code of 1986 to increase the historical tax bases of the acquired assets and liabilities. Accordingly, increased expenses resulting from fair value adjustments made for accounting purposes (as described previously) will generally not provide a corresponding income tax deduction.

The Company is involved principally in the production and sale of aggregates and bituminous concrete as well as providing engineering and construction services.

A summary of the Company's significant accounting policies follows:

Principles of Consolidation

The consolidated balance sheet includes the accounts of the Company and all of its subsidiaries. Significant intercompany balances, transactions and stock holdings have been eliminated in consolidation.

BEAZER MATERIALS AND SERVICES, INC.

Notes to Consolidated Balance Sheet

June 30, 1989

Inventories

Inventories are stated at cost, which is not in excess of market. Cost for product inventory is determined using a weighted average method, which approximates actual on the FIFO (First-In, First-Out) basis. Cost for raw materials and supplies is determined using the FIFO method.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Renewals and betterments which substantially extend the useful life are capitalized. Maintenance and repairs are charged to expense.

Buildings, machinery and equipment are depreciated on the straight-line method over their estimated useful lives for financial statement purposes. Accelerated depreciation is used for federal income tax purposes. Aggregate properties are depleted on the basis of units produced.

Deferred Charges

Land stripping costs are capitalized and charged to expense as the related mineral properties are mined.

Long-Term Contracts

Revenue on long-term construction contracts is accounted for on the percentage-of-completion method; losses are recognized upon determination.

Pension Plans

The Company maintains several noncontributory defined benefit pension plans covering substantially all employees and accounts for such plans using the provisions of the Statement of Financial Accounting Standards No. 87 (SFAS No. 87), "Employers' Accounting for Pensions".

BEAZER MATERIALS AND SERVICES, INC.

Notes to Consolidated Balance Sheet

June 30, 1989

Postretirement Benefits

Postretirement health care and life insurance benefits, other than those accrued for in the accompanying consolidated balance sheet, are charged to expense when paid.

Income Taxes

The Company accounts for income taxes using the provisions of the Statement of Financial Accounting Standards No. 96 (SFAS No. 96), "Accounting for Income Taxes". Deferred income taxes have been provided for temporary differences resulting from differences between tax and financial statement bases of assets and liabilities.

General

Amounts included in the notes to the consolidated balance sheet relate only to continuing operations unless otherwise indicated.

(2) Inventories

Inventories at June 30, 1989 consist of the following:

	(In thousands)
Raw materials and supplies	$23,266
Product	46,024
	$69,290

BEAZER MATERIALS AND SERVICES, INC.

Notes to Consolidated Balance Sheet

June 30, 1989

(3) Property, Plant and Equipment

Property, plant and equipment at June 30, 1989 consist of the following:

	(In thousands)
Buildings	$ 46,012
Machinery and equipment	296,300
Total buildings, machinery and equipment	342,312
Land	225,780
Depletable aggregate properties	2,572,702
Total property, plant and equipment	3,140,794
Less accumulated depreciation and depletion	(71,417)
Property, plant and equipment, net	$3,069,377

(4) Pension Plans and Other Postretirement Benefits

Pension Plans

The Company maintains several noncontributory defined benefit pension plans covering substantially all employees. The Company's policy is generally to fund the amount required under the Employee Retirement Income Security Act of 1974 (ERISA). Historically, the Company funds the majority of the pension accrual in the subsequent year. Benefits for the hourly plans are generally based on the participant's career earnings and service with the Company, while benefits for the salary plan are based on Terminal Salary and Credited Service. Plan assets are composed primarily of corporate equity, debt and government securities and bank pooled funds. Pursuant to SFAS No. 87, an asset or liability is recognized in the balance sheet when projected benefit obligations are less than or exceed the fair value of plan assets. (See note 11)

BEAZER MATERIALS AND SERVICES, INC.

Notes to Consolidated Balance Sheet

June 30, 1989

The funded status of the Company's plans and amounts recognized in the consolidated balance sheet at June 30, 1989 is as follows:

	Plans whose assets exceed accumulated benefits	Plans whose accumulated benefits exceed assets
	(In thousands)	
Actuarial present value of:		
Vested benefits	$ 432,943	10,513
Nonvested benefits	20,722	1,542
Accumulated benefit obligation	453,665	12,055
Effect of future salary increases	16,204	619
Projected benefit obligation	469,869	12,674
Plan assets at fair value	529,648	10,040
Funded status	59,779	(2,634)
Unrecognized prior service cost	215	371
Unrecognized net (gain) loss	(46,507)	(1,190)
Prepaid pension cost (accrued pension liability)	$ 13,487	(3,453)

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations were 8.5% and 6.0%, respectively. The expected long-term rate of return on plan assets was 9.0%.

The net prepaid pension cost (accrued pension liability) is segregated between continuing and discontinued operations as follows:

(In thousands)	Continuing Operations	Discontinued Operations	Combined
Hourly plans	$ 2,152	$ 2,903	$ 5,055
Salary plan	26,979	(22,000)	4,979
Net prepaid pension cost (accrued pension liability)	$29,131	$(19,097)	$10,034

BEAZER MATERIALS AND SERVICES, INC.

Notes to Consolidated Balance Sheet

June 30, 1989

Multiemployer Plans

In addition to Company-sponsored plans, the Company contributes to several multiemployer plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and net plan assets of these multiemployer plans, by nature, is not determinable by the Company. The Company contributes periodically to the plans, and the contributions due and unpaid at June 30, 1989 are provided for in the consolidated balance sheet as a component of the employee benefits liability.

Health Care and Life Insurance Benefits

In addition to pension benefits, the Company provides postretirement health care and life insurance benefits to certain employees generally through insurance companies whose premiums are primarily based upon benefits actually paid. Substantially all of the Company's employees may become eligible for these benefits if they reach normal retirement age while working for the Company. The Company has provided for in the consolidated balance sheet at June 30, 1989 approximately $95 million for such postretirement benefits of which approximately $88 million relates to discontinued operations.

(5) Discontinued Operations and Assets Held for Disposition

In conjunction with its acquisition by BNSA, Inc., the Company initiated a program to sell the majority of its businesses not related to the construction materials and services business. The businesses in the divestiture program included the Chemical and Allied Products Group, manufacturers of specialized tar and wood products, chemical systems and building products; Ivy Steel and Wire Company and Meadow Steel Products Company, producers of welded wire fabric, drawn wire and accessories for the concrete business; the Coatings Division, a producer of specialized paints and coatings; Keystone Environmental Resources, Inc., an environmental services company; and Kopvenco, Inc., a venture capital company. The majority of these businesses were sold during fiscal year 1989 for net cash proceeds of approximately $783 million. The Company is currently engaged in negotiations with parties interested in purchasing the net assets or stock of businesses remaining in the divestiture program and anticipates completing the process during fiscal year 1990.

Additionally, proceeds were received on the sale of certain other businesses and investments for a total of approximately $44 million.

At June 30, 1989, the assets, liabilities and reserves associated with the remaining discontinued operations and assets held for disposition and included in the consolidated balance sheet are as follows:

	(In thousands)
Working capital:	
Cash and accounts receivable	$ 689
Prepaid expenses	1,030
Accounts payable	(1,487)
Accrued liabilities	(2,334)
Total working capital	(2,102)
Property, plant and equipment	62,619
Discontinued operations and assets held for disposition	$60,517

In conjunction with the divestiture program, the Company will remain liable for costs arising from certain environmental matters, litigation, and other claims principally involving the chemical businesses that have been divested for which such amounts have been provided for in the consolidated balance sheet (see note 9).

An accrual for discontinued operations has been provided in the consolidated balance sheet for costs and expenses projected to be incurred through the respective anticipated dates of disposal of the remaining operations.

BEAZER MATERIALS AND SERVICES, INC.

Notes to Consolidated Balance Sheet

June 30, 1989

(6) Income Taxes

As discussed in note 1, the Company accounts for income taxes pursuant to SFAS No. 96, "Accounting for Income Taxes". Although SFAS No. 96 is effective for annual financial statements with fiscal years beginning after December 15, 1989, earlier application is permitted.

As also discussed in note 1, the Company has not increased the historical tax bases of the assets and liabilities acquired in the acquisition of Koppers. The types of differences between the tax bases of assets and liabilities and their financial statement amounts that give rise to deferred income tax liabilities or assets are: inventories; property, plant and equipment and depletable mineral properties; net assets of discontinued operations; accrued warranty, environmental, and benefit reserves; and accrued preacquisition contingencies. Net operating loss carryforwards and tax credit carryforwards for tax purposes have been utilized in allocating the purchase price of the acquisition to the assets acquired and the liabilities assumed.

The Company and its subsidiaries file a consolidated federal income tax return with its parent company. State tax returns are filed on either a subsidiary consolidated or separate company basis.

As of June 30, 1989, the Company has a federal tax refund receivable of approximately $23 million which is classified as a current asset.

(7) Long-Term Debt and Credit Arrangements

Long-term debt outstanding at June 30, 1989 is as follows:

	(In thousands)
Term loan and revolving credit facility	$930,000
Lines of credit	47,800
Other	4,747
	982,547
Less current portion of term loan	(58,696)
	$923,851

BEAZER MATERIALS AND SERVICES, INC.

Notes to Consolidated Balance Sheet

June 30, 1989

Term Loan and Revolving Credit Facility

On January 17, 1989, Beazer entered into a commitment for a term loan and revolving credit facility (together the Facilities) with a bank syndicate which provided financing up to $2.3 billion (a maximum 40% of which may be drawn down in Sterling equivalents thereof) to Beazer, the Company and certain other designated borrowing subsidiaries of Beazer. The Company's share of the Facilities was determined based upon the amount necessary to secure the Company's financing following the merger. The Facilities were used to repay and cancel the following pre-existing credit arrangements:

- the Citibank, N.A. margin credit facility and the Shearson senior subordinated promissory note, both representing acquisition loan agreements of BNSA, Inc.

- the $400 million revolving credit facility of Koppers entered into on November 14, 1988.

- the Multiple Option and Revolving Loan Facilities of Beazer, and certain other credit facilities of Beazer, BNSA, Inc., Koppers, and their respective subsidiaries.

The term loan portion of the Facilities is a non-revolving seven year loan providing financing up to $1.15 billion amortizing in 13 semi-annual installments with final maturity on December 31, 1995. The revolving credit facility portion of the Facilities provides financing up to a maximum of $1.15 billion with the available amount reduced to $750 million prior to June 30, 1989. The revolving credit facility terminates on December 31, 1993. Interest on the term loan and the revolving credit facility is paid based upon the prevailing London Interbank Offered Rate ("LIBOR") plus 1-1/8%. Beazer must also pay a commitment fee of 3/16% on the average daily unborrowed amount. The term loan and revolving credit facility are unsecured. Guarantees on the Facilities have been provided by Beazer subsidiaries whose total assets must account for 95% of the consolidated total assets of Beazer. The Facilities agreement contains covenant requirements for Beazer which include the maintenance of certain financial ratios, working capital, and net worth. In addition, restrictions are placed on the borrowing levels of Beazer. At June 30, 1989, the Company had borrowings of $675 million and $255 million under the term loan and revolving credit facility, respectively.

Other Credit Arrangements

The Company has line of credit arrangements with various banks that totaled approximately $75 million at June 30, 1989. The borrowings are under such terms as may be mutually agreed upon by the banks and the Company. Unused lines of credit not reflected in the consolidated balance sheet totaled approximately $27.2 million at June 30, 1989. At June 30, 1989, lines of credit are classified as long-term as the Company has the ability to refinance such lines of credit within the existing long-term revolving credit facility discussed above.

Additionally, the Company has unused letters of credit not reflected in the consolidated balance sheet which totaled approximately $33.4 million at June 30, 1989.

(8) Employee Compensation Plans

Deferred Compensation Plans - Koppers had a Deferred Compensation Unit Plan for officers and other key employees. This Plan has been terminated and at June 30, 1989, the Company's remaining liability for payments due under the Plan was approximately $15.3 million which have been accrued for in the consolidated balance sheet.

Incentive Plans - The Company has an Executive Incentive Plan for key corporate staff employees which is based on established annual target award levels if certain company performance and individual goals are attained. The Company also has an incentive plan for operating groups not covered by the Executive Incentive Plan which is based on the accomplishments of group profit objectives and individual performance objectives. At June 30, 1989, the Company has accrued approximately $7.5 million in the consolidated balance sheet representing the anticipated payments earned under such plans in fiscal year 1989.

BEAZER MATERIALS AND SERVICES, INC.

Notes to Consolidated Balance Sheet

June 30, 1989

The Company has an Employee Savings Plan for all eligible Company employees that conforms to Section 401(k) of the Internal Revenue Code. Under the Plan, participants can elect to contribute up to 16% of earnings with a regular Company matching contribution in cash equal to 25% of the first 2% of the participant's contribution. The Company may also make a discretionary contribution at the end of each Plan year subject to approval of the Company's Board of Directors. At June 30, 1989, the Company had accrued approximately $1.2 million in the consolidated balance sheet representing anticipated discretionary contributions for fiscal year 1989.

(9) Commitments and Contingencies

The Company is a party to a number of claims and lawsuits arising out of the normal course of its ongoing business, or from liabilities retained as part of the sale of the Koppers chemical businesses, including product warranty claims; toxic tort claims; alleged violations of governmental regulations, including environmental matters; and breach of contract. Many of these claims and lawsuits, some of which are covered in part by insurance, are being contested; certain of these actions purport to be class actions and involve multiple plaintiffs.

The Company has environmental liabilities caused by soil, surface water and groundwater contamination at previously owned facilities and off-site waste disposal facilities. Certain of these facilities are the subject of environmental administrative proceedings by governmental agencies or claims by third parties. Costs associated with these environmental liabilities usually include feasibility studies, surface remediation, pumping and treatment of ground water, and monitoring of the affected facility. At June 30, 1989, the Company has an accrued liability in the consolidated balance sheet of approximately $443 million for such environmental costs. This amount represents the costs expected to be incurred in future years that can currently be reasonably estimated to justify the establishment of specific reserves. Actual expenditures may exceed this amount, but cannot reasonably be estimated at this time.

The Company also is party to numerous claims against it for product warranty, toxic tort, and breach of contract suits. As of June 30, 1989, these claims are at various stages of development. Appropriate liabilities are reflected in the consolidated balance sheet for potential losses as a result of these claims, where they can be reasonably estimated, based on the opinion of management, and, in part, on the advice of counsel.

While it is not possible, at this time, to determine with certainty the ultimate outcome of all of the claims and lawsuits against the Company, in the opinion of management, the outcome of those claims currently unable of being reasonably estimated will not have a material adverse effect on the consolidated financial position of the Company.

(10) Shareholders' Equity

All shares of Series A Cumulative Preferred Stock (preferred stock) are indirectly held by Beazer. As of June 30, 1988, 2,410 shares of the preferred stock of BNSA, Inc. were issued in exchange for 458,100 shares of Koppers common stock (valued at approximately $28 million) and approximately $213 million in cash. On November 14, 1988, Beazer contributed $32 million in cash to BNSA, Inc. in exchange for the issuance of 320 additional shares of preferred stock. These 2,730 shares of preferred stock were converted to 2,730 shares of preferred stock of the Company as a result of the merger referred to in note 1.

The holder of preferred stock shall be entitled to receive, when, as and if declared by the Board of Directors, mandatory dividends in the amount of $20,000, and no more, per share per annum, payable quarterly on the first day of each January, April, July and October, commencing April 1, 1989; provided that accumulated dividends shall cumulate and shall not be paid to the extent that payment is prohibited by any loan agreement, indenture or other contract to which the Company is or becomes a party and is entitled to a preference in liquidation of $100,000 per share plus accumulated but unpaid dividends. Dividends on shares of the preferred stock shall begin to accumulate and shall be cumulative from the earlier of (i) the date of their issue or (ii) the date of issue of shares of Cumulative Preferred Stock, Series A of BNSA, Inc., if such shares of preferred stock were issued in exchange for BNSA, Inc. Series A shares pursuant to any merger of the Company and BNSA, Inc.

Dividends paid on the shares of preferred stock in an amount less than the total amount of dividends accumulated and payable shall be allocated pro rata on the share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of preferred stock entitled to receive payment of a dividend declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof. Accumulated but unpaid dividends do not bear interest and the preferred shares do not have voting rights except as required by law. As the Board of Directors of the Company has not declared a dividend on the preferred stock since it was issued, no accrual for dividends has been provided for in the consolidated balance sheet at June 30, 1989. The Company may, at its option, redeem at any time all or a portion of the outstanding shares of preferred stock at the optional redemption price of $100,000 per share plus accumulated but unpaid dividends, except as prohibited by loan or other agreements.

All shares of common stock are indirectly held by Beazer. As of June 30, 1988, 1,000 shares of the common stock of BNSA, Inc. were issued in consideration of $97 million in cash and 1,636,000 shares of Koppers common stock. $50 million of the value of cash and common stock received was recorded as stated capital, with the remainder recorded as additional contributed capital. These 1,000 shares of common stock were converted to 1,000 shares of common stock of the Company as a result of the merger referred to in note 1.

The Company has an obligation to issue, to Shearson, a Warrant to purchase up to 10% of each class of the Company's outstanding equity securities (including issuances pursuant to the Warrant) for an aggregate cash exercise price of approximately $46 million. The warrant, when issued, will expire on June 15, 1998.

BEAZER MATERIALS AND SERVICES, INC.

Notes to Consolidated Balance Sheet

June 30, 1989

(11) Subsequent Events

Reorganization

During fiscal year 1990, the Company intends to reorganize its operations with other existing operations of Beazer in the United States based on geographical location. Pursuant to the proposed reorganization, the Company will manage all operations east of the Mississippi River and Gifford-Hill Company, Inc. (Gifford-Hill) (a producer of aggregates, cement and concrete products acquired by Beazer in 1986) will manage all operations west of the Mississippi River. As a result of the proposed reorganization, wherein certain operating subsidiaries will be transferred between the Company and Gifford-Hill, total assets and total liabilities of the Company at July 1, 1989 would decrease approximately $454 million and $224 million, respectively, with the difference being recorded as a reduction of the Company's long-term debt transferred to Gifford-Hill.

Acquisition

Reeves Construction Company (a wholly-owned subsidiary of the Company) acquired the stock of Stephens Paving Company (Stephens), and the assets of Fall Line Equipment Company, both Georgia corporations, on July 31, 1989 for a total purchase price of approximately $10.2 million in a transaction that was accounted for as a purchase. Stephens is engaged primarily in paving and related site construction.

Pension Plans

In connection with the divestiture program discussed in note 5, the pension obligations with regard to certain hourly pension plans of discontinued or divested businesses were transferred from the Company to the respective buyers. As a result, approximately $38.4 million in plan assets and approximately $35.5 million in plan benefit obligations included in the consolidated balance sheet at June 30, 1989 were withdrawn during fiscal year 1990 from the pension plan assets and liabilities of the Company and were distributed to the respective successor companies.

KPMG Peat Marwick

Certified Public Accountants

BNS ACQUISITIONS, INC. AND SUBSIDIARY
Consolidated Balance Sheet and Consolidated Statement of Shareholders' Equity as of June 30, 1988 (Inception of Operations)

and

KOPPERS COMPANY, INC. AND SUBSIDIARIES
(PREDECESSOR COMPANY)
Consolidated Statements of Operations, Cash Flows and Shareholders' Equity for the Six-Month Period Ended June 30, 1988

(With Independent Auditors' Report Thereon)

KPMG Peat Marwick

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Independent Auditors' Report

The Board of Directors and Shareholders
BNS Acquisitions, Inc.:

We have audited the accompanying consolidated balance sheet of BNS Acquisitions, Inc. and Subsidiary (the Company) as of June 30, 1988, and the consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company, a majority owned subsidiary of the Company) for the six-month period then ended and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988 (inception of operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period then ended. In conjunction with our audit of the consolidated financial statements of Koppers Company, Inc. and Subsidiaries (Predecessor Company), we also have audited the financial statement schedules V, VI, VIII, IX and X included herein. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

As discussed in note 1, substantially all of the common stock and cumulative preferred stock of Koppers Company, Inc. and Subsidiaries (Predecessor Company) was acquired by the Company as of June 30, 1988. The transaction was accounted for as a purchase with the assets and liabilities of Koppers Company, Inc. and Subsidiaries (Predecessor Company) being recorded at their fair values at the date of acquisition. As a result, the June 30, 1988 consolidated balance sheet of the Company is not comparable with the consolidated financial statements of Koppers Company, Inc. and Subsidiaries (Predecessor Company) presented herein.

KPMG Peat Marwick

The Board of Directors and Shareholders
BNS Acquisitions, Inc.
Page 2

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988 in conformity with generally accepted accounting principles. Further, in our opinion, the aforementioned consolidated statements of operations and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company) and the consolidated statements of shareholders' equity of BNS Acquisitions, Inc. and Subsidiary and Koppers Company, Inc. and Subsidiaries (Predecessor Company) referred to above present fairly, in all material respects, the results of their operations and their cash flows for the six-month period ended June 30, 1988 in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements of Koppers Company, Inc. and Subsidiaries (Predecessor Company) taken as a whole, present fairly, in all material respects, the information set forth therein.

Peat Marwick Main & Co.

PEAT MARWICK MAIN & CO.

Pittsburgh, Pennsylvania
October 28, 1988, except as to the last four paragraphs of note 8 and the last paragraph of note 11, which are as of November 14, 1988, and the second paragraph of note 10, which is as of January 3, 1989

BNS ACQUISITIONS, INC. AND SUBSIDIARY

Consolidated Balance Sheet

June 30, 1988

(In thousands, except share data)

Assets

Current assets:	
Cash, including short-term investments of $18,709 at approximately market	$ 29,581
Accounts receivable, principally trade, less allowance for doubtful receivables of $6,015	127,481
Notes and other receivables, less allowance for doubtful receivables of $2,742	30,003
Costs and estimated earnings in excess of billings on long-term contracts	25,958
Inventories (note 2)	65,610
Net assets of discontinued operations (note 6)	691,742
Other current assets	75,417
Total current assets	1,045,792
Property, plant and equipment (note 4)	2,641,708
Other assets	65,481
Total assets	$ 3,752,981

See accompanying notes to consolidated financial statements.

BNS ACQUISITIONS, INC. AND SUBSIDIARY

Consolidated Balance Sheet

June 30, 1988

(In thousands, except share data)

Liabilities and Shareholders' Equity

Current liabilities:	
Accounts payable, principally trade	$ 86,776
Income taxes payable	113,339
Payroll and employee benefits (note 5)	35,670
Stock option, deferred compensation and severance liabilities (note 9)	43,292
Environmental and warranty reserves	33,861
Betterment, merger and acquisition costs	56,226
Other current liabilities	65,357
Billings in excess of costs on long-term contracts	8,691
Long-term debt to be repaid with proceeds on sale of net assets of discontinued operations (note 8)	592,247
Total current liabilities	1,035,459
Long-term debt (note 8)	968,695
Deferred income taxes (note 7)	693,967
Long-term environmental and warranty reserves (note 10)	253,262
Long-term employee benefits	147,527
Long-term betterment, merger and acquisition costs	124,051
Other long-term liabilities	67,192
Total liabilities	3,290,153
Commitments and contingencies (notes 10 and 11)	
Minority interest in consolidated subsidiary	74,828
Shareholders' equity (note 11):	
Cumulative preferred stock, Series A, no par value, stated at liquidation value of $100,000 per share, 5,000 shares authorized, 2,410 shares issued and outstanding	241,000
Common stock, par value $1 per share, 10,000,000 shares authorized, 1,000 shares issued and outstanding	1
Stated capital in excess of par value of common stock	49,999
Additional contributed capital	97,000
Total shareholders' equity	388,000
Total liabilities and shareholders' equity	$ 3,752,981

See accompanying notes to consolidated financial statements.

KOPPERS COMPANY, INC. AND SUBSIDIARIES
(PREDECESSOR COMPANY)

Consolidated Statements of Operations

(In thousands, except per share data)

	Six-month periods ended June 30, 1988	Six-month periods ended June 30, 1987 (note 13) (Unaudited)
Net sales	$ 383,756	289,577
Operating expenses:		
Cost of sales	290,073	206,308
Depreciation, depletion and amortization	22,570	17,400
Taxes, other than income taxes	16,264	15,459
Selling, general and administrative expenses	107,126	26,832
Total operating expenses	436,033	265,999
Operating profit (loss)	(52,277)	23,578
Other income (expense):		
Provision for environmental and warranty expenses (note 10)	(12,071)	-
Tender offer response costs (note 1)	(30,284)	-
Profit on sales of capital assets (note 3)	10,855	1,158
Interest income	3,064	1,514
Interest expense	(5,700)	(3,324)
Miscellaneous	(12,074)	(5,001)
Total other expense	(46,210)	(5,653)
Income (loss) from continuing operations before provision for income taxes and extraordinary item	(98,487)	17,925
Provision for income taxes (note 7)	2,146	6,676
Income (loss) from continuing operations before extraordinary item	(100,633)	11,249
Discontinued operations (notes 6, 9, 10 and 13):		
Income (loss) from discontinued operations (less applicable income tax provisions of $1,187 and $6,254 in 1988 and 1987, respectively)	(221,278)	9,758
Net income (loss) before extraordinary item	(321,911)	21,007
Extraordinary item:		
Utilization of operating loss carryforward (note 13)	-	10,724
Net income (loss)	(321,911)	31,731

(Continued)

KOPPERS COMPANY, INC. AND SUBSIDIARIES
(PREDECESSOR COMPANY)

Consolidated Statements of Operations

(In thousands, except per share data)

	Six-month periods ended June 30, 1988	Six-month periods ended June 30, 1987 (note 13) (Unaudited)
Net income (loss)	$ (321,911)	31,731
Dividends on cumulative preferred stock	150	300
Net income (loss) applicable to common stock	$ (322,061)	31,431
Average number of shares of common stock outstanding during period	28,130	28,776
Net income (loss) per share of common stock (note 1):		
From continuing operations before extraordinary item	$ (3.58)	0.38
From discontinued operations	(7.87)	0.34
From extraordinary item	-	0.37
Net income (loss) applicable to common stock	$(11.45)	1.09

See accompanying notes to consolidated financial statements.

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Consolidated Statements of Shareholders' Equity of BNS Acquisitions, Inc. and Subsidiary as of June 30, 1988 (Inception of Operations) and Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the Six-Month Period Ended June 30, 1988

(In thousands, except share data)

	BNS Acquisitions, Inc. and Subsidiary				Koppers Company, Inc. and Subsidiaries (Predecessor Company)						
	Cumulative preferred stock	Common stock	Stated capital in excess of par value	Additional contributed capital	Cumulative preferred stock	Common stock	Treasury stock	Capital in excess of par value	Foreign currency translation adjustment	Earnings retained in the business	Total
Balance at December 31, 1987	$ -	-	-	-	15,000	37,359	(56,430)	176,514	(6,293)	279,724	445,874
Net loss for six-month period ended June 30, 1988	-	-	-	-	-	-	-	-	-	(321,911)	(321,911)
Cash dividends paid:											
On preferred stock, $1.00 per share	-	-	-	-	-	-	-	-	-	(150)	(150)
On common stock, $.30 per share	-	-	-	-	-	-	-	-	-	(8,437)	(8,437)
Common stock issued from Treasury:											
To Employee Savings and Profit Sharing Plan (53,644 shares)	-	-	-	-	-	-	1,694	(77)	-	-	1,617
To Stock Option plan (15,407 shares)	-	-	-	-	-	-	487	(339)	-	-	148
Purchase of common stock for Treasury (20,520 shares)	-	-	-	-	-	-	(656)	-	-	-	(656)
Recovery of common stock via escrow claim (1,154 shares)	-	-	-	-	-	-	(27)	26	-	-	(1)
Redemption of preferred stock	-	-	-	-	-	-	-	(142)	-	-	(142)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	3,741	-	3,741
Elimination of predecessor company capital stock accounts and pre-acquisition retained earnings	-	-	-	-	(15,000)	(37,359)	54,932	(175,982)	2,552	50,774	(120,083)
Initial capitalization:											
Common stock issued (1,000 shares) (note 11)	-	1	49,999	97,000	-	-	-	-	-	-	147,000
Preferred stock issued (2,410 shares) (note 11)	241,000	-	-	-	-	-	-	-	-	-	241,000
Balance at June 30, 1988	$ 241,000	1	49,999	97,000	-	-	-	-	-	-	388,000

See accompanying notes to consolidated financial statements.

KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Consolidated Statement of Shareholders' Equity for the Six-Month Period Ended June 30, 1987 (Unaudited)

(In thousands, except share data)

	Cumulative preferred stock	Common stock	Treasury stock	Capital in excess of par value	Foreign currency translation adjustment	Earnings retained in the business	Total
Balance at December 31, 1986	$ 15,000	37,359	(24,677)	176,631	(8,184)	298,020	494,149
Net income for six-month period ended June 30, 1987	-	-	-	-	-	31,731	31,731
Cash dividends paid:							
On preferred stock, $2.00 per share	-	-	-	-	-	(300)	(300)
On common stock, $.40 per share	-	-	-	-	-	(11,532)	(11,532)
Common stock issued from Treasury to Employee Savings and Profit Sharing Plan (118 shares)	-	-	3	3	-	-	6
Purchase of common stock for Treasury (428,605 shares)	-	-	(16,934)	-	-	-	(16,934)
Foreign currency translation adjustment	-	-	-	-	2,240	-	2,240
Balance at June 30, 1987	$ 15,000	37,359	(41,608)	176,634	(5,944)	317,919	499,360

See accompanying notes to consolidated financial statements.

KOPPERS COMPANY, INC. AND SUBSIDIARIES
(PREDECESSOR COMPANY)

Consolidated Statements of Cash Flows

(In thousands)

	Six-month periods ended June 30, 1988	Six-month periods ended June 30, 1987 (note 13) (Unaudited)
Cash flows from operating activities:		
Income (loss) from continuing operations before extraordinary item	$ (100,633)	11,249
Adjustments to reconcile income (loss) from continuing operations before extraordinary item and discontinued operations to net cash provided (used) by operating activities before extraordinary item and discontinued operations:		
Depreciation, depletion and amortization	22,570	17,400
Deferred income taxes	(44,567)	(13,819)
Environmental expenses	5,161	-
Claims and litigation	14,150	-
Other noncurrent liabilities	9,783	14,038
Provision for decline in value of investments	2,179	-
Equity in losses of affiliated companies	2,410	2,383
Other, net	1,897	887
(Increase) decrease in working capital excluding cash and other financing activities:		
Accounts receivable	15,116	(21,730)
Refundable federal income taxes	9,869	-
Inventories	74,653	(11,237)
Prepaid expenses	40,945	(1,772)
Accounts payable	10,118	3,699
Accrued liabilities	31,357	(38,521)
Advance payments and amounts owed on contracts	(19,433)	1,228
Net cash provided (used) by operating activities before extraordinary item and discontinued operations	75,575	(36,195)
Extraordinary item - utilization of operating loss carryforward	-	10,724
Net cash provided (used) by operating activities before discontinued operations	75,575	(25,471)

(Continued)

KOPPERS COMPANY, INC. AND SUBSIDIARIES
(PREDECESSOR COMPANY)

Consolidated Statements of Cash Flows

(In thousands)

	Six-month periods ended June 30, 1988	June 30, 1987 (note 13) (Unaudited)
Income (loss) from discontinued operations	$ (221,278)	9,758
Adjustments to reconcile income (loss) from discontinued operations to net cash provided (used) by discontinued operations:		
Depreciation, depletion and amortization	22,490	17,922
Environmental expenses	180,611	-
Provision for decline in value of investment	2,933	-
Equity in income of affiliated companies	(1,236)	(1,090)
Other deferred expenses	10,724	2,012
Net assets of discontinued operations	(123,295)	(3,162)
Net cash provided (used) by discontinued operations	(129,051)	25,440
Net cash used by operating activities	(53,476)	(31)
Cash flows from investment activities:		
Capital investments	(59,565)	(46,857)
Book value of fixed assets and other noncurrent assets disposed of or sold	45,515	13,766
Dividends received	1,526	1,230
Retirements of notes and other assets due after one year	3,154	1,242
Cash held for capital investments	454	2,014
Net cash used by investing activities	(8,916)	(28,605)
Cash flows from financing activities:		
Term debt issued	71,125	16,604
Treasury stock issued (acquired)	966	(16,928)
Dividends paid	(8,587)	(11,832)
Other financing activities	43	(13)
Net cash provided (used) by financing activities	63,547	(12,169)
Net increase (decrease) in cash and cash equivalents	1,155	(40,805)
Beginning balance of cash and cash equivalents	20,217	72,540
Ending balance of cash and cash equivalents	$ 21,372	31,735

Supplemental disclosure of cash flow information:
Cash paid during the period for:

Interest	$ 5,348	3,074
Income taxes	$ 3,294	19,641

See accompanying notes to consolidated financial statements.

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

June 30, 1988

(1) Acquisition, Basis of Presentation and Summary of Significant Accounting Policies

Acquisition

The capital stock of BNS Acquisitions, Inc. (the Company) is owned by Bright Aggregates, Inc. (Bright), a wholly owned indirect subsidiary of Beazer PLC (Beazer), and BNS Sub Inc., itself a wholly owned subsidiary of BNS Inc., a company 49% indirectly owned by Beazer, 46.1% indirectly owned by Shearson Lehman Hutton Holdings, Inc. (Shearson) and 4.9% indirectly owned by NatWest Investment Bank Limited (NIB) (a wholly owned subsidiary of National Westminster Bank PLC). Bright holds all shares of the Company's outstanding preferred stock, and BNS Sub Inc. holds all outstanding shares of the Company's common stock. On March 3, 1988, BNS Inc. commenced a cash tender offer for Koppers Company, Inc. (Koppers) outstanding common stock, $1.25 par value and cumulative preferred stock, $100 par value. On June 1, 1988, the Company, BNS Sub Inc., BNS Inc. and Koppers entered into an Agreement and Plan of Merger (the Merger Agreement) which provided for, among other things, an offer price by the Company of $61.00 per share of common stock and $107.75 per share of cumulative preferred stock. As of June 30, 1988, the Company had acquired approximately 96% of the common stock and approximately 85% of the cumulative preferred stock, with all remaining shares to be acquired on or before December 13, 1988 pursuant to the Merger Agreement.

The cost of the acquisition amounted to $1,730.7 million and included fees and expenses of $39.6 million. In addition, fees and expenses for debt issuance costs were incurred approximating $61.7 million. These fees and expenses include approximately $43.5 million to Shearson for acquisition and financing services and $4.3 million to NIB for acquisition services.

The acquisition was accounted for using the purchase method of accounting. The total purchase price was allocated to the assets acquired and liabilities assumed in accordance with generally accepted accounting principles as required by Accounting Principles Board Opinion No. 16. For financial reporting purposes, the acquisition is being accounted for as of June 30, 1988.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The fair values used in the accompanying consolidated balance sheet are based upon information which is currently available and which, in some instances, is preliminary. Once the Company has received all information that it has arranged to obtain and is known to be available or obtainable, there may be further restatements of assets acquired and liabilities assumed. It is expected that such information will be obtained and further restatements, if any, will be completed within one year from the consummation of the acquisition. Management believes such further restatements, if any, will not be significant.

For federal income tax purposes, the Company will elect under Section 338 of the Internal Revenue Code of 1986 not to increase the historical tax bases of the acquired assets and liabilities. Accordingly, increased expenses resulting from fair value adjustments made for accounting purposes as described previously will generally not provide a corresponding income tax deduction.

Costs incurred by Koppers in response to the tender offer of BNS Inc. amounted to approximately $30.3 million during the six-month period ended June 30, 1988. Such costs are comprised primarily of fees paid to Koppers' investment bankers, outside legal counsel and other advisors.

The Company was organized for purposes of the acquisition of Koppers and, prior to June 30, 1988, had no significant assets and did not engage in any activities other than those incidental to its formation and the acquisition of Koppers.

The consolidated balance sheet at June 30, 1988 includes the accounts of the Company and its majority owned subsidiary, Koppers, and reflects the allocation of the total purchase price to the assets acquired and liabilities assumed of Koppers. The consolidated statements of operations, cash flows and shareholders' equity for the six-month periods ended June 30, 1988 and June 30, 1987 (unaudited) and the related footnote disclosures are presented as they related to Koppers before its acquisition by the Company. Because of the allocation of the purchase price to the assets acquired and liabilities assumed of Koppers, these statements are not representative of the future operations of the Company and are not comparable to the Company's consolidated balance sheet at June 30, 1988. See note 12 for pro forma condensed consolidated statements of operations for the fiscal years ended June 30, 1988 and 1987 prepared assuming that the acquisition had occurred on July 1, 1986. The consolidated statement of shareholders' equity is presented for both the Company as of June 30, 1988 (inception of operations) and for Koppers for the six-month periods ended June 30, 1988 and June 30, 1987 (unaudited).

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

A summary of the Company's significant accounting policies follows:

Principles of Consolidation

Significant intercompany balances, transactions and stock holdings have been eliminated in the consolidation of the Company and its majority owned subsidiary, Koppers. Minority interest in consolidated subsidiary represents the interests of remaining Koppers public shareholders in the equity of Koppers. At June 30, 1988, 1,187,861 shares or 4% and 22,032 shares or 15% of total Koppers common and preferred shares, respectively, had not been tendered. The interest in the shares not owned by the Company is carried in the accompanying consolidated balance sheet at the common and preferred shares' respective tender offer prices.

Cash and Cash Equivalents

Items treated as cash and cash equivalents in the consolidated statement of cash flows include cash and short-term investments.

Inventories

Inventories are stated at cost, which is not in excess of market. Cost for product inventory is determined using a weighted average method, which approximates actual cost on the FIFO (First-In, First-Out) basis. Cost for raw materials and supplies is determined using the FIFO method. Market is replacement cost for raw materials and supplies and net realizable value for product inventory.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Renewals and betterments which substantially extend the useful life are capitalized. Maintenance and repairs are charged to expense.

Buildings, machinery and equipment are depreciated on the straight-line method over their estimated useful lives for financial statement purposes. Accelerated depreciation is used for federal income tax purposes. Mineral properties are depleted on the basis of units produced.

Long-Term Contracts

Revenue on long-term construction contracts is accounted for on the percentage-of-completion method; losses are recognized upon determination.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Pension Plans

The Company maintains several noncontributory defined benefit pension plans covering substantially all employees and accounts for such plans using the provisions of the Statement of Financial Accounting Standards No. 87 (SFAS No. 87), "Employers' Accounting for Pensions."

Postretirement Benefits

Postretirement healthcare and life insurance benefits, other than those recorded in the accompanying consolidated balance sheet, will be charged to expense when paid. A provision has been made in the accompanying consolidated statement of operations for postretirement benefits of discontinued operations.

Investments

Companies owned 50% or less but more than 20% are accounted for by the equity method. Companies owned 20% or less are accounted for by the cost method.

Income Taxes

The Company adopted as of the acquisition date the liability method of accounting for income taxes pursuant to Financial Accounting Standards Board Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes."

Deferred income taxes have been provided for temporary differences resulting from allocating the purchase price of the acquisition to historical assets and liabilities acquired at June 30, 1988. Deferred income taxes will be provided for differences between financial and income tax reporting for post-June 30, 1988 transactions.

For purposes of Koppers' consolidated statement of operations, income taxes are provided on pre-tax financial statement income adjusted for permanent differences. Deferred income tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. Investment tax credit is accounted for on the flow-through method.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Income (Loss) Per Share

Income (loss) per share is based on income (loss) applicable to common shareholders, divided by the weighted average number of common shares outstanding and common share equivalents. The loss per share for the six-month period ended June 30, 1988 does not include the assumed exercise of stock options, which are considered common stock equivalents, as the effect is antidilutive.

Discontinued Operations

The consolidated balance sheet and the consolidated statements of operations and cash flows are presented to report the results of discontinued operations separately from continuing operations. Amounts included in the notes to consolidated financial statements relate only to continuing operations unless otherwise noted.

(2) Inventories

Inventories at June 30, 1988 consist of the following:

	(In thousands)
Raw materials and supplies	$ 21,404
Product	44,206
	$ 65,610

All inventories valued on a LIFO basis are classified as discontinued operations. There is no LIFO inventory liquidation included in the net loss from discontinued operations.

(3) Investments

Western-Mobile, Inc. (WMI) - In June 1988, Koppers sold its 50% ownership interest in WMI resulting in a pretax loss of $87,000 or $57,000 after tax. Also, the unamortized deferred gain of $9,394,000, $6,152,000 aftertax, resulting from the 1986 sale of certain subsidiaries of WMI was recognized as income and is included in profit on sales of capital assets for the six-month period ended June 30, 1988.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(4) Property, Plant and Equipment

Property, plant and equipment at June 30, 1988 consist of the following:

	(In thousands)
Buildings	$ 52,196
Machinery and equipment	270,556
Total buildings, machinery and equipment	322,752
Land	252,772
Depletable mineral properties	2,066,184
Total property, plant and equipment	$ 2,641,708

Rent expense relative to operating leases was approximately $13,698,000 for the six-month period ended June 30, 1988. Future minimum annual lease payments are approximately as follows: $738,000, $648,000, $599,000, $538,000, $570,000 and $1,402,000 for the calendar years ending December 31, 1989, 1990, 1991, 1992, 1993 and 1994 and thereafter, respectively.

(5) Pension Plans and Other Postretirement Benefits

Pension Plans

The Company maintains several noncontributory defined benefit pension plans covering substantially all employees. Koppers' policy is generally to fund the amount required under the Employee Retirement Income Security Act of 1974 (ERISA). Historically, Koppers funds the pension accrual in the subsequent year. Benefits for the hourly plans are based on employee earnings and service with the Company, while benefits for the salary plan are based on Terminal Salary and Credited Service. Plan assets are composed primarily of corporate equity, debt and government securities and bank-pooled funds. Pursuant to SFAS No. 87, an asset or liability is recognized in the balance sheet when projected benefit obligations are less than or exceed the fair value of plan assets.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The funding status of the Company's plans and amounts recognized in the consolidated balance sheet at June 30, 1988 is as follows:

	Plans whose assets exceed accumulated benefits	Plans whose accumulated benefits exceed assets
	(In thousands)	
Actuarial present value of:		
Vested benefits	$ 76,175	349,692
Nonvested benefits	7,200	19,005
Accumulated benefit obligation	83,375	368,697
Effect of future salary increases	2,762	19,129
Projected benefit obligation	86,137	387,826
Plan assets at fair value	120,093	365,724
Prepaid pension cost (accrued pension liability)	$ 33,956	(22,102)

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations were 8.5% and 6.0%, respectively. The expected long-term rate of return on plan assets was 9.0%.

The net prepaid pension cost (accrued pension liability) is segregated between continuing and discontinued operations as follows:

	Continuing operations	Discontinued operations	Combined
		(In thousands)	
Hourly plans	$ 24,868	2,946	27,814
Salary plan	9,943	(25,903)	(15,960)
Net prepaid pension cost (accrued pension liability)	$ 34,811	(22,957)	11,854

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Net periodic pension cost for the six-month period ended June 30, 1988 for Koppers' continuing operations was composed of the following:

	(In thousands)
Service cost benefits earned during the period	$ 2,404
Interest cost on projected benefit obligation	8,698
Return on plan assets	(8,842)
Net amortization and deferral	(575)
Net periodic pension cost	$ 1,685

Multiemployer Plans

In addition to Company-sponsored plans, the Company contributes to several multiemployer plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and net plan assets of these multiemployer plans, by nature, is not determinable by the Company. The Company contributes periodically to the plans, and the contributions due and unpaid at June 30, 1988 are accrued as a component of the employee benefits liability. Koppers recorded approximately $3,836,000 of pension expense for the six-month period ended June 30, 1988 for contributions to the multiemployer plans.

Healthcare and Life Insurance Benefits

In addition to pension benefits, the Company provides postretirement healthcare and life insurance to certain employees generally through insurance companies whose premiums are primarily based upon benefits actually paid. Substantially all of the Company's employees may become eligible for these benefits if they reach normal retirement age while working for the Company. The Company has accrued approximately $94,806,000 at June 30, 1988 for such postretirement benefits. Koppers recorded in the six-month period ended June 30, 1988 approximately $2,609,000 of costs for such postretirement benefits.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(6) Closed Operations and Disposals

Discontinued Operations

In conjunction with the acquisition, the Company initiated a program to sell the majority of Koppers' businesses not related to the Construction Materials and Services Group. The businesses in the divestiture program include the Chemical and Allied Products Group consisting of the Tar and Wood Products, Chemical Systems and Building Products Sectors; Ivy Steel and Wire Company and Meadow Steel Products Co., Inc.; and the Woodward Coke facility. Additionally, in September 1988, the Company sold Kopvenco, Inc., a venture capital subsidiary, Keystone Environmental Resources, Inc., an environmental services subsidiary, and the Coatings Division for a total of approximately $40.6 million. The Company is currently engaged in negotiations with parties interested in purchasing the net assets or stock of businesses remaining in the divestiture program and would anticipate completing the process within eighteen months.

At June 30, 1988, the assets, liabilities and reserves associated with the discontinued operations and included in the accompanying consolidated balance sheet as net assets of discontinued operations are as follows:

	(In thousands)
Working capital:	
Cash and accounts receivable	$ 129,294
Inventories	123,766
Prepaid expenses	3,659
Accounts payable	(51,994)
Accrued liabilities	(90,149)
Total working capital	114,576
Noncurrent:	
Fixed assets	561,495
Investments	27,665
Long-term liabilities	(6,753)
Other	(5,241)
Total noncurrent	577,166
Net assets of discontinued operations	$ 691,742

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

In conjunction with the divestiture program, the Company will remain liable for costs arising from certain environmental matters, litigation and other claims involving the businesses that have been or will be divested and for which accruals have been established in the consolidated balance sheet.

As of June 30, 1988, net assets of discontinued operations include an accrual for anticipated losses from operations as the operations are projected to generate net losses through the anticipated dates of disposal. Net sales of the discontinued operations were approximately $450,042,000 for the six-month period ended June 30, 1988.

(7) Income Taxes

As of the date of the acquisition, the Company adopted the liability method of accounting for income taxes pursuant to Financial Accounting Standards Board Statement of Financial Accounting Standards No. 96 (SFAS No. 96), "Accounting for Income Taxes." Although SFAS No. 96 is effective for annual financial statements with fiscal years beginning after December 15, 1989, earlier application is permitted.

As disclosed in note 1, the Company has not increased the historical tax bases of the acquired assets and liabilities as a result of the acquisition. The types of differences between the tax bases of assets and liabilities and their financial reporting amounts that give rise to significant portions of deferred income tax liabilities or assets are: inventories, property, plant and equipment and depletable mineral properties; net assets of discontinued operations; accrued warranty, environmental and benefit reserves; and accrued preacquisition contingencies and merger expenses. Net operating loss carryforwards and tax credit carryforwards for tax purposes have been utilized in allocating the purchase price of the acquisition to assets and liabilities acquired.

As of June 30, 1988, the Company has a tax refund receivable of approximately $6,768,000, of which approximately $4,099,000 is classified as a current asset.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The loss from continuing operations of Koppers before provision for income taxes and the components of income tax expense are as follows:

	Six-month period ended June 30, 1988 (In thousands)
Loss from continuing operations before provision for income taxes:	
Domestic operations	$ (98,487)
Foreign operations	-
Total	$ (98,487)
Income tax expense:	
Continuing operations	2,146
Discontinued operations	1,187
Total	$ 3,333
Current:	
Federal	743
Foreign	1,359
State	1,231
	3,333
Deferred:	
Federal	-
Foreign	-
	-
Total income tax expense	$ 3,333

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The components of Koppers' deferred tax expense (benefit) and related tax effect are shown below:

	Six-month period ended June 30, 1988 (In thousands)
Excess of tax over book depreciation	$ 1,335
Difference in book and tax expense recognition:	
- Environmental expenses	(4,157)
- Deferred maintenance and repairs	4,032
Difference in book and tax income recognition:	
- Construction contract	(212)
- Inventory timing difference	(215)
Provisions for operations discontinued, disposed of or closed	(74,105)
Loss for which no benefit is available and other	73,322
Total deferred tax expense (benefit)	$ -

The difference between Koppers' statutory and effective income tax (benefit) rates applicable to continuing operations are shown below:

	Six-month period ended June 30, 1988
Statutory tax (benefit) rate:	
Federal	(34.0)%
State, net of federal tax benefit	1.8
Effect of percentage over cost depletion	(1.6)
Tax benefits not booked	36.0
Total tax rate	2.2 %

At June 30, 1988, Koppers had net operating loss carryforwards for tax purposes of approximately $70,000,000 available to offset future taxable income. This carryforward is scheduled to expire in various years through 2003.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(8) Long-Term Debt and Credit Arrangements

Long-term debt outstanding at June 30, 1988 is as follows:

	(In thousands)
8.95% Promissory notes due $4,000 annually	$ 10,000
6.0% Notes due $3,000 annually	17,000
Commercial paper and lines of credit	96,000
Revolving credit bank loan	38,000
Industrial development bonds and notes:	
8.25% Bonds due 1988-2002	29,500
5.875% Tax-exempt bonds due 1998-2017	16,350
5.5% to 7% Notes due 1988-1998	17,641
Variable rate notes due 1996-2010	14,900
Senior subordinated promissory note	540,000
Term and revolving acquisition loan	766,205
Other	15,346
	1,560,942
Less estimated amounts to be repaid with proceeds on sale of net assets of discontinued operations	(592,247)
	$ 968,695

At June 30, 1988, commercial paper and lines of credit and the short-term portion of long-term debt are classified as long-term debt as the Company has refinanced such amounts as well as all remaining debt with other long-term arrangements as discussed below.

Koppers has an unsecured revolving bank loan agreement which provides for revolving credit loans up to $200 million until October 24, 1990. Commitment fees of up to 1/4 of 1% per annum are required on any unborrowed amounts on the first $100 million and 1/8 of 1% per annum on the unborrowed amount of the second $100 million. Interest is paid, at the Company's option, at the prevailing prime interest rate, certificate of deposit rate or Eurorate with factors of up to 1/2 of 1% per annum added to these rates. Borrowings at June 30, 1988 under this facility were $38 million.

Koppers has line of credit arrangements with various banks that totaled approximately $130 million at June 30, 1988. The borrowings are under such terms as may be mutually agreed upon by the banks and the Company. Borrowings under these lines of credit plus commercial paper totaled $96 million at June 30, 1988. Unused lines of credit not reflected in the accompanying consolidated balance sheet totaled approximately $48 million at June 30, 1988.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Additionally, Koppers has unused letters of credit not reflected in the accompanying consolidated balance sheet which totaled approximately $81.6 million at June 30, 1988.

Term and Revolving Acquisition Loan

On June 16, 1988 the Company consummated acquisition loan agreements (margin credit facility) with a bank syndicate administered by Citibank and a promissory note with Shearson. These credit facilities are as follows:

Citibank - Margin Credit Facility

An $878.9 million margin credit facility was used to finance the purchase of common and preferred shares of Koppers. The margin credit facility is due and payable on the earlier of 180 days from the date of borrowing or the consummation of the merger. The Company has pledged as security for the margin credit facility all shares of Koppers owned by the Company or affiliates of the Company (except any shares that may be owned by Shearson or NIB or their affiliates). Interest is paid at a rate per annum equal to 1% above Citibank's base (prime) rate and is payable quarterly in arrears. Borrowings outstanding on the margin credit facility were approximately $766 million at June 30, 1988.

The Company is required to prepay the margin credit facility with all net cash proceeds from the sale of designated assets of Koppers, as defined in the agreement.

The margin credit facility contains covenants which require the Company to maintain those negative, affirmative and financial covenants customarily found in Citibank's loan agreements for applicable financing. The financial covenants include, among other things, the maintenance of a certain minimum net worth level. In addition, the Company may not incur or assume any additional debt, prepay or repurchase any subordinated debt, make capital expenditures, incur lease obligations, pay dividends or other distributions to shareholders or sell, lease or dispose of assets other than the designated assets beyond agreed upon limits or except as provided for in the agreement.

Commitment fees of 1/2 of 1% per annum are required on any unused portion of the total $1.26 billion merger credit facility, payable monthly.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Shearson-Senior Subordinated Promissory Note

On June 16, 1988, the Company also entered into a senior subordinated loan agreement with Shearson to provide financing in the form of a promissory note (the note) of up to $570 million. Proceeds of the note are to be used directly or indirectly for the purchase of shares of Koppers stock, to repay margin credit loans in respect to the acquisition of Koppers stock, to pay related fees, expenses and other acquisition costs and to pay interest on borrowings. The note is due and payable six months after issuance or if the merger occurs on or before such date, the later of twelve or fifteen months after the merger, depending on terms of written notice defined in the loan agreement. Interest on the note is at a rate per annum equal to the Citibank base rate, plus 5% through December 13, 1988, and 7% thereafter.

The loan agreement contains covenants which require the Company to make timely payment of taxes and other claims and which provide restrictions on the payment of dividends or other distributions on or the acquisition of capital stock of the Company and investments in other than affiliates or subsidiaries of the Company. In addition, the Company may not incur or assume any additional debt except as provided for in the loan agreement.

The note is subordinated to the payment in full, in cash, of all senior indebtedness (the margin credit facility). The note had an outstanding balance of $540 million at June 30, 1988.

Subsequent Debt Restructuring

On November 14, 1988, Koppers completed a new revolving credit facility of $400 million which replaced the $200 million revolving bank loan agreement and the $130 million line of credit arrangements described above and was used to repay substantially all of the remaining Koppers debt as well as provide working capital and other needs for Koppers. This revolving credit facility will be repaid with proceeds of the term loan and revolving credit facility discussed below.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

Also, on November 14, 1988, Beazer entered into an underwritten commitment for a term loan and revolving credit facility (together, the Facilities) with a bank syndicate which provides financing up to $2.3 billion (a maximum 40% of which may be drawn down in Sterling equivalents thereof) to Beazer, Koppers and certain designated borrowing subsidiaries of Beazer. The Facilities will be used to repay and cancel the following existing credit arrangements:

- The Citibank margin credit facility and the Shearson senior subordinated promissory note of the Company (these two agreements were extended to June 13, 1989).

- The new revolving credit facility of Koppers.

- The Multiple Option and Revolving Loan Facilities of Beazer and certain other credit facilities of Beazer, the Company and their respective subsidiaries.

The term loan and the revolving credit facility are initially to be unsecured, however, the lenders may, at any time after the earlier to occur of (i) an event of default and (ii) June 30, 1989 (provided that aggregate net cash proceeds from the sale of designated assets at such time do not exceed $600 million), require Koppers to deliver documents necessary to create valid and perfected first-priority security interests on behalf of the lenders in any designated assets of Koppers (to be defined in the Facilities agreement) not previously sold. Such security shall be released, in the absence of a default, upon net cash proceeds from the sale of designated assets having in the aggregate exceeded $600 million.

In addition, on November 14, 1988, the common stock of the remaining Koppers shareholders was converted into the right to receive $61.00 per share.

(Continued)

(9) Employee Compensation Plans

Koppers had a Deferred Compensation Unit Plan for officers and other key employees and a Stock Option Plan for the award of options with a right to purchase stock equal to the options awarded. Both plans were terminated due to the acquisition. Koppers has recorded in its consolidated statement of operations for the six-month period ended June 30, 1988 approximately $68,554,000 of expense for deferred compensation and stock option plans of which $65,520,000 represents that portion of the expense which arose as a result of the acquisition. Approximately $46,547,000 of the $68,554,000 is included in continuing operations. At June 30, 1988, the Company had accrued approximately $20,405,000 and $14,018,000 for payment of remaining liabilities for the deferred compensation and stock option plans, respectively.

Incentive Plans - The Company has an Executive Incentive Plan which is based on established annual target award levels for key corporate staff employees if certain company performance and individual goals are attained. On June 1, 1988, the Company agreed that participants will earn bonuses with respect to 1988 based on comparable 1987 performance. As of June 30, 1988, the Company had accrued $1,500,000 which represents 50% of the anticipated payments to be earned under the plan in 1988. Koppers recorded approximately $555,000 of expense for the Executive Incentive Plan for the six-month period ended June 30, 1988.

Bonus plans are adopted each year by Koppers' operating groups and are based on the accomplishments of group profit objectives and the achievement of individual performance objectives. The bonus plans are designed to provide incentive and competitive compensation to those key employees who contribute to the growth and profitability of Koppers and who are not covered by the Executive Incentive Plan. At June 30, 1988, the accrual established for all Construction Materials and Services bonus plans was approximately $4,271,000. Koppers recorded approximately $3,356,000 of expense for the bonus plans for the six-month period ended June 30, 1988.

The Company has an Employee Savings Plan for all eligible employees that conforms to Section 401(k) of the Internal Revenue Code. Under the Plan, participating employees can elect to contribute up to 16% of their salaries with a regular Company matching contribution in cash equivalent to 25% of the first 2% of the tax-saver contributions. The Company may also make a discretionary contribution at the end of each Plan year subject to approval of the Company's Board of Directors. At June 30, 1988, the Company had accrued approximately $1,150,000 for anticipated discretionary contributions for 1988. For the six-month period ended June 30, 1988, Koppers recorded approximately $531,000 of expense for discretionary supplemental contributions.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(10) Commitments and Contingencies

The Company and its subsidiary are parties to a number of claims and lawsuits, arising out of the normal course of business, including product warranty claims; toxic tort claims; violation of governmental regulations, including environmental matters; and breach of agreements. These claims and lawsuits, some of which are covered in part by insurance, are being contested; certain of these actions purport to be class actions and involve multiple plaintiffs.

The Company has environmental liabilities caused by soil and groundwater contamination at currently and previously operated facilities and off-site waste disposal facilities. Certain of these facilities are the subject of environmental administrative proceedings by governmental agencies. Costs associated with these environmental liabilities usually include feasibility studies, remediation and treatment, and monitoring of the affected facility. Where these costs can be reasonably estimated, the Company has established accrued liabilities to cover the future expenditures. Since January 1, 1983, Koppers has spent approximately $159 million on compliance with environmental laws and regulations at operating facilities and investigations and remedial activities at previously operated facilities. At June 30, 1988, the Company had an accrued liability of approximately $248 million for such environmental costs. At June 30, 1988, the Company believes the environmental liability may be up to twice such accrual amount or more but cannot reasonably estimate the additional costs in excess of that recorded.

The Company also is party to numerous claims against it for product warranty, toxic tort and breach of agreement suits. As of June 30, 1988, these claims are at various stages of development. Appropriate liabilities are reflected in the consolidated balance sheet for potential losses where reasonably estimated, as a result of these claims, based on the opinion of management and, in part, on the advice of counsel. While it is not possible at this time to determine with certainty the ultimate outcome of all of the claims and lawsuits against the Company, in the opinion of management, the outcome of those claims currently unable of being reasonably estimated will not have a material adverse effect on the consolidated financial position of the Company.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(11) Shareholders' Equity

All shares of Series A Cumulative Preferred Stock (preferred stock) are held by Bright. The Company issued the preferred stock to Bright in exchange for 458,100 shares of Koppers common stock (valued at approximately $28 million) and approximately $213 million in cash received from Bright. The holder of preferred stock is entitled to received preferential and cumulative quarterly dividends, as and if declared by the Board, at an annual rate of $20,000 per share commencing October 1, 1988, except as prohibited by loan or other agreements, and is entitled to a preference in liquidation of $100,000 per share plus accrued but unpaid dividends. Dividends paid in amounts less than the total amount accrued shall be allocated pro rata among all shares outstanding. Accrued but unpaid dividends do not bear interest and the preferred shares do not have voting rights except as required by law.

The Company may, at its option, redeem at any time all or a portion of the outstanding shares of preferred stock at the optional redemption price of $100,000 per share plus accrued but unpaid dividends, except as prohibited by loan or other agreements.

In accordance with the Assignment and Assumption dated June 16, 1988 between the Company and BNS Sub Inc. (the assignment), the Company issued 999 shares of its common stock to BNS Sub Inc. in consideration of $97 million in cash and 1,636,000 shares of Koppers common stock contributed by BNS Sub Inc. to the Company. The Company had previously issued one share of its common stock to BNS Sub Inc. Fifty million dollars of the value of cash and common stock received pursuant to the assignment is recorded as stated capital, with the remainder recorded as additional contributed capital.

Pursuant to the Shearson note, the Company agreed to issue to Shearson, upon the contemplated merger of the Company into Koppers, a Warrant to purchase 10% of each class of the surviving company's outstanding equity securities (including issuances pursuant to the Warrant) for an aggregate cash exercise price of approximately $46 million. On November 14, 1988, the Company and Shearson agreed that the Company will cause Koppers to issue the Warrant on or before the date on which the Shearson note is prepaid or otherwise matures and the terms of the Warrant shall be appropriately adjusted to reflect changes in the contemplated circumstances since June 16, 1988. Also, on November 14, 1988, Beazer contributed $32 million in cash to the Company for the issuance of additional shares of preferred stock.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(12) Pro Forma Condensed Consolidated Statements of Operations (Unaudited)

The following pro forma condensed consolidated statements of operations for the fiscal years ended June 30, 1987 and 1988 (the "pro forma statements") have been prepared as if the acquisition, the Beazer term loan and revolving credit facility and the application of the estimated net proceeds there from had occurred at the beginning of such periods.

The pro forma statements adjust the historical unaudited consolidated statements of operations for the fiscal years ended June 30, 1987 and 1988 of Koppers Company, Inc. and Subsidiaries (Predecessor Company) on a continuing operations basis. Pro forma results for discontinued operations (see note 6) and extraordinary items have not been included in the pro forma statements. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable.

The pro forma statements do not purport to represent what the Company's results of operations would actually have been if such transactions had occurred at the beginning of the respective periods or to project the results of operations of the Company as of any future date or for any future period.

The acquisition was accounted for using the purchase method of accounting. Allocations of the purchase price have been determined based upon preliminary independent appraisals and other estimates of fair value and are subject to change. Differences between the amounts included herein and the final allocations are not expected to have a material effect on the pro forma statements.

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The following assumptions have been used by the Company in preparing the pro forma statements (unaudited):

Pro Forma Adjustments	Increase/(decrease) in income (loss) from continuing operations Fiscal year ended June 30, 1988	1987
	(In thousands)	
(a) Additional depreciation and depletion expense on increased asset values	$ (30,295)	(29,154)
Depreciation expense reduction to reflect revised asset lives	13,032	13,032
Maintenance and repair expense reduction to reflect purchase price allocation accruals	34,941	34,941
Elimination of amortization of goodwill	63	(2,684)
Total cost of sales	17,741	16,135
(b) Depreciation expense reduction to reflect assets written off	1,337	1,337
Elimination of stock option and deferred compensation expense to reflect termination of plans as a result of the acquisition	51,842	5,136
Total selling, general and administrative expenses	53,179	6,473
(c) Decrease in interest expense to reflect payoff of Koppers' debt	8,931	10,312
Additional interest expense to reflect portion of Beazer term loan and revolving credit facility in connection with the acquisition of Koppers at an assumed interest rate of 10.5%	(112,000)	(116,000)
Total net interest	(103,069)	(105,688)
(d) Elimination of tender offer response costs	30,284	-
Total before income taxes	(1,865)	(83,080)
(e) Adjustment of income (taxes) benefit to reflect (taxes) benefit on net income (loss) of the pro forma condensed consolidated statement of operations	23,794	28,283
	$ 21,929	(54,797)

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

The pro forma statements (unaudited) do not include the amortization of approximately $61,750,000 (excluding the impact of income tax benefits) of acquisition, financing, service and other fees, related to the acquisition, paid to Shearson, NIB and others. Approximately $23,045,000 of these fees will be charged to income during the fiscal year ending June 30, 1989, with the remainder being included as an accrual in net assets of discontinued operations in the consolidated balance sheet. The pro forma statements (unaudited) do not include a provision for dividends, at the annual rate of $20,000 per share, on the Series A Cumulative Preferred Stock of the Company; if declared by the Board of Directors of the Company, annual dividends would be $48,700,000.

BNS Acquisitions, Inc.
Pro Forma Condensed Consolidated
Statement of Operations
Fiscal Year Ended June 30, 1988
(Unaudited)
(In thousands, except share data)

	Koppers Co., Inc. and Subsidiaries historical (Predecessor Company)	Pro Forma adjustments	The Company pro forma
Net sales	$ 875,186	-	875,186
Cost of sales	718,681	(17,741)(a)	700,940
Gross profit	156,505	17,741	174,246
Selling, general and administrative expenses	140,212	(53,179)(b)	87,033
Operating income	16,293	70,920	87,213
Net interest	(4,463)	(103,069)(c)	(107,532)
Tender offer response costs	(30,284)	30,284 (d)	-
Provision for environmental expenses	(12,071)	-	(12,071)
Miscellaneous	3,758	-	3,758
Loss from continuing operations before income (taxes) benefit and extraordinary item	(26,767)	(1,865)	(28,632)
Income (taxes) benefit	(30,671)	23,794 (e)	(6,877)
Net loss from continuing operations before extraordinary item	$ (57,438)	21,929	(35,509)
Loss per common share, 1,000 shares outstanding			$ (35,509)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC.
AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

BNS Acquisitions, Inc.
Pro Forma Condensed Consolidated
Statement of Operations
Fiscal Year Ended June 30, 1987
(Unaudited)
(In thousands, except share data)

	Koppers Co., Inc. and Subsidiaries historical (Predecessor Company)	Pro Forma adjustments	The Company pro forma
Net sales	$ 721,634	-	721,634
Cost of sales	568,808	(16,135)(a)	552,673
Gross profit	152,826	16,135	168,961
Selling, general and administrative expenses	60,390	(6,473)(b)	53,917
Operating income	92,436	22,608	115,044
Net interest	(1,572)	(105,688)(c)	(107,260)
Provision for environmental expenses	(553)	-	(553)
Miscellaneous	(1,108)	-	(1,108)
Income (loss) from continuing operations before income (taxes) benefit and extraordinary item	89,203	(83,080)	6,123
Income (taxes) benefit	(35,395)	28,283 (e)	(7,112)
Net income (loss) from continuing operations before extraordinary item	$ 53,808	(54,797)	(989)
Loss per common share, 1,000 shares outstanding			$ (989)

(Continued)

BNS ACQUISITIONS, INC. AND SUBSIDIARY AND KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Notes to Consolidated Financial Statements

(13) Unaudited Financial Information

The consolidated statements of operations, shareholders' equity and cash flows of Koppers Company, Inc. and Subsidiaries (Predecessor Company) for the six-month period ended June 30, 1987 are unaudited and present continuing operations separately from discontinued operations on the basis described in note 6. In the opinion of management, these statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the results of operations and cash flows for the six-month period ended June 30, 1987.

The primary reasons for the difference between the expected and actual effective tax rates are state tax, net of federal tax benefit and effect of percentage over cost depletion.

The extraordinary gain recorded in the six-month period ended June 30, 1987 resulted from a tax benefit related to the utilization of net operating loss carryforwards.

KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Schedule V - Property, Plant and Equipment

Six-Month Period Ended June 30, 1988

(In thousands)

Classification	Balance at beginning of period	Additions at cost	Retirement or sales	Transfers and other additions (deductions)	Transfer to net assets of discontinued operations	Balance at close of period
Land	$ 43,183	8,738	56	(5,913)	9,790	36,162
Buildings	102,402	2,298	751	(444)	48,750	54,755
Machinery and equipment	943,533	43,147	14,197	2,531	479,553	495,461
Depletable mineral properties	50,971	78	6	917	-	51,960
Depletable timber properties	2,358	335	341	-	2,352	-
Total	$ 1,142,447	54,596	15,351	(2,909)	540,445	638,338

KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Schedule VI - Accumulated Depreciation, Depletion and Amortization

Six-Month Period Ended June 30, 1988

(In thousands)

Description	Balance at beginning of period	Additions charged to income	Retirements	Other additions (deductions)	Transfer to net assets of discontinued operations	Balance at close of period
Depreciation and amortization	$ 653,701	36,152	13,773	4,023	346,729	333,374
Depletion	12,202	1,480	183	(75)	1,908	11,516
Total	$ 665,903	37,632	13,956	3,948	348,637	344,890

KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Schedule VIII - Valuation and Qualifying Accounts

Six-Month Period Ended June 30, 1988

(In thousands)

Description	Balance at beginning of period	Additions charged to income	Other additions (retirements)	Transfer to net assets of discontinued operations	Balance at close of period
Allowance for doubtful accounts	$ 8,682	1,392	(2,235)	1,299	6,540
Allowance for doubtful notes receivable	-	9,456	1,625	-	11,081
Allowance for decline in value of investment	2,770	-	(321)	-	2,449
Total	$ 11,452	10,848	(931)	1,299	20,070

Schedule IX - Short-Term Borrowing

Six-Month Period Ended June 30, 1988

(In thousands)

Category of short-term borrowings	Balance at end of period	Weighted average interest rate	Maximum amount outstanding during the period	Average amount outstanding during the period	Weighted average interest rate during the period
Amounts payable to banks	$ 92,500	8.89%	$ 98,500	$ 38,978	7.86%
Commercial paper	5,000	7.55	100,000	61,902	6.97

KOPPERS COMPANY, INC. AND SUBSIDIARIES (PREDECESSOR COMPANY)

Schedule X - Supplementary Income Statement Information

Six-Month Period Ended June 30, 1988

(In thousands)

Item	Charged to expenses
Maintenance and repairs	$ 46,652
Taxes, other than payroll and income taxes	$ 5,193
Rents	$ 13,698
Research and development	$ -

OK

Beazer

BEAZER EAST, INC., 436 SEVENTH AVENUE, PITTSBURGH, PA 15219 USA

1990

RECEIVED
NOV 5 1990
Dept. of Environmental Quality
Bureau of

November 2, 1990

Mississippi Department of Environmental Quality
Bureau of Pollution Control
P. O. Box 10385
Jackson, Mississippi 39289-0385

Attn: Gail Macalusa

Dear Gail:

Confirming our telephone conversation of Friday, November 2, I am enclosing a corrected copy of the Chief Financial Officer's letter and supporting documentation. I have also enclosed a new copy of the Closure/Post-Closure Cost Estimate worksheet.

The post-closure cost estimate for the Grenada facility has been increased by $ 10,779 reflecting a change in the inflation factor from 1.0378 (supplied by RCRA Hotline) to 1.041 as reported by your agency.

Please feel free to contact me at (412) 227-2821 if you require additional information.

Sincerely yours,

Russell S. Vorpe
Environmental Department
Regulatory Compliance Section

Enclosures

STATE OF MISSISSIPPI

DEPARTMENT OF ENVIRONMENTAL QUALITY

RAY MABUS
GOVERNOR

MEMORANDUM

TO: Hazardous Waste TSD Facilities

FROM: MDEQ/OPC-Hazardous Waste Division

RE: Annual Closure/Post-Closure Cost Estimate Updates

DATE: February 5, 1991

Mississippi Hazardous Waste Management Regulations (MHWMR) Parts 264 and 265, Subpart H require owners and operators of hazardous waste management facilities to annually update closure and/or post-closure cost estimates for inflation.

The inflation factor for 1990 is 1.041. Therefore, if your current cost estiamte is $17,500, the adjusted cost will be ($17,500) X (1.041) = $18,217.50.

If the updated costs exceed the amount provided by your financial assurance mechanism, the mechanism must be updated as follows:

A. Facilities that use the Financial Test must resubmit financial information incorporating the closure/post-closure cost estimate update within ninety (90) days after the end of their fiscal year;

B. Facilities that use the Trust Fund must update Schedule A of the Trust Fund within sixty (60) days after the change in the current cost estimate covered by the agreement. Annual payments into the Trust Fund must be made no later than thirty (30) days after the anniversary date of the mechanism;

C. Facilities that use the Surety Bond must either increase the penal sum of the bond and submit evidence of such increase to our office or obtain alterneate financial assurance within sixty (60) days after computing the increase in costs;

D. Facilities that use the Letter of Credit must either cause the amount of the credit to be increased so that it at least equals the current closure/post-closure cost estimate and submit evidence of such increase to our office or obtain other financial assurance within sixty (60) days after computing the increase; or

E. Facilities that use Closure Insurance must either cause the face amount of the insurance to be increased to the current cost estimate and submit evidence to our office or obtain other financial assurance within (60) days after computing the increase.

If you have any questions, please call us at (601) 961-5171.

Mailed to facility on 2/6/91
TH

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1990

STATE: Mississippi

NAME: Koppers Industries, Inc.
Grenada
MSD 007027543

INFORMATION BASE:

Unit/Facility	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Surface Impoundment	06/08/88	Closure Complete	$ 887,250
Boiler Ash Landfarm	11/30/87	Closure Complete	$ 707,940

CALCULATIONS:

The Surface Impoundment cost reflects 1988 dollars; this estimate must be inflated to 1990 dollars.

Post-Closure

For 1989:	$ 887,250 X 1.041 =	$ 923,627	
For 1990:	$ 923,627 X 1.041 =		$ 961,496

The Boiler Ash Farm cost reflects 1987 dollars; this estimate must be inflated to 1990 dollars.

Post-Closure

For 1988:	$ 707,940 X 1.0357 =	$ 733,213	
For 1989:	$ 733,213 X 1.041 =	$ 763,275	
For 1990:	$ 760,928 X 1.041 =		$ 794,569
Total Cost Estimate for 1990			$ 1,756,065

Note: The Inflation factor of 1.041 supplied by the Department of Environmental Quality, State of Mississippi. Prior year factors provided by the RCRA HotLine.

Beazer

BEAZER EAST, INC., 436 SEVENTH AVENUE, PITTSBURGH, PA 15219 USA

Letter From Chief Financial Officer

September 25, 1990

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

Re: Financial Assurance Documents

Dear Sir or Madam:

I am the chief financial officer of Beazer East, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219-1822. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265:

Koppers Industries, Inc.
Grenada Plant
P.O. Box 160
Grenada, Mississippi 38960
MSD 007027543

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following:

None.

September 25, 1990

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care or liability coverage is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Facility and ID Number	Current Estimates Closure Cost	 Post-Closure Cost	 Total Cost
Koppers Industries, Inc. Grenada Plant P.O. Box 160 Grenada, Mississippi 38960 MSD 007027543	$	$ 1,756,065	$ 1,756,065

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

None

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

Facility and ID Number	Current Estimates Closure Cost	 Post-Closure Cost	 Total Cost
See Attachment "A" (Includes Mississippi)	$ 5,945,445	$ 28,699,425	$ 34,644,870

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   None

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by Mississippi Hazardous Waste Management Regulations Part 144.62 are shown for each facility:

   None

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1990.

September 25, 1990

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$ 34,644,870
2.	Amount of annual aggregate liability coverage to be demonstrated.	$ 28,000,000
3.	Sum of lines 1 and 2.	$ 62,644,870
4.	Current bond rating of most recent issuance and name of rating service	Moody's - Aaa
5.	Date of issuance of bond	November 18, 1977
6.	Date of maturity of bond	August 1, 2007
*7.	Tangible net worth (if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$ 462,788,000
*8.	Total assets in the U. S. (required only if less than 90 % of assets are located in the U. S.)	Not applicable

	YES	NO
9. Is line 7 at least $10 million ?	X	
10. Is line 7 at least 6 times line 3 ?	X	
*11. Are at least 90 % of assets located in the U. S. ? If not, complete line 12.	X	
12. Is line 8 at least 6 times line 3 ?	Not Applicable	

September 25, 1990

I hereby certify that the wording of this letter is identical to the wording specified in the Mississippi Hazardous Waste Management Regulations 264.151(g) as such regulations were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

September 25, 1990

Attachment

A T T A C H M E N T " A "

Facility & Location	---- 1 9 9 0 Cost Closure	Estimates Post-Closure	---- Total
Koppers Industries, Inc. Montgomery Plant P.O. Box 510 1451 Louisville Street Montgomery, AL 36101 ALD 004009403	$	$ 1,581,164	$ 1,581,164
Koppers Industries, Inc. Woodward Coke Plant Koppers Drive Dolomite, AL 35601 ALD 000771949		2,486,400	2,486,400
Koppers Industries, Inc. Woodward Tar Plant 1835 Koppers Drive Dolomite, AL 35601 ALD 085765808	103,395	512,128	615,523
Koppers Industries, Inc. Little Rock Plant P.O. Box 3231 N. Little Rock, AR 72117 ARD 006344824		2,378,403	2,378,403
Koppers Industries, Inc. Feather River Plant P.O. Box 351 Oroville, CA 95965 CAD 009112087	1,990,998	70,579	2,061,577
Koppers Industries, Inc. Denver Plant 465 West 56th Avenue Denver, CO 80216 COD 007077175	8,092	1,348,123	1,356,215
Koppers Industries, Inc. Gainesville Plant P.O. Box 1067 Gainesville, FL 32602 FLD 004057535	16,065		16,065

A T T A C H M E N T "A"

Facility & Location		---- 1 9 9 0 Cost Estimates ---- Closure		Post-Closure		Total
Beazer East, Inc. Maui Plant P. O. Box 1650 Maui, Hawaii 96732 HID 059475210	$	10,520	$		$	10,520
Koppers Industries, Inc. Carbondale Plant P.O. Box 271 Carbondale, IL 62901 closed ILD 000819946		898,576		5,453,587		6,352,163
Koppers Industries, Inc. Galesburg Plant P.O. Box 1191 Galesburg, IL 61401 ILD 990817991		7,601				7,601
Koppers Industries, Inc. Guthrie Plant P.O. Box 8 Guthrie, KY 42234 KYD 006383392		2,657		3,004,587		3,007,244
Koppers Industries, Inc. Grenada Plant P.O. Box 160 Grenada, MS 38960 MSD 007027543				1,756,065		1,756,065
Beazer East, Inc. Kansas City Plant P.O. Box 8057 Kansas City, MO 64129 MOD 007146517		5,170				5,170

ATTACHMENT "A"

Facility & Location	1990 Cost Estimates		
	Closure	Post-Closure	Total
Kop-Coat, Inc. Newark Plant 480 Frelinghuysen Avenue Newark, NJ 07114 NJD 002149789	$ 0	$	$ 0
Koppers Industries, Inc. Port Newark Plant Maritime & Tyler Streets closed Port Newark, NJ 07114 NJD 000542282	4,358		4,358
Beazer East, Inc. Orrville Product Development P.O. Box 905 Orrville, OH 44667 OHD 068911494	24,903		24,903
Beazer East, Inc. Parr - West 5151 Denison Avenue Cleveland, OH 44102 OHD 060431947	20,095		20,095
Beazer East, Inc. Youngstown Plant P.O. Box 1137 Youngstown, OH 44501 OHD 004198784	187,558	1,246,731	1,434,289
Reichhold Chemical, Inc. Bridgeville Plant P.O. Box 219 Bridgeville, PA 15017 PAD 063764898	74,944		74,944
PPG Industries, Inc. Science & Technology Center 440 College Park Drive Monroeville, PA 15146 PAD 082245754	15,868		15,868

A T T A C H M E N T " A "

Facility & Location	---- 1 9 9 0 Cost Closure	Estimates Post-Closure	---- Total
Koppers Industries, Inc. Susquehanna Plant P.O. Box 189 Montgomery, PA 17752 PAD 056723265	$ 239,769	$	$ 239,769
Beazer East, Inc. Verona Research Facility 15 Plum Street Verona, PA 15147 PAD 980554950	7,161		7,161
Koppers Industries, Inc. Florence Plant P.O. Box 1725 Florence, SC 29503 SCD 003353026	1,192,588	1,535,713	2,728,301
Koppers Industries, Inc. Houston Tar Plant P.O. Box 96150 Houston, TX 77015 TXD 008089021	124,002		124,002
Beazer East, Inc. Richmond Plant 4005 Charles City Road Richmond, VA 23231 VAD 003121977		1,051,699	1,051,699
Koppers Industries, Inc. Roanoke Plant 4020 Koppers Road Salem, VA 24153 VAD 003125770	732,717	523,319	1,256,036
Beazer East, Inc. Colliers Landfill P.O. Box M Follansbee, WV 26037 WVD 980707178		1,515,400	1,515,400

A T T A C H M E N T "A"

Facility & Location	---- 1 9 9 0 Cost Estimates ---- Closure	Post-Closure	Total
Koppers Industries, Inc. Follansbee Plant P.O. Box 98 Follansbee, WV 26037 WVD 004336749	$ 278,408	$ 1,441,375	$ 1,719,783
Koppers Industries, Inc. Superior Plant P.O. Box 397 Superior, WI 54880 WID 006179493		2,794,152	2,794,152

S U M M A R Y

Total Closure Costs for 1990	$ 5,945,445
Total Post-Closure Costs for 1990	$ 28,699,425
Total Costs for 1990	$ 34,644,870

1990

Beazer East, Inc.
436 Seventh Avenue
Pittsburgh, PA 15219
Phone: 412-227-2500
Fax: 412-227-2950

Beazer

RECEIVED
OCT - 2 1990
Dept. of Environmental Quality
Bureau of Pollution Control

PP 294 458 810
Certified Mail
Return Receipt Requested

September 26, 1990

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

Dear Sir or Madam:

The enclosed documentation is in support of RCRA Financial Requirements for Beazer East, Inc. (formerly Koppers Company, Inc.) for the latest completed fiscal year, which ended June 30, 1990.

A detailed worksheet is enclosed for each facility. The worksheets list the closure and/or post-closure cost estimates as of June 30, 1990, that are contained in pending or approved closure and/or post-closure plans. Inflation adjustment calculations have been made, as necessary, using the most recent inflation factor available of 1.0378 as reported by the RCRA Hotline. 1.091

Please feel free to contact me by calling (412) 227-2821 or by writing to the above address if you need additional information.

Sincerely yours,

Russell S. Vorpe
Environmental Department
Regulatory Compliance Section

Enclosures

CLOSURE/POST-CLOSURE COST ESTIMATE WORKSHEET
FOR FISCAL YEAR ENDING
JUNE 30, 1990

STATE: Mississippi

NAME: Koppers Industries, Inc.
Grenada
MSD 007027543

INFORMATION BASE:

Unit/Facility	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Surface Impoundment	06/08/88	Closure Complete	$ 887,250
Boiler Ash Landfarm	11/30/87	Closure Complete	$ 707,940

CALCULATIONS:

The Surface Impoundment cost reflects 1988 dollars; this estimate must be inflated to 1990 dollars.

Post-Closure

For 1989:	$ 887,250 X 1.0378 =	$ 920,788	
For 1990:	$ 920,788 X 1.0378 =		$ 955,594

The Boiler Ash Farm cost reflects 1987 dollars; this estimate must be inflated to 1990 dollars.

Post-Closure

For 1988:	$ 707,940 X 1.0357 =	$ 733,213	
For 1989:	$ 733,213 X 1.0378 =	$ 760,928	
For 1990:	$ 760,928 X 1.0378 =		$ 789,692
Total Cost Estimate for 1990			$ 1,745,286

Note: The RCRA Hotline provided the Inflation Factors applied in the calculations. For 1990, the only inflation factor available on the date of filing is the 1989 figure.

Beazer East, Inc.
436 Seventh Avenue
Pittsburgh, PA 15219
Phone: 412-227-2500
Fax: 412-227-2950

Beazer

Letter From Chief Financial Officer

September 25, 1990

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

Re: Financial Assurance Documents

Dear Sir or Madam:

I am the chief financial officer of Beazer East, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219-1822. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265:

Koppers Industries, Inc.
Grenada Plant
P.O. Box 160
Grenada, Mississippi 38960
MSD 007027543

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following:

None.

September 25, 1990

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care or liability coverage is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Facility and ID Number	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
Koppers Industries, Inc. Grenada Plant P.O. Box 160 Grenada, Mississippi 38960 MSD 007027543	$	$ 1,745,286	$ 1,745,286

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

   None

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

Facility and ID Number	Current Estimates Closure Cost	Post-Closure Cost	Total Cost
See Attachment "A" (Includes Mississippi)	$ 5,945,445	$ 28,688,646	$ 34,634,091

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   None

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by Mississippi Hazardous Waste Management Regulations Part 144.62 are shown for each facility:

   None

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1990.

September 25, 1990

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$ 34,634,091
2.	Amount of annual aggregate liability coverage to be demonstrated.	$ 28,000,000
3.	Sum of lines 1 and 2.	$ 62,634,091
4.	Current bond rating of most recent issuance and name of rating service	Moody's - Aaa
5.	Date of issuance of bond	November 18, 1977
6.	Date of maturity of bond	August 1, 2007
*7.	Tangible net worth (if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$ 462,788,000
*8.	Total assets in the U. S. (required only if less than 90 % of assets are located in the U. S.)	Not applicable

	YES	NO
9. Is line 7 at least $10 million ?	X	
10. Is line 7 at least 6 times line 3 ?	X	
*11. Are at least 90 % of assets located in the U. S. ? If not, complete line 12.	X	
12. Is line 8 at least 6 times line 3 ?	Not Applicable	

September 25, 1990

I hereby certify that the wording of this letter is identical to the wording specified in the Mississippi Hazardous Waste Management Regulations 264.151(g) as such regulations were constituted on the date shown immediately below.

George R. Johannes
Executive Vice President and
Chief Financial Officer

September 25, 1990

Attachment

A T T A C H M E N T "A"

Facility & Location	----- 1 9 9 0 Cost Estimates ----- Closure	Post-Closure	Total
Koppers Industries, Inc. Follansbee Plant P.O. Box 98 Follansbee, WV 26037 WVD 004336749	$ 278,408	$ 1,441,375	$ 1,719,783
Koppers Industries, Inc. Superior Plant P.O. Box 397 Superior, WI 54880 WID 006179493		2,794,152	2,794,152

S U M M A R Y

Total Closure Costs for 1990	$ 5,945,445
Total Post-Closure Costs for 1990	$ 28,688,646
Total Costs for 1990	$ 34,634,091

ATTACHMENT "A"

Facility & Location	1990 Cost Estimates Closure	Post-Closure	Total
Koppers Industries, Inc. Montgomery Plant P.O. Box 510 1451 Louisville Street Montgomery, AL 36101 ALD 004009403	$	$ 1,581,164	$ 1,581,164
Koppers Industries, Inc. Woodward Coke Plant Koppers Drive Dolomite, AL 35601 ALD 000771949		2,486,400	2,486,400
Koppers Industries, Inc. Woodward Tar Plant 1835 Koppers Drive Dolomite, AL 35601 ALD 085765808	103,395	512,128	615,523
Koppers Industries, Inc. Little Rock Plant P.O. Box 3231 N. Little Rock, AR 72117 ARD 006344824		2,378,403	2,378,403
Koppers Industries, Inc. Feather River Plant P.O. Box 351 Oroville, CA 95965 CAD 009112087	1,990,998	70,579	2,061,577
Koppers Industries, Inc. Denver Plant 465 West 56th Avenue Denver, CO 80216 COD 007077175	8,092	1,348,123	1,356,215
Koppers Industries, Inc. Gainesville Plant P.O. Box 1067 Gainesville, FL 32602 FLD 004057535	16,065		16,065

A T T A C H M E N T " A "

Facility & Location	- - - - - 1 9 9 0 Cost Estimates - - - - - Closure	Post-Closure	Total
Beazer East, Inc. Maui Plant P. O. Box 1650 Maui, Hawaii 96732 HID 059475210	$ 10,520	$	$ 10,520
Koppers Industries, Inc. Carbondale Plant P.O. Box 271 Carbondale, IL 62901 ILD 000819946	898,576	5,453,587	6,352,163
Koppers Industries, Inc. Galesburg Plant P.O. Box 1191 Galesburg, IL 61401 ILD 990817991	7,601		7,601
Koppers Industries, Inc. Guthrie Plant P.O. Box 8 Guthrie, KY 42234 KYD 006383392	2,657	3,004,587	3,007,244
Koppers Industries, Inc. Grenada Plant P.O. Box 160 Grenada, MS 38960 MSD 007027543		1,745,286	1,745,286
Beazer East, Inc. Kansas City Plant P.O. Box 8057 Kansas City, MO 64129 MOD 007146517	5,170		5,170
Kop-Coat, Inc. Newark Plant 480 Frelinghuysen Avenue Newark, NJ 07114 NJD 002149789	$ 0	$	$ 0

A T T A C H M E N T "A"

Facility & Location	Closure	Post-Closure	Total
	- - - - - 1 9 9 0 Cost Estimates - - - - -		
Koppers Industries, Inc. Port Newark Plant Maritime & Tyler Streets Port Newark, NJ 07114 NJD 000542282	4,358		4,358
Beazer East, Inc. Orrville Product Development P.O. Box 905 Orrville, OH 44667 OHD 068911494	24,903		24,903
Beazer East, Inc. Parr - West 5151 Denison Avenue Cleveland, OH 44102 OHD 060431947	20,095		20,095
Beazer East, Inc. Youngstown Plant P.O. Box 1137 Youngstown, OH 44501 OHD 004198784	187,558	1,246,731	1,434,289
Reichhold Chemical, Inc. Bridgeville Plant P.O. Box 219 Bridgeville, PA 15017 PAD 063764898	74,944		74,944
PPG Industries, Inc. Science & Technology Center 440 College Park Drive Monroeville, PA 15146 PAD 082245754	15,868		15,868
Koppers Industries, Inc. Susquehanna Plant P.O. Box 189 Montgomery, PA 17752 PAD 056723265	$ 239,769	$	$ 239,769

A T T A C H M E N T "A"

Facility & Location	1990 Cost Estimates Closure	Post-Closure	Total
Beazer East, Inc. Verona Research Facility 15 Plum Street Verona, PA 15147 PAD 980554950	7,161		7,161
Koppers Industries, Inc. Florence Plant P.O. Box 1725 Florence, SC 29503 CD 003353026	1,192,588	1,535,713	2,728,301
Koppers Industries, Inc. Houston Tar Plant P.O. Box 96150 Houston, TX 77015 TXD 008089021	124,002		124,002
Beazer East, Inc. Richmond Plant 4005 Charles City Road Richmond, VA 23231 VAD 003121977		1,051,699	1,051,699
Koppers Industries, Inc. Roanoke Plant 4020 Koppers Road Salem, VA 24153 VAD 003125770	732,717	523,319	1,256,036
Beazer East, Inc. Colliers Landfill P.O. Box M Follansbee, WV 26037 WVD 980707178		1,515,400	1,515,400

KPMG Peat Marwick

One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
Beazer East, Inc. and
Mississippi Department of Natural Resources:

We have audited the accompanying consolidated balance sheet of Beazer East, Inc. (formerly Beazer Materials and Services, Inc.) as of June 30, 1990, and have issued our report thereon dated August 31, 1990.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H or 40 CFR Parts 264 and 265 and Subpart H, Parts 264 and 265 of the Mississippi Hazardous Waste Management Regulations, the chief financial officer, George R. Johannes, has prepared the attached letter dated September 25, 1990, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end balance sheet. We have compared such financial data identified with an asterisk to financial data derived from the Company's consolidated balance sheet as of June 30, 1990, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the abovementioned September 25, 1990, letter should be adjusted. However, our audit was not directed primarily toward obtaining knowledge of the abovementioned financial data.

This report is intended solely for the information and use of the board of directors and management of Beazer East, Inc. and Mississippi Department of Natural Resources and should not be used for any other purpose.

KPMG Peat Marwick

Pittsburgh, Pennsylvania
August 31, 1990, except as to the
third and fourth paragraphs of the
above which are as of September 25, 1990

KPMG Peat Marwick

Certified Public Accountants

BEAZER EAST, INC.

Consolidated Balance Sheet

June 30, 1990

(With Independent Auditors' Report Thereon)

KPMG Peat Marwick

BEAZER EAST, INC.

Consolidated Balance Sheet

June 30, 1990

(With Independent Auditors' Report Thereon)

KPMG Peat Marwick

One Mellon Bank Center
Pittsburgh, PA 15219

Telephone 412 391 9710
Telex 7106642199 PMM & CO PGH

Telecopier 412 391 8963

Independent Auditors' Report

The Board of Directors and Shareholders
Beazer East, Inc.:

We have audited the accompanying consolidated balance sheet of Beazer East, Inc. (formerly Beazer Materials and Services, Inc.) as of June 30, 1990. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit of a balance sheet includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet. An audit of a balance sheet also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of Beazer East, Inc. as of June 30, 1990, in conformity with generally accepted accounting principles.

August 31, 1990

KPMG Peat Marwick

BEAZER EAST, INC.

Consolidated Balance Sheet

June 30, 1990

(Dollars in thousands, except share amounts)

Assets			Liabilities and Shareholders' Equity		
Current Assets:			Current Liabilities:		
Cash	$	3,463	Accounts payable, principally trade	$	81,035
Accounts receivable, principally trade, less allowance for doubtful receivables of $3,368 (note 2)		23,693	Compensation and employee benefits (note 5)		43,232
Inventories (note 3)		67,994	Income taxes payable		2,475
Notes and other receivables (note 6)		40,397	Interest payable		27,609
Costs and estimated earnings in excess of billings on uncompleted contracts		20,184	Current portion of long-term debt (note 7)		74,412
Due from related companies (note 8)		144,669	Environmental and warranty reserves		55,140
Other current assets, including net current deferred tax benefits of $16,775		45,692	Billings in excess of costs and estimated earnings on uncompleted contracts		3,264
			Due to related companies (note 8)		1,036
			Other current liabilities		36,878
Total Current Assets		346,092	Total Current Liabilities		325,081
			Long-term debt (note 7)		590,718
			Long-term environmental and warranty reserves (note 10)		493,093
			Long-term employee benefits		96,562
			Long-term other liabilities		192,625
			Deferred income taxes, net (note 6)		683,862
			Due to related companies (note 8)		256,134
			Total Liabilities		2,638,075
Property, plant and equipment, net (note 4)		2,659,406	Commitments and contingencies (notes 10 and 11)		--
Due from related companies (note 8)		524	Shareholders' Equity (note 11):		
Other assets		99,533	Cumulative preferred stock, Series A, no par value, stated at liquidation value of $100,000 per share; 5,000 shares authorized, 2,730 shares issued and outstanding		273,000
			Common stock, par value, $1; 5,000 shares authorized, 1,000 shares issued and outstanding		1
			Stated capital in excess of par value of common stock		49,999
			Additional contributed capital		97,000
			Retained earnings		47,480
			Total Shareholders' Equity		467,480
Total Assets	$	3,105,555	Total Liabilities and Shareholders' Equity	$	3,105,555

See accompanying notes to consolidated balance sheet.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

(1) Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The capital stock of Beazer East, Inc. together with its subsidiaries (the Company) (formerly Beazer Materials and Services, Inc.) is owned indirectly by Beazer PLC (Beazer), a company registered in the United Kingdom.

The Company is the ultimate successor to Koppers Company, Inc. (Koppers) which was acquired by Beazer through BNS Acquisitions, Inc. (BNSA, Inc.) on June 16, 1988 via a cash tender offer of approximately $1.7 billion. The acquisition was accounted for as a purchase, with the purchase price allocated to the assets and liabilities acquired based on their respective estimated fair values at the date of acquisition.

BNSA, Inc. was organized for purposes of the acquisition of Koppers and, prior to the acquisition date, had no significant assets and did not engage in any activities other than those incidental to its formation and the acquisition of Koppers. On January 20, 1989, BNSA, Inc. merged with Koppers (the merger), with Koppers surviving and subsequently changing its name to Beazer Materials and Services, Inc. In April 1990, Beazer Materials and Services, Inc. was renamed Beazer East, Inc.

On September 29, 1989, the Company reorganized its operations with other existing operations of Beazer in the United States based on geographical location. Pursuant to this reorganization, the Company manages all operations east of the Mississippi River and Beazer West, Inc. (Beazer West) (a producer of aggregates, cement and concrete products acquired by Beazer in 1986) manages all operations west of the Mississippi River. As a result of the reorganization, wherein certain operating subsidiaries were transferred between the Company and Beazer West, total assets and total liabilities of the Company at July 1, 1989 decreased approximately $510 million and $280 million, respectively, with the difference being recorded as a note receivable from Beazer West.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

For federal income tax purposes, the Company did not elect under Section 338 of the Internal Revenue Code of 1986 to increase the historical tax bases of the acquired assets and liabilities. Accordingly, increased expenses resulting from fair value adjustments made for accounting purposes (as described previously) will generally not provide a corresponding income tax deduction.

The Company is involved principally in the production and sale of mineral aggregates, hot-mix asphalt and cement as well as providing related engineering and construction services to regional markets located primarily in the eastern half of the United States.

A summary of the Company's significant accounting policies follows:

Principles of Consolidation

The consolidated balance sheet includes the accounts of the Company and its subsidiaries, all of which are wholly owned. Significant intercompany balances, transactions and stock holdings have been eliminated in consolidation.

Inventories

Inventories are stated at cost, which is not in excess of market. Cost for product inventory is determined using a weighted average method, which approximates actual on the first-in, first-out (FIFO) basis. Cost for raw materials and supplies is determined using the FIFO method.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Renewals and betterments which substantially extend the useful life are capitalized. Maintenance and repairs are charged to expense.

Buildings, machinery and equipment are depreciated on the straight-line method over their estimated useful lives for financial statement purposes. Accelerated depreciation is used for federal income tax purposes. Aggregate properties are depleted on the basis of units produced.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

Deferred Charges

Land stripping costs are capitalized and charged to expense as the related aggregate properties are mined.

Uncompleted Contracts

Revenue on uncompleted construction contracts is accounted for on the percentage-of-completion method; losses are recognized upon determination.

Pension Plans

The Company maintains several noncontributory defined benefit pension plans covering substantially all employees and accounts for such plans using the provisions of the Statement of Financial Accounting Standards No. 87 (SFAS No. 87), "Employers' Accounting for Pensions".

Postretirement Benefits

Postretirement health care and life insurance benefits, other than those accrued for in the accompanying consolidated balance sheet, are charged to expense when paid.

Income Taxes

The Company accounts for income taxes using the provisions of the Statement of Financial Accounting Standards No. 96 (SFAS No. 96), "Accounting for Income Taxes". Deferred income taxes have been provided for temporary differences resulting from differences between tax and financial statement bases of assets and liabilities.

Interest Rate Caps and Swaps

The Company is party to interest rate cap and swap agreements in the management of its interest rate exposure. The differential to be paid or received in its interest rate swap agreements is accrued as interest rates change and is recognized over the lives of the agreements. The cost of interest rate cap agreements is deferred and amortized as interest expense over the life of the hedged liability.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

General

Amounts included in the notes to the consolidated balance sheet relate only to continuing operations unless otherwise indicated.

(2) Sale of Accounts Receivable

At June 30, 1990, approximately $75.0 million of trade accounts receivable had been sold by the Company for cash under a five-year agreement entered into with a financial institution. Under the agreement, the Company agrees to sell, without recourse, specifically qualified trade accounts receivable on an ongoing basis, in an amount not to exceed $75.0 million. The Company is obligated to pay fees which approximate the purchaser's cost of issuing a like amount of commercial paper plus certain administrative costs.

(3) Inventories

Inventories at June 30, 1990 consist of the following:

	(In thousands)
Raw materials and supplies	$19,745
Product	48,249
	$67,994

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

(4) Property, Plant and Equipment

Property, plant and equipment at June 30, 1990 consist of the following:

	(In thousands)
Buildings	$ 37,971
Machinery and equipment	262,915
Total buildings, machinery and equipment	300,886
Land	115,784
Depletable aggregate properties	2,358,406
Total property, plant and equipment	2,775,076
Less accumulated depreciation and depletion	(115,670)
Property, plant and equipment, net	$2,659,406

The Company leases office and operating facilities, machinery and equipment and automobiles under operating leases with various maturity dates.

Future minimum lease payments under noncancelable lease arrangements at June 30, 1990 are as follows:

Year Ending June 30:	(In thousands)
1991	$11,797
1992	17,681
1993	8,586
1994	14,042
1995	12,570
1996 and thereafter	916
	$65,592

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

(5) Pension Plans and Other Employee Benefits

Pension Plans

The Company maintains several noncontributory defined benefit pension plans covering substantially all employees. The Company's policy is generally to fund the amount required under the Employee Retirement Income Security Act of 1974 (ERISA). Historically, the Company funds the majority of the pension accrual in the subsequent year. Benefits for the hourly plans are generally based on the participant's career earnings and service with the Company, while benefits for the salary plan are based on Terminal Salary and Credited Service. Plan assets are composed primarily of corporate equity, debt and government securities and bank pooled funds. Pursuant to SFAS No. 87, an asset or liability is recognized in the balance sheet when projected benefit obligations are less than or exceed the fair value of plan assets.

The funded status of the Company's plans and amounts recognized in the consolidated balance sheet at June 30, 1990 is as follows:

	Plans whose assets exceed accumulated benefits	Plans whose accumulated benefits exceed assets
	(In thousands)	
Actuarial present value of:		
Vested benefits	$394,406	$3,232
Nonvested benefits	16,644	878
Accumulated benefit obligation	411,050	4,110
Effect of future salary increases	6,217	1,346
Projected benefit obligation	417,267	5,456
Plan assets at fair value	532,641	3,272
Funded status	115,374	(2,184)
Unrecognized prior service cost	(10,383)	998
Unrecognized net (gain) loss	(72,642)	522
Prepaid pension cost (accrued pension liability)	$ 32,349	$ (664)

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations were 9.0% and 6.0%, respectively. The expected long-term rate of return on plan assets was 12.0%.

Multiemployer Plans

In addition to Company-sponsored plans, the Company contributes to several multiemployer plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and net plan assets of these multiemployer plans, by nature, is not determinable by the Company. The Company contributes periodically to the plans, and the contributions due and unpaid at June 30, 1990 are provided for in the consolidated balance sheet as a component of the employee benefits liability.

Incentive Plans

In addition to pension benefits, the Company has incentive plans for key corporate staff and operating group employees which are based on established annual target award levels if certain company and group performance and individual goals are attained. At June 30, 1990, the Company has accrued approximately $7.4 million in the consolidated balance sheet representing the anticipated payments earned under such plans in fiscal year 1990.

Deferred Compensation Plans

Koppers had a Deferred Compensation Unit Plan for officers and other key employees. This Plan has been terminated and at June 30, 1990, the Company's remaining liability for payments due under the Plan was approximately $6.4 million which has been provided for in the consolidated balance sheet as a component of the employee benefits liability.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

Health Care and Life Insurance Benefits

The Company provides postretirement health care and life insurance benefits to certain employees generally through insurance companies whose premiums are primarily based upon benefits actually paid. Substantially all of the Company's employees may become eligible for these benefits if they reach normal retirement age while working for the Company. The Company has provided for in the consolidated balance sheet at June 30, 1990 approximately $90 million for such postretirement benefits of which approximately $83 million relates to discontinued operations.

(6) Income Taxes

As discussed in note 1, the Company accounts for income taxes pursuant to SFAS No. 96, "Accounting for Income Taxes". Although SFAS No. 96 is effective for annual financial statements with fiscal years beginning after December 15, 1991, earlier application is permitted.

As also discussed in note 1, the Company has not increased the historical tax bases of the assets and liabilities acquired in the acquisition of Koppers. The types of differences between the tax bases of assets and liabilities and their financial statement amounts that give rise to deferred income tax liabilities or assets are: inventories; property, plant and equipment and depletable aggregate properties; net assets of discontinued operations; accrued warranty, environmental, and employee benefit reserves; and accrued preacquisition contingencies. Net operating loss carryforwards and tax credit carryforwards for tax purposes have been utilized in allocating the purchase price of the acquisition to the assets acquired and the liabilities assumed.

The Company and its subsidiaries file a consolidated federal income tax return with its parent company. State tax returns are filed on either a subsidiary consolidated or separate company basis.

At June 30, 1990, the Company has a federal tax refund receivable of approximately $15 million which is classified as a current asset.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

(7) Long-Term Debt and Credit Arrangements

Long-term debt outstanding at June 30, 1990 is as follows:

	(In thousands)
Term loan and revolving credit facility	$665,000
Other	130
	665,130
Less current portion of term loan	(74,412)
	$590,718

Term Loan and Revolving Credit Facility

In January 1989, Beazer entered into a commitment for a term loan and revolving credit facility (together the Facilities) with a bank syndicate. Financing up to $1.8 billion (a maximum 40% of which may be drawn down in Sterling equivalents thereof) is provided by the Facilities to Beazer, the Company and certain other designated borrowing subsidiaries of Beazer. The Company's share of the Facilities was determined based upon the amount necessary to secure the Company's financing following the merger.

The term loan portion of the Facilities is a non-revolving seven year loan providing financing up to $1.05 billion amortizing in 13 semi-annual installments with final maturity on December 31, 1995. The revolving credit facility portion of the Facilities provides financing up to a maximum of $750 million and terminates on December 31, 1993. Interest on the term loan and the revolving credit facility is paid based upon the prevailing London Interbank Offered Rate ("LIBOR") plus 1.125%. Beazer must also pay a commitment fee of 3/16% on the average daily unborrowed amount. The term loan and revolving credit facility are unsecured. Guarantees on the Facilities have been provided by Beazer subsidiaries whose total assets must account for 95% of the consolidated total assets of Beazer. The Facilities agreement contains covenant requirements for Beazer which include the maintenance of certain financial ratios, working capital, and net worth. In addition, restrictions are placed on the borrowing levels of Beazer. At June 30, 1990, the Company had borrowings of $625 million and $40 million under the term loan and revolving credit facility, respectively.

<u>Other Credit Arrangements</u>

The Company has available line of credit arrangements with various banks that total approximately $42 million at June 30, 1990 of which $2 million is uncommitted. The borrowings are under such terms as may be mutually agreed upon by the banks and the Company. No portion of the lines of credit were used as of June 30, 1990.

The Company has total availability under letter of credit arrangements of approximately $45.8 million. At June 30, 1990, approximately $31.1 million of such lines, which are not reflected in the consolidated balance sheet, were issued and outstanding.

Certain of the Company's operating subsidiaries are guarantors under a bank credit facility established for use by Beazer. At June 30, 1990, approximately $30 million is outstanding under this arrangement.

Beazer has established another credit facility with several participating banks and has listed the Company, along with other Beazer subsidiaries, as a guarantor of this credit facility. The guarantee is limited to 95% of certain of the Company's net assets.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

(8) Related Party Transactions

During fiscal year 1990, the Company had several intercompany transactions with related companies. The balances as of June 30, 1990 are summarized as follows:

(In thousands)

Description	Due from related companies Current	Due from related companies Non-Current	Due to related companies Current	Due to related companies Non-Current
Beazer West, Inc.				
Advance at 8.96%, due July 9, 1990	$ 24,000	$ -	$ -	$ -
Reorganization note (note 1) including accrued interest	120,669	-	-	-
Beazer USA, Inc.				
Dividends payable (note 11)	-	-	-	12,936
Other non-interest bearing advances	-	-	-	13,856
Interest bearing advances including accrued interest	-	-	981	95,499
Beazer, Inc.				
Non-interest bearing advances	-	-	-	23,916
Interest bearing advance including accrued interest	-	-	55	102,924
Other, net	-	524	-	7,003
	$144,669	$524	$1,036	$256,134

The Beazer West reorganization note receivable is the remaining principal plus interest due as a result of the reorganization discussed in note 1. The note accrues interest at the interest rate applicable to a drawdown made under the Facilities discussed in note 7. The note is payable on demand and can be prepaid in full or in part at any time.

There are two interest bearing advances to Beazer USA, Inc. The first consists of a series of advances of $45.5 million which carry maturities and accrue interest at the prevailing Beazer USA, Inc. commercial paper program rates and maturities. Beazer USA, Inc. is the parent company of Beazer East and Beazer West. The second Beazer USA, Inc. advance of $50 million accrues interest at a 9.6% fixed rate, matures on May 14, 2005 and interest is due semi-annually in October and April.

The Beazer Inc. interest bearing advance accrues interest at the same rate as the above mentioned Beazer West note. Beazer Inc. is the parent company of Beazer USA, Inc. This advance has no predetermined amortization schedule, however, the Company may prepay the advance in full or in part at any time.

Non-interest bearing advances primarily represent loans for specific transactions with no specified repayment terms.

As discussed in note 11, the Company declared a Series A preferred stock dividend in the amount of approximately $21.6 million to Beazer USA, Inc. during fiscal year 1990.

(9) Financial Instruments with Off-Balance-Sheet Risk

Interest Rate Caps and Swaps

The Company has entered into interest rate swap agreements and an interest rate cap agreement. At June 30, 1990, the Company had outstanding three interest rate swap agreements with commercial banks, having a total notional principal amount of $200 million. Those agreements effectively change the Company's interest rate exposure on $75 million of long-term borrowings to a fixed rate of 8.90 percent through June 1993, another $75 million to a fixed rate of 8.9775 percent through December 1991, and $50 million to a fixed rate of 8.83 percent through

BEEZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

June 1991; plus in each case a margin under the Facilities Agreement which at June 30, 1990 is 1.125%. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, the Company does not anticipate nonperformance by the counterparties.

At June 30, 1990, the Company had outstanding an interest rate cap agreement with a commercial bank, having a total notional principal amount of $100 million which effectively changes the Company's interest rate exposure to a fixed rate of 8.50 percent through June 1991 plus a margin under the Facilities Agreement which at June 30, 1990 is 1.125%. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate cap agreement. However, the Company does not anticipate nonperformance by the counterparties.

(10) <u>Commitments and Contingencies</u>

The Company remains liable for costs arising from certain environmental matters, and other claims principally involving the Koppers chemical businesses that have been divested. These claims include product warranty claims; toxic tort claims; alleged violations of governmental regulations, including environmental matters; and breach of contract. The Company is also a party to a number of claims and lawsuits arising out of the normal course of its ongoing business. Many of these claims and lawsuits, some of which are covered in part by insurance, are being contested; certain of these actions purport to be class actions and involve multiple plaintiffs.

The Company has environmental liabilities caused by soil, surface water and groundwater contamination at currently or previously owned or operated facilities and off-site waste disposal facilities. Certain of these facilities are the subject of environmental administrative proceedings by governmental agencies or claims by third parties. Costs associated with these environmental liabilities usually include feasibility studies, surface remediation, pumping and treatment of ground water, and monitoring of the affected facility. At June 30, 1990, the Company has accrued in the consolidated balance sheet approximately $438 million for such environmental costs.

This amount represents the costs expected to be incurred in future years that can currently be reasonably estimated to justify the establishment of specific reserves. Actual expenditures may exceed this amount, but cannot reasonably be estimated at this time.

The Company also is party to numerous claims against it for product warranty, toxic tort, and breach of contract suits. As of June 30, 1990, these claims are at various stages of development. Appropriate liabilities are reflected in the consolidated balance sheet for potential losses as a result of these claims, where they can be reasonably estimated, based on the opinion of management, and, in part, on the advice of counsel.

While it is not possible, at this time, to determine with certainty the ultimate outcome of all of the claims and lawsuits against the Company, in the opinion of management, the outcome of those claims which cannot currently be reasonably estimated will not have a material effect on the consolidated financial position of the Company.

(11) Shareholders' Equity

All shares of Series A Cumulative Preferred Stock (preferred stock) are directly owned by Beazer USA, Inc. and indirectly owned by Beazer.

The holder of preferred stock shall be entitled to receive, when, as and if declared by the Board of Directors, mandatory dividends in the amount of $20,000, and no more, per share per annum, payable quarterly on the first day of each January, April, July and October, commencing April 1, 1989; provided that accumulated dividends shall cumulate and shall not be paid to the extent that payment is prohibited by any loan agreement, indenture or other contract to which the Company is or becomes a party and is entitled to a preference in liquidation of $100,000 per share plus accumulated but unpaid dividends. Dividends on shares of the preferred stock shall begin to accumulate and shall be cumulative from the date of issue.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

Dividends paid on the shares of preferred stock in an amount less than the total amount of dividends accumulated and payable shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of preferred stock entitled to receive payment of a dividend declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof. Accumulated but unpaid dividends do not bear interest and the preferred shares do not have voting rights except as required by law. During fiscal year 1990, the Board of Directors declared a dividend of approximately $21.6 million on the preferred stock, of which approximately $8.6 million has been paid through June 30, 1990. The remaining unpaid portion has been accrued in the consolidated balance sheet. The Company may, at its option, redeem at any time all or a portion of the outstanding shares of preferred stock at the optional redemption price of $100,000 per share plus accumulated but unpaid dividends, except as prohibited by loan or other agreements.

All shares of common stock are directly owned by BNS Sub, Inc. and indirectly held by Beazer. No dividends may be paid on common stock while dividends due on preferred stock are in arrears.

In connection with certain acquisition financing provided by Shearson Lehman Hutton Holdings, Inc. (Shearson) to BNSA, Inc. the Company has an obligation to issue, to Shearson, a Warrant to purchase up to 10% of each class of the Company's outstanding equity securities (including issuances pursuant to the Warrant) for an aggregate cash exercise price of approximately $46 million. The Warrant, when issued, will expire on June 15, 1998.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1990

(12) Acquisition

Reeves Construction Company (a wholly-owned subsidiary of the Company) acquired the stock of Stephens Paving Company (Stephens), and the assets of Fall Line Equipment Company, both Georgia corporations, on July 31, 1989 for a total cash purchase price of approximately $10.2 million in a transaction that was accounted for as a purchase. Stephens is engaged primarily in paving and related site construction.

(13) Subsequent Event

Pension Plans

In connection with the reorganization discussed in note 1, the pension assets and obligations with regard to operating subsidiaries assigned to Beazer West will be transferred from the Company during fiscal year 1991. As a result, approximately $14.1 million in plan assets and approximately $9.1 million in plan benefit obligations included in the consolidated balance sheet at June 30, 1990 will be withdrawn and transferred to Beazer West.

Beazer

BEAZER EAST, INC., 436 SEVENTH AVENUE, PITTSBURGH, PA 15219 USA

Via Express Mail
FB607621300

December 6, 1991

– 9 1991

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

Re: 1991 Financial Assurance

Dear Sir or Madam:

My letter of September 25, 1991, requested a ninety (90) day extension for submittal of financial assurance information for Beazer East, Inc.'s fiscal year ending June 30, 1991. This request was the result of the then outstanding offer of Hanson PLC to acquire 100 % of the outstanding capital shares of Beazer PLC, the ultimate parent company of Beazer East, Inc. This transaction has now been completed.

Therefore, please find enclosed a complete RCRA financial assurance submission by Beazer East, Inc. (formerly Koppers Company, Inc.) for the latest completed fiscal year, which ended June 30, 1991. A detailed worksheet is enclosed for each facility. The worksheets list the closure and/or post-closure cost estimates as of June 30, 1991, which are contained in pending or approved closure and/or post-closure plans. Inflation adjustment calculations have been made, as necessary, using the most recent inflation factor available of 1.0410.

I appreciate you patience during this transitional period.

Please feel free to contact me by calling (412) 227-2821 or by writing to the above address if you need additional information.

Sincerely yours,

Russell S. Vorpe
Environmental Department
Regulatory Compliance Section

Enclosures

CLOSURE/POST CLOSURE COST ESTIMATE WORKSHEET
For Fiscal Year Ending
June 30, 1991

Mississippi

FACILITY NAME: Koppers Industries, Inc.
Grenada
MSD 007027543

Program Manager: Jim Werling

INFORMATION BASE

Unit / Facility	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Surface Impoundment (1)	06-08-88		$ 887,250
Less one (1) year's Post-Closure Care cost			(29,575)
Adjusted Post-Closure Cost Estimate			$ 857,675

(1) State approved closure July 12, 1990.

Unit / Facility	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Boiler Ash Landfarm (1)	11-30-87		$ 707,940
Less one (1) year's Post-Closure Care cost			(23,598)
Adjusted Post-Closure Cost Estimate			$ 684,342

(1) State approved closure July 12, 1990.

Unit / Facility	Closure Plan Submittal Date	Closure Cost Estimate	Post-Closure Cost Estimate
Waste Piles (1)	06-06-91	$ 148,490	N/A

(1) Regulations covering the material in the soil pile came into effect June 6, 1991. A closure plan has been prepared based on the technical correction to the new regulations, published in July, 1991 Because the technical correction clarified that the soil in the soil pile was, in fact, covered under the new regulations effective prior to the Beazer fiscal year-end, financial assurance is being provided.

CALCULATIONS — 1991 Cost Estimates

The Surface Impoundment cost reflects 1988 dollars; this estimate must be inflated to 1991 dollars.

Post-Closure

For 1989:	857,675	X	1.0410	$ 892,840		
For 1990:	892,840	X	1.0410	$ 929,446		
For 1991:	929,446	X	1.0410		$	967,553

The Boiler Ash Landfarm cost reflects 1987 dollars; this estimate must be inflated to 1991 dollars.

Post-Closure

For 1988:	684,342	X	1.0357	$ 708,773		
For 1989:	708,773	X	1.0410	$ 737,833		
For 1990:	737,833	X	1.0410	$ 768,084		
For 1991:	768,084	X	1.0410		$	799,575

CLOSURE/POST CLOSURE COST ESTIMATE WORKSHEET
For Fiscal Year Ending
June 30, 1991

STATE: Mississippi

FACILITY NAME: Koppers Industries, Inc.
Grenada
MSD 007027543

Program Manager: Jim Werling

Page Two

CALCULATIONS CONTINUED	1991 Cost Estimates

The Waste Piles cost reflects 1991 dollars.

Closure

For 1991:	$ 148,490
Total Cost Estimate for 1991:	**$ 1,915,618**

Beazer

BEAZER EAST, INC., 436 SEVENTH AVENUE, PITTSBURGH, PA 15219 USA

Letter From Chief Financial Officer

December 4, 1991

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

Re: Financial Assurance Documents

Dear Sir or Madam:

I am the chief financial officer of Beazer East, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219-1822. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265:

Koppers Industries, Inc.
Grenada Plant
P.O. Box 160
Grenada, Mississippi 38960
MSD 007027543

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following:

None.

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care or liability coverage is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
Koppers Industries, Inc. Grenada Plant P.O. Box 160 Grenada, Mississippi 38960 MSD 007027543	$ 148,490	$ 1,767,128	$ 1,915,618

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

None

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

	Current Estimates		
Facility and ID Number	Closure Cost	Post-Closure Cost	Total Cost
See Attachment "A" (Includes Mississippi)	$ 5,121,947	$ 29,368,608	$ 34,490,555

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   None

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by Mississippi Hazardous Waste Management Regulations Part 144.62 are shown for each facility:

   None

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 30. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 30, 1991.

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$ 34,490,555
2.	Amount of annual aggregate liability coverage to be demonstrated.	$ 28,000,000
3.	Sum of lines 1 and 2.	$ 62,490,555
4.	Current bond rating of most recent issuance and name of rating service	Moody's - Aaa
5.	Date of issuance of bond	November 18, 1977
6.	Date of maturity of bond	August 1, 2007
*7.	Tangible net worth (if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$ 460,328,000
*8.	Total assets in the U. S. (required only if less than 90 % of assets are located in the U. S.)	Not applicable

	YES	NO
9. Is line 7 at least $10 million ?	X	
10. Is line 7 at least 6 times line 3 ?	X	
*11. Are at least 90 % of assets located in the U. S. ? If not, complete line 12.	X	
12. Is line 8 at least 6 times line 3 ?	Not Applicable	

I hereby certify that the wording of this letter is identical to the wording specified in the Mississippi Hazardous Waste Management Regulations 264.151(g) as such regulations were constituted on the date shown immediately below.

RGH

George R. Johannes
Executive Vice President and
Chief Financial Officer

December 4, 1991

Attachment

ATTACHMENT A

Facility & Location	1991 Cost Estimates Closure	Post-Closure	Total
Koppers Industries, Inc. Montgomery Plant P.O. Box 510 1451 Louisville Street Montgomery, AL 36101 ALD 004009403	$ 0	$ 1,645,992	$ 1,645,992
Koppers Industries, Inc. Woodward Coke Plant Koppers Drive Dolomite, AL 35601 ALD 000771949	$ 0	$ 2,588,342	$ 2,588,342
Koppers Industries, Inc. Woodward Tar Plant 1835 Koppers Drive Dolomite, AL 35601 ALD 085765808	$ 107,634	$ 533,125	$ 640,759
Koppers Industries, Inc. Little Rock Plant P.O. Box 3231 N. Little Rock, AR 72117 ARD 006344824	$ 0	$ 2,393,386	$ 2,393,386
Koppers Industries, Inc. Feather River Plant P.O. Box 351 Oroville, CA 95965 CAD 009112087	$ 2,072,632	$ 73,622	$ 2,146,254
Koppers Industries, Inc. Denver Plant 465 West 56th Avenue Denver, CO 80216 COD 007077175	$ 243,938	$ 1,356,616	$ 1,600,554

ATTACHMENT A

Facility & Location	1991 Cost Estimates Closure	Post-Closure	Total
Koppers Industries, Inc. Gainesville Plant P.O. Box 1067 Gainesville, FL 32602 FLD 004057535	$ 16,724	$ 0	$ 16,724
Beazer East, Inc. Maui Plant P. O. Box 1650 Maui, Hawaii 96732 HID 059475210	$ 10,951	$ 0	$ 10,951
Koppers Industries, Inc. Carbondale Plant P.O. Box 271 Carbondale, IL 62901 ILD 000819946	$ 935,417	$ 5,677,184	$ 6,612,601
Koppers Industries, Inc. Galesburg Plant P.O. Box 1191 Galesburg, IL 61401 ILD 990817991	$ 8,332	$ 0	$ 8,332
Koppers Industries, Inc. Guthrie Plant P.O. Box 8 Guthrie, KY 42234 KYD 006383392	$ 2,766	$ 3,023,517	$ 3,026,283
Koppers Industries, Inc. Grenada Plant P.O. Box 160 Grenada, MS 38960 MSD 007027543	$ 148,490	$ 1,767,128	$ 1,915,618

ATTACHMENT A

Facility & Location	1991 Cost Estimates Closure	Post-Closure	Total
Beazer East, Inc. Kansas City Plant P.O. Box 8057 Kansas City, MO 64129 MOD 007146517	$ 5,381	$ 0	$ 5,381
Koppers Industries, Inc. Port Newark Plant Maritime & Tyler Streets Port Newark, NJ 07114 NJD 000542282	$ 4,537	$ 0	$ 4,537
Beazer East, Inc. Orrville Product Development P.O. Box 905 Orrville, OH 44667 OHD 068911494	$ 25,924	$ 0	$ 25,924
Beazer East, Inc. Parr – West 5151 Denison Avenue Cleveland, OH 44102 OHD 060431947	$ 6,815	$ 0	$ 6,815
Beazer East, Inc. Youngstown Plant P.O. Box 1137 Youngstown, OH 44501 OHD 004198784	$ 195,249	$ 1,297,847	$ 1,493,096
Reichhold Chemical, Inc. Bridgeville Plant P.O. Box 219 Bridgeville, PA 15017 PAD 063764898	$ 0	$ 0	$ 0

ATTACHMENT A

Facility & Location	1991 Cost Estimates Closure	Post-Closure	Total
PPG Industries, Inc. Science & Technology Center 440 College Park Drive Monroeville, PA 15146 PAD 082245754	$ 0	$ 0	$ 0
Koppers Industries, Inc. Susquehanna Plant P.O. Box 189 Montgomery, PA 17752 PAD 056723265	$ 0	$ 0	$ 0
Beazer East, Inc. Verona Research Facility 15 Plum Street Verona, PA 15147 PAD 980554950	$ 0	$ 0	$ 0
Koppers Industries, Inc. Florence Plant P.O. Box 1725 Florence, SC 29503 SCD 003353026	$ 155,490	$ 1,598,677	$ 1,754,167
Koppers Industries, Inc. Houston Tar Plant P.O. Box 96150 Houston, TX 77015 TXD 008089021	$ 129,087	$ 0	$ 129,087
Beazer East, Inc. Richmond Plant 4005 Charles City Road Richmond, VA 23231 VAD 003121977	$ 0	$ 1,052,710	$ 1,052,710

ATTACHMENT A

Facility & Location	1991 Cost Estimates Closure	Post-Closure	Total
Koppers Industries, Inc. Roanoke Plant 4020 Koppers Road Salem, VA 24153 VAD 003125770	$ 762,758	$ 544,775	$ 1,307,533
Beazer East, Inc. Colliers Landfill P.O. Box M Follansbee, WV 26037 WVD 980707178	$ 0	$ 1,515,400	$ 1,515,400
Koppers Industries, Inc. Follansbee Plant P.O. Box 98 Follansbee, WV 26037 WVD 004336749	$ 289,822	$ 1,500,470	$ 1,790,292
Koppers Industries, Inc. Superior Plant P.O. Box 397 Superior, WI 54880 WID 006179493	$ 0	$ 2,799,817	$ 2,799,817

SUMMARY

Total Closure Costs for 1991	$ 5,121,947
Total Post-Closure Costs for 1991	$ 29,368,608
Total Costs for 1991	$ 34,490,555

KPMG Peat Marwick

Certified Public Accountants

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Independent Auditors' Report

The Board of Directors and Shareholders
Beazer East, Inc. and
Mississippi Department of Natural Resources:

We have audited the accompanying consolidated balance sheet of Beazer East, Inc. as of June 30, 1991, and have issued our report thereon dated August 12, 1991, except as to note 13 which is as of September 10, 1991, and note 14 which is as of December 4, 1991.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

Pursuant to the provisions of the Environmental Protection Agency Regulation Subpart H or 40 CFR Parts 264 and 265 and Subpart H, Parts 264 and 265 of the Mississippi Hazardous Waste Management Regulations, the chief financial officer, George R. Johannes, has prepared the attached letter dated December 4, 1991, demonstrating both liability coverage and assurance of closure and post-closure care. Certain financial data set forth in that letter is identified with an asterisk as having been derived from the independently audited, year-end balance sheet. We have compared such financial data identified with an asterisk to financial data derived from the Company's consolidated balance sheet as of June 30, 1991, referred to above.

In connection with our audit and the procedure referred to above, nothing came to our attention that caused us to believe that the financial data identified with an asterisk contained in the abovementioned December 4, 1991, letter should be adjusted. However, our audit was not directed primarily toward obtaining knowledge of the abovementioned financial data.

This report is intended solely for the information and use of the board of directors and management of Beazer East, Inc. and Mississippi Department of Natural Resources and should not be used for any other purpose.

KPMG Peat Marwick

Pittsburgh, Pennsylvania
August 12, 1991, except as to the
third and fourth paragraphs of the
above which are as of December 4, 1991

Beazer

BEAZER EAST, INC.

Consolidated Balance Sheet

June 30, 1991

(With Independent Auditors' Report Thereon)

KPMG Peat Marwick

Certified Public Accountants

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Independent Auditors' Report

The Board of Directors and Shareholders
Beazer East, Inc.:

We have audited the accompanying consolidated balance sheet of Beazer East, Inc. as of June 30, 1991. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit of a balance sheet includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet. An audit of a balance sheet also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of Beazer East, Inc. as of June 30, 1991, in conformity with generally accepted accounting principles.

KPMG Peat Marwick

August 12, 1991, except as to Note 13
which is as of September 10, 1991 and
Note 14 which is as of December 4, 1991

BEAZER EAST, INC.
Consolidated Balance Sheet
June 30, 1991
(Dollars in thousands, except share amounts)

Assets

Current Assets:	
Cash and cash equivalents	$ 38,921
Receivables:	
Trade (notes 2 and 8)	8,363
Notes and other receivables	12,469
Due from related companies (notes 2 and 8)	28,080
	48,912
Less allowance for doubtful receivables	(5,415)
	43,497
Inventories (note 3)	76,998
Due from related companies (note 8)	1,437
Other current assets	36,822
Total Current Assets	197,675
Property, plant and equipment, net (note 4)	2,580,278
Prepaid pension cost (note 5)	56,218
Other assets	46,928
Total Assets	$ 2,881,099

Liabilities and Shareholders' Equity

Current Liabilities:	
Accounts payable, principally trade	$ 52,040
Compensation and employee benefits (note 5)	27,672
Income taxes payable	2,784
Interest payable	18,647
Current portion of long-term debt (notes 7 and 13)	8
Environmental and warranty reserves	72,288
Billings in excess of costs and estimated earnings on uncompleted contracts	2,703
Due to related companies (note 8)	7,774
Other current liabilities	25,991
Total Current Liabilities	209,907
Long-term debt (notes 7 and 13)	542,114
Long-term environmental and warranty reserves (note 10)	423,881
Long-term employee benefits	87,784
Long-term other liabilities	160,534
Deferred income taxes, net (note 6)	660,281
Due to related companies (note 8)	331,706
Total Liabilities	2,416,207
Commitments and contingencies (notes 10 and 11)	--
Shareholders' Equity (note 11):	
Cumulative preferred stock, Series A, no par value, stated at liquidation value of $100,000 per share; 5,000 shares authorized, 2,730 shares issued and outstanding	273,000
Common stock, par value, $1; 5,000 shares authorized, 1,000 shares issued and outstanding	1
Stated capital in excess of par value of common stock	49,999
Additional contributed capital	97,000
Retained earnings	44,892
Total Shareholders' Equity	464,892
Total Liabilities and Shareholders' Equity	$ 2,881,099

See accompanying notes to consolidated balance sheet.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

(1) Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The capital stock of Beazer East, Inc. together with its subsidiaries (the Company) is owned indirectly by Beazer PLC (Beazer), a company registered in the United Kingdom.

The Company is the ultimate successor to Koppers Company, Inc. (Koppers) which was acquired by Beazer through BNS Acquisitions, Inc. (BNSA, Inc.) on June 16, 1988 via a cash tender offer of approximately $1.7 billion. The acquisition was accounted for as a purchase, with the purchase price allocated to the assets and liabilities acquired based on their respective estimated fair values at the date of the acquisition.

BNSA, Inc. was organized for purposes of the acquisition of Koppers and, prior to the acquisition date, had no significant assets and did not engage in any activities other than those incidental to its formation and the acquisition of Koppers. On January 20, 1989, BNSA, Inc. merged with Koppers (the merger), with Koppers surviving and subsequently changing its name to Beazer Materials and Services, Inc. In April 1990, Beazer Materials and Services, Inc. was renamed Beazer East, Inc.

For federal income tax purposes, the Company did not elect under Section 338 of the Internal Revenue Code of 1986 to increase the historical tax bases of the acquired assets and liabilities. Accordingly, increased expenses resulting from fair value adjustments made for accounting purposes (as described previously) will generally not provide a corresponding income tax deduction.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

The Company is involved principally in the production and sale of mineral aggregates and hot-mix asphalt as well as providing related engineering and construction services to regional markets located primarily in the eastern half of the United States.

A summary of the Company's significant accounting policies follows:

Principles of Consolidation

The consolidated balance sheet includes the accounts of the Company and its subsidiaries, all of which are wholly owned. Significant intercompany balances, transactions and stock holdings have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments with initial maturities of three months or less.

Inventories

Inventories are stated at cost, which is not in excess of market. Cost for product inventory is determined using a weighted average method, which approximates actual on the first-in, first-out (FIFO) basis. Cost for raw materials and supplies is determined using the FIFO method.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Renewals and betterments which substantially extend the useful life are capitalized. Maintenance and repairs are charged to expense.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

Buildings, machinery and equipment are depreciated on the straight-line method over their estimated useful lives for financial statement purposes. Accelerated depreciation is used for federal income tax purposes. Aggregate properties are depleted on the basis of units produced.

Deferred Charges

Land stripping costs are capitalized and charged to expense as the related aggregate properties are mined.

Uncompleted Contracts

Revenue on uncompleted construction contracts is accounted for on the percentage-of-completion method; losses are recognized upon determination.

Pension Plans

The company maintains several noncontributory defined benefit pension plans covering substantially all employees and accounts for such plans using the provisions of the Statement of Financial Accounting Standards No. 87 (SFAS No. 87), "Employers' Accounting for Pensions".

Income Taxes

The Company accounts for income taxes using the provisions of the Statement of Financial Accounting Standards No. 96 (SFAS No. 96), "Accounting for Income Taxes". Deferred income taxes have been provided for temporary differences resulting from differences between tax and financial statement bases of assets and liabilities.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

Interest Rate Swaps

The Company is party to interest rate swap agreements in the management of its interest rate exposure. The differential to be paid or received in its interest rate swap agreements is accrued as interest rates change and is recognized over the lives of the agreements.

(2) Sale of Accounts Receivable

At June 30, 1991, approximately $112 million of trade accounts receivable had been sold by the Company to certain Beazer affiliates who in turn have sold approximately $84 million of these receivables for cash under a five-year agreement entered into with a financial institution. The difference of $28 million is reflected as due from related companies on the Company's balance sheet. Under the agreement, the affiliates agree to sell, without recourse, specifically qualified trade accounts receivable originated by the Company's subsidiaries on an ongoing basis, in an amount not to exceed $100 million. The Company is obligated to pay fees which approximate the purchaser's cost of issuing a like amount of commercial paper plus certain administrative costs.

(3) Inventories

Inventories at June 30, 1991 consist of the following:

	(In thousands)
Raw materials and supplies	$17,156
Product	59,842
	$76,998

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

(4) Property, Plant and Equipment

Property, plant and equipment at June 30, 1991 consist of the following:

	(In thousands)
Buildings	$ 49,222
Machinery and equipment	224,806
Total buildings, machinery and equipment	274,028
Land	114,888
Depletable aggregate properties	2,314,776
	2,429,664
Total property, plant and equipment	2,703,692
Less accumulated depreciation and depletion	(123,414)
Property, plant and equipment, net	$2,580,278

The Company leases office and operating facilities, machinery and equipment and automobiles under operating leases with various maturity dates.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

Future minimum lease payments under noncancelable lease arrangements at June 30, 1991 are as follows:

Year Ending June 30:	(In thousands)
1992	$ 20,552
1993	19,569
1994	27,120
1995	21,084
1996	13,462
1997 and thereafter	44,148
	$145,935

(5) Pension Plans and Other Employee Benefits

Pension Plans

The Company maintains several noncontributory defined benefit pension plans covering substantially all employees. The Company's policy is generally to fund the amount required under the Employee Retirement Income Security Act of 1974 (ERISA). Historically, the Company funds the majority of the pension accrual in the subsequent fiscal year. Benefits for the hourly plans are generally based on the participant's career earnings and service with the Company, while benefits for the salary plan are based on final average salary and credited service. Plan assets are composed primarily of corporate equity, real estate, corporate debt and government securities and bank pooled funds. Pursuant to SFAS No. 87, an asset or liability is recognized in the balance sheet when projected benefit obligations are less than or exceed the fair value of plan assets.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

The funded status of the Company's plans and amounts recognized in the consolidated balance sheet at June 30, 1991 is as follows:

	Plans whose assets exceed accumulated benefits	Plans whose accumulated benefits exceed assets
	(In thousands)	
Actuarial present value of:		
Vested benefits	$376,921	$3,091
Nonvested benefits	13,992	565
Accumulated benefit obligation	390,913	3,656
Effect of future salary increases	6,596	303
Projected benefit obligation	397,509	3,959
Plan assets at fair value	506,272	2,940
Funded status	108,763	(1,019)
Unrecognized prior service cost	(6,345)	6
Unrecognized net (gain) loss	(46,200)	123
Prepaid pension cost (Accrued pension liability)	$ 56,218	$ (890)

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations were 9.0% and 6.0%, respectively. The expected long-term rate of return on plan assets was 12.0%.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

Multiemployer Plans

In addition to Company-sponsored plans, the Company contributes to several multiemployer plans as determined by various collective bargaining agreements. The relative position of the Company regarding the accumulated plan benefits and net plan assets of these multiemployer plans, by nature, is not determinable by the Company. The Company contributes periodically to the plans, and the contributions due and unpaid at June 30, 1991 are provided for in the consolidated balance sheet as a component of the employee benefits liability.

Incentive Plans

In addition to pension benefits, the Company has incentive plans for key corporate staff and operating group employees which are based on established annual target award levels if certain company and group performance and individual goals are attained. At June 30, 1991, the Company has accrued approximately $3.2 million in the consolidated balance sheet representing the anticipated payments earned under such plans in fiscal year 1991.

Health Care and Life Insurance Benefits

The Company provides postretirement health care and life insurance benefits to certain employees generally through insurance companies whose premiums are primarily based upon benefits actually paid. Substantially all of the Company's eligible employees may qualify for these benefits if they reach normal retirement age while working for the Company. These benefits are subject to deductibles, copayment provisions and other limitations. The Company may amend or change the plan periodically. The Company has provided in the consolidated balance sheet at June 30, 1991 approximately $80 million for such postretirement benefits of which approximately $69 million relates to operations discontinued by Beazer and operations previously discontinued by Koppers. These recorded benefits were originally provided for at the acquisition date.

In December 1990, the Financial Accounting Standards Board issued a new standard on accounting for postretirement benefits other than pensions. This new standard requires that the expected cost of these benefits must be charged to expense during the years that the employees render service. The Company is required to adopt the new accounting and disclosure rules no later than fiscal year 1994, although earlier implementation is permitted. The Company may adopt the new standard prospectively or via a cumulative catch-up adjustment.

The Company has not decided when it will adopt the new standard or if it will adopt the new accounting method prospectively or by recording a cumulative catch-up adjustment in the year of adoption. However, management does not expect that the change in accounting will have a material effect on the Company's reported financial position.

(6) Income Taxes

As discussed in note 1, the Company accounts for income taxes pursuant to SFAS No. 96, as amended, "Accounting for Income Taxes". Although SFAS No. 96 is effective for annual financial statements with fiscal years beginning after December 15, 1991, earlier application is permitted.

As also discussed in note 1, the Company has not increased the historical tax bases of the assets and liabilities acquired in the acquisition of Koppers. The types of differences between the tax bases of assets and liabilities and their financial statement amounts that give rise to deferred income tax liabilities or assets are: inventories; property, plant and equipment and depletable aggregate properties; accrued warranty, environmental, employee benefits, and other accrued preacquisition contingencies. Net operating loss carryforwards and tax credit carryforwards for tax purposes have been utilized in allocating the purchase price of the acquisition to the assets acquired and the liabilities assumed.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

The Company and its subsidiaries file a consolidated federal income tax return with its parent company. State tax returns are filed on either a subsidiary consolidated or separate company basis.

(7) Long-Term Debt and Credit Arrangements

Long-term debt outstanding at June 30, 1991 is as follows:

	(In thousands)
Term loan	$510,000
Other	32,122
Less current portion	(8)
	$542,114

Term Loan and Revolving Credit Facility

In January 1989, Beazer entered into a commitment for a term loan and revolving credit facility (together the Facilities) with a bank syndicate. Financing up to $1.8 billion (a maximum 40% of which may be drawn down in Sterling equivalents thereof) is provided by the Facilities to Beazer, the Company and certain other designated borrowing subsidiaries of Beazer. The Company's share of the Facilities was determined based upon the amount necessary to secure the Company's financing following the merger.

The term loan portion of the total Facilities is a non-revolving seven year loan providing financing up to $1.05 billion amortizing in 13 semi-annual installments with final maturity on December 31, 1995. The Company is responsible for the final seven semiannual installments. The revolving credit facility portion of the Facilities provides financing up to a maximum of $750 million and terminates on December 31, 1993. Interest on the term loan and the revolving credit facility is paid based upon the prevailing London Interbank Offered Rate ("LIBOR") plus 1.25%. Beazer must also pay a commitment fee of 3/16% on the average daily unborrowed amount. The term loan and revolving credit facility are unsecured. Guarantees on the Facilities have been provided by Beazer subsidiaries whose total assets must account for 95% of the consolidated total assets of Beazer. The Facilities agreement contains covenant requirements for Beazer which include the maintenance of certain financial ratios, working capital, and net worth. In addition, restrictions are placed on the borrowing levels of Beazer. At June 30, 1991, the Company had borrowings of $510 million under the term loan and no borrowings under the revolving credit facility.

Maturities of long-term debt during the five years subsequent to June 30, 1991 are as follows:

Year Ending June 30:	(In thousands)
1992	$ 8
1993	110,009
1994	157,011
1995	150,012
1996	125,013
1997 and thereafter	69
	$542,122

Subsequent to June 30, 1991, the Facilities were refinanced as discussed in note 13.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

Other Credit Arrangements

The Company has available line of credit arrangements with various banks that total approximately $32 million at June 30, 1991 of which $2 million is uncommitted. The borrowings are under such terms as may be mutually agreed upon by the banks and the Company. The lines of credit were fully utilized as of June 30, 1991.

The Company has total availability under letter of credit arrangements of approximately $51.5 million. At June 30, 1991, all of such lines, which are not reflected in the consolidated balance sheet, were issued and outstanding. There are no amounts drawn on such arrangements at June 30, 1991.

Certain of the Company's operating subsidiaries are guarantors under a bank credit facility established for use by Beazer. At June 30, 1991, approximately $28 million is outstanding under this arrangement.

Beazer has established another credit facility with several participating banks and has listed the Company, along with other Beazer subsidiaries, as a guarantor of this credit facility. The guarantee is limited to 95% of certain of the Company's net assets.

(8) Related Party Transactions

During fiscal year 1991, the Company had several intercompany transactions with related companies. The balances as of June 30, 1991 are summarized as follows:

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

Description	Due from related companies (In thousands)	Due to related companies	
	Current	Current	Non-Current
Beazer West, Inc.			
Non-interest bearing advances	$ -	$ 969	$ -
Interest bearing advances including accrued interest	-	-	30,388
Beazer USA, Inc.			
Non-interest bearing advances	-	-	34,384
Interest bearing advances including accrued interest	-	1,173	124,501
Beazer, Inc.			
Non-interest bearing advances	-	-	14,682
Interest bearing advance including accrued interest	-	5,632	104,898
Beazer Subsidiaries I, II, III and IV			
Due from related companies (note 2)	28,080	-	-
Tidewater Construction Corp.			
Non-interest bearing advances	-	-	8,022
The FK Company, Inc.			
Non-interest bearing advances	-	-	14,831
Other, net	1,437	-	-
	$29,517	$7,774	$331,706

The Beazer West interest bearing advance accrues interest at approximately 1.5% below LIBOR and has no predetermined amortization schedule, however, the Company may prepay the advance in full or in part at any time.

There are two interest bearing advances from Beazer USA, Inc. The first consists of a series of installments that total $74.5 million which carry maturities and accrue interest at the prevailing Beazer USA, Inc. commercial paper program rates (approximately 6.11% at June 30, 1991) and maturities. Beazer USA, Inc. is the parent company of Beazer East, Inc. and Beazer West, Inc., an affiliate company. The second Beazer USA, Inc. advance of $50 million accrues interest at a 9.6% fixed rate, matures on May 14, 2005 and interest is due semi-annually in October and April.

The Beazer Inc. interest bearing advance accrues interest at the same rate as the revolving credit facility discussed in note 7. Beazer, Inc. is the parent company of Beazer USA, Inc. This advance has no predetermined amortization schedule, however, the Company may prepay the advance in full or in part at any time.

Non-interest bearing advances primarily represent loans for specific transactions with no specified repayment terms.

(9) Financial Instruments with Off-Balance-Sheet Risk

Interest Rate Swaps

At June 30, 1991, the Company had outstanding one interest rate swap agreement with a commercial bank, having a total notional principal amount of $75 million. The agreement effectively changes the Company's interest rate exposure on $75 million of long-term borrowings to a fixed rate of 8.90% through June 1993; plus a margin under the Facilities agreement which at June 30, 1991 is 1.25%. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparties.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

(10) Commitments and Contingencies

The Company remains liable for costs arising from certain environmental matters, and other claims principally involving the Koppers chemical businesses that have been divested. These claims include product warranty claims; toxic tort claims; alleged violations of governmental regulations, including environmental matters; and breach of contract. The Company is also a party to a number of claims and lawsuits arising out of the normal course of its ongoing business. Many of these claims and lawsuits, some of which are covered in part by insurance, are being contested; certain of these actions purport to be class actions and involve multiple plaintiffs.

The Company has environmental liabilities caused by soil, surface water and groundwater contamination at currently or previously owned or operated facilities and off-site waste disposal facilities. Certain of these facilities are the subject of environmental administrative proceedings by governmental agencies or claims by third parties. Costs associated with these environmental liabilities usually include feasibility studies, surface remediation, pumping and treatment of ground water, and monitoring of the affected facility. At June 30, 1991, the Company has accrued in the consolidated balance sheet approximately $410 million for such environmental costs. This amount represents the costs expected to be incurred in future years that can currently be reasonably estimated to justify the establishment of specific reserves. Actual expenditures may exceed this amount, but cannot reasonably be estimated at this time.

The Company also is party to numerous claims against it for product warranty, toxic tort, and breach of contract suits. As of June 30, 1991, these claims are at various stages of development. Liabilities are reflected in the consolidated balance sheet for potential losses as a result of these claims where they can be reasonably estimated, based on the opinion of management, and, in part, on the advice of counsel.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

While it is not possible, at this time, to determine with certainty the ultimate outcome of all of the claims and lawsuits against the Company, in the opinion of management, the outcome of those claims which cannot currently be reasonably estimated will not have a material effect on the consolidated financial position of the Company.

(11) Shareholders' Equity

All shares of Series A Cumulative Preferred Stock (preferred stock) are directly owned by Beazer USA, Inc. and indirectly owned by Beazer.

The holder of preferred stock shall be entitled to receive, when, as and if declared by the Board of Directors, mandatory dividends in the amount of $20,000, and no more, per share per annum, payable quarterly on the first day of each January, April, July and October, commencing April 1, 1989; provided that accumulated dividends shall cumulate and shall not be paid to the extent that payment is prohibited by any loan agreement, indenture or other contract to which the Company is or becomes a party; and is entitled to a preference in liquidation of $100,000 per share plus accumulated but unpaid dividends. Dividends on shares of the preferred stock shall begin to accumulate and shall be cumulative from the date of issue.

Dividends paid on the shares of preferred stock in an amount less than the total amount of dividends accumulated and payable shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of preferred stock entitled to receive payment of a dividend declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof. Accumulated but unpaid dividends do not bear interest and the preferred shares do not have voting rights except as required by law. During fiscal year 1991, the Board of Directors declared and paid a dividend of approximately $5.3 million on the preferred stock. The Company may, at its option, redeem at any time all or a portion of the outstanding shares of preferred stock at the optional redemption price of $100,000 per share plus accumulated but unpaid dividends, except as prohibited by loan or other agreements.

All shares of common stock are directly owned by BNS Sub, Inc., an affiliated company, and indirectly held by Beazer. No dividends may be paid on common stock while dividends due on preferred stock are in arrears.

In connection with certain acquisition financing provided by Shearson Lehman Hutton Holdings, Inc. (Shearson) to BNSA, Inc. the Company has an obligation to issue, to Shearson, a Warrant to purchase up to 10% of each class of the Company's outstanding equity securities (including issuances pursuant to the Warrant) for an aggregate cash exercise price of approximately $46 million. The Warrant had an expiration date of June 15, 1998. See note 14 for a discussion of the ultimate disposition of this Warrant.

(12) Sale of Subsidiary's Assets

On February 12, 1991, the Company sold substantially all the assets of the Gifford-Hill Cement Company of South Carolina, an indirect wholly owned subsidiary having a net book value of $87.7 million, for proceeds of approximately $60.6 million of which $2.9 million is held in escrow subject to the outcome of certain sale contingencies.

BEAZER EAST, INC.

Notes to Consolidated Balance Sheet

June 30, 1991

(13) Debt Restructure

As part of its plan to restructure, on September 10, 1991 Beazer entered into an agreement with its banks, known as the Master Facility Agreement (MFA), to provide a new framework for Beazer's borrowings. The MFA requires initial repayment of at least $600 million of debt, primarily from the disposal of its UK homebuilding units and its principal property, construction and contracting interests outside of the United States, as early as six months but no later than twelve months if certain conditions are met. In addition there is a formula for sharing excess cash flow which will be used to prepay debt. The MFA will then provide Beazer with the benefit of credit facilities which will have a scheduled maturity of December 31, 1995. The interest payable will be 1.75% over LIBOR. In addition, new financial covenants have been put in place. The Company, along with other Beazer subsidiaries, is listed as guarantor of the MFA.

(14) Tender Offer

On September 16, 1991 Hanson PLC, a major British industrial company, announced a friendly bid for 100% control of Beazer. Hanson's offer values each Beazer ordinary share at 123.5 pence per share or $8.56 per American Depository Share and the whole of Beazer's issued ordinary share capital at £351.4 million or approximately $608.6 million to be paid by a combination of cash and Hanson warrants. This offer has been approved by the Beazer Board of Directors and shareholders as well as various financial institutions and regulatory authorities. On December 4, 1991 valid acceptances for a sufficient amount of Beazer's issued ordinary and preference share capital became unconditional in all respects. Shearson has agreed to waive its rights with respect to the Warrant discussed in note 11 in consideration for the payment of $9.8 million by Hanson PLC.

Koppers Inc

General Information

ID	Branch	SIC	County	Basin	Start	End
876	Energy and Transportation	2491	Grenada	Yazoo River	11/09/1981	

Address

Physical Address (Primary)	Mailing Address
1 Koppers Drive Tie Plant, MS 38960	PO Box 160 Tie Plant, MS 38960

Telecommunications

Type	Address or Phone
Work phone number	(662) 226-4584, Ext. 11

Alternate / Historic AI Identifiers

Alt ID	Alt Name	Alt Type	Start Date	End Date
2804300012	Koppers Industries, Inc.	Air-AIRS AFS	10/12/2000	
096000012	Koppers Industries, Inc.	Air-Title V Fee Customer	03/11/1997	
096000012	Koppers Industries, Inc.	Air-Title V Operating	03/11/1997	03/01/2002
096000012	Koppers Industries, Inc.	Air-Title V Operating	01/13/2004	01/01/2009
MSR220005	Koppers Industries, Inc.	GP-Wood Treating	09/25/1992	
MSD007027543	Koppers Industries, Inc.	Hazardous Waste-EPA ID	08/27/1999	
HW8854301	Koppers Industries, Inc.	Hazardous Waste-TSD	06/28/1988	06/28/1998
HW8854301	Koppers Industries, Inc.	Hazardous Waste-TSD	11/10/1999	09/30/2009
876	Koppers Industries, Inc.	Historic Site Name	11/09/1981	12/11/2006
876	Koppers, Inc.	Official Site Name	12/11/2006	
MSP090300	Koppers Industries, Inc.	Water-Pretreatment	11/14/1995	11/13/2000
MSP090300	Koppers Industries, Inc.	Water-Pretreatment	09/18/2001	08/31/2006
MSU081080	Koppers Industries, Inc.	Water-SOP	11/09/1981	11/30/1985

Regulatory Programs

Program	SubProgram	Start Date	End Date
Air	Title V - major	06/01/1900	
Hazardous Waste	Large Quantity Generator	08/27/1999	
Hazardous Waste	TSD - Not Classified	06/28/1988	
Water	Baseline Stormwater	01/01/1900	
Water	PT CIU	11/14/1995	
	PT CIU - Timber Products		

Water	Processing (Subpart 429)	11/14/1995	
Water	PT SIU	11/14/1995	

Locational Data

Latitude	Longitude	Metadata	S / T / R	Map Links
33 ° 44 ' 3 .00 (033.734167)	89 ° 47 ' 8 .06 (089.785572)	**Point Desc:** PG- Plant Entrance (General). Data collected by Mike Hardy on 11/8/2005. Elevation 223 feet. Just inside entrance gate. **Method:** GPS Code (Psuedo Range) Standard Position (SA Off) **Datum:** NAD83 **Type:** MDEQ	Section: Township: Range:	SWIMS TerraServer Map It

12/20/2006 12:16:40 PM

8. EMPLOYEE BENEFIT PLANS--Continued

The funded status of the Company's plans and amounts recognized in the consolidated balance sheets at October 1, 1994 and October 2, 1993 are as follows (in thousands):

	1994		1993	
	Plans Whose Assets Exceed Accumulated Benefits	Plans Whose Accumulated Benefits Exceed Assets	Plan Whose Assets Exceed Accumulated Benefits	Plan Whose Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligation:				
Vested benefit obligation	$ (430,600)	$(11,544)	$ (466,376)	$ (17,760)
Nonvested benefit obligation	(3,367)	(326)	(2,917)	(1,487)
Accumulated benefit obligation	$ (433,967)	(11,870)	$ (469,293)	$ (19,247)
Projected benefit obligation	$ (444,358)	$(11,870)	$ (478,730)	$ (20,475)
Plan assets at fair value	515,838	9,534	530,729	14,316
Projected benefit obligation (in excess of) or less than plan assets	71,480	(2,336)	51,999	(6,159)
Add (deduct):				
Unrecognized prior service costs	(202)	1,004		86
Unrecognized net (gain) loss	62,389	1,510	76,789	5,323
Prepaid (accrued) pension cost	$ 133,667	$ 178	$ 128,788	$ (750)

The plans' assets are included in the HM Holdings Master Trust (the "Trust"). The Trust invests principally in listed stocks and bonds, including common stock of Hanson which, at market value, comprises 2.7% and 3.5% of the Trust's assets at October 1, 1994 and October 2, 1993, respectively.

Multiemployer Pension Plans

In addition to Company sponsored plans, the Company contributes to several union sponsored multiemployer pension plans. The plans are not administered by the Company and contributions are determined in accordance with the provision of negotiated labor contracts. In the event of a plan termination or the Company's withdrawal from a plan, the Company may be liable for a portion of the plan's unfunded vested benefit obligation, if any.

8. EMPLOYEE BENEFIT PLANS--Continued

Defined Contribution Plan

The Company sponsors several defined contribution pension plans covering substantially all its employees. Eligible employees may contribute a portion of their base compensation to the plan and their contributions are matched by the Company at rates specified in the plan.

Retiree Health Care and Life Insurance Benefits

The Company also provides postretirement health care and life insurance benefits to certain employees generally through insurance companies whose premiums are primarily based upon benefits actually paid. Substantially all of the Company's eligible employees may qualify for these benefits if they reach normal retirement age while working for the Company. These benefits are subject to deductibles, copayment provisions and other limitations.

In 1994 the Company adopted FASB Statement No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. The effect of adopting the new rules did not have a material effect on 1994 net periodic postretirement benefit cost. 1993 postretirement benefit cost approximated 1994 amounts.

The following table presents the plan's unfunded status reconciled with amounts recognized in the Company's consolidated balance sheets (in thousands):

	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$ (219,358)	$
Fully eligible active plan participants	(4,883)	
Other active plan participants	(8,188)	
Accumulated postretirement benefit obligation	(232,429)	(222,929)
Unrecognized net (loss)	15,342	
Accrued postretirement benefit cost	$ (217,087)	$ (222,929)

8. EMPLOYEE BENEFIT PLANS--Continued

Net periodic postretirement benefit cost includes the following components (in thousands):

	1994
Service cost	$ 772
Interest cost	1,098
Net periodic postretirement benefit cost	$ 1,870

The weighted - average annual assumed rate of increase in the health care cost trend rate is 13.0% and is assumed to decrease .5% a year to 7.0%. The effect of increasing the assumed health care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation as of October 1, 1994 by approximately $18 million and the aggregate of service and interest components of net periodic postretirement benefit for 1994 by $.2 million.

The weighted - average discount rate used in determining the accumulated post-retirement benefit obligation was 8.5% and 8.17% at October 1, 1994 and October 2, 1993.

9. INCOME TAXES

Effective October 3, 1993, the Company changed its method of accounting for income taxes from the deferred method to the liability method required by FASB Statement No. 109, "Accounting for Income Taxes" (see Note 2--"Accounting Policies"). As permitted under the new rules, prior years' financial statements have been restated.

Significant components of the benefit (provision) for income taxes are as follows (in thousands):

	October 1, 1994	October 2, 1993
Federal		
Current	$ 25,830	$ 31,523
Deferred	(14,709)	(58,665)
State	(2,626)	(1,575)
	$ 8,495	$(28,717)

The 1993 deferred provision includes ($37.9 million) related to a change in the enacted federal tax rate from 34% to 35%.

9. INCOME TAXES--Continued

As of October 1, 1994, the Company has available net operating loss carryforwards of $173 million which are subject to certain limitations of their use and expire in years 1996 through 2008. A valuation allowance of $61 million has been recognized to offset the deferred tax assets related to these carryforwards.

Deferred income taxes reflect the net tax effects of tax attributes and 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 liabilities and assets are as follows (in thousands):

	October 1, 1994	October 2, 1993
Deferred tax liabilities:		
Property, plant and equipment	$1,275,519	$1,286,548
Other	35,773	35,829
Total deferred tax liabilities	1,311,292	1,322,377
Deferred tax assets:		
Environmental and legal obligations	576,299	618,791
Reclamation obligations	10,971	11,088
Post retirement and pension obligations	103,132	104,770
Net operating loss carryforwards	60,550	60,550
Other	57,663	58,556
Total deferred tax assets	808,615	853,755
Valuation allowance for deferred tax assets	381,149	400,495
Net deferred tax assets	427,466	453,260
Net deferred tax liabilities ($23,431 and $12,849 classified in current assets)	$ 883,826	$ 869,117

The Company's effective income tax rate differs from the amount computed by applying the statutory federal income tax rate principally as a result of state income taxes, differences in book and tax depletion, changes in valuation allowance, and during 1993 a change in the enacted tax rate.

Income taxes paid during the fiscal years ended October 1, 1994 and October 2, 1993 were approximately $3.1 million and $2.5 million, respectively.

10. STOCKHOLDERS' EQUITY

Beginning in April 1989, the holders of Series A Cumulative Preferred Stock (preferred stock) are entitled to receive when, as and if declared by the Company, dividends in the mandatory amount of $20,000 per share per annum. The dividends, if declared, are payable quarterly on the first day of January, April, July and October provided that such payment is not prohibited by a loan or other agreement. Dividends on preferred stock begin to accrue and are cumulative as of the issuance date. Dividends paid on preferred stock in an amount less than the total amount of dividends accrued and payable shall be allocated pro-rata on a share-by-share basis among all outstanding shares. Unpaid dividends do not bear interest and the holders of preferred stock do not have any voting rights except as required by law. The preferred shares have preference in liquidation of $100,000 per share plus an amount equal to dividends accrued and unpaid, whether or not declared. The Company also may redeem, at its option and at any time, all or a portion of the outstanding preferred shares at a redemption price of $100,000 per share plus an amount equal to dividends accrued and unpaid, whether or not declared, except as prohibited by a loan or other agreement.

All shares of preferred and common stock are owned indirectly by Beazer, Inc. Dividends may not be paid on common stock while there are dividends in arrears on preferred stock.

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases certain property, plant and equipment for various periods under noncancelable operating leases. The Company's future minimum lease payments under noncancelable operating lease agreements at October 1, 1994 are as follows (in thousands):

Fiscal Year	
1995	$ 8,469
1996	7,771
1997	7,142
1998	6,888
1999	6,856
Thereafter	39,021
	$ 76,147

Rent expense for the fiscal year ended October 1, 1994 and October 2, 1993 amounted to approximately $11 million and $15 million, respectively.

11. COMMITMENTS AND CONTINGENCIES--Continued

Contingencies

Prior to the Hanson acquisition, the Company sold various businesses and entered into agreements whereby the Company remains responsible for certain costs associated with these divested businesses. These costs relate primarily to product liability claims, toxic tort claims, and claims involving alleged breach of contract. In connection with these sold businesses, the Company also has environmental liabilities resulting from soil and groundwater contamination primarily at previously owned or operated facilities and off-site waste disposal facilities. Certain of these facilities are the subject of environmental, administrative or court proceedings by governmental agencies or claims by third parties. Costs associated with these environmental liabilities usually include investigatory and feasibility studies, surface remediation, pumping and treatment of ground water, and monitoring of the affected facility.

As of October 1, 1994 and October 2, 1993, the Company has provided approximately $1,700 million and $1,900 million, respectively, for all of these matters of which approximately $1,600 million and $1,800 million, respectively, is considered noncurrent and is classified with Other long-term liabilities in the consolidated balance sheets. The amounts accrued represent management's best estimate at this time of costs currently expected to be incurred in future years.

In addition, the Company is a defendant or plaintiff in various legal actions which have arisen in the normal course of the Company's ongoing business. It is the opinion of management, based on the advice of legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition.

As of October 1, 1994, the Company also has outstanding surety bonds and standby letters of credit in the amount of $201 million and $56 million, respectively, to secure performance commitments.

12. SUBSEQUENT EVENT

In December 1994 the Company entered into a bond purchase agreement and thereunder issued $25 million of bonds. The bonds are senior unsecured obligations which bear interest at 8.64%, payable semi-annually and mature on December 22, 2000.

ERNST & YOUNG

Continental Plaza III
433 Hackensack Avenue
Hackensack, New Jersey 07601

Phone 201 343 4095

Board of Directors
and Management
Beazer East, Inc.

REPORT OF INDEPENDENT ACCOUNTANTS

At your request, we have read your letter dated December 28, 1992 responding to the financial assurance requirements of the Mississippi Hazardous Waste Management Regulations (Subpart H, Parts 264 and 265) and compared the data which you have specified as derived from the consolidated balance sheet of Beazer East, Inc. as of October 3, 1992, or checked the computation of such specified data using the amounts included in the aforementioned financial statement. In connection with these procedures, no matters came to our attention that caused us to believe that the specified data should be adjusted.

Because the above procedures do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the specified data mentioned above. We have audited Beazer East, Inc.'s consolidated balance sheet in accordance with generally accepted auditing standards and, in our report dated November 9, 1992, expressed an unqualified opinion on such balance sheet as of October 3, 1992, from which the specified data was derived.

Our procedures were performed solely to assist you in complying with the regulations of the Mississippi Hazardous Waste Management Regulations and this letter is not to be used for any other purpose.

Ernst + Young

December 28, 1992

AUDITED CONSOLIDATED BALANCE SHEET

BEAZER EAST, INC.

OCTOBER 3, 1992

ERNST & YOUNG

BEAZER EAST, INC.

CONSOLIDATED BALANCE SHEET

October 3, 1992

ERNST & YOUNG

Continental Plaza III
433 Hackensack Avenue
Hackensack, New Jersey 07601

Phone 201 343 4095

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
and Stockholders of
Beazer East, Inc.

We have audited the accompanying consolidated balance sheet of Beazer East, Inc. (the "Company") as of October 3, 1992. This consolidated balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated balance sheet based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated balance sheet presentation. We believe that our audit of the consolidated balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the consolidated financial position of Beazer East, Inc. at October 3, 1992, in conformity with generally accepted accounting principles.

November 9, 1992

Ernst + Young

BEAZER EAST, INC.
CONSOLIDATED BALANCE SHEET

(In thousands, except share amounts)

	October 3, 1992
Cash and cash equivalents	$ 10,747
Accounts receivable, net of allowance for doubtful accounts of $3,509	99,970
Costs and estimated earnings in excess of billings on long-term contracts	19,709
Inventories	79,167
Other current assets	4,877
TOTAL CURRENT ASSETS	214,470
Property, plant and equipment, net	3,832,775
Prepaid pension cost	118,993
Amount receivable from parent and affiliates	30,590
Other assets	7,349
TOTAL ASSETS	$4,204,177
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current maturities of long-term debt	$ 153
Trade accounts payable	45,609
Other payables and accrued liabilities	170,101
TOTAL CURRENT LIABILITIES	215,863
Long-term debt	636
Amount payable to parent and affiliates	1,217,244
Other long-term liabilities	2,283,263
TOTAL LIABILITIES	3,717,006
STOCKHOLDERS' EQUITY	
Cumulative preferred stock, Series A, no par value; liquidation value of $100,000 per share; 5,000 shares authorized, 2,730 shares issued and outstanding	273,000
Common stock, $1 par value; 5,000 shares authorized, 1,000 shares issued and outstanding	1
Capital in excess of par value	201,690
Retained earnings	12,480
TOTAL STOCKHOLDERS' EQUITY	487,171
Commitments and Contingencies	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,204,177

The accompanying notes are an integral part of this balance sheet.

BEAZER EAST, INC.
NOTES TO CONSOLIDATED BALANCE SHEET

1. BASIS OF PRESENTATION AND DESCRIPTION OF COMPANY

In December 1991, Beazer PLC was acquired by an indirect wholly-owned subsidiary of Hanson PLC ("Hanson"), a company registered in the United Kingdom. In connection with the acquisition, Beazer PLC was restructured and its U.S. operations (Beazer, Inc.) were sold for approximately $900 million to a U.S. holding company of Hanson. Beazer East, Inc. (the "Company") is an indirect, wholly-owned subsidiary of Beazer, Inc.

The acquisition has been accounted for as a purchase and is reflected in the balance sheet in accordance with the requirements of Accounting Principles Board Opinion ("APB") No. 16, Business Combinations. In accordance with APB No. 16, the purchase price was allocated to assets and liabilities of the Company based on estimated fair values at the date of acquisition. Approximately $475 million of the purchase price was allocated to the Company based on the final analysis of net assets acquired.

The Company is involved principally in the production and sale of mineral aggregates and hot-mix asphalt as well as providing related engineering and construction services to regional markets located primarily in the eastern half of the United States.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated balance sheet includes the accounts of the Company and all its wholly owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Cash Equivalents

Cash equivalents represent highly liquid debt instruments purchased by the Company with maturities of three months or less.

Long-term Contracts

Long-term construction contracts are accounted for under the percentage-of-completion method. If estimated total costs on a contract indicate a loss, the entire loss is accrued for in the financial statements immediately.

Inventories

Inventories are stated at the lower of cost or market value. Cost for aggregate inventory is determined using a weighted average method which approximates the first-in, first-out (FIFO) method. Cost for raw materials and supplies is determined using the FIFO method.

Property, Plant and Equipment

Property, plant and equipment were recorded at estimated fair value at the date of acquisition in accordance with APB No. 16. Additions to property, plant and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives which are as follows:

Buildings and improvements	40 years
Machinery and equipment	3-12 years

Aggregate properties are depleted on the basis of units produced.

Pension Plans

The Company has several noncontributory defined benefit pension plans covering substantially all its employees. The Company's funding policy is to contribute amounts to the plans sufficient to meet the funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Company may determine to be appropriate from time to time.

Income Taxes

The Company is included in a consolidated federal income tax return filed by its ultimate parent company in the United States, HM Anglo-American, Ltd. For financial reporting purposes the Company has adopted APB No. 11, Accounting for Income Taxes. Under APB No. 11 a deferred income tax liability is recorded for the tax effect of timing differences arising from income and expense items being reported in different periods for financial reporting and income tax purposes. Deferred income taxes have not been provided for the difference between income for financial reporting and income tax purposes because of the Company's cumulative losses. As of October 3, 1992, the Company has available net operating loss carryforwards of $133 million and $188 million for financial reporting and income tax return purposes, respectively, to reduce future taxable income, if any.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. SFAS No. 109 must be adopted for years beginning after December 15, 1992 and will change the Company's method of accounting for income taxes from the deferred method to an asset and liability approach. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences. The Company has not completed the complex analysis required to estimate the impact of the new standard on the Company and it has not decided when it will implement the new standard.

3. RELATED PARTY TRANSACTIONS

Cash accounts for the Company have been controlled on a centralized basis by a Hanson subsidiary and, accordingly, cash receipts and disbursements have been received or made through a Hanson subsidiary. Cash transactions between or on behalf of the Company and other Hanson subsidiaries are recorded in the balance sheet as Amounts Receivable from or Payable to Parent and Affiliates. The advances are non-interest bearing with no formal repayment terms.

4. ACCOUNTS RECEIVABLE

Accounts receivable at October 3, 1992 consists of the following (in thousands):

Contract receivable:	
- Completed contracts	$ 17,674
- Uncompleted Contacts	21,369
- Retentions	8,804
Total contract receivables	47,847
Aggregate related receivables	52,965
Miscellaneous	2,667
	103,479
Less: Allowance for doubtful amounts	3,509
	$ 99,970

5. COST AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Costs and estimated earnings on uncompleted contracts at October 3, 1992 consists of (in thousands):

Costs and estimated earnings on uncompleted contacts	$426,091
Less: Billings to date	410,452
	$ 15,639
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 19,709
Billings in excess of costs and estimated earnings on uncompleted contracts	(4,070)
	$ 15,639

Billings in excess of costs and estimated earnings on uncompleted contracts are classified with Other Payables and Accrued liabilities in the consolidated balance sheet.

BEAZER EAST, INC.
NOTES TO CONSOLIDATED BALANCE SHEET

6. INVENTORIES

Inventories at October 3, 1992 consist of the following (in thousands):

Raw materials and supplies	$ 16,091
Aggregate inventory	63,076
	$ 79,167

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at October 3, 1992 consist of the following (in thousands):

Depletable aggregate properties	$2,755,504
Leased aggregate properties	721,323
	3,476,827
Land and buildings	160,900
Machinery and equipment	232,288
	393,188
	3,870,015
Less: Accumulated depreciation and depletion	37,240
	$3,832,775

Certain aggregate properties are leased under cancellable long-term agreements which generally include renewal options and minimum royalty provisions.

BEAZER EAST, INC.
NOTES TO CONSOLIDATED BALANCE SHEET

8. LONG-TERM DEBT

Long-term debt at October 3, 1992 consist of (in thousands):

Term loan bearing interest at 10% payable in annual installments through November, 1996	$	677
Term loan bearing interest at 11% payable in monthly installments through June, 2000		112
		789
Less: Current portion		153
	$	636

The Company has granted it lenders security interest in certain of its property, plant and equipment.

Maturities of long-term debt during the five years subsequent to October 3, 1992 are as follows (in thousands):

Fiscal Year		
1993	$	153
1994		168
1995		184
1996		202
1997		35
Thereafter		47
	$	789

9. EMPLOYEE BENEFITS PLANS

Pension Plans

The Company has several noncontributory defined benefit pension plans covering substantially all employees. Benefits for the hourly plans are generally based on the participant's career earnings and service with the Company while benefits for the salary plan are based on final average salary and credited service.

The funded status of the Company's plans and amounts recognized in the consolidated balance sheet at October 3, 1992 are as follows (in thousands):

	Plans Whose Assets Exceed Accumulated Benefits	Plans Whose Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligation:		
Vested benefit obligation	$ 376,991	$ 7,297
Nonvested benefit obligation	13,074	333
Accumulated benefit obligation	$ 390,065	$ 7,630
Plan assets at fair value	$ 533,133	$ 6,859
Projected benefit obligation	(397,397)	(7,642)
Funded Status	135,736	(783)
Unrecognized net gain	(15,943)	(17)
Prepaid (Accrued) pension cost	$ 119,793	$ (800)

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 9% and 5.5%, respectively. The expected long-term rate of return on plan assets is 9%.

The plans' assets are included in the HM Holdings Master Trust (the "Trust"). The Trust invests principally in listed stocks and bonds, including common stock of Hanson which, at market value, comprises 3.8% of the Trust's assets at October 3, 1992.

Multiemployer Pension Plans

In addition to Company sponsored plans, the Company contributes to several union sponsored multiemployer pension plans. The plans are not administered by the Company and contributions are determined in accordance with the provision of negotiated labor contracts. In the event of a plan termination or the Company's withdrawal from a plan, the Company may be liable for a portion of the plan's unfunded vested benefit obligation, if any.

Defined Contribution Plan

The Company sponsors several defined contribution pension plans covering substantially all its employees. Eligible employees may contribute a portion of their base compensation to the plan and their contributions are matched by the Company at rates specified in the plan.

Health Care and Life Insurance Benefits

The Company also provides postretirement health care and life insurance benefits to certain employees generally through insurance companies whose premiums are primarily based upon benefits actually paid. Substantially all of the Company's eligible employees may qualify for these benefits if they reach normal retirement age while working for the Company. These benefits are subject to deductibles, copayment provisions and other limitations. At October 3, 1992, the Company has provided approximately $296 million for such postretirement benefits of which $290 million are considered noncurrent and are classified with Other Long-term Liabilities in the consolidated balance sheet.

In December 1990, the Financial Accounting Standards Board issued SFAS No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions. This new standard requires that the expected cost of these benefits must be charged to expense during the years that the employees render service. The Company is required to adopt the new accounting standard no later than fiscal year 1994, although earlier implementation is permitted. The Company may adopt the new standard prospectively or retroactively but in either case it is not expected to have a material effect on the Company's reported financial position.

10. STOCKHOLDERS' EQUITY

Beginning in April 1989, the holders of Series A Cumulative Preferred Stock (preferred stock) are entitled to receive when, as and if declared by the Company, dividends in the mandatory amount of $20,000 per share per annum. The dividends, if declared, are payable quarterly on the first day of January, April, July and October provided that such payment is not prohibited by a loan or other agreement. Dividends on preferred stock begin to accrue and are cumulative as of the issuance date. Dividends paid on preferred stock in an amount less than the total amount of dividends accrued and payable shall be allocated pro-rata on a share-by-share basis among all outstanding shares. Unpaid dividends do not bear interest and the holders of preferred stock do not have any voting rights except as required by law. The preferred shares have preference in liquidation of $100,000 per share plus an amount equal to dividends accrued and unpaid, whether or not declared. The Company also may redeem, at its option and at any time, all or a portion of the outstanding preferred shares at a redemption price of $100,000 per share plus an amount equal to dividends accrued and unpaid, whether or not declared, except as prohibited by a loan or other agreement. As of October 3, 1992 approximately $5.3 million in dividends have been declared and paid by the Company.

All shares of preferred and common stock are owned indirectly by Hanson. Dividends may not be paid on common stock while there are dividends in arrears on preferred stock.

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases certain property, plant and equipment for various periods under noncancelable operating leases. The Company's future minimum lease payments under noncancelable operating lease agreements at October 3, 1992 are as follows (in thousands):

Fiscal Year	
1993	$ 7,605
1994	8,118
1995	7,869
1996	7,276
1997	6,703
Thereafter	58,462
	$ 96,033

Contingencies

In January, 1992 the Company's stock was pledged as collateral in connection with a credit agreement between its U.S. parent company and a syndicate of banks. The Company and other subsidiaries of the parent company jointly and severally guaranteed repayment of the parent company's borrowings under the credit agreement, and have agreed that each subsidiary would be responsible only for its proportionate share, as defined, of the parent company's borrowings if an event of default occurs. The parent company's borrowings are repayable in semi-annual installments through October 1998. At October 3, 1992, the Company's proportionate share of the parent company's borrowings under the credit agreement amounted to approximately 28% or $1,050 million. The parent company has complied with all terms of the credit agreement as of October 3, 1992.

Prior to the Hanson acquisition, the Company sold various businesses and entered into agreements whereby the Company remains responsible for certain costs associated with these divested businesses. These costs related primarily to product liability claims, toxic tort claims, and claims involving alleged breach of contract. In connection with these sold businesses, the Company also has environmental liabilities resulting from soil and groundwater contamination primarily at previously owned or operated facilities and off-site waste disposal facilities. Certain of these facilities are the subject of environmental administrative or court proceedings by governmental agencies or claims by third parties. Costs associated with these environmental liabilities usually include investigatory and feasibility studies, surface remediation, pumping and treatment of ground water, and monitoring of the affected facility.

As of October 3, 1992, the Company has provided approximately $1,911 million for all of these matters of which $1,800 million is considered noncurrent and is classified with Other Long-term Liabilities in the consolidated balance sheet. The amounts accrued represent management's best estimate at this time of costs currently expected to be incurred in future years.

In addition, the Company is a defendant or plaintiff in various legal actions which have arisen in the normal course of the Company's ongoing business. It is the opinion of management, based on the advice of legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition.

As of October 3, 1992, the Company has outstanding surety bonds and standby letters of credit in the amount of $185 million and $45 million, respectively, to secure performance commitments.

ERNST & YOUNG

Continental Plaza III
433 Hackensack Avenue
Hackensack, New Jersey 07601

Phone 201 343 4095

Board of Directors
and Management
Beazer East, Inc.

REPORT OF INDEPENDENT ACCOUNTANTS

At your request, we have read your letter dated September 25, 1992 responding to the financial assurance requirements of the Mississippi Hazardous Waste Management Regulations (Subpart H, Parts 264 and 265) and compared the data which you have specified as derived from the consolidated balance sheet of Beazer East, Inc. as of June 27, 1992, or checked the computation of such specified data using the amounts included in the aforementioned financial statement. In connection with these procedures, no matters came to our attention that caused us to believe that the specified data should be adjusted.

Because the above procedures do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the specified data mentioned above. We have audited Beazer East, Inc.'s consolidated balance sheet in accordance with generally accepted auditing standards and, in our report dated September 29, 1992, expressed an unqualified opinion on such balance sheet as of June 27, 1992, from which the specified data was derived.

Our procedures were performed solely to assist you in complying with the regulations of the Mississippi Hazardous Waste Management Regulations and this letter is not to be used for any other purpose.

Ernst & Young

September 29, 1992

Beazer

BEAZER EAST, INC., 436 SEVENTH AVENUE, PITTSBURGH, PA 15219

Letter From Chief Financial Officer

September 25, 1992

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39289-0385

Re: Financial Assurance Documents

Dear Sir or Madam:

I am the chief financial officer of Beazer East, Inc., (formerly Koppers Company, Inc.) 436 Seventh Avenue, Pittsburgh, Pennsylvania 15219-1822. This letter is in support of the use of the financial test to demonstrate financial responsibility for liability coverage and closure and/or post-closure care as specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265.

The firm identified above is the owner or operator of the following facilities for which liability coverage for both sudden and nonsudden accidental occurrences is being demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265:

Koppers Industries, Inc.
Grenada Plant
P.O. Box 160
Grenada, Mississippi 38960
MSD 007027543

The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, liability coverage for both sudden and nonsudden accidental occurrences at the following:

None.

September 25, 1992

1. The firm identified above owns or operates the following facilities for which financial assurance for closure or post-closure care or liability coverage is demonstrated through the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility.

Facility and ID Number	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
Koppers Industries, Inc. Grenada Plant P.O. Box 160 Grenada, Mississippi 38960 MSD 007027543	$ 153,836	$ 1,767,617	$ 1,921,453

2. The firm identified above guarantees, through the guarantee specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, the closure and post-closure care or liability coverage of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility:

None

3. In states where DNR is not administering the financial requirements of Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265, this firm is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in Subpart H of the Mississippi Hazardous Waste Management Regulations Parts 264 and 265. The current closure or post-closure cost estimates covered by such a test are shown for each facility:

Facility and ID Number	Current Estimates: Closure Cost	Post-Closure Cost	Total Cost
See Attachment "A" (Includes Mississippi)	$ 5,765,987	$ 29,970,692	$ 35,736,679

4. The firm identified above owns or operates the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanisms specified in Subpart H of 40 CFR Parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility:

   None

5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under 40 CFR Part 144. The current closure cost estimates as required by Mississippi Hazardous Waste Management Regulations Part 144.62 are shown for each facility:

   None

This firm is not required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on June 27. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended June 27, 1992.

September 25, 1992

PART B. LIABILITY COVERAGE AND FINANCIAL ASSURANCE

ALTERNATIVE II

1.	Sum of current closure and post-closure cost estimates (total of all cost estimates listed above.)	$ 35,736,679
2.	Amount of annual aggregate liability coverage to be demonstrated.	$ 28,000,000
3.	Sum of lines 1 and 2.	$ 63,736,679
4.	Current bond rating of most recent issuance and name of rating service	Moody's - Aaa
5.	Date of issuance of bond	November 18, 1977
6.	Date of maturity of bond	August 1, 2007
*7.	Tangible net worth (if any portion of the closure or post-closure cost estimates is included in "total liabilities" on your financial statements you may add that portion to this line)	$ 416,395,000
*8.	Total assets in the U. S. (required only if less than 90 % of assets are located in the U. S.)	Not applicable

	YES	NO
9. Is line 7 at least $10 million ?	X	
10. Is line 7 at least 6 times line 3 ?	X	
*11. Are at least 90 % of assets located in the U. S. ? If not, complete line 12.	X	
12. Is line 8 at least 6 times line 3 ?	Not Applicable	

September 25, 1992

I hereby certify that the wording of this letter is identical to the wording specified in the Mississippi Hazardous Waste Management Regulations 264.151(g) as such regulations were constituted on the date shown immediately below.

Richard A. Graham
Vice President and Chief Financial Officer

September 25, 1992

Attachment

ATTACHMENT A

Facility & Location	1992 Cost Estimates Closure	Post-Closure	Total
Koppers Industries, Inc. Montgomery Plant P.O. Box 510 1451 Louisville Street Montgomery, AL 36101 ALD 004009403	$ 0	$ 1,705,248	$ 1,705,248
Koppers Industries, Inc. Woodward Coke Plant Koppers Drive Dolomite, AL 35601 ALD 000771949	$ 0	$ 2,681,522	$ 2,681,522
Koppers Industries, Inc. Woodward Tar Plant 1835 Koppers Drive Dolomite, AL 35601 ALD 085765808	$ 111,509	$ 552,318	$ 663,827
Koppers Industries, Inc. Little Rock Plant P.O. Box 3231 N. Little Rock, AR 72117 ARD 006344824	$ 0	$ 2,394,048	$ 2,394,048
Koppers Industries, Inc. Feather River Plant P.O. Box 351 Oroville, CA 95965 CAD 009112087	$ 2,147,247	$ 76,272	$ 2,223,519
Koppers Industries, Inc. Denver Plant 465 West 56th Avenue Denver, CO 80216 COD 007077175	$ 252,720	$ 1,356,990	$ 1,609,710

ATTACHMENT A

Facility & Location	1992 Cost Estimates Closure	Post-Closure	Total
Koppers Industries, Inc. Gainesville Plant P.O. Box 1067 Gainesville, FL 32602 FLD 004057535	$ 17,326	$ 0	$ 17,326
Beazer East, Inc. Maui Plant P. O. Box 1650 Maui, Hawaii 96732 HID 059475210	$ 11,345	$ 0	$ 11,345
Koppers Industries, Inc. Carbondale Plant P.O. Box 271 Carbondale, IL 62901 ILD 000819946	$ 1,006,870	$ 5,881,563	$ 6,888,433
Koppers Industries, Inc. Galesburg Plant P.O. Box 1191 Galesburg, IL 61401 ILD 990817991	$ 8,632	$ 0	$ 8,632
Koppers Industries, Inc. Guthrie Plant P.O. Box 8 Guthrie, KY 42234 KYD 006383392	$ 2,866	$ 3,024,351	$ 3,027,217
Koppers Industries, Inc. Grenada Plant P.O. Box 160 Grenada, MS 38960 MSD 007027543	$ 153,836	$ 1,767,617	$ 1,921,453

ATTACHMENT A

Facility & Location	1992 Cost Estimates Closure	Post-Closure	Total
Beazer East, Inc. Kansas City Plant P.O. Box 8057 Kansas City, MO 64129 MOD 007146517	$ 5,575	$ 0	$ 5,575
Koppers Industries, Inc. Port Newark Plant Maritime & Tyler Streets Port Newark, NJ 07114 NJD 000542282	$ 4,700	$ 0	$ 4,700
Beazer East, Inc. Orrville Product Development P.O. Box 905 Orrville, OH 44667 OHD 068911494	$ 26,857	$ 0	$ 26,857
Beazer East, Inc. Parr – West 5151 Denison Avenue Cleveland, OH 44102 OHD 060431947	$ 7,060	$ 0	$ 7,060
Beazer East, Inc. Youngstown Plant P.O. Box 1137 Youngstown, OH 44501 OHD 004198784	$ 270,020	$ 1,344,569	$ 1,614,589
Koppers Industries, Inc. Florence Plant P.O. Box 1725 Florence, SC 29503 SCD 003353026	$ 165,280	$ 1,656,229	$ 1,821,509
Koppers Industries, Inc. Houston Tar Plant P.O. Box 96150 Houston, TX 77015 TXD 008089021	$ 483,671	$ 0	$ 483,671

ATTACHMENT A

Facility & Location		1992 Cost Estimates Closure		Post–Closure		Total
Beazer East, Inc. Richmond Plant 4005 Charles City Road Richmond, VA 23231 VAD 003121977	$	0	$	1,046,985	$	1,046,985
Koppers Industries, Inc. Roanoke Plant 4020 Koppers Road Salem, VA 24153 VAD 003125770	$	790,217	$	564,387	$	1,354,604
Beazer East, Inc. Colliers Landfill P.O. Box M Follansbee, WV 26037 WVD 980707178	$	0	$	1,569,954	$	1,569,954
Koppers Industries, Inc. Follansbee Plant P.O. Box 98 Follansbee, WV 26037 WVD 004336749	$	300,256	$	1,554,487	$	1,854,743
Koppers Industries, Inc. Superior Plant P.O. Box 397 Superior, WI 54880 WID 006179493	$	0	$	2,794,152	$	2,794,152

ATTACHMENT A

Facility & Location	1992 Cost Estimates		
	Closure	Post–Closure	Total

SUMMARY

Total Closure Costs for 1992	$	5,765,987
Total Post–Closure Costs for 1992	$	29,970,692
Total Closure/Post– Closure Costs for 1992	$	35,736,679

Beazer

BEAZER EAST, INC., 436 SEVENTH AVENUE, PITTSBURGH, PA 15219

RECEIVED
OCT - 5 1992
DEQ-OPC

P 070 469 071
Certified Mail
Return Receipt Requested

Haz Waste

September 30, 1992

Executive Director
Mississippi Department of Natural Resources
P. O. Box 10385
Jackson, Mississippi 39209

Dear Sir or Madam:

The enclosed documentation is in support of RCRA Financial Requirements for Beazer East, Inc. (formerly Koppers Company, Inc.) for the latest completed fiscal year, which ended June 27, 1992.

A detailed worksheet is enclosed for each facility. The worksheets list the closure and/or post-closure cost estimates as of June 27, 1992, that are contained in pending or approved closure and/or post-closure plans. Inflation adjustment calculations have been made, as necessary, using the most recent inflation factor available of 1.0360.

Please feel free to contact me by calling (412) 227-2574 or by writing to the above address if you need additional information.

Sincerely yours,

Karen M. Yakelis

Karen M. Yakelis
Controller

Enclosures

CLOSURE/POST – CLOSURE COST ESTIMATE WORKSHEET
For Fiscal Year Ending
June 27, 1992

Mississippi

FACILITY NAME: Koppers Industries, Inc.
Grenada
MSD 007027543

Program Manager: Jim Werling

INFORMATION BASE

Unit / Facility	Closure Plan Submittal Date	Closure Cost Estimate	Post–Closure Cost Estimate
Surface Impoundment	06–08–88		$ 887,250
Less two (2) years Post–Closure Care cost @ $ 29,575 per year.			(59,150)
Adjusted Post–Closure Cost Estimate			$ 828,100
Boiler Ash Landfarm	11–30–87		$ 707,940
Less two (2) years Post–Closure Care cost @ $ 23,598 per year.			(47,196)
Adjusted Post–Closure Cost Estimate			$ 660,744
Waste Piles (1)	06–06–91	$ 148,490	N/A

(1) Regulations covering the material in the soil pile came into effect June 6, 1991. A closure plan has been prepared based on the technical correction to the new regulations, published in July, 1991 Because the technical correction clarified that the soil in the soil pile was, in fact, covered under the new regulations effective prior to the Beazer fiscal year–end, financial assurance is being provided.

CALCULATIONS 1992 Cost Estimates

The Surface Impoundment cost reflects 1988 dollars; the adjusted cost estimate must be inflated to 1992 dollars

Post–Closure

For 1989:	828,100	X	1.0410	$ 862,052	
For 1990:	862,052	X	1.0410	$ 897,396	
For 1991:	897,396	X	1.0410	$ 934,189	
For 1992:	934,189	X	1.0360		$ 967,820

Beazer

BEAZER EAST, INC., 436 SEVENTH AVENUE, PITTSBURGH, PA 15219

BEAZER EAST, INC.

Consolidated Balance Sheet

June 27, 1992

(With Independent Auditor's Report Thereon)

BEAZER EAST, INC.

AUDITED CONSOLIDATED BALANCE SHEET

June 27, 1992

ERNST & YOUNG

Continental Plaza III
433 Hackensack Avenue
Hackensack, New Jersey 07601

Phone 201 343 4095

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
and Stockholders of
Beazer East, Inc.

We have audited the accompanying consolidated balance sheet of Beazer East, Inc. (the "Company") as of June 27, 1992. This consolidated balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated balance sheet based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated balance sheet presentation. We believe that our audit of the consolidated balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the consolidated financial position of Beazer East, Inc. at June 27, 1992, in conformity with generally accepted accounting principles.

Ernst & Young

September 29, 1992

BEAZER EAST, INC.
CONSOLIDATED BALANCE SHEET

(In thousands, except share amounts)

	June 27, 1992
Cash and cash equivalents	$ 10,105
Accounts receivable, net of allowance for doubtful accounts of $4,347	95,132
Inventories	73,011
Other current assets	7,974
TOTAL CURRENT ASSETS	186,222
Property, plant and equipment, net	3,812,575
Prepaid pension cost	120,162
Amount receivable from parent and affiliates	13,189
Other assets	16,606
TOTAL ASSETS	$4,148,754
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current maturities of long-term debt	$ 149
Trade accounts payable	32,584
Other payables and accrued liabilities	148,918
TOTAL CURRENT LIABILITIES	181,651
Long-term debt	675
Amount payable to parent and affiliates	1,179,696
Other long-term liabilities	2,370,337
TOTAL LIABILITIES	3,732,359
STOCKHOLDERS' EQUITY	
Cumulative preferred stock, Series A, no par value; liquidation value of $100,000 per share; 5,000 shares authorized, 2,730 shares issued and outstanding	273,000
Common Stock, $1 par value; 5,000 shares authorized, 1,000 shares issued and outstanding	1
Capital in excess of par value	161,186
Retained Earnings (Deficit)	(17,792)
TOTAL STOCKHOLDERS' EQUITY	416,395
Commitments and Contingencies	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,148,754

The accompanying notes are an integral part of this balance sheet.

BEAZER EAST, INC.
NOTES TO CONSOLIDATED BALANCE SHEET

1. BASIS OF PRESENTATION AND DESCRIPTION OF COMPANY

In November 1991, Beazer PLC was acquired by an indirect wholly-owned subsidiary of Hanson PLC ("Hanson"), a company registered in the United Kingdom. In connection with the acquisition, Beazer PLC was restructured and its U.S. operations (Beazer, Inc.) were sold for approximately $900 million to a U.S. holding company of Hanson. Beazer East, Inc. (the "Company") is a wholly-owned subsidiary of Beazer, Inc.

The acquisition has been accounted for as a purchase and is reflected in the balance sheet in accordance with the requirements of Accounting Principles Board Opinion ("APB") No. 16, Business Combinations. In accordance with APB No. 16, the purchase price was allocated to assets and liabilities based on estimated fair values at the date of acquisition.

The Company is involved principally in the production and sale of mineral aggregates and hot-mix asphalt as well as providing related engineering and construction services to regional markets located primarily in the eastern half of the United States.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated balance sheet includes the accounts of the Company and all its wholly owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Cash Equivalents

Cash equivalents represent highly liquid debt instruments purchased by the Company with maturities of three months or less.

Inventories

Inventories are stated at the lower of cost or market value. Cost for aggregate inventory is determined using a weighted average method which approximates the first-in, first-out (FIFO) method. Cost for raw materials and supplies is determined using the FIFO method.

Property, Plant and Equipment

Property, plant and equipment were recorded at estimated fair value at the date of acquisition in accordance with APB No. 16. Additions to property, plant and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives which are as follows:

Buildings and improvements	40 years
Machinery and equipment	3-12 years

Aggregate properties are depleted on the basis of units produced.

Pension Plans

The Company has several noncontributory defined benefit pension plans covering substantially all its employees. The Company's funding policy is to contribute amounts to the plans sufficient to meet the funding requirements set forth in the Employee Retirement Income Security Act of 1974.

Income Taxes

The Company is included in a consolidated federal income tax return filed by its parent company in the United States, HM Anglo-American, Ltd. For financial reporting purposes the Company has adopted APB No. 11, Accounting for Income Taxes. Under APB No. 11 a deferred income tax liability is recorded for the tax effect of timing differences arising from income and expense items being reported in different periods for financial reporting and income tax purposes. As of June 27, 1992, deferred income taxes have not been provided for the difference between income for financial reporting and income tax purposes because of the Company's cumulative losses.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. SFAS No. 109 must be adopted for years beginning after December 15, 1992 and will change the Company's method of accounting for income taxes from the deferred method to an asset and liability approach. The asset and liability approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences. The Company has not completed the complex analysis required to estimate the impact of the new standard on the Company and it has not decided when it will implement the new standard.

3. RELATED PARTY TRANSACTIONS

Cash accounts for the Company have been controlled on a centralized basis by a Hanson subsidiary and, accordingly, cash receipts and disbursements have been received or made through a Hanson subsidiary. Cash transactions between or on behalf of the Company and other Hanson subsidiaries are recorded in the balance sheet as Amounts Receivable from or Payable to Parent and Affiliates. The advances are non-interest bearing with no formal repayment terms.

The Company also has an outstanding promissory note with its parent company in the amount of approximately $65 million as of June 27, 1992. The note which is scheduled to mature in September 1992 will be refinanced with the parent company or another affiliate. The intercompany note is included in Amounts Payable to Parent and Affiliates in the balance sheet.

4. INVENTORIES

Inventories at June 27, 1992 consist of the following (in thousands):

Raw materials and supplies	$ 15,903
Aggregate inventory	57,108
	$ 73,011

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 27, 1992 consist of the following (in thousands):

Depletable aggregate properties	$2,792,264
Leased aggregate properties	634,653
	3,426,917
Land and buildings	182,061
Machinery and equipment	228,447
	410,508
	3,837,425
Less: Accumulated depreciation and depletion	24,850
	$3,812,575

Certain aggregate properties are leased under cancellable long-term agreements which generally include renewal options and minimum royalty provisions.

6. LONG-TERM DEBT

Long-term debt at June 27, 1992 consist of (in thousands):

Term loan bearing interest at 10% payable in annual installments through November, 1996	$ 710
Term loan bearing interest at 11% payable in monthly installments through June, 2000	114
	824
Less: Current portion	149
	$ 675

The Company has granted it lenders security interest in certain of its property, plant and equipment.

Maturities of long-term debt during the five years subsequent to June 27, 1992 are as follows (in thousands):

Fiscal Year	
1993	$ 149
1994	164
1995	180
1996	197
1997	85
Thereafter	49
	$ 824

7. EMPLOYEE BENEFITS PLANS

Pension Plans

The Company has several noncontributory defined benefit pension plans covering substantially all employees. The Company's funding policy is to contribute amounts to the plans sufficient to meet the funding requirements set forth in the Employee Retirement Income Security Act of 1974. Benefits for the hourly plans are generally based on the participant's career earnings and service with the Company while benefits for the salary plan are based on final average salary and credited service.

The funded status of the Company's plans and amounts recognized in the consolidated balance sheet at June 27, 1992 are as follows (in thousands):

	Plans Whose Assets Exceed Accumulated Benefits	Plans Whose Accumulated Benefits Exceed Assets
Actuarial present value of benefit obligation:		
Vested benefit obligation	$ 377,738	$ 6,760
Nonvested benefit obligation	12,993	298
Accumulated benefit obligation	$ 390,731	$ 7,058
Plan assets at fair value	$ 531,456	$ 6,282
Projected benefit obligation	(397,794)	(7,058)
Funded Status	133,662	(776)
Unrecognized net gain	(12,577)	(137)
Prepaid (Accrued) pension cost	$ 121,085	$ (923)

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations were 9% and 5.5%, respectively. The expected long-term rate of return on plan assets is 9%.

The plans' assets are included in the HM Holdings Master Trust (the "Trust"). The Trust invests principally in listed stocks and bonds, including common stock of Hanson which, at market value, comprises 3.9% of the Trust's assets at June 27, 1992.

Multiemployer Pension Plans

In addition to Company sponsored plans, the Company contributes to several union sponsored multiemployer pension plans. The plans are not administered by the Company and contributions are determined in accordance with the provision of negotiated labor contracts. In the event of a plan termination or the Company's withdrawal from a plan, the Company may be liable for a portion of the plan's unfunded vested benefit obligation, if any.

Defined Contribution Plan

The Company sponsors several defined contribution pension plans covering substantially all its employees. Eligible employees may contribute a portion of their base compensation to the plan and their contributions are matched by the Company at rates specified in the plan. As of June 27, 1992, the Company has provided approximately $2 million for such benefits.

Health Care and Life Insurance Benefits

The Company also provides postretirement health care and life insurance benefits to certain employees generally through insurance companies whose premiums are primarily based upon benefits actually paid. Substantially all of the Company's eligible employees may qualify for these benefits if they reach normal retirement age while working for the Company. These benefits are subject to deductibles, copayment provisions and other limitations. At June 27, 1992, the Company has provided approximately $298 million for such postretirement benefits of which $291 million are considered noncurrent and are classified with Other Long-term Liabilities in the consolidated balance sheet.

In December 1990, the Financial Accounting Standards Board issued SFAS No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions. This new standard requires that the expected cost of these benefits must be charged to expense during the years that the employees render service. The Company is required to adopt the new accounting standard no later than fiscal year 1994, although earlier implementation is permitted. The Company may adopt the new standard prospectively or retroactively but in either case it is not expected to have a material effect on the Company's reported financial position.

8. STOCKHOLDERS' EQUITY

Effective April 1989, the holders of Series A Cumulative Preferred Stock (preferred stock) are entitled to receive when, as and if declared by the Company, dividends in the mandatory amount of $20,000 per share per annum. The dividends, if declared, are payable quarterly on the first day of January, April, July and October provided that such payment is not prohibited by a loan or other agreement. Dividends on preferred stock begin to accrue and are cumulative as of their issuance date. Dividends paid on preferred stock in an amount less than the total amount of dividends accrued and payable shall be allocated pro-rata on a share-by-share basis among all outstanding shares. Unpaid dividends do not bear interest and the holders of preferred stock do not have any voting rights except as required by law. The preferred shares have preference in liquidation of $100,000 per share plus an amount equal to dividends accrued and unpaid, whether or not declared. The Company also may redeem, at its option and at any time, all or a portion of the outstanding preferred shares at a redemption price of $100,000 per share plus an amount equal to dividends accrued and unpaid, whether or not declared, except as prohibited by a loan or other agreement. As of June 27, 1992 approximately $5.3 million in dividends have been declared and paid by the Company.

All shares of preferred and common stock are owned indirectly by Hanson. Dividends may not be paid on common stock while there are dividends in arrears on preferred stock.

9. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases certain property, plant and equipment for various periods under noncancelable operating leases. The Company's future minimum lease payments under noncancelable operating lease agreements at June 27, 1992 are as follows (in thousands):

Fiscal Year	
1993	$ 8,912
1994	8,087
1995	7,698
1996	7,302
1997	6,792
Thereafter	59,585
	$ 98,376

Contingencies

In January, 1992 the Company's stock was pledged as collateral in connection with a credit agreement between its U.S. parent company and a syndicate of banks. The Company and other subsidiaries of the parent company jointly and severally guaranteed repayment of the parent company's borrowings under the credit agreement, and have agreed that each subsidiary would be responsible only for its proportionate share, as defined, of the parent company's borrowings if an event of default occurs. At June 27, 1992, the Company's proportionate share of the parent company's borrowings under the credit agreement amounted to approximately 25% or $960 million. The parent company has complied with all terms of the credit agreement as of June 27, 1992.

Prior to the Hanson acquisition, the Company sold various businesses and entered into agreements whereby the Company remains responsible for certain costs associated with these divested businesses. These costs related primarily to product warranty claims, toxic tort claims, and claims involving alleged breach of contract. In connection with these sold businesses, the Company also has environmental liabilities resulting from soil, surface water and groundwater contamination primarily at previously owned or operated facilities and off-site waste disposal facilities. Certain of these facilities are the subject of environmental administrative or court proceedings by governmental agencies or claims by third parties. Costs associated with these environmental liabilities usually include feasibility studies, surface remediation, pumping and treatment of ground water, and monitoring of the affected facility.

As of June 27, 1992, the Company has provided approximately $1,943 million for all of these matters of which $1,851 million is considered noncurrent and is classified with Other Long-term Liabilities in the consolidated balance sheet. The amounts accrued represent management's best estimate at this time of costs currently expected to be incurred in future years.

In addition, the Company is a defendant or plaintiff in various legal actions which have arisen in the normal course of the Company's ongoing business. It is the opinion of management, based on the advice of legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition.

The Company also has outstanding standby letters of credit in the amount of $46 million at June 27, 1992.