

Additional Description of Koppers Business

Pending Legal Proceedings

The Company has received a number of notices and citations from local and Federal agencies alleging violation of health standards and of air and water pollution control laws and regulations. Most of the citations have been settled by conciliation and, in some cases, by payment of small fines. Negotiations are in process at several plants for permits or variances from various effluent control programs or for agreements concerning health standards.

Tyco Laboratories, Inc. has initiated a lawsuit in the Federal District Court in Milwaukee, Wisconsin against Koppers and the directors of Cutler-Hammer, Inc. Among those named is Edmund B. Fitzgerald, who is chairman of Cutler-Hammer, vice chairman of the Board of Directors of Eaton Corporation and a director of Koppers. In that lawsuit, Tyco filed an amended complaint on November 6, 1978 alleging 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. Tyco asserts that this alleged conduct caused it to suffer monetary damages in connection with its purchase and ultimate sale of its interest in Cutler-Hammer. Tyco's amended complaint further sets forth a class action alleging that the same parties unlawfully conspired to issue Cutler-Hammer preferred stock to Koppers for inadequate consideration, and that this had the effect of diluting the value of the Cutler-Hammer common stock owned or controlled by Tyco and others similarly situated. Koppers management holds the view that this litigation, which is in the discovery stage, will not result in any material liability to Koppers.

On May 2, 1978, Koppers entered into an agreement regarding its St. Paul, Minnesota coke plant with the Minnesota Pollution Control Agency (MPCA). Under that agreement, Koppers will take interim pollution abatement measures pending the permanent shutdown of the plant, which will occur no later than April 1, 1981. (The St. Paul coke plant is the oldest such operated by Koppers, which is of the view that shutdown will not have any material adverse effect upon its operations or financial condition. Koppers has recently purchased a coke plant in Toledo, Ohio with production capacity substantially equivalent to that of the St. Paul plant.) As a part of the agreement with MPCA, Koppers agreed to pay a \$63,000

civil penalty for alleged past violations of the applicable air pollution control code and a \$1,000-a-day penalty for any violations that may occur in the future, and further agreed to a schedule for quarterly "delayed compliance" penalties beginning on July 1, 1979 should they be necessary. A \$4,000,000 letter of credit has been delivered to MPCA, subject to forfeit if the St. Paul plant is not shut down by the date agreed upon. The U.S. Environmental Protection Agency (EPA) has expressed dissatisfaction with the agreement on the basis of its opinion that, under the Clean Air Act Amendments of 1977, a facility must be on a compliance schedule or shut down no later than July, 1979. EPA therefore regards as unacceptable noncompliance of the St. Paul plant beyond that date. Koppers is currently negotiating with both agencies to resolve the conflict.

Commencing in 1976 and continuing into 1978, a total of 23 women have filed five different lawsuits 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. Such lawsuits have been filed in The Court of Common Pleas of Allegheny County, Pennsylvania. Koppers is being charged with negligence for improper design of the ovens and for failure to warn the plaintiffs of risks inherent in working on or about the ovens, with breach of express and implied warranties that the ovens were fit to work on, and with absolute liability in tort. Both compensatory and punitive damages are sought. Koppers insurance carrier is defending the suits with reservations of coverage. Koppers believes that it has valid defenses to these claims (particularly since Koppers never operated the ovens) or, alternatively, that it has insurance coverage.

Properties

The Company has 279 operating locations, as follows: Organic Materials, 40; Road Materials, 139; Forest Products, 87; and Engineered Metal Products, 13. Engineering, drafting, estimating, procurement and scheduling personnel for the Engineering and Construction business segment are headquartered in Pittsburgh, Pennsylvania. Field forces are employed as required for particular projects.